

**SOAH DOCKET NO. 473-19-6677  
DOCKET NO. 49831**

**APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE  
PUBLIC SERVICE COMPANY FOR § OF  
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS**

**UPDATE TESTIMONY  
*of*  
STEPHEN J. BROWN**

*on behalf of*

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

*(Filename: BrownRRUpdate.docx; Total Pages: 21)*

**Table of Contents<sup>1</sup>**

GLOSSARY OF ACRONYMS AND DEFINED TERMS.....	3
LIST OF ATTACHMENTS .....	4
I. WITNESS IDENTIFICATION .....	5
II. ASSIGNMENT AND SUMMARY OF TESTIMONY AND RECOMMENDATIONS.....	6
III. UPDATED AFFILIATE EXPENSES FOR THE ENTERPRISE SECURITY CLASS OF SERVICES .....	9
A. SUMMARY OF AFFILIATE EXPENSES FOR THE ENTERPRISE SECURITY CLASS OF SERVICES .....	9
C. THE ENTERPRISE SECURITY CLASS OF SERVICES ARE PROVIDED AT A REASONABLE COST.....	11
1. ADDITIONAL EVIDENCE .....	11
3. COST TRENDS.....	12
4. STAFFING TRENDS.....	12
D. THE COSTS FOR THE ENTERPRISE SECURITY CLASS OF SERVICES ARE PRICED IN A FAIR MANNER.....	13
IX. PHYSICAL SECURITY SERVICES CAPITAL ADDITIONS.....	14
B. PHYSICAL SECURITY-RELATED CAPITAL PROJECTS PLACED IN SERVICE BETWEEN APRIL 1, 2019 AND JUNE 30, 2019.....	14
AFFIDAVIT .....	15
CERTIFICATE OF SERVICE .....	16

---

<sup>1</sup> For ease of cross-referencing this update testimony with the original direct testimony filed on August 8, 2019, the sections and subsections in this update testimony correspond with the original sections and subsections in the original direct testimony.

TESTIMONY ATTACHMENTS:

Attachment SJB-RR-U3 ( <i>filename: SJB-RR-U3.xlsx</i> ).....	17
Attachment SJB-RR-UA ( <i>filename: SJB-RR-UABCD.xlsx</i> ).....	18
Attachment SJB-RR-UB(CD) ( <i>filename: SJB-RR-UABCD.xlsx</i> ).....	19
Attachment SJB-RR-UC ( <i>filename: SJB-RR-UABCD.xlsx</i> ).....	20
Attachment SJB-RR-UD ( <i>filename: SJB-RR-UABCD.xlsx</i> ).....	21

## **GLOSSARY OF ACRONYMS AND DEFINED TERMS**

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
SPS	Southwestern Public Service Company, a New Mexico corporation
Total Company or total company	Total SPS (before any jurisdictional allocation)
Update Period	April 1, 2019 through June 30, 2019
Updated Test Year	July 1, 2018 through June 30, 2019
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

## LIST OF ATTACHMENTS

<b><u>Attachment</u></b>	<b><u>Description</u></b>
SJB-RR-U3	Physical Security Capital Additions for April 1, 2019 through June 30, 2019 (Filename: SJB-RR-U3.xlsx)
SJB-RR-UA (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Billing Method (Filename: SJB-RR-UABCD.xlsx)
SJB-RR-UB(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method, and FERC Account (Filename: SJB-RR-UABCD.xlsx)
SJB-RR-UC (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account (Filename: SJB-RR-UABCD.xlsx)
SJB-RR-UD (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account (Filename: SJB-RR-UABCD.xlsx)

**UPDATE TESTIMONY  
OF  
STEPHEN J. BROWN**

1                                   **I.    WITNESS IDENTIFICATION**

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

3    A.    My name is Stephen J. Brown. My business address is 414 Nicollet Mall,  
4           Minneapolis, Minnesota 55401.

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

6    A.    I am employed by Xcel Energy Services Inc. (“XES”) as Chief Security Officer  
7           and Vice President.

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

9    A.    I am filing testimony on behalf of Southwestern Public Service Company, a New  
10          Mexico corporation (“SPS”).

11   **Q.    Are you the same Stephen J. Brown who filed direct testimony on behalf of**  
12          **SPS in this docket?**

13   A.    Yes.

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

3   **Q.     What is your assignment in this update testimony?**

4   A.     As explained in SPS's direct testimony, SPS is using an Updated Test Year in this  
5           case. The Updated Test Year is the period from July 1, 2018 through June 30,  
6           2019. Because of the timing of the filing of this case, certain costs for the period  
7           from April 1, 2019 through June 30, 2019 ("Update Period") in my direct  
8           testimony were estimated. My assignment in this update testimony is to replace  
9           those estimated costs with actual costs. The result of this update is that the  
10          Updated Test Year now consists of only actual information, and no estimates. For  
11          ease of cross-referencing this update testimony with my direct testimony filed on  
12          August 8, 2019, the sections and subsections in this update testimony correspond  
13          with the original sections and subsections in my direct testimony.

14                 Regarding the Enterprise Security affiliate costs I support, my direct  
15                 testimony provided actual figures for April and May 2019 and estimated figures  
16                 for June 2019 based on the forecasted budget. In this testimony, I replace the  
17                 June 2019 estimates with actuals. In addition, the April through June 2019  
18                 expenses have now gone through the full pro forma adjustment review process.  
19                 Thus, I provide updated figures for those Update Period expenses. My update  
20                 testimony includes Attachments SJB-RR-UA through SJB-RR-UD in support of  
21                 the Enterprise Security affiliate costs I support.

22                 With respect to the Physical Security capital costs (and related affiliate  
23                 expense) that I support, I provide actual costs for projects placed in service during  
24                 the Update Period in my Attachment SJB-RR-U3.

1   **Q.    Please summarize your update testimony and recommendations.**

2    A.    *Affiliate* Costs – The estimated Updated Test Year costs for the services of the  
3           Enterprise Security affiliate class that SPS sought to recover were \$3,491,794  
4           (total SPS before jurisdictional allocations, or “total company”). The actual  
5           Updated Test Year costs for the services of the Enterprise Security affiliate class  
6           that SPS seeks to recover are \$3,573,422. Please refer to Attachments SJB-RR-  
7           UA through SJB-RR-UD. In addition to providing updated SPS numbers, those  
8           attachments also reflect the total updated XES class expenses for the Enterprise  
9           Security affiliate class. The actual costs are reasonable and necessary for the  
10          reasons provided in my direct testimony and this testimony.

11       *Capital Costs* – The amounts included in Attachment SJB-RR-U3 represent the  
12       actual total company costs for the Physical Security-related capital projects,  
13       including affiliate costs. For the reasons provided in my direct testimony and  
14       Attachment SJB-RR-U3, the costs included in Attachment SJB-RR-U3 are  
15       reasonable, necessary, and prudently incurred.

16   **Q.    Were Attachments SJB-RR-U3 and SJB-RR-UA through SJB-RR-UD**  
17   **prepared by you or under your direct supervision and control?**

18    A.    Yes, as to the project descriptions in Attachment SJB-RR-U3. Attachment SJB-  
19           RR-U3 and the cost information contained in Attachment SJB-RR-U3 were  
20           prepared by SPS Witness Mark P. Moeller and his staff. My staff and I have  
21           reviewed these attachments, and I believe them to be accurate. Attachments SJB-  
22           RR-UA through SJB-RR-UD were prepared as described by SPS witness Melissa  
23           L. Schmidt. My staff and I have reviewed these attachments and I believe them to

1           be accurate. Although the information I have described is also present in the  
2           attachments of these witnesses, I have presented this information in the  
3           attachments to my update testimony for the convenience of those reviewing it.



**III. UPDATED AFFILIATE EXPENSES FOR THE ENTERPRISE SECURITY CLASS OF SERVICES**

**A. Summary of Affiliate Expenses for the Enterprise Security Class of Services**

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

**A.** The following table summarizes the dollar amount of the actual Updated Test Year XES charges for the Enterprise Security affiliate class.

**Table SJB-RR-U1**

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Enterprise Security	\$26,074,311	\$3,573,422	19%	81%

Total XES Class Expenses

Dollar amount of total Updated Test Year expenses that XES charged to all Xcel Energy Inc. ("Xcel Energy") companies for the services provided by this affiliate class. This is the amount from Column E in Attachment SJB-RR-UA.

Requested Amount of XES Class Expenses Billed to SPS (Total Company)

Requested dollar amount of XES expenses to SPS (total company) for this affiliate class after exclusions and pro forma adjustments. This is the amount from Column K in Attachment SJB-RR-UA.

% Direct Billed

The percentage of SPS's requested XES expenses (total company) for this class that were billed 100% to SPS.

% Allocated

The percentage of SPS's requested XES expenses (total company) for this class that were allocated to SPS.

1   **Q.   Please describe the updated attachments that support the information**  
2       **provided on Table SJB-RR-U1.**

3   A.   Attachments SJB -RR-UA through SJB-RR-UD present the updated information  
4       about the requested SPS affiliate expenses for the Enterprise Security affiliate  
5       class. The detailed descriptions for Attachments SJB-RR-A through SJB-RR-D  
6       that were provided in my direct testimony remain applicable to these updated  
7       attachments.

8   **Q.   Are there updated exclusions for the Enterprise Security affiliate class?**

9   A.   Yes. The actual exclusions are provided on Attachment SJB-RR-UC.

10  **Q.   Are there updated pro forma adjustments to SPS's per book expenses for the**  
11       **Enterprise Security affiliate class?**

12  A.   Yes. As I mentioned in my direct testimony, pro forma adjustments are revisions  
13       to Updated Test Year expenses *for* known and measurable changes. Pro forma  
14       adjustments are shown on Attachment SJB-RR-UA, Column J, and on  
15       Attachment SJB-RR-UB, Column M. The details for the pro forma adjustments,  
16       including the witness or witnesses who sponsor each pro forma adjustment, are  
17       provided in Attachment SJB-RR-UD.

18  **Q.   Attachment SJB-RR-UD shows that you sponsor pro forma adjustments for**  
19       **expenses for the Enterprise Security affiliate class during the Updated Test**  
20       **Year that result in a net decrease for the Enterprise Security affiliate class of**  
21       **\$11,175.24. Please explain the adjustments.**

22  A.   The adjustments that I sponsor remove charges for life events (a decrease of  
23       \$63.22); remove charges for recognition (a decrease of \$57.95); remove charges

1 for alcohol (a decrease of \$1,763.17); remove charges for foreign travel (a  
2 decrease of \$1,817.75); and remove charges for costs not benefitting SPS (a  
3 decrease of \$7,473.13).

4 **C. The Enterprise Security Class of Services are Provided at a**  
5 **Reasonable Cost**

6 **Q. What is the purpose of this section of your update testimony?**

7 A. In this section of my direct testimony, several numbers were based on estimates  
8 for the Update Period. In this update testimony, I replace those estimates with  
9 actual numbers, and explain that the actual costs for the Enterprise Security  
10 affiliate class are reasonable.

11 *I. Additional Evidence*

12 **Q. Is there additional support for a portion of the expenses that you present in**  
13 **this testimony?**

14 A. Yes. Of the Updated Test Year costs for the Enterprise Security class, 61.58% are  
15 compensation and benefits costs for XES personnel. SPS witnesses Michael T.  
16 Knoll and Richard R. Schrubbe establish that the level of Xcel Energy's  
17 compensation and benefits is reasonable and necessary. In addition, over 30% of  
18 the costs for this class were for goods or services procured by contract. Xcel  
19 Energy's Supply Chain organization is responsible for the sourcing and  
20 purchasing of good and services needed by SPS, as well as the review and  
21 processing of payments by vendors. SPS witness Gary J. O'Hara provides  
22 testimony about these functions and demonstrates that the Supply Chain processes  
23 and controls produce reasonable costs supporting SPS's operations.

1

2

6

10

11

## 12

12

15

1

**Table SJB-RR-U3**

	Average of End of Month # of Staff				
Class of Services	2016	2017	2018	Updated Test Year (Estimated)	Updated Test Year (Actual)
Enterprise Security	50	87	123	131	135

2 **Q. Has the trend in average end of month staff between 2018 and the Updated**  
3 **Test Year changed with the replacement of the estimated headcount with the**  
4 **actual headcount?**

5 A. Yes. The average headcount is slightly higher than the estimated headcount.  
6 However, the reasoning for the increased headcount remains the same.

7 **D. The Costs for the Enterprise Security Class of Services are Priced**  
8 **in a Fair Manner**

9 **Q. Have any of the predominant allocation methods for the Enterprise Security**  
10 **affiliate operation and maintenance expenses changed?**

11 A. No. The predominant allocation methods have remained the same, but the  
12 percentages and amounts have changed as follows:

13

**Table SJB-RR-U4**

Allocation Method	Estimated Percentage of XES Charges to SPS/Amount Requested (total company) in Direct Testimony	Actual Percentage of XES Charges to SPS/Amount Requested (total company) in Update Filing
Assets, Revenues, Number of Employees	59.67% / \$2,083,465.84	58.54% / \$2,091,730.51
Number of Employees	22.85% / \$797,843.92	22.46% / \$802,665.99
Direct Billing	17.52% / \$611,730.82	19.00% / 679,025.83

1           **IX.    PHYSICAL SECURITY SERVICES CAPITAL ADDITIONS**

2   **B.   Physical Security-Related Capital Projects Placed in Service**  
3   **between April 1, 2019 and June 30, 2019**  
4

5   **Q.   Has SPS updated the Physical Security-related capital costs for projects**  
6   **placed in service between April 1, 2019 and June 30, 2019?**

7   A.   Yes. SPS seeks to include in rate base the cost of capital additions placed in  
8       service during the Update Period, and included estimated costs for those capital  
9       additions expected to be placed in service during the Update Period in direct  
10      testimony. Attachment SJB-RR-U3 provides SPS's actual total company costs  
11      for the Physical Security-related capital projects, including affiliate costs. For the  
12      reasons provided in my direct testimony and Attachment SJB-RR-U3, the costs  
13      included in Attachment SJB-RR-U3 are reasonable, necessary, and prudently  
14      incurred.

15   **Q.   Does this conclude your pre-filed update testimony?**

16   A.   Yes.

**AFFIDAVIT**

STATE OF MINNESOTA )

COUNTY OF HENNEPIN )

STEPHEN J. BROWN, first being sworn on his oath, states:

I am the witness identified in the preceding Update Testimony. I have read the Update Testimony and the accompanying attachment(s) and am familiar with the contents. Based upon my personal knowledge, the facts stated in the testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the Update Testimony are true, valid, and accurate.

  
STEPHEN J. BROWN

Subscribed and sworn to before me this 10<sup>th</sup> day of September, 2019 by STEPHEN J. BROWN.



  
Notary Public, State of Minnesota

My Commission Expires: 10<sup>th</sup> Sept. 2019

### **CERTIFICATE OF SERVICE**

I certify that on the 20<sup>th</sup> day of September 2019, a true and correct copy of the foregoing update testimony was served on all parties of record by electronic service and by either hand delivery, Federal Express, regular first class mail, certified mail, or facsimile transmission.

A handwritten signature in blue ink is written over a horizontal line. The signature is stylized, appearing to be the initials 'JS' followed by a long, sweeping horizontal stroke.



Southwestern Public Service Company

Physical Security Capital Additions - Actual  
April 1, 2019 through June 30, 2019

(A) Line No.	(B) Asset Class	(C) Witness	(D) Project Category	(E-i) Additions to Plant-in-Service (April 2019-June 2019)	(E-ii) XES Charges (Included in Column D)	(E-iii) Other Affiliate Charges (Included in Column D)	(E-iii) Total Affiliate Charges (Included in Column D)	(F) Project Description
1	Electric General	Brown	Security - Controls & Monitoring	\$ 1,109,675.58	\$ 1,715.55	\$ -	\$ 1,715.55	This project includes costs for: 1) the Transmission Substation Hardening project to meet requirements for CIP-014, Physical Security of substations and critical control centers; and- 2) the Camera Refresh projects to remove outdated Analog/Digital cameras with IP Cameras.
2	Electric General	Brown	Security - Controls & Monitoring	197,662.95	448.52	-	448.52	This project includes costs for the AMAG Panel Refresh Project, which consists of replacement of access control panels that are no longer supported by the manufacturer and have surpassed their shelf and use life as a security system.
3	<b>Total Electric General</b>			<b>\$ 1,307,338.53</b>	<b>\$ 2,164.07</b>	<b>\$ -</b>	<b>\$ 2,164.07</b>	
4	<b>Grand Total</b>			<b>\$ 1,307,338.53</b>	<b>\$ 2,164.07</b>	<b>\$ -</b>	<b>\$ 2,164.07</b>	

**Summary of XES Expenses to SPS by Affiliate Class and Billing Method  
For Twelve Months ended June 30, 2019  
Brown**

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to All Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Formas	(K) Requested Amount (Total Company)	(L) % of Class Charges
1	Enterprise Security	Direct		\$ 3,480,997.14	\$ 2,801,970.54	\$ 679,026.60	\$ -	\$ 679,026.60	\$ (0.77)	\$ 679,025.83	19.00%
2	Enterprise Security	200165 - PeopleSoft	Number of Employees	5,713,304.05	4,892,214.69	821,089.36	-	821,089.36	(18,423.37)	802,665.99	22.46%
3	Enterprise Security	200074 - Corporate Systems - Corporate Governance	Assets/Revenue/No. of employees	16,880,009.66	14,701,743.38	2,178,266.28	(1,974.97)	2,176,291.31	(84,560.80)	2,091,730.51	58.54%
4	<b>Enterprise Security Total</b>			<b>\$ 26,074,310.85</b>	<b>\$ 22,395,928.61</b>	<b>\$ 3,678,382.24</b>	<b>\$ (1,974.97)</b>	<b>\$ 3,676,407.27</b>	<b>\$ (102,984.94)</b>	<b>\$ 3,573,422.32</b>	<b>100.00%</b>
5	<b>Total Witness - Steve Brown</b>			<b>\$ 26,074,310.85</b>	<b>\$ 22,395,928.61</b>	<b>\$ 3,678,382.24</b>	<b>\$ (1,974.97)</b>	<b>\$ 3,676,407.27</b>	<b>\$ (102,984.94)</b>	<b>\$ 3,573,422.32</b>	
	Amounts may not add or tie to other schedules due to rounding										

**Southwestern Public Service Company**

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

**Stephen J. Brown**

**SOAH Docket No. 473-19-6677**

**Docket No. 49831**

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

---

**SJB-RR-UB(CD)**

**Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account  
For Twelve Months ended June 30, 2019  
Brown**

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Exclusions	(E) Exclusions (Total Company)
1	Enterprise Security	426.1 - Donations	Below the Line	\$ (1,364.90)
2	Enterprise Security	426.5 - Other Deductions	Below the Line	(610.07)
3	<b>Enterprise Security Total</b>			<b>\$ (1,974.97)</b>
4	<b>Total Witness - Steve Brown</b>			<b>\$ (1,974.97)</b>
	Amounts may not add or tie to other schedules due to rounding			

**Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account  
For Twelve Months ended June 30, 2019  
Brown**

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
1	Enterprise Security	920 - Administrative and general salaries	223.62% Incentive	Arthur Freitas/Michael Knoll	\$ (116,802.53)
2	Enterprise Security	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	43,943.71
3	Enterprise Security	921 - Office supplies and expenses	Business Area Adjustment	Steve Brown	(11,175.24)
4	Enterprise Security	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(18,950.89)
5	<b>Enterprise Security Total</b>				<b>\$ (102,984.94)</b>
6	<b>Total Witness - Steve Brown</b>				<b>\$ (102,984.94)</b>
	Amounts may not add or tie to other schedules due to rounding				