

DOCKET NO. _____

APPLICATION OF SOUTHWESTERN § PUBLIC UTILITY COMMISSION
PUBLIC SERVICE COMPANY FOR §
AUTHORITY TO CHANGE RATES § OF TEXAS

DIRECT TESTIMONY
of
LAWRENCE A. BICK

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: BickRRDirect.doc)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
A&G	Administrative and General
EEO	equal employment opportunity
FERC	Federal Energy Regulatory Commission
IFMA	International Facilities Management Association
LED	Light Emitting Diode
MWH	megawatt hour
Native SPS Costs	Costs directly incurred by SPS
O&M	Operation and maintenance
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
OSHA	Occupational Safety and Health Administration
SPS	Southwestern Public Service Company, a New Mexico corporation
TAC	Texas Administrative Code
Test Year	April 1, 2018 through March 31, 2019
Total Company or total company	Total SPS (before any jurisdictional allocations)
Update Period	April 1, 2019 through June 30, 2019
Updated Test Year	July 1, 2018 through June 30, 2019
WBS	Work Breakdown Structure
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

LAB-RR-1	Human Resources and Employee Services Chart (<i>Non-native format</i>)
LAB-RR-2	OSHA Statistics (<i>Filename: LAB-RR-2.xlsx</i>)
LAB-RR-3	Property Services Capital Additions for July 1, 2017 through March 31, 2019 (<i>Filename: LAB-RR-3.xlsx</i>)
LAB-RR-4	Property Services Capital Additions for April 1, 2019 through June 30, 2019 (<i>Filename: LAB-RR-4.xlsx</i>)
LAB-RR-5	SPS Administrative and General Rents and Maintenance of General Plant Expenses (<i>Filename: LAB-RR-5.xlsx</i>)
LAB-RR-A (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Billing Method (<i>Filename: LAB-RR-ABCD.xlsx</i>)
LAB-RR-B(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method, and FERC Account (<i>Filename: LAB-RR-ABCD.xlsx</i>)
LAB-RR-C (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account (<i>Filename: LAB-RR-ABCD.xlsx</i>)
LAB-RR-D (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account (<i>Filename: LAB-RR-ABCD.xlsx</i>)

**DIRECT TESTIMONY
OF
LAWRENCE A. BICK**

1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3 A. My name is Lawrence A. Bick. My business address is 414 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 Director, Property and Aviation Services.

12 **Q. Please briefly outline your responsibilities as Senior Director, Property and**
13 **Aviation Services.**

14 A. I have executive responsibility for all corporate real estate, buildings, and
15 grounds, including five million square feet of facilities in eight states, and 165
16 campuses. This includes responsibility for capital projects, operations,
17 maintenance, administrative services, and project engineering and architecture for
18 these properties. I also direct the Aviation and Travel Services organization.

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

20 A. In 1980, I earned a Bachelor of Science in Civil Engineering from Purdue
21 University. In 1990, I earned a Master of Business Administration from St.
22 Ambrose University.

- 1 **Q. Please describe your professional experience.**
- 2 A. My career began in 1980 as a Project Engineer for Iowa-Illinois Gas & Electric
- 3 Company, where I was promoted to Senior Engineer, managing facilities related
- 4 projects, and then Manager, Utility Service. In 1995, I became Manager, Gas
- 5 Engineering, for MidAmerican Energy, directing a team of engineers and
- 6 technicians building gas pipelines and managing pipeline integrity programs. In
- 7 1998, I joined Northern States Power Company as Manager, Gas Engineering,
- 8 and was subsequently promoted to Manager, Northwest Region Gas Operations.
- 9 In 2001, I became Director, Delivery Design, for Xcel Energy, with responsibility
- 10 for all gas and electric distribution projects in the Northern States Power
- 11 Company (Minnesota and Wisconsin) region. In 2002, I was promoted to
- 12 Managing Director, Property Services, responsible for operation and maintenance
- 13 ("O&M") for all Xcel Energy Operating Company call centers, headquarters
- 14 buildings, and service centers. In 2012, I was given additional responsibility to
- 15 manage physical security for all Xcel Energy facilities, including power plants,
- 16 transmission lines, and corporate facilities, and was named Senior Director,
- 17 Property & Security Services. In 2014, my responsibilities were expanded to
- 18 include direction of Aviation and Travel Services. In 2016, Security Services was
- 19 moved into a different organization.
- 20 **Q. Have you attended or taken any special courses or seminars relating to**
- 21 **public utilities?**
- 22 A. Yes. As a component of my professional development, throughout my career, I
- 23 have attended numerous technical seminars, including Utility Finance

1 Accounting, the Public Utilities Reports Guide, and gas and electric transmission
2 and distribution engineering, design, operations, and maintenance seminars.

3 **Q. Do you hold any professional licenses?**

4 A. Yes. I am credentialed as a Certified Facility Manager by the International
5 Facilities Management Association (“IFMA”) and also hold a Sustainability
6 Facilities Professional credential from the same organization.

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

8 A. Yes. I am a member of the IFMA, the American Society of Civil Engineers, the
9 Building Owners and Managers Association, National Business Aviation
10 Association, and the Association of Security International Professionals.

11 **Q. Have you filed testimony before any regulatory authorities?**

12 A. Yes. I submitted written testimony to the Public Utility Commission of Texas in
13 Docket Nos. 43695, 45524 and 47527¹ SPS’s most recent base rate proceedings,
14 on the issues of property services-related capital additions and certain classes of
15 affiliate services, including the three classes I am supporting in this proceeding. I
16 have also submitted written testimony before the New Mexico Public Regulation
17 Commission in Case No. 15-00296-UT; Case No. 16-00269-UT; Case No.
18 17-00255-UT; and 19-00170-UT, all SPS base rate cases, on these same issues.

¹ *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695 (Dec. 18, 2015); *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 45524 (Jan. 26, 2017); *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 47527 (Dec. 10, 2018).

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

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

4 A. I support the Updated Test Year (July 1, 2018 through June 30, 2019)² O&M
5 expenses and administrative and general expenses for the following three classes
6 of affiliate services:

- 7 1. Property Services;
8 2. Workforce Relations & Safety; and
9 3. Aviation & Travel Services.

10 In regard to these affiliate classes, my testimony will:

- 11 • describe the services included in the class;
12 • explain that those services are reasonable and necessary for SPS's
13 operation;
14 • explain that the costs for those services are reasonable and necessary;
15 • explain that these services do not duplicate services that SPS provides
16 to itself through its own employees or that are provided from any other
17 source; and
18 • explain that charges from XES to SPS for those services are no higher
19 than the charges to SPS affiliates for the same or similar services.

20 Additionally, I support the Updated Test Year costs for administrative and
21 general ("A&G") rents and maintenance of general plant expenses, which costs
22 are directly incurred by SPS (also referred to as "native SPS costs"). In regard to
23 the native SPS costs, my testimony will:

² The Test Year in this case is April 1, 2018 through March 31, 2019, and the Update Period is April 1, 2019 through June 30, 2019. The Updated Test Year consists of the last nine months of the Test Year and the three months in the Update Period. In addition to supporting the Updated Test Year costs, I have also reviewed the costs for the first three months of the Test Year for the classes I support and find those costs to be reasonable.

- 1 • describe the types of services provided;
- 2 • explain how the services are reasonable and necessary for SPS's
- 3 operations; and
- 4 • support the costs as reasonable and necessary for rate recovery
- 5 purposes.

6 I also review and provide cost data for the Property Services-related
7 capital additions that closed to plant-in-service during the period July 1, 2017,
8 which was the first day after the end of the period for which capital additions
9 were approved in Docket No. 47527, through June 30, 2019, which is the end of
10 the Update Period in this case. I first explain the selection and management of
11 Property Services-related capital additions. I then provide the *actual* dollar
12 amount of the capital additions for this 24-month period in two steps. First, in my
13 direct testimony, I present the *actual* dollar amount of Property Services-related
14 capital additions that closed to plant-in-service through March 31, 2019, the end
15 of the Test Year in this case, and *estimated* dollar amounts of Property Services-
16 related capital additions that SPS expects to close to plant-in-service during the
17 Update Period. Second, as part of SPS's 45-day case update filing, I will provide
18 the *actual* dollar amount of Property Services-related capital additions that closed
19 to plant-in-service during the Update Period. Together, these two pieces of
20 testimony will provide the actual dollar amount of Property Services-related
21 capital additions closed to plant-in-service during the period July 1, 2017 through
22 June 30, 2019.

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

24 A. The estimated Updated Test Year (July 1, 2018 through June 30, 2019) costs for
25 the services of each of the three affiliate classes that I support are reasonable and

1 necessary because they support SPS's ability to provide electric service to its
2 Texas retail customers.

3 *Property Services*

- 4 • SPS seeks to recover \$15,870,385 (total SPS before jurisdictional
5 allocations, or "Total Company" or "total company") for the services
6 of the Property Services affiliate class;
- 7 • The costs are related to the real estate, buildings, and facilities that are
8 necessary for SPS to provide electric service to its customers. These
9 services provide the facilities within which employees work and
10 equipment is housed. It includes costs of construction, project
11 oversight and planning, space coordination, facilities maintenance
12 costs, office furniture, office equipment support costs, and certain
13 print, mail, and records services;
- 14 • The costs are reasonable because they are shared with other affiliates
15 and are subjected to rigorous budgeting and cost control processes;
- 16 • SPS does not provide these services for itself, and the services do not
17 duplicate services provided by others; and
- 18 • Each charge from SPS's affiliates for these services is no higher than
19 the charge by those affiliates to any other entity for the same or similar
20 service.

21 *Workforce Relations & Safety*

- 22 • SPS seeks to recover \$2,066,023 (total company) for the services of
23 the Workforce Relations & Safety affiliate class;
- 24 • The costs are for the development and implementation of safety
25 programs, oversight of bargaining unit relations, coordination of equal
26 employment opportunity ("EEO") investigation and compliance, and
27 the development and delivery of apprentice technical training
28 curricula. These services assist in protecting SPS employees and
29 customers by providing a safe work environment and education about
30 the safe handling of electricity. In addition, these services provide the
31 necessary interface between SPS and the bargaining unit employees
32 who provide services to SPS's customers and train apprentices to join
33 the skilled workforce that is necessary for the provision of electric
34 service;
- 35 • The costs are reasonable because they are shared with other affiliates,
36 consist primarily of personnel costs that are reasonable, and are
37 subjected to rigorous budgeting and cost control processes;

- 1 • SPS does not provide these services for itself, and the services do not
2 duplicate services provided by others; and
- 3 • Each charge from SPS's affiliates for these services is no higher than
4 the charge by those affiliates to any other entity for the same or similar
5 service.

6 *Aviation & Travel Services*

- 7 • SPS seeks to recover \$801,501 (total company) for the services of the
8 Aviation & Travel Services affiliate class;
- 9 • The costs are for business travel services provided to SPS and XES
10 employees. Although necessary business travel is facilitated through
11 use of two corporate jets, SPS is seeking to recover only the costs that
12 would have been incurred for the business travel based on the costs of
13 using commercial airline services;
- 14 • The costs are reasonable because they are shared with other affiliates,
15 and are subjected to rigorous budgeting and cost control processes;
- 16 • SPS does not provide these services for itself, and the services do not
17 duplicate services provided by others; and
- 18 • Each charge from SPS's affiliates for these services is no higher than
19 the charge by those affiliates to any other entity for the same or similar
20 service.

21 SPS's requested native costs for A&G rents and maintenance of general
22 plant expenses are reasonable and necessary to support SPS's ability to provide
23 electric service to its Texas retail customers. These costs, which are reflected on
24 my Attachment LAB-RR-5, relate to SPS's operation and management of the
25 structures and general plant used in providing service to customers.

26 In addition, the costs of the Property Services-related capital additions
27 placed in service between July 1, 2017 and March 31, 2019 of \$9,570,528 (total
28 company) are reasonable and necessary and were prudently incurred. These
29 costs, which are provided on Attachment LAB-RR-3, were prudently incurred and
30 consist of reasonable and necessary capital projects to construct, maintain,

1 renovate, remodel, and furnish building facilities and infrastructure. They are
2 necessary to provide functional and safe facilities for SPS's operations and are
3 used in providing service to customers.

4 Further, SPS incurred Property Services-related capital costs for projects
5 placed in service during the period April 1, 2019 through June 30, 2019, referred
6 to as the "Update Period." These costs, which are provided on Attachment
7 LAB-RR-4, are also reasonable and necessary capital costs to construct, equip,
8 provide, and maintain, the properties and facilities that are used in providing
9 service to SPS's customers. As initially filed, the costs reflected in Attachment
10 LAB-RR-4 are budgeted, or estimated, amounts. As discussed by SPS witness
11 William A. Grant, SPS will file actual costs for all items estimated in the Update
12 Period, including an updated version of Attachment LAB-RR-4, no later than the
13 45th day after the date of the initial filing of this rate case, as required by 16 Tex.
14 Admin. Code ("TAC") § 25.246.

15 For capital additions placed in service between July 1, 2017 and March 31,
16 2019, as well as capital additions placed in service in the Update Period, SPS
17 seeks to recover associated capitalized affiliate charges. The charges from SPS's
18 affiliates for a particular service are no higher than the charge by that affiliate to
19 any other entity for the same or similar service. These costs are presented on my
20 Attachments LAB-RR-3 and LAB-RR-4. As initially filed, Attachment
21 LAB-RR-4 contains only a total estimated amount of affiliate charges, which is
22 based on historic percentages for the different asset classes. This is explained in
23 more detail by SPS witness Mark B. Moeller. The updated version of Attachment

1 LAB-RR-4, provided in SPS's 45-day update filing, will reflect actual affiliate
2 charges for each project in the Update Period. The capitalized affiliate costs
3 presented on my Attachments LAB-RR-3 and LAB-RR-4 are reasonable and
4 necessary capital costs to provide functional and safe facilities for SPS's
5 operations and are used in providing service to customers.

6 **Q. You mention that certain costs that you present in your testimony are**
7 **estimates. Please explain why this is the case and what items are estimates.**

8 A. As explained by Mr. Grant, SPS will be using an Updated Test Year in this case.
9 SPS's initial filing presents actual affiliate O&M expenses for the Test Year
10 (April 1, 2018 through March 31, 2019) and estimated information for the time
11 period of April 1, 2019 through June 30, 2019, which is the Update Period.
12 Accordingly, the first nine months of SPS's Updated Test Year (i.e., July 2018
13 through March 2019) consist of actual cost information and the last three months
14 (i.e., April through June 2019) contain estimated cost information. For this
15 reason, certain SPS witnesses refer to the Updated Test Year in direct testimony
16 as the "estimated Updated Test Year."

17 Regarding the affiliate costs I support, as explained by SPS witness
18 Melissa L. Schmidt, actual figures for April and May 2019 have been provided,
19 and June 2019 figures have been estimated based on the forecasted budget.
20 However, these expenses have not gone through the full pro forma adjustment
21 review process. Regarding the native costs I support, actual figures for April and
22 May 2019 have been provided and June 2019 figures have been estimated based
23 on the forecasted budget. With respect to the Property Services-related capital

1 costs (and related affiliate expense) that I support, the costs for projects placed in
2 service between April 1, 2019 and June 30, 2019 have been estimated.

3 **Q. Will your testimony be updated to replace the estimated costs that you**
4 **present and support with actual costs?**

5 A. Yes. SPS will file an update 45 days after the application has been filed. The
6 update will provide actual costs to replace the estimates provided in the
7 application for the Update Period. As part of that process, my Attachments
8 LAB-RR-A through D will be updated to remove estimates of affiliate O&M
9 expenses incurred by SPS during the Updated Test Year and then replace those
10 estimates with actual expenses, which will be used to establish SPS's base rates in
11 this case. My Attachment LAB-RR-5 will be updated to replace estimates of
12 SPS's native costs relating to A&G rents and maintenance of general plant with
13 actual expenses.

14 Additionally, my Attachment LAB-RR-3 will be updated to remove
15 estimates of Property Services-related capital additions closed to plant-in-service
16 in the Update Period and then replace those estimates with actual capital additions
17 closed to plant-in-service during that period.

18 **Q. Were Attachments LAB-RR-1 through LAB-RR-5 and LAB-RR-A through**
19 **LAB-RR-D prepared by you or under your direct supervision and control?**

20 A. Yes, as to Attachments LAB-RR-1 and LAB-RR-2, and the project descriptions in
21 Attachment LAB-RR-4. Attachment LAB-RR-3 and the cost information
22 contained in Attachment LAB-RR-4 were prepared by Mr. Moeller and his staff.
23 My staff and I have reviewed these attachments, and I believe them to be

1 accurate. Attachment LAB-RR-5 was prepared by SPS witness Arthur P. Freitas
2 and his staff and is based on the cost of service study. My staff and I have
3 reviewed this attachment, and I believe it to be accurate. Attachments
4 LAB-RR-A through LAB-RR-D were prepared by Ms. Schmidt and her staff. My
5 staff and I have reviewed these attachments, and I believe them to be accurate.
6 Although the information I have described also is present in these other witnesses'
7 attachments, I have presented this information in the attachments to my testimony
8 for the convenience of those reviewing my testimony.

1 **III. AFFILIATE CLASSES SPONSORED**

2 **Q. Earlier in your testimony, you referred to “affiliate classes.” What do you**
3 **mean by the terms “affiliate classes” or “affiliate classes of services”?**

4 A. A portion of SPS’s costs reflects charges for services provided by a supplying
5 affiliate, specifically XES or one of the Operating Companies. These charges
6 have been grouped into various affiliate classes, or aggregations of charges, based
7 upon the business area, organization, or department that provided the service or,
8 in a few instances, the accounts that captured certain costs. In her direct
9 testimony, Ms. Schmidt provides a detailed explanation of how the affiliate
10 classes were developed and are organized for this case.

11 **Q. Which affiliate classes do you sponsor?**

12 A. I sponsor the following classes of affiliate services: Property Services; Workforce
13 Relations & Safety; and Aviation & Travel Services. These classes are all within
14 the Human Resources and Employee Services business area.

15 **Q. Where do these affiliate classes fit into the overall affiliate structure?**

16 A. Attachment MLS-RR-6 to Ms. Schmidt’s direct testimony provides a list and a
17 pictorial display of all affiliate classes, dollar amounts for those classes, and
18 sponsoring witness for each class. As seen on that attachment, the Property
19 Services; Workforce Relations & Safety; and Aviation & Travel Services affiliate
20 classes were part of the Human Resources and Employee Services business area
21 during the Updated Test Year. Attachment LAB-RR-1 to my testimony is an
22 organization chart showing the Human Resources and Employee Services
23 organization.

IV. AFFILIATE EXPENSES FOR THE PROPERTY SERVICES
CLASS OF SERVICES

A. Summary of Affiliate Expenses for the Property Services Class of Services

Q. What services are grouped into the Property Services affiliate class?

A. The services that are grouped into the Property Services affiliate class are related to real estate, facilities maintenance, building construction projects, space coordination, employee move management, office equipment support, and certain print, mail, and records services.

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

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Property Services affiliate class. I will update the table below as part of SPS's 45-day case update filing to reflect the actual Updated Test Year costs for the Property Services affiliate class.

Table LAB-RR-1

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Property Services	\$99,382,522	\$15,870,385	100%	0%

Total XES Class Expenses

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

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
LAB-RR-A.

% 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 attachments that support the information provided on**
2 **Table LAB-RR-1.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the Property Services affiliate class.

5 **Attachment LAB-RR-A:** Provides a summary of the affiliate expenses
6 for this class during the Updated Test Year. The portion of the summary specific
7 to billings to SPS starts with the total of the XES expenses to SPS for the services
8 provided by this affiliate class and ends with the requested dollar amount of XES
9 expenses to SPS (total company) for this affiliate class after exclusions and pro
10 forma adjustments. The columns on this attachment provide the following
11 information.

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	Billing Method (Cost Center)	Shows the billing method that XES uses to charge the expenses to the affiliates, and the billing method short title. In her direct testimony, Ms. Schmidt explains the billing methods and defines the codes.

Column D —	Allocation Method	Shows the allocation method applicable to the billing method (cost center).
Column E —	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	Shows XES billings to all legal entities for the affiliate class.
Column F —	XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	Shows XES billings to all legal entities except SPS for the affiliate class.
Column G —	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Shows XES billings to SPS (total company) for the affiliate class.
Column H —	Exclusions	Shows the total dollars to be excluded from Column G. Exclusions reflect expenses not requested, such as expenses not allowed or other expenses excluded from the cost of service.
Column I —	Per Book	Shows XES billings to SPS (total company), for the affiliate class, after the exclusions shown in Column H. The dollar amount in Column I is Column G plus Column H.
Column J —	Pro Formas	Shows the total dollar amount of pro forma adjustments to the dollar amount in Column I. Pro forma adjustments reflect revisions for known and measurable changes to the Updated Test Year expenses.
Column K —	Requested Amount (Total Company)	Shows the requested amount (total company) for the affiliate class. The dollar amount in Column K is Column I plus Column J.
Column L —	% of Class Charges	Shows the percentage of affiliate class charges billed using the cost center.

1 In her direct testimony, Ms. Schmidt provides a consolidated summary of
2 affiliate expenses billed to SPS for all classes during the Test Year and Updated
3 Test Year.

4 **Attachment LAB-RR-B(CD):** Provides the detail of the XES expenses
5 for the Property Services affiliate class that are summarized on Attachment
6 LAB-RR-A. The detail shows the XES expenses billed to SPS for the Property
7 Services affiliate class, itemized by the amount, with each expense listed by
8 individual activity, and billing method (cost center). When summed, these
9 amounts tie to the amounts shown on Attachment LAB-RR-A, and the detail
10 regarding the expenses is organized to support that attachment. Specifically, the
11 columns on this attachment provide the following information.

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Legal Entity Receiving XES Expenses	Shows the legal entity (Xcel Energy or one of its subsidiaries) that received the XES expense.
Column C —	Affiliate Class	Lists the affiliate class.
Column D —	Cost Element	Provides the cost element number.
Column E —	Activity	Provides a short title for the activity.
Column F —	Billing Method (Cost Center)	Identifies the billing method and short title. In her direct testimony, Ms. Schmidt explains the billing methods and defines the codes.
Column G —	FERC Account	Shows the FERC Account in which the expense was recorded for the operating companies.

Column H —	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to all legal entities for the affiliate class.
Column I —	XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to all legal entities except SPS for the affiliate class.
Column J —	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to SPS for the affiliate class. Therefore, the sum of this column provides total billings to SPS and ties to the total dollar amount for the affiliate class in Column G of Attachment LAB-RR-A.
Column K —	Exclusions	Shows the total dollars excluded from Column J. The total dollar amount for the affiliate class in Column K ties to the total dollar amount for the affiliate class in Column H of Attachment LAB-RR-A.
Column L —	Per Book	Shows XES billings to SPS (total company) for the affiliate class after the exclusions shown in Column K. The dollar amount in Column L is Column J plus Column K. The total dollar amount for the affiliate class in Column L ties to the total dollar amount for the affiliate class in Column I of Attachment LAB-RR-A.
Column M —	Pro Formas	Shows the dollar amount of pro forma adjustments to the dollar amount in Column L. The total dollar amount for the affiliate class in Column M ties to the total dollar amount for the affiliate class in Column J of Attachment LAB-RR-A.

Column N —	Requested Amount (Total Company)	Shows the requested amount (total company) for the affiliate class. The dollar amount in Column N is Column L plus Column M. The total dollar amount for the affiliate class in Column N ties to the total dollar amount for the affiliate class in Column K of Attachment LAB-RR-A.
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1 Ms. Schmidt also provides a consolidated summary of this information for
2 all affiliate classes during the Test Year and Updated Test Year. As shown in
3 Attachment LAB-RR-B(CD), Column E, the costs in Property Services include
4 shared asset costs that occur when employees in two or more of the Xcel Energy
5 legal entities use or share an asset owned by one of the Xcel Energy legal entities.
6 The transactions result in the sharing of the costs for that asset. Ms. Schmidt's
7 Attachments MLS-RR-14 and MLS-RR-15 provide the Shared Assets Agreement
8 and First Amendment to the Shared Assets Agreement in effect during the
9 Updated Test Year. These documents address the terms of the sharing of the
10 assets, and identify the subject assets including property. Ms. Schmidt, Mr.
11 Moeller, and Mr. Freitas further address the treatment of shared asset costs in this
12 case.

13 **Attachment LAB-RR-C:** Both Attachments LAB-RR-A and
14 LAB-RR-B(CD) show exclusions to the XES expenses billed to SPS for the
15 Property Services affiliate class (Attachment LAB-RR-A, Column H; Attachment
16 LAB-RR-B(CD), Column K). Attachment LAB-RR-C provides detail about
17 those exclusions listed on Attachments LAB-RR-A and LAB-RR-B(CD). The
18 columns on Attachment LAB-RR-C provide the following information.

1

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	FERC Account	Identifies the FERC Account and FERC Account description for the expense that has been excluded.
Column D —	Explanations for Exclusions	Provides a brief rationale for the exclusion.
Column E —	Exclusions (Total Company)	Shows the dollar amount of the exclusion.

2

In her direct testimony, Ms. Schmidt describes the calculations underlying

3

the exclusions.

4

Attachment LAB-RR-D: Both Attachments LAB-RR-A and

5

LAB-RR-B(CD) show pro forma adjustments to SPS's per book expenses for the

6

Property Services affiliate class (Attachment LAB-RR-A, Column J; Attachment

7

LAB-RR-B(CD), Column M). Attachment LAB-RR-D provides information

8

about those pro forma adjustments shown on Attachments

9

LAB-RR-A and LAB-RR-B(CD). The columns on Attachment LAB-RR-D

10

provide the following information.

Column A—	Line No.	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	FERC Account	Identifies the FERC Account and FERC Account description affected by the pro forma adjustment.
Column D —	Explanations for Pro Formas	Provides a brief rationale for the pro forma adjustment.
Column E —	Sponsor	Identifies the witness or witnesses who sponsor the pro forma adjustment.

Column F — Pro Formas (Total Company) Shows the dollar amount of the pro forma adjustment.

1 **Q. Does XES bill its expenses for the Property Services affiliate class to SPS in**
2 **the same manner as it bills other affiliates for those expenses?**

3 A. Yes. As discussed by Ms. Schmidt, XES uses the same method for billing and
4 allocating costs to affiliates other than SPS that it uses to bill and allocate those
5 costs to SPS.

6 **Q. Are there any exclusions to the XES billings to SPS for the Property Services**
7 **affiliate class?**

8 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
9 expenses not allowed or other below-the-line items. Exclusions are shown on
10 Attachment LAB-RR-A, Column H, and on Attachment LAB-RR-B(CD),
11 Column K. The details for the exclusions are provided in Attachment
12 LAB-RR-C. Ms. Schmidt describes how the exclusions were calculated. In
13 SPS's 45-day case update, I will present an updated Attachment LAB-RR-C that
14 will provide actual exclusions to replace any estimated exclusions included in my
15 original attachment.

16 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
17 **Property Services affiliate class?**

18 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
19 Year expenses for known and measurable changes. Pro forma adjustments are
20 shown on Attachment LAB-RR-A, Column J, and on Attachment
21 LAB-RR-B(CD), Column M. The details for the pro forma adjustments,

1 including the witness or witnesses who sponsor each pro forma adjustment, are
2 provided in Attachment LAB-RR-D. Given the time of SPS's initial filing, only
3 the first nine months of the Updated Test Year have completed the full pro forma
4 adjustment review process. In SPS's 45-day case update, I will present an
5 updated Attachment LAB-RR-D that will complete the full pro forma adjustment
6 review process for the last three months of the Updated Test Year.

7 **Q. Attachment LAB-RR-D shows that you sponsor pro forma adjustments for**
8 **expenses for the Property Services affiliate class during the first nine months**
9 **of the Updated Test Year that result in a net decrease for the Property**
10 **Services affiliate class of \$29,751. Please explain the adjustments.**

11 A. The adjustments that I sponsor remove alcohol expense (a decrease of \$146);
12 remove charges for life events (a decrease of \$53); costs not benefitting SPS (a
13 decrease of \$956); reclassify costs to or from a new affiliate class (an increase of
14 \$2,161); and make prior period adjustments (a decrease of \$30,757).

15 **B. The Property Services Class of Services are Necessary Services**

16 **Q. Are the services that are grouped in the Property Services affiliate class**
17 **necessary for SPS's operations?**

18 A. Yes. The services grouped in the Property Services affiliate class are necessary to
19 ensure that SPS employees have places to work and that their workspaces are
20 appropriately furnished and maintained. In addition, the equipment and
21 machinery used by SPS in providing electric service must be appropriately
22 housed; and services of switchboard operators and record analysts are required.

1 These services are provided for SPS by the Property Services organization. They
2 are functions required by all utilities and without which SPS would not be able to
3 provide electric service to its customers.

4 **Q. What are the specific services that are provided to SPS by the Property**
5 **Services affiliate class?**

6 A. The specific services that are provided to SPS by the Property Services affiliate
7 class are:

- 8 • Providing office buildings and service center facilities. This includes
9 assessing real estate needs and devising the most cost-effective
10 strategies for meeting them; acquiring needed properties through
11 purchase or lease; administering leases; and constructing facilities;
- 12 • Operating and maintaining office buildings and service center
13 facilities. This includes: providing mechanical, electrical, plumbing,
14 architectural, engineering, construction, janitorial, housekeeping, and
15 landscaping services for the buildings and facilities; responding to
16 requests for repairs or maintenance; bidding and administering
17 contracts for the provision of these services; and overseeing
18 contractors;
- 19 • Providing office furniture and equipment. This includes assessing
20 needs for the interiors of the facilities and purchasing or otherwise
21 acquiring needed furniture and equipment such as desks, cubicles, and
22 chairs;
- 23 • Providing records services. This includes coordinating the movement
24 of inactive records from SPS to one of the corporate records centers
25 located in Colorado or Minnesota, and providing consulting services to
26 the business areas regarding record retention, schedules, and filing
27 requirements;
- 28 • Providing general switchboard services. This is provided through
29 three corporate switchboard operators located in Minneapolis (this is
30 distinct from customer call center operators) who take calls from
31 external and internal sources for all of Xcel Energy corporate and
32 operating staff, including SPS; and,
- 33 • Providing print and mail services. This includes operation of print
34 shops, mail centers, and courier services, and bidding and
35 administering the contracts under which these services are provided
36 including performing oversight of contractors.

1 **Q. Are any of the Property Services class of services that are provided to SPS**
2 **duplicated elsewhere in XES or in any other Xcel Energy subsidiary such as**
3 **SPS itself?**

4 A. No. Within XES, none of the services grouped in the Property Services affiliate
5 class are duplicated elsewhere. No other Xcel Energy subsidiary performs these
6 services for the Operating Companies. In addition, SPS does not perform these
7 services for itself.

8 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
9 **Property Services class of services?**

10 A. Yes. The services of the Property Services affiliate class benefit SPS's customers
11 in many ways. For example, the service centers located throughout the SPS
12 service territory that house the equipment and vehicles used to maintain electric
13 service to customers are managed through the functions of Property Services.

14 **C. The Property Services Class of Services are Provided at a**
15 **Reasonable Cost**

16 **Q. Are the costs of the Property Services class of services reasonable?**

17 A. Yes. The costs of the Property Services class of services are reasonable. Because
18 the costs of the centralized services provided by the Property Services department
19 are shared across Xcel Energy affiliates, the costs to SPS are more reasonable
20 than if SPS were providing the services on its own. For example, there are
21 management and administrative costs associated with bidding, negotiating, and
22 monitoring the contract pursuant to which mail room services are provided.
23 Rather than repeating this process, and incurring the administrative costs in
24 multiple Xcel Energy affiliates, the service is provided under one contract,
25 administered by Property Services for Xcel Energy affiliates simultaneously, and

1 the administrative costs that are incurred are shared. SPS also benefits from the
2 economies of scale that accrue when XES contracts for services and acquires
3 equipment for Xcel Energy affiliates as a group. For example, the equipment and
4 service contracts for office equipment are combined with others for like services
5 in other territories, resulting in lower per unit costs because of economies of scale.
6 Economies of scale also result in lower per unit costs for office furniture and
7 equipment and contracts for maintenance and housekeeping services.

8 *1. Budget Planning*

9 **Q. Is a budget planning process applicable to the Property Services class of**
10 **affiliate costs?**

11 A. Yes. Annual O&M budgets are created for the Property Services class of affiliate
12 costs, using guidelines developed at the corporate level. As part of the process,
13 historical spend information for the Property Services class of affiliate costs is
14 reviewed, changes that will be coming in the future are identified, and the costs
15 associated with those changes are analyzed prior to submitting a proposed budget.
16 The budgeting process is discussed in more detail by SPS witness Adam R.
17 Dietenberger.

18 **Q. During the fiscal year, are the actual expenditures of the Property Services**
19 **class of costs monitored versus the budget?**

20 A. Yes. Actual versus expected expenditures are monitored on a monthly basis. The
21 deviations are discussed and evaluated as to the anticipated impact to the
22 approved budget at the end of the year. Actions are developed to mitigate
23 variations in actual to budgeted expenditures. These mitigation actions may either
24 reduce or delay other expenditures so that overall expenditures are in compliance
25 with the authorized budget.

1 **Q. Are employees within the Property Services department held accountable for**
2 **deviations from the budget?**

3 A. Yes. All senior management employees in the Employee and Business Services
4 business area within Human Resources and Employee Services, which includes
5 the Property Services class of affiliate costs, are held accountable to meet the
6 established budget metric and this is incorporated into their performance
7 evaluations. Failure to meet the performance metric will affect the manager's
8 performance evaluations and overall compensation.

9 2. *Cost Trends*

10 **Q. Please state the dollar amounts of the actual per book charges from XES to**
11 **SPS for the Property Services class of services for the three fiscal years**
12 **preceding the end of the Updated Test Year and the estimated per book**
13 **charges for the estimated Updated Test Year.**

14 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
15 years), the actual per book and, for the Updated Test Year, the estimated per book
16 affiliate charges (Column I on Attachment LAB-RR-A) from XES to SPS for the
17 services grouped in the Property Services affiliate class:

Table LAB-RR-2

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Property Services	\$10,486,842	\$11,800,209	\$12,664,295	\$15,826,098

1 **Q. What are the reasons for this trend?**

A. The increase between 2016 and 2017 was primarily due to increased maintenance costs, annual contractual lease increases, and the mid-year start of lease payments at 790 Buchanan (SPS's downtown Amarillo headquarters). The increase between 2017 and 2018 was due to increased maintenance costs, annual contractual lease increases, and a full year of lease payments at 790 Buchanan. The change in costs between 2018 and the Updated Test Year was due to increases in maintenance and annual contractual lease costs, and changes in labor charges.

10 3. *Staffing Trends*

11 **Q. Please provide the staffing levels for the Property Services class of services**
12 **for the three fiscal years preceding the end of the Updated Test Year and the**
13 **Updated Test Year.**

A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar years) and for the Updated Test Year, the average of the end of month staffing levels for the Property Services class of services.

17 **Table LAB-RR-3**

	Average of End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Property Services	36	33	31	31

1 **Q. What are the reasons for this trend?**

2 A. The decrease in average staffing levels between 2016 and 2017 and 2017 to 2018
3 were each due to employees leaving the company and the positions not being
4 backfilled or backfilled with full time positions. The average staffing between
5 2018 and the Updated Test Year has remained the same.

6 4. *Cost Control and Process Improvement Initiatives*

7 **Q. Separate from the budget planning process, does the Property Services**
8 **affiliate class take any steps to control its costs or to improve its services?**

9 A. Yes. The Property Services team continuously looks for ways to lower costs
10 without compromising safety or quality. For example, furniture and products
11 used in offices are evaluated, and standards are developed to ensure they are
12 durable and have a long life cycle, with the goal of achieving lower costs long-
13 term.

14 **D. The Costs for the Property Services Class of Services are Priced**
15 **in a Fair Manner**

16 **Q. For those costs that XES charges (either directly or through use of an**
17 **allocation) to SPS for the Property Services class of services, does SPS pay**
18 **any more for the same or similar service than does any other Xcel Energy**
19 **affiliate?**

20 A. No. The XES charges to SPS for any particular service are no higher than the
21 XES charges to any other Xcel Energy affiliate. The costs charged for particular
22 services are the actual costs that XES incurred in providing those services to SPS.
23 A single, specific allocation method, rationally related to the cost drivers

1 associated with the service being provided, is used with each cost center (billing
2 method). In her direct testimony, Ms. Schmidt discusses the selection of billing
3 methods and XES's method of charging for services in more detail.

4 **Q. How are the costs of the Property Services affiliate class billed to SPS?**

5 A. My Attachment LAB-RR-B(CD) shows all of the costs in this class broken out by
6 activity, and in conjunction with Column C in my Attachment LAB-RR-A, shows
7 the billing method associated with each activity. My Attachment LAB-RR-A,
8 shows the allocation method (Column D) associated with each billing method
9 (Column C) used in the affiliate class.

10 In SPS's 45-day case update, I will present updated Attachments
11 LAB-RR-A and LAB-RR-B(CD) so that the entries for the last three months of
12 the Updated Test Year provide actual data and conform to the information
13 provided for the first nine months. In the event the predominant billing methods
14 and associated allocation methods for the Property Services affiliate O&M
15 expenses on my updated Attachments LAB-RR-A and LAB-RR-B(CD) differ
16 from those discussed below, I will explain those differences in supplemental
17 testimony in SPS's 45-day case update filing.

18 **Q. What are the predominant allocation methods used for the costs that SPS**
19 **seeks to recover for the Property Services affiliate class of services?**

20 A. All of the requested XES charges to SPS for this class were charged using Direct
21 Billing (100% of XES charges to SPS or \$ 15,870,385.21).

1 **Q. Why is the “Direct Billing” method appropriate for assigning the costs**
2 **captured in the cost centers that use that allocation method?**

3 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
4 normally reflect work that was performed specifically for SPS only. In some
5 cases, however, the direct billing occurred after the application of an off-line
6 allocator that tracks the relevant cost drivers. In either situation, the cost centers
7 charged using the “Direct Billing” method are appropriate because the assignment
8 of costs is in accordance with the distribution of benefits for the services received.
9 For example, lease costs for 790 Buchanan were assigned using the “Direct
10 Billing” method. The portion of the lease costs assigned to SPS were incurred
11 specifically for SPS alone and, therefore, these services benefited SPS. Thus, the
12 “Direct Billing” method is appropriate because it assigns costs in accordance with
13 cost causation and benefits received. For the cost centers that assign costs using
14 Direct Billing, the per unit amounts charged by XES to SPS are no higher than the
15 unit amounts billed by XES to other affiliates for the same or similar services and
16 represent the actual costs of the services.

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Q. What services are grouped into the Workforce Relations & Safety affiliate class?

Q. What is the dollar amount of the Updated Test Year XES charges that SPS requests, on a total company basis, for the Workforce Relations & Safety affiliate class?

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Workforce Relations & Safety affiliate class. I will update the table below as part of SPS's 45-day case update filing to reflect the actual Updated Test Year costs for the Workforce Relations & Safety affiliate class.

Table LAB-RR-4

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Workforce Relations & Safety	\$13,885,378	\$2,066,023	62.23%	37.77%

Total XES Class
Expenses

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

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
LAB-RR-A.

% 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 attachments that support the information provided on**
2 **Table LAB-RR-4.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the Workforce Relations & Safety affiliate
5 class. I explained these attachments in detail previously in Section IV.A of my
6 testimony.

7 **Q. Does XES bill its expenses for the Workforce Relations & Safety affiliate**
8 **class to SPS in the same manner as it bills other affiliates for those expenses?**

9 A. Yes. As discussed by Ms. Schmidt, XES uses the same method for billing and
10 allocating costs to affiliates other than SPS that it uses to bill and allocate those
11 costs to SPS.

1 **Q. Are there any exclusions to the XES billings to SPS for the Workforce**
2 **Relations & Safety affiliate class?**

3 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
4 expenses not allowed or other below-the-line items. Exclusions are shown on
5 Attachment LAB-RR-A, Column H, and on Attachment LAB-RR-B(CD),
6 Column K. The details for the exclusions are provided in Attachment
7 LAB-RR-C. Ms. Schmidt describes how the exclusions were calculated. In
8 SPS's 45-day case update, I will present an updated Attachment LAB-RR-C that
9 will provide actual exclusions to replace any estimated exclusions included in my
10 original attachment.

11 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
12 **Workforce Relations & Safety affiliate class?**

13 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
14 Year expenses for known and measurable changes. Pro forma adjustments are
15 shown on Attachment LAB-RR-A, Column J, and on Attachment
16 LAB-RR-B(CD), Column M. The details for the pro forma adjustments,
17 including the witness or witnesses who sponsor each pro forma adjustment, are
18 provided in Attachment LAB-RR-D. Given the time of SPS's initial filing, only
19 the first nine months of the Updated Test Year have completed the full pro forma
20 adjustment review process. In SPS's 45-day case update, I will present an
21 updated Attachment LAB-RR-D that will complete the full pro forma adjustment
22 review process for the last three months of the Updated Test Year.

1 **Q.** Attachment LAB-RR-D shows that you sponsor pro forma adjustments for
2 expenses for the Workforce Relations & Safety affiliate class during the first
3 nine months of the Updated Test Year that result in a net decrease for the
4 Workforce Relations & Safety affiliate class of \$1,330. Please explain the
5 adjustments.

6 A. The adjustments that I sponsor remove charges for alcohol (a decrease of \$25);
7 charges for life events (a decrease of \$259); and costs not benefiting SPS (a
8 decrease of \$1,046).

9 **B.** The Workforce Relations & Safety Class of Services are
10 Necessary Services

11 **Q.** Are the services that are grouped in the Workforce Relations & Safety
12 affiliate class necessary for SPS's operations?

13 A. Yes. The services grouped in the Workforce Relations & Safety affiliate class are
14 necessary to ensure that personnel have the technical training required for
15 providing electric service to SPS's retail customers and that SPS operates in a safe
16 manner. This includes the development, implementation, and oversight of safety
17 and training programs for SPS personnel, coordination of EEO investigation and
18 compliance, as well as programs designed to educate the public about safety
19 issues related to electrical hazards. The services of the class are also necessary to
20 ensure that SPS is represented in labor collective bargaining negotiations and
21 other interactions with represented employees and the unions. They are functions
22 required by all utilities and without which SPS would not be able to provide
23 electric service to its customers.

1 **Q. What are the specific services that are provided to SPS by the Workforce**
2 **Relations & Safety affiliate class?**

3 A. The specific services that are provided to SPS by the Workforce Relations &
4 Safety affiliate class are:

- 5 • Providing learning, development, and training programs directed
6 toward creating a workforce that is competent and safe and that
7 complies with applicable corporate and governmental regulations.
8 This includes leading the SPS safety program, identifying, and
9 implementing best safety practices, and implementing safety programs
10 directed toward prevention of injuries and safety awareness. An
11 example is the Stop Work Responsibility program which gives all
12 employees the authority and responsibility to stop work if a task is
13 unsafe. The safety program also provides additional safety training for
14 employees that have had multiple injuries during their career; and
15 provides ergonomic training for employees in order to avoid injuries
16 and increase productivity;
- 17 • Developing and implementing a contractor safety program to ensure
18 that contractors meet company safety requirements and work safely
19 when on Xcel Energy premises;
- 20 • Providing oversight and management of public safety, education, and
21 information programs, including developing and creating
22 communication material for contractors, schools, and public officials
23 regarding electrical and gas safety as well as meeting regulations;
- 24 • Providing oversight and management of safety compliance and
25 interfacing with Occupational Safety and Health Administration
26 ("OSHA"). This includes responsibility for industrial hygiene and the
27 administration of medical surveillance of employees as required by
28 regulations. Medical surveillance includes medical exams or
29 assessments for employees who may have occupational health hazard
30 exposures and periodic exams for emergency response teams, crane
31 operators, and others as needed to meet United States Department of
32 Transportation requirements;
- 33 • Providing oversight and administration of the Transmission and
34 Distribution apprenticeship agreements with the United States
35 Department of Labor;
- 36 • Managing Xcel Energy's EEO Investigation process for all
37 jurisdictions to ensure compliance with Federal, State, and local laws
38 regarding equal employment opportunities, and consulting with all
39 levels of management to provide solutions to workplace issues for the

- 1 purpose of complying with all aspects of EEO laws and corporate
2 policy;
- 3 • Managing internal employee investigations involving non-EEO related
4 matters, code-of-conduct and other performance management issues;
 - 5 • Providing apprentice training in order to develop the workforce needed
6 to provide electric service to SPS's retail customers; and
 - 7 • Dealing with labor relations issues, including negotiations and
8 administration of the Collective Bargaining Agreements, and
9 providing management support for grievances, positive discipline, and
10 bargaining employee relations issues.

11 **Q. Are any of the Workforce Relations & Safety class of services that are**
12 **provided to SPS duplicated elsewhere in XES or in any other Xcel Energy**
13 **subsidiary such as SPS itself?**

14 A. No. Within XES, none of the services grouped in the Workforce Relations &
15 Safety affiliate class are duplicated elsewhere. No other Xcel Energy subsidiary
16 performs these services for the Operating Companies. In addition, SPS does not
17 perform these services for itself. Although there are both XES and SPS
18 employees in the Workforce Relations & Safety department, the SPS employees
19 work in coordination with and under the direction of the XES Workforce
20 Relations & Safety management. The SPS employees do not perform the same
21 activities as the XES employees and they have separate responsibilities and roles
22 that are not duplicative of the services provided by XES.

23 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
24 **Workforce Relations & Safety class of services?**

25 A. Yes. The services of the Workforce Relations & Safety affiliate class benefit
26 SPS's customers in many ways. For example, initiatives that are designed to

1 reduce accidents and provide a safe workplace help to minimize the costs
2 associated with injuries and staff down-time, and increase employee productivity.

3 As shown on Attachment LAB-RR-2, from 2017 through June of 2019, SPS's
4 OSHA recordable incident rate has improved (ranging from 1.03 to 1.21)
5 compared to its rate in 2011 through 2016 (ranging 1.25 to 2.37).

6 **C. The Workforce Relations & Safety Class of Services are Provided**
7 **at a Reasonable Cost**

8 **Q. Are the costs of the Workforce Relations & Safety class of services**
9 **reasonable?**

10 A. Yes. The costs of the Workforce Relations & Safety class of services are
11 reasonable. Because the services of the Workforce Relations & Safety
12 department are provided on a centralized basis, with the costs shared across Xcel
13 Energy affiliates, there are economies of scale and lower per unit costs. For
14 example, development of the contractor safety program and associated costs are
15 spread among all Xcel Energy affiliates, resulting in a reduced cost to SPS for this
16 service.

17 *I. Additional Evidence*

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

20 A. Yes. More than 88% of the estimated Updated Test Year costs for the Workforce
21 Relations & Safety class consists of compensation and benefits costs for XES
22 personnel. SPS witnesses Michael Knoll and Richard Schrubbe establish that the
23 level of Xcel Energy's compensation and benefits is reasonable and necessary.

1 2. *Budget Planning*

2 **Q. Is a budget planning process applicable to the Workforce Relations & Safety**
3 **class of affiliate costs?**

4 A. Yes. Annual O&M budgets are created for the Workforce Relations & Safety
5 class of affiliate costs, using guidelines developed at the corporate level. As part
6 of the process, historical spend information for the Workforce Relations & Safety
7 class of affiliate costs is reviewed, changes are identified that will be coming in
8 the future, and the costs associated with those changes are analyzed prior to
9 submitting a proposed budget. The budgeting process is discussed in more detail
10 by Mr. Dietenberger.

11 **Q. During the fiscal year, are the actual expenditures of the Workforce**
12 **Relations & Safety class of costs monitored versus the budget?**

13 A. Yes. Actual versus expected expenditures are monitored on a monthly basis. The
14 deviations are discussed and evaluated as to the anticipated impact to the
15 approved budget at the end of the year. Actions are developed to mitigate
16 variations in actual to budgeted expenditures. These mitigation actions may either
17 reduce or delay other expenditures so that overall spending is in compliance with
18 the authorized budget.

19 **Q. Are employees within the Workforce Relations & Safety department held**
20 **accountable for deviations from the budget?**

21 A. Yes. All senior management employees in the Safety & Business business area
22 within Human Resources, which includes the Workforce Relations & Safety class
23 of affiliate costs, are held accountable to meet the established budget metric and

1 this is incorporated into their performance evaluations. Failure to meet the
2 performance metric will affect the manager's performance evaluations and overall
3 compensation.

4 3. *Cost Trends*

5 **Q. Please state the dollar amounts of the actual per book charges from XES to**
6 **SPS for the Workforce Relations & Safety class of services for the three fiscal**
7 **years preceding the end of the Updated Test Year and the estimated per**
8 **book charges for the estimated Updated Test Year.**

9 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
10 years), the actual per book and, for the Updated Test Year, the estimated per book
11 affiliate charges (Column I on Attachment LAB-RR-A) from XES to SPS for the
12 services grouped in the Workforce Relations & Safety affiliate class:

13 **Table LAB-RR-5**

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Workforce Relations & Safety	\$2,949,940	\$2,645,611	\$2,204,849	\$2,066,023

14 **Q. What are the reasons for this trend?**

15 A. The decrease in costs between 2016 and 2017 was primarily due to reductions in
16 benefits costs, employee travel and conference expense, consulting, materials and
17 contract labor. Benefits, such as pension, 401K match, incentive, and medical
18 decreased. Employee travel and conference costs decreased due to an intentional
19 effort to meet the year-end cost reduction targets. Teleconference meetings were

1 increased in order to reduce travel that was not absolutely required. Professional
2 development conference attendance and related travel was also reduced and
3 augmented by local conference attendance, when available. Consulting costs
4 were reduced because 2017 was not a labor contract bargaining year, whereas
5 2016 was. Spending was reduced for apprentice and journeyman training
6 materials. These materials were purchased as stock ran low and in large enough
7 quantities to qualify for price breaks. Spending for these materials can vary
8 widely by year. Lastly, contract labor was reduced due to projects requiring less
9 industrial hygiene sampling for hazardous materials such as asbestos and lead.

10 The decrease in costs between 2017 and 2018 was primarily due to
11 reductions in labor due to efficiency improvements, benefits costs, materials,
12 consulting and fleet vehicle usage. Materials and consulting expense were
13 reduced for the same reasons given for the change between 2016 and 2017.
14 Lastly, transportation fleet cost was reduced due to a decrease in pool car usage.
15 This portion of the expense can vary widely from year to year.

16 The decrease in cost between 2018 and the Updated Test Year was due
17 primarily to a decrease in headcount, resulting in lower labor and benefit costs.

18 4. *Staffing Trends*

19 **Q. Please provide the staffing levels for the Workforce Relations & Safety class**
20 **of services for the three fiscal years preceding the end of the Updated Test**
21 **Year and the Updated Test Year.**

22 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
23 years) and for the Updated Test Year, the average of the end of month staffing
24 levels for the Workforce Relations & Safety class of services.

1

Table LAB-RR-6

	Average of End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Workforce Relations & Safety	104	104	91	89

2 **Q. What are the reasons for this trend?**

3 A. The headcount between 2016 and 2017 remained flat. The reduction in headcount
4 from 2017 to 2019 came primarily from the Safety and Technical Training
5 departments. Both departments permanently reduced headcount for efficiency
6 purposes. Other 2018 headcount reductions were in EEO/ER and Public Safety
7 and were due to routine vacancies for which replacements would be sought at a
8 future date.

9 The decrease in headcount between 2018 and the Updated Test Year was
10 primarily due to the Safety department as additional headcount were, again,
11 permanently reduced for efficiency purposes. This reduction was partially off-set
12 by the filling of 2018 vacancies in EEO/ER and Public Safety.

13 *5. Cost Control and Process Improvement Initiatives*

14 **Q. Separate from the budget planning process, does the Workforce Relations &
15 Safety affiliate class take any steps to control its costs or to improve its
16 services?**

17 A. Yes. The Workforce Relations & Safety organization continually reviews its
18 plans and initiatives and staffing to ensure they are appropriate and to identify and

1 implement improvements. Staffing levels are increased only when it becomes
2 apparent that there will be a long-term need for a specific type of expertise that is
3 not currently on staff, when work levels appear to have increased on a permanent
4 basis, or when systematic employee transfers result in the need to replace staff.
5 Conversely, staff is decreased when the opposite trends become apparent.
6 Because personnel costs make up the majority of the costs in the Workforce
7 Relations & Safety department, these measures help to limit overall costs.

8 **D. The Costs for the Workforce Relations & Safety Class of Services**
9 **are Priced in a Fair Manner**

10 **Q. For those costs that XES charges (either directly or through use of an**
11 **allocation) to SPS for the Workforce Relations & Safety class of services,**
12 **does SPS pay any more for the same or similar service than does any other**
13 **Xcel Energy affiliate?**

14 A. No. The XES charges to SPS for any particular service are no higher than the
15 XES charges to any other Xcel Energy affiliate. The costs charged for particular
16 services are the actual costs that XES incurred in providing those services to SPS.
17 A single, specific allocation method, rationally related to the cost drivers
18 associated with the service being provided, is used with each cost center (billing
19 methods). In her direct testimony, Ms. Schmidt discusses the selection of billing
20 methods and XES's method of charging for services in more detail.

21 **Q. How are the costs of the Workforce Relations & Safety affiliate class billed to**
22 **SPS?**

23 A. My Attachment LAB-RR-B(CD) shows all of the costs in this class broken out by
24 activity, and in conjunction with Column C in my Attachment LAB-RR-A, shows

1 the billing method associated with each activity. My Attachment LAB-RR-A,
2 shows the allocation method (Column D) associated with each billing method
3 (Column C) used in the affiliate class. In this initial filing, only the first 11
4 months of the Updated Test Year have a cost center (billing method) and
5 allocation method associated with each activity.

6 In SPS's 45-day case update, I will present updated Attachments
7 LAB-RR-A and LAB-RR-B(CD) so that the entries for the last three months of
8 the Updated Test Year provide actual data and conform to the information
9 provided for the first nine months. In the event the predominant billing methods
10 and associated allocation methods for the Workforce and Safety Relations affiliate
11 O&M expenses on my updated Attachments LAB-RR-A and LAB-RR-B(CD)
12 differ from those discussed below, I will explain those differences in
13 supplemental testimony in SPS's 45-day case update filing.

14 **Q. What are the predominant allocation methods used for the costs that SPS**
15 **seeks to recover for the Workforce Relations & Safety affiliate class of**
16 **services?**

17 A. Approximately 99.99% of the requested XES charges to SPS for this class were
18 charged using one of the following five allocation methods:

- 19 • Direct Billing – 62.23% of XES charges to SPS – \$1,285,759.63;
- 20 • Number of Employees – 27.68% of XES charges to SPS –
21 \$571,872.39;
- 22 • Assets, Revenue, and Number of Employees – 7.13% of XES charges
23 to SPS – \$147,403.78;
- 24 • Number of Customers – 2.75% of XES charges to SPS – \$56,735.69;
25 and

- 1 • Megawatt hour (“MWH”) Generation – .20% of XES charges to SPS –
2 \$4,115.81.

3 **Q. Why is the “Direct Billing” method appropriate for assigning the costs**
4 **captured in the cost centers that use that allocation method?**

5 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
6 normally reflect work that was performed specifically for SPS only. In some
7 cases, however, the direct billing occurred after the application of an off-line
8 allocator that tracks the relevant cost drivers. In either situation, the cost centers
9 charged using the “Direct Billing” method are appropriate because the assignment
10 of costs is in accordance with the distribution of benefits for the services received.
11 For example, the costs related to accident prevention at the Tolk plant were
12 assigned using the “Direct Billing” method. The cost of these services benefited
13 SPS, the work was performed specifically for SPS alone, and the cost driver is
14 employee safety at an SPS plant. Thus, the “Direct Billing” method is appropriate
15 because it assigns costs in accordance with cost causation and benefits received.
16 For the cost centers that assign costs using Direct Billing, the per unit amounts
17 charged by XES to SPS are no higher than the unit amounts billed by XES to
18 other affiliates for the same or similar services and represent the actual costs of
19 the services.

20 **Q. Why is it appropriate to allocate costs of the Workforce Relations & Safety**
21 **affiliate class based upon the “Number of Employees” method for the costs**
22 **captured in the cost centers that use that allocation method?**

23 A. For the cost centers that use the “Number of Employees” method as the allocator,
24 the costs are driven by the services provided to employees. For example, Cost

Center 200166 which uses the “Number of Employees” method as the allocator, captures costs associated with designing, implementing, and managing corporate safety initiatives for employees. The cost driver for these services is the number of employees to whom the safety initiatives are directed. Thus, this cost center allocates costs among the Xcel Energy legal entities based upon the proportionate share of employees of each Xcel Energy legal entity (i.e., the number of employees of a particular legal entity as a percentage of the total number of employees of all of the legal entities). This allocation method is appropriate because it reflects the cost causation and the distribution of the benefits of the services received. For the cost centers that assign costs based upon this allocation method, the per unit amounts charged by XES to SPS as a result of the application of this billing method are no higher than the unit amounts billed by XES to other affiliates for the same or similar services and represent the actual costs of the services.

Q. Why is it appropriate to allocate costs based upon the “Assets, Revenue, and Number of Employees” method for the costs captured in the cost centers that use that allocation method?

A. The three factor allocation method using assets, revenue, and employees produces an allocation of costs that recognizes the complexity, risk, and overall business activity levels that drive the costs included in the cost centers and measures the benefits received from those activities. For the cost centers billed using this allocator, there is no one specific cost driver for the support tasks and services provided, and the services benefit multiple Xcel Energy affiliates. For example,

1 the labor costs associated with developing and implementing corporate safety
2 programs designed to reduce occupational injuries and illnesses, which are
3 collected in Cost Center 200073 – HR Corp Governance, are allocated using this
4 method. Within the Xcel Energy holding company group, those legal entities that
5 have proportionately more assets, revenues, and employees will have more focus
6 placed on their operations due to those subsidiaries’ relative influence on the
7 consolidated business balance sheet, income statement, and statement of cash
8 flow, and the subsidiaries will benefit accordingly from the services provided.
9 Thus, allocating these costs based upon the average of the total asset ratio,
10 revenue ratio, and the employee ratio is appropriate because it allocates costs in
11 accordance with cost causation and benefits received. Ms. Schmidt discusses this
12 billing method in more detail in her testimony. For the cost centers that assign
13 costs based upon this allocation method, the per unit amounts charged by XES to
14 SPS as a result of the application of this allocation method are no higher than the
15 unit amounts billed by XES to other affiliates for the same or similar services and
16 represent the actual costs of the services.

17 **Q. Why is it appropriate to allocate costs based upon the “Number of**
18 **Customers” method for the costs captured in the cost center that uses that**
19 **allocation method?**

20 **A.** Cost Center 200153, which uses the “Number of Customers” method as the
21 allocator, collects costs associated with providing public safety information and
22 education programs to customers. The cost driver for these activities is the
23 customers to whom the programs are directed. Thus, this Cost Center allocates

1 costs among the Operating Companies based upon the proportionate share of
2 customers of each Operating Company (i.e., the number of customers of a
3 particular Operating Company as a percentage of the total number of customers of
4 all of the Operating Companies). This allocation reflects cost causation and the
5 distribution of the benefits of the services received. For the cost centers that
6 assign costs based upon this allocation method, the per unit amounts charged by
7 XES to SPS as a result of the application of this allocation method are no higher
8 than the unit amounts billed by XES to other affiliates for the same or similar
9 services and represent the actual costs of the services.

10 **Q. Why is it appropriate to allocate costs based upon the “MWH Generation”**
11 **method for the costs captured in the cost center that uses that allocation**
12 **method?**

13 A. Cost Center 200135, which uses the “MWH Generation” method as the allocator,
14 captures costs associated with services that support the power plants of the
15 Operating Companies. For example, the labor and travel costs associated with
16 providing safety consulting and training for employees at SPS power plants are
17 collected in this Cost Center and assigned using the “MWh Generation” method.
18 The costs are driven by the generation production activities of the Operating
19 Companies. Thus, this cost center allocates costs among the Xcel Energy
20 Operating Companies based upon the proportionate share of MWh of generation
21 of each Operating Company (i.e., the MWh of generation of a particular
22 Operating Company as a percentage of the total MWh of generation of all of the
23 Operating Companies). This allocation reflects cost causation and the distribution

1 of the benefits of the services received. For the cost centers that assign costs
2 based upon this allocation method, the per unit amounts charged by XES to SPS
3 as a result of the application of this allocation method are no higher than the unit
4 amounts billed by XES to other affiliates for the same or similar services and
5 represent the actual costs of the services.

6 **Q. You have covered the allocation methods used to bill 99.99% of the costs**
7 **associated with this affiliate class. Why have you not specifically covered the**
8 **remaining .01% of the costs of this class?**

9 A. I have described the predominant allocation methods associated with this affiliate
10 class. The remaining costs amounts to .01%, or \$135.93 of the costs. In light of
11 the relative dollar amount, I have not gone into a detailed discussion of the other
12 allocation method in order to keep the discussion to a manageable level. The cost
13 center (billing method) used to charge the remaining .01% of the costs in this
14 class, however, is presented in my Attachment LAB-RR-B(CD), discussed earlier.
15 A reader may reference that attachment and then refer to the specific cost center
16 (billing method) summary provided in Ms. Schmidt's Attachment MLS-RR-11
17 for an explanation of the particular allocators used and the cost drivers for the
18 activities reflected in that particular cost center.

19 **Q. Have you determined that the costs reflected in the remaining .01% of costs**
20 **associated with this class of services have been billed using an appropriate**
21 **billing method and allocation method?**

22 A. Yes. I have reviewed the cost center and the associated allocator used to bill the
23 remaining .01% of the costs of this class. The cost driver reflected in the
24 allocation method used to bill the costs of the cost center (billing method) are

1 consistent with and reflect the cost driver of the services captured in the particular
2 cost center (billing method). Therefore, the billing method and allocation method
3 is appropriate because the allocation of costs is in accordance with the distribution
4 of the benefits received by SPS and are no higher than the per unit costs charged
5 to other affiliates for the same or similar types of services.

VI. AFFILIATE EXPENSES FOR THE AVIATION & TRAVEL SERVICES
CLASS OF SERVICES

A. Summary of Affiliate Expenses for the Aviation & Travel Services Class of Services

Q. What services are grouped into the Aviation & Travel Services affiliate class?

A. The services that are grouped into the Aviation & Travel Services affiliate class are those related to business travel on the corporate aircraft, including the cost of leasing, maintaining, and operating and scheduling two corporate aircraft.

Q. On what basis is SPS requesting recovery of the costs for Aviation & Travel Services.

A. While SPS properly incurred costs for the Aviation & Travel services through the corporate aircraft, SPS is not directly requesting those costs. Instead, SPS is requesting the amount that would have been incurred had commercial airlines been utilized for this business travel rather than the corporate aircraft. This is consistent with the treatment of these costs in Docket Nos. 45524 and 47527. To request these costs, I establish that these costs meet the criteria for recovery, I also show that SPS properly incurred costs, and I present the amount requested.

Q. What is the dollar amount of the Updated Test Year XES charges that SPS requests, on a total company basis, for the Aviation & Travel Services affiliate class?

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Aviation & Travel Services affiliate class. I will update the table below as part of SPS's 45-day case update filing to reflect the actual Updated Test Year costs for the Aviation & Travel Services affiliate class.

Table LAB-RR-7

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Aviation & Travel Services	\$6,570,609	\$801,501	100%	0%

Total XES Class Expenses

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

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 LAB-RR-A.

% 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.

2 **Q. Please describe the attachments that support the information provided on**
3 **Table LAB-RR-7.**

4 A. There are four attachments to my testimony that present information about the
5 requested SPS affiliate expenses for the Aviation & Travel Services affiliate class.
6 I explained these attachments in detail previously in Section IV.A. of my
7 testimony.

1 **Q. Does XES bill its expenses for the Aviation & Travel Services affiliate class to**
2 **SPS in the same manner as it bills other affiliates for those expenses?**

3 A. Yes. As discussed by Ms. Schmidt, XES uses the same method for billing and
4 allocating costs to affiliates other than SPS that it uses to bill and allocate those
5 costs to SPS.

6 **Q. Are there any exclusions to the XES billings to SPS for the Aviation & Travel**
7 **Services affiliate class?**

8 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
9 expenses not allowed or other below-the-line items. Exclusions are shown on
10 Attachment LAB-RR-A, Column H, and on Attachment LAB-RR-B(CD),
11 Column K. The details for the exclusions are provided in Attachment
12 LAB-RR-C. Ms. Schmidt describes how the exclusions were calculated. In
13 SPS's 45-day case update, I will present an updated Attachment LAB-RR-C that
14 will provide actual exclusions to replace any estimated exclusions included in my
15 original attachment.

16 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
17 **Aviation & Travel Services affiliate class?**

18 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
19 Year expenses for known and measurable changes. Pro forma adjustments are
20 shown on Attachment LAB-RR-A, Column J, and on Attachment LAB-RR-
21 B(CD), Column M. The details for the pro forma adjustments, including the
22 witness or witnesses who sponsor each pro forma adjustment, are provided in
23 Attachment LAB-RR-D. As shown on that attachment, I am not a sponsor for the
24 pro forma adjustments for the Aviation and Travel Services Affiliate Class. The

1 adjustments have been calculated by SPS witness Richard D. Starkweather and
2 are sponsored by Mr. Freitas. Given the time of SPS's initial filing, only the first
3 nine months of the Updated Test Year have completed the full pro forma
4 adjustment review process. In SPS's 45-day case update, I will present an
5 updated Attachment LAB-RR-D that will complete the full pro forma adjustment
6 review process for the last three months of the Updated Test Year.

7 **Q. How were the costs that would have been incurred using commercial airlines**
8 **calculated?**

9 A. SPS witness Starkweather performed this analysis and explains his methodology
10 in detail in his testimony. Mr. Starkweather began with the corporate aircraft
11 flight log, which allowed him to compile the number of passenger trips taken by
12 Xcel Energy personnel on the corporate aircraft during the Test Year between
13 Minneapolis/St. Paul, Denver, and Amarillo. He then applied the average
14 commercial ticket costs for the relevant quarterly time period to the number of
15 passengers who flew on the corporate aircraft to determine the equivalent
16 commercial airfare costs. The analysis was conservative because it only
17 accounted for trips between Minneapolis/St. Paul, Denver, and Amarillo, which as
18 Mr. Starkweather explains accounts for 87% of the business trips flown during the
19 Test Year. Thus, the analysis does not account for commercial airline costs
20 associated with 13% of the flights taken on the corporate aircraft during the Test
21 Year. In addition, the analysis did not include the related costs often incurred
22 when traveling commercially that are usually not incurred when trips are made on
23 the corporate aircraft, such as hotel and meal costs necessitated by overnight stays
24 required because of commercial flight schedules. Mr. Starkweather then updated

1 this analysis to determine the number of flights taken in the Updated Test Year
2 and what their associated costs would have been if they were taken on
3 commercial airlines.

4 **B. The Aviation & Travel Services Class of Services are Necessary**
5 **Services**

6 **Q. Are the services that are grouped in the Aviation & Travel Services affiliate**
7 **class necessary for SPS's operations?**

8 A. Yes. Business travel is necessary in order for SPS to provide service to retail
9 customers. XES and SPS personnel have to travel for both regular business
10 purposes such as meetings and site visits. Such travel is especially important
11 when personnel have to travel quickly to address emergency situations with plants
12 or service areas. Similar functions are required by all utilities.

13 **Q. What are the specific services that are provided to SPS by the Aviation &**
14 **Travel Services affiliate class?**

15 A. The specific services that are provided to SPS by the Aviation & Travel Services
16 affiliate class are flight services required for business travel by XES and SPS
17 personnel using two leased Cessna Sovereign aircraft. Additional services are the
18 scheduling of travel on the aircraft and making arrangements to meet other travel
19 needs, such as ground transportation. Costs to operate the aircraft consist of:

- 20 • aircraft lease cost;
- 21 • secure storage (hangaring) of the aircraft;
- 22 • aircraft maintenance;
- 23 • pilot training and licensing;
- 24 • aircraft fuel;
- 25 • salaries and wages for pilots and support staff;

- 1 • aircraft insurance; and
- 2 • other operating costs including in-flight wireless service, ground
- 3 transportation, airport access fees, office supplies, and other
- 4 administrative costs.

5 During the Updated Test Year, corporate aircraft were used in flying 3,864 total
6 passenger trips between Amarillo, Denver, and Minneapolis; during the Test Year
7 corporate aircraft were used in flying 3,893 such trips. As discussed by Mr.
8 Starkweather, if such flights had instead been taken on commercial airlines, the
9 airline ticket costs would have been \$812,748.28 in the Updated Test Year and
10 \$801,501.11 in the Test Year.

11 **Q. Are any of the Aviation & Travel Services class of services that are provided**
12 **to SPS duplicated elsewhere in XES or in any other Xcel Energy subsidiary**
13 **such as SPS itself?**

14 A. No. Within XES, none of the services grouped in the Aviation & Travel Services
15 affiliate class are duplicated elsewhere. No other Xcel Energy subsidiary
16 performs these services for the Operating Companies. In addition, SPS does not
17 perform these services for itself.

18 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
19 **Aviation & Travel Services class of services?**

20 A. Yes. Business travel is necessary in order for employees to perform many of the
21 services required by SPS's retail customers. Use of the corporate aircraft for that
22 travel facilitates efficient business operations, maximizes the productivity of
23 employees, and aids in timely response to emergency situations.

1 **C. The Aviation & Travel Services Class of Services are Provided at**
2 **a Reasonable Cost**

3 **Q. Are the costs of the Aviation & Travel Services class of services reasonable?**

4 A. Yes. The costs of the Aviation & Travel Services class of services are reasonable.
5 Air travel is a valuable business tool that supports Xcel Energy personnel in
6 accomplishing their business purposes. Although use of corporate aircraft
7 provides benefits in terms of employee time savings and productivity gains that
8 cannot be duplicated using commercial travel, SPS is requesting only the ticket
9 costs that would have been incurred had the trips been taken on commercial
10 airlines. In addition, the costs of the Aviation & Travel Services affiliate class are
11 spread among the Xcel Energy affiliates and SPS bears only a fraction of the
12 costs. These costs are reasonable and necessary for achieving business travel that
13 is necessary to the operations of SPS.

14 *I. Cost Trends*

15 **Q. Please state the dollar amounts of the actual per book charges from XES to**
16 **SPS for the Aviation & Travel Services class of services for the three fiscal**
17 **years preceding the end of the Updated Test Year and the estimated per**
18 **book charges for the estimated Updated Test Year.**

19 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
20 years), the actual per book and, for the Updated Test Year, the estimated per book
21 affiliate charges (Column I on Attachment LAB-RR-A) from XES to SPS for the
22 services grouped in the Aviation & Travel Services affiliate class:

1

Table LAB-RR-8

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Aviation & Travel Services	\$1,187,113	\$842,056	\$842,118	\$847,588

2 **Q. What are the reasons for this trend?**

3 A. The decrease in costs between 2016 and the Updated Test Year was driven by a
4 2016 transition in aircraft. In 2016, Aviation Services transitioned from two
5 leased Learjet 45s (2000 and 2001) to two leased pre-owned Cessna Sovereigns
6 (2006 and 2009). Costs in 2016 were higher than usual due to costs of pilot and
7 mechanic training for the new aircraft, registration fees, pre-buy inspection,
8 aircraft refurbishment, and additional Sovereign parts and equipment. Costs
9 between 2017 and 2018, and 2018 and the Updated Test Year remained relatively
10 flat.

11 2. *Staffing Trends*

12 **Q. Please provide the staffing levels for the Aviation & Travel Services class of**
13 **services for the three fiscal years preceding the end of the Updated Test Year**
14 **and the Updated Test Year.**

15 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
16 years) and for the Updated Test Year, the average of the end of month staffing
17 levels for the Aviation & Travel Services class of services.

1

Table LAB-RR-9

	Average of End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Aviation & Travel Services	8	8	8	8

2 **Q. What are the reasons for this trend?**

3 A. The department has maintained the same level of staffing over this period of time.

4 *3. Cost Control and Process Improvement Initiatives*

5 **Q. Separate from the budget planning process, does the Aviation & Travel**
6 **Services affiliate class take any steps to control its costs or to improve its**
7 **services?**

8 A. Yes. Use of the corporate aircraft is rigorously monitored to ensure that it is
9 operated in the most cost-effective manner, maximizing the number of people on
10 each trip and reducing the number of “deadhead” legs (repositioning flights where
11 there are no passengers on board).

12 **D. The Costs for the Aviation & Travel Services Class of Services are**
13 **Priced in a Fair Manner**

14 **Q. For those costs that XES charges (either directly or through use of an**
15 **allocation) to SPS for the Aviation & Travel Services class of services, does**
16 **SPS pay any more for the same or similar service than does any other Xcel**
17 **Energy affiliate?**

18 A. No. The XES charges to SPS for any particular service are no higher than the
19 XES charges to any other Xcel Energy affiliate. The costs charged for particular

1 services are the actual costs that XES incurred in providing those services to SPS.
2 A single, specific allocation method, rationally related to the cost drivers
3 associated with the service being provided, is used with each cost center (billing
4 method). In her direct testimony, Ms. Schmidt discusses the selection of billing
5 methods and XES's method of charging for services in more detail.

6 **Q. How are the costs of the Aviation & Travel Services affiliate class billed to**
7 **SPS?**

8 A. My Attachment LAB-RR-B(CD) shows all of the costs in this class broken out by
9 activity, and in conjunction with Column C in my Attachment LAB-RR-A, shows
10 the billing method associated with each activity. My Attachment LAB-RR-A,
11 shows the allocation method (Column D) associated with each billing method
12 (Column C) used in the affiliate class. In this initial filing, only the first 11
13 months of the Updated Test Year have a cost center (billing method) and
14 allocation method associated with each activity.

15 In SPS's 45-day case update, I will present updated Attachments
16 LAB-RR-A and LAB-RR-B(CD) so that the entries for the last three months of
17 the Updated Test Year provide actual data and conform to the information
18 provided for the first nine months. In the event the predominant billing methods
19 and associated allocation methods for the Aviation & Travel Services affiliate
20 O&M expenses on my updated Attachments LAB-RR-A and LAB-RR-B(CD)
21 differ from those discussed below, I will explain those differences in
22 supplemental testimony in SPS's 45-day case update filing.

1 **Q. What is the allocation method used for the Aviation & Travel Services**
2 **affiliate class of services?**

3 A. All of the XES charges to SPS for this class were charged using the Assets,
4 Revenue, and Number of Employees allocation method.

5 **Q. Why is it appropriate to allocate the costs of the Aviation & Travel Services**
6 **affiliate class based upon the “Assets, Revenue, and Number of Employees”**
7 **allocation method?**

8 A. The three factor allocation method using assets, revenue, and employees produces
9 an allocation of costs that recognizes the complexity, risk, and overall business
10 activity levels that drive the costs included in the cost centers and measures the
11 benefits received from those activities. For the cost centers billed using this
12 allocator, there is no one specific cost driver for the support tasks and services
13 provided, and the services benefit multiple Xcel Energy affiliates. For example, a
14 flight from Minneapolis to Denver may carry several executives to a meeting that
15 is necessary for purposes related to overall business planning and strategy, or at
16 which issues affecting all subsidiaries of Xcel Energy, including SPS, are
17 addressed, and during the flight there may be discussions of multiple other issues
18 that affect multiple affiliates. In addition, employees are often traveling for more
19 than one business purpose, or accomplish additional or unplanned business
20 purposes during their flight or at their destination. Thus, often there is no one
21 single purpose associated with a business trip, and the business travel frequently
22 benefits all affiliates, including SPS. Therefore, the costs associated with travel
23 on the corporate aircraft are collected in Cost Center 200063, and allocated using

1 the Assets, Revenue, and Number of Employees method. Within the Xcel Energy
2 holding company group, those legal entities that have proportionately more assets,
3 revenues, and employees will have more focus placed on their operations due to
4 those subsidiaries' relative influence on the consolidated business balance sheet,
5 income statement, and statement of cash flow, and the subsidiaries will benefit
6 accordingly from the services provided. Thus, allocating these costs based upon
7 the average of the total asset ratio, revenue ratio, and the employee ratio is
8 appropriate because it allocates costs in accordance with cost causation and
9 benefits received. Ms. Schmidt discusses this allocation method in more detail in
10 her testimony. For the cost centers that assign costs based upon this allocation
11 method, the per unit amounts charged by XES to SPS as a result of the application
12 of this allocation method are no higher than the unit amounts billed by XES to
13 other affiliates for the same or similar services and represent the actual costs of
14 the services.

15 **Q. Why does SPS not limit its request to the costs of trips in and out of Texas,**
16 **and trips made by SPS employees?**

17 A. Employees of XES and other affiliates provide services that are necessary to
18 SPS's operations, and business travel to and from destinations not involving
19 Texas or New Mexico may be necessary in order for them to provide those
20 services to SPS. As explained above, executives or XES employees traveling
21 from Minneapolis to Denver are frequently doing so for business purposes that
22 benefit many affiliates, including SPS, or for an SPS-only business purpose.
23 Therefore, it would not be reasonable to conclude that SPS only benefits from the

1 business travel of its own employees, or only travel that originates or terminates
2 in Texas or New Mexico. Because SPS shares in the benefits from the business
3 travel of the employees of XES and other affiliates, and benefits from travel
4 between destinations outside of Texas and New Mexico, it is appropriate that SPS
5 be charged a portion of the costs for that travel.

VII. NATIVE COSTS FOR A&G RENTS AND MAINTENANCE OF GENERAL PLANT

Q. What are SPS native costs?

A. Native SPS costs are those costs incurred directly by SPS associated with the provision of electric service to customers. These costs include labor, materials, and other non-fuel O&M costs. For example, the salaries of SPS employees are native costs.

Q. Please describe SPS's native A&G rent expense and general plant maintenance expenses that SPS seeks to recover in its base rates.

A. These costs, which are provided on my Attachment LAB-RR-5 and included in FERC Accounts 931 and 935, include various services associated with A&G rents and maintenance of general plant for which SPS directly incurs costs. With respect to A&G rents, costs are comprised of services that include equipment rental, lease costs, building construction, and office equipment support. Regarding maintenance of general plant, costs include services such as space coordination and general janitorial maintenance. The Property Services portfolio within SPS includes 64 buildings across 50 campuses totaling more than 553,700 square feet of office, warehouse, and garage space. Fifty-three of those buildings are located in Texas.

Q. Are the native SPS costs for A&G rents and maintenance of general plant reasonable and reasonable for SPS's operations?

A. Yes. These costs enable SPS to have sufficient facilities and equipment to meet the needs of its customers and employees, as well as operate securely within regulatory requirements governing the physical security of electrical facilities. These costs are reasonable and necessary and support SPS's ability to provide safe and reliable service to its Texas retail customers.

1 **VIII. PROPERTY SERVICES-RELATED CAPITAL PROJECTS**

2 **A. Selection and Management of Property Services-Related Capital**
3 **Projects**

4 **Q. Please describe the work that Property Services performs to support SPS's**
5 **operations that is directly related to capital projects.**

6 A. SPS's Property Services performs work to provide, maintain, and secure the
7 properties and facilities that are used by SPS to serve its customers, as discussed
8 more specifically above in relation to O&M. The work performed that is directly
9 related to capital projects includes: responsibility for real estate, facilities
10 operation and maintenance, building construction projects, space coordination,
11 employee move management, office equipment provision, and support. Capital
12 Additions are a necessary part of this work that is necessary for SPS to provide
13 safe and reliable electric utility service for SPS's customers.

14 **Q. Please describe the process for ranking and funding Property Services**
15 **capital projects.**

16 A. Early each year, corporate facilities are evaluated by Property Services staff to
17 identify projects for inclusion in the capital budget for the following year.
18 Property Services identifies short-term and long-term facilities needs in
19 coordination with facility and project managers. The needs may be greater than
20 the organization's ability to fund them, so the Property Services organization has
21 implemented a careful, methodical approach for evaluating and prioritizing
22 SPS's needs and any proposed investments. New items identified are
23 categorized and prioritized along with existing multi-year capital projects. The

1 evaluation considers factors such as facility safety, SPS's requests, opportunities
2 for increased efficiencies, and urgency of equipment replacement in relation to
3 potential consequences of equipment failure. Projects that are related to safety
4 have the highest priority. Other projects are reviewed with relevant Operating
5 Company staff to verify need and priority. The final project list for a given year
6 is based on funding all safety projects first, and funding the balance of projects
7 based on priority in consideration of overall Xcel Energy capital guidelines.

8 With respect to safety, projects such as new or replacement fire alarm
9 systems, uninterruptible power supply, fire suppressing sprinkler systems, and
10 building code requirements are all funded to assure safety compliance with local
11 government jurisdictions.

12 Projects, such as office consolidations, mechanical equipment
13 replacements, and structural projects that are not safety-related, receive funding
14 based on highest cost-benefit analysis and return on investment. Projects that are
15 more appearance-related, such as office furniture, landscaping, and
16 improvements to common building areas, receive funding based on comparison
17 to existing building standards. For example, projects that are most likely to bring
18 facility conditions to established standards are funded before those that have less
19 benefit.

20 Property Services conducts reviews on an ongoing basis as new needs
21 arise and priorities change, sometimes resulting in deferring projects in order to
22 match the available funds.

1 **Q. Please generally describe how the Property Services business area develops**
2 **cost estimates for proposed capital additions.**

3 A. Property Services develops cost information in different ways depending on the
4 type of project involved. For smaller projects Property Services collects past
5 project cost information and historical data used to approximate costs for similar
6 work. These costs are weighed against the active year's economic climate and
7 costs are adjusted accordingly – construction industry activity in the area, cost of
8 materials/labor, oil prices, and location of the work/access to labor. For some
9 larger projects Property Services hires a third party estimator to develop an
10 estimate based on a defined scope of work.

11 **Q. Please explain how Property Services capital costs are managed.**

12 A. After the estimates are developed, all projects follow a project flow process that
13 requires reviews and approvals at the budget, management, senior management,
14 and executive levels. After this approval, they are reviewed by project
15 managers, area management, and corporate finance on a monthly basis to
16 compare the monthly budget to actual expenditures. Each project's budget is
17 updated monthly with a current forecast for all remaining months, including
18 current year-to-date spend. Further, year-to-date actual expenditures are
19 compared with year-to-date forecasts and year-end forecasts. Deviations are
20 identified and recommendations are reviewed and approved. Changes to
21 budgeted project costs are reported to the finance department on a monthly basis.

22 When a project's actual costs will exceed the original budget or an
23 unbudgeted emergency occurs, all lower priority projects included in that year's

1 budget are reviewed by Property Services management to determine whether
2 they can be delayed or removed to cover the costs of those emergencies. For
3 example, a parking lot that is not draining correctly and is creating unsafe ice
4 patches would be a higher priority than replacing the lighting or windows to
5 increase efficiency, which can be delayed to a future year.

6 **Q. Is a Work Breakdown Structure (“WBS”) Level 4 order closed as soon as**
7 **the equipment subject to that work order is placed in service?**

8 A. No. Frequently minor work continues after the equipment is placed in service
9 and the collection of costs related to the WBS Level 4 order can occur for several
10 months after the equipment is placed in service. Thus, it is common for costs to
11 be charged to a WBS Level 4 order after the equipment is placed in service. This
12 is why some of the in-service dates in Attachment LAB-RR-3 are earlier than
13 July 1, 2017. This occurred when costs or refunds were booked on or after July
14 1, 2017, but the equipment was placed in service before that date.

1 **B. Property Services-Related Capital Projects Placed in Service**
2 **Between July 1, 2017 and March 31, 2019**

3 **Q. As part of this rate case, is SPS asking to include in its rate base Property**
4 **Services-related capital additions closed to plant-in-service during the**
5 **period July 1, 2017 through March 31, 2019?**

6 A. Yes. Attachment LAB-RR-3 sets forth the Property Services-related capital
7 projects that closed to plant-in-service during the 21-month period starting on
8 July 1, 2017 and ending on March 31, 2019. The starting date for this period
9 (July 1, 2017) is the first day after the end of the period for which capital
10 additions were requested in Docket No. 47527, and the ending date for this
11 period (March 31, 2019) is the end of the Test Year in this current case. All of
12 these capital additions were prudently incurred and support SPS's ability to
13 provide electric service to its customers.

14 **Q. What is the dollar amount of the Property Services-related capital additions**
15 **placed in service between July 1, 2017 and March 31, 2019 that SPS is**
16 **requesting in this docket?**

17 A. The total requested dollar amount of Property Services-related capital additions
18 closed to plant-in-service during the period July 1, 2017 through March 31, 2019
19 is \$9,570,528 (total company). Attachment LAB-RR-3 provides a list of all the
20 Property Services-related capital additions that closed to plant during this 21-
21 month period. Mr. Freitas allocates the total company dollar amount among
22 SPS's jurisdictions (Texas retail; New Mexico retail; and wholesale).

1 **Q. Please briefly describe the Property Services-related capital additions**
2 **placed in service between July 1, 2017 and March 31, 2019 that SPS is**
3 **requesting in this docket.**

4 A. All of the Property Services-related capital additions placed in service between
5 July 1, 2017 and March 31, 2019 support SPS's ability to provide electric service
6 to its customers. These additions ensure safe, sufficient and code-compliant
7 facilities for SPS. The major projects placed in service during this time period
8 are described in more detail later in my testimony.

9 **Q. Please describe the information in Attachment LAB-RR-3, which provides**
10 **the details about the dollar amounts and associated affiliate component for**
11 **Property Services-related capital additions closed to plant-in-service**
12 **between July 1, 2017 and March 31, 2019.**

13 A. Attachment LAB-RR-3 provides the following information:

Column A —	WBS Level 4 Number	Provides the WBS Level 4 number for the project.
Column B —	WBS Level 4 Description	Provides a short title for the WBS Level 4 number for the project.
Column C —	Asset Class	Identifies the type of asset.
Column D —	Witness	Identifies the witness supporting the project.
Column E —	Project Category	Provides the project category that is descriptive of the project's type.
Column F —	WBS Level 2 Number	Provides the WBS Level 2 number for the project.
Column G —	WBS Level 2 Description	Provides a short title for the WBS Level 2 number for the project.

Column H —	In-Service Date	Provides the in-service date of the WBS Level 2 Number part of the project.
Column I —	Additions to Plant-in-Service (July 1, 2017 – March 31, 2019)	The total company dollar amount of the addition to plant-in-service for the project.
Column J —	XES Charges (Included in Column I)	The amount of charges from XES that are included in the total company dollar amount of addition to plant-in-service for the project in Column I.
Column K —	Other Affiliate Charges (Included in Column I)	The amount of charges from affiliates other than XES that are included in the total company dollar amount of addition to plant-in-service for the project in Column I.
Column L —	Total Affiliate Charges (Included in Column I)	Total of Columns J and K associated with new plant-in-service shown in Column I.
Column M —	Total Native Charges (Columns I less L) Within the Total Additions to Plant-in-Service Shown in Column (I)	The dollar amount (total company) of the addition to plant-in-service in Column I that is not an affiliate charge.

1 **Q. Attachment LAB-RR-3 includes capitalized affiliate costs. Are those**
2 **affiliate costs necessary to complete the projects listed in Attachment**
3 **LAB-RR-3?**

4 **A.** Yes. Many employees in the Property Services department perform work related
5 to these capital projects, including management and oversight, and that causes
6 their labor and expenses to be capitalized, rather than expensed. For example,
7 the Facilities group staff routinely charge their time to specific capital projects,
8 as does the Project/Tenant Services group staff, and these costs are charged back

1 to SPS as part of the capital project cost. In addition, the capital projects include
2 overhead charges that reflect labor and other costs as discussed by Mr. Moeller.
3 When those projects are complete, the costs, including the labor charges, are
4 recorded as new assets. Affiliate charges included in Attachment LAB-RR-3 are
5 \$180,013, which is approximately 1.88% of SPS's total Property Services-related
6 capital costs for projects placed in service during the period July 1, 2017 through
7 March 31, 2019.

8 **Q. Are the costs of these capitalized affiliate charges reasonable and necessary?**

9 A. Yes. In Section V of this testimony, I demonstrate the reasonableness of affiliate
10 charges to SPS during the Updated Test Year for the Property Services business
11 area, which contains the affiliate classes into which all of these costs are
12 collected. That discussion also applies to these affiliate costs for the entire
13 21-month capital additions period. Thus, that discussion supports the
14 reasonableness and necessity of such affiliate costs for the period from January
15 July 1, 2017 through March 31, 2019.

16 **Q. What is the difference between the affiliate charges you discussed in**
17 **Section V of your testimony and the affiliate charges you discuss regarding**
18 **capital additions?**

19 A. The affiliate charges I discussed earlier were those related to only O&M affiliate
20 expense during the Updated Test Year. In contrast, the affiliate charges that I
21 discuss in this section of my testimony refer to the capitalized affiliate charges
22 that were closed to plant-in-service during the period from July 1, 2017 through
23 March 31, 2019.

1 service to its customers. The total investment in this category amounts to
2 \$9,570,529 during the period. Major projects included in this category are:

3 1. **Mechanical Projects for Various Locations** – \$78,490 (WBS Level 2
4 Numbers D.0001806.080, D.0001806.073 and D.0001806.086)

5 • **Lubbock Operations Center BAS Replacement** – This project
6 included the purchase and installation of a computer to support
7 the building automation functions, which will allow remote
8 programming to maintain the building’s mechanical and electrical
9 systems.

10 • **Amarillo Call Center** – This project replaced the following
11 equipment due to equipment failure: sewer lift pumps; and a
12 control system and associated computer set up.

13 • **Dumas Service Center** – This project replaced a 5-ton heating
14 and air conditioning unit at the Dumas Service Center due to the
15 fact that the existing unit was a 20-year old obsolete unit.
16

17 2. **Electrical Projects** – \$321,334 (WBS Level 2 Numbers D.001814.001,
18 D.0001814.028, D.0001814.029, D.0001814.047, D.0001814.046, and
19 D.0001814.041)

20 • **Lubbock Campus Exterior Lights** – This project involved
21 multiple replacements, evaluations and improvements to the
22 exterior lights on the Lubbock Campus. Existing lights were
23 replaced with Light Emitting Diode (“LED”) fixtures for energy
24 efficiency and environmental reasons. Extensions were removed
25 from yard lights to reduce their height allowing for maintenance
26 and better light distribution. Building wall packs and under
27 canopy lights were evaluated for replacement. Lighting levels
28 were improved in the yard and surrounding buildings while
29 reducing energy consumption at the site. This project reduces
30 electrical cost and saves energy over time.

31 • **Amarillo Call Center Exterior Lights** – This project included
32 the evaluation of the existing exterior lighting and identification
33 of energy efficient replacements to provide necessary lighting
34 levels in the parking lots and yard. This included pole mounted
35 lights and wall packs on the exterior of the buildings. This project
36 reduces electrical cost and saves energy over time.

37 • The following projects also provided for new energy efficient
38 lighting that reduces electrical cost and saves energy over time:

- 1 ○ **Borger Service Center Exterior Lights;**
- 2 ○ **Plainview Exterior Lights;**
- 3 ○ **Roswell Service Center Exterior Lights;**
- 4 ○ **Levelland Exterior Lights; and**
- 5 ○ **Hobbs Service Center Exterior Lights.**
- 6 3. **Roads and Gates** – \$ 234,645 (WBS Level 2 Numbers D.0001811.065
- 7 and D.0001811.069)
- 8 ● **Seminole Yard Drainage** – This project provided a concrete
- 9 flume (drainage) that was built across the site to force standing
- 10 water offsite.
- 11 ● **Amarillo Tech Center Building B** – This project provided a new
- 12 concrete entrance to replace an entrance that was in disrepair.
- 13 The entrance is used to receive materials from vendors.
- 14 4. **790 Buchanan (Amarillo Tower) Office Furniture and Equipment --**
- 15 \$144,014 (WBS Level 2 Number A.0005014.053) – This project
- 16 provided furnishings for the headquarters building including workstations
- 17 and conference room furniture.
- 18 5. **Amarillo Tower – Structural** – \$4,063 (WBS Level 2 Number
- 19 D.0001810.035) – This project provided the new furniture and carpet, as
- 20 well as the build out of the new backup control center at the Amarillo
- 21 Tower. The old control center was located on the 6th floor and this
- 22 buildout was completed to relocate the back up control center to the 24th
- 23 floor.
- 24 6. **Amarillo NESC Evidence Storage Facility** — \$ 696,286 (WBS Level 2
- 25 Number D.0001810.057) – This project includes the construction and
- 26 buildout cost for the new evidence storage building that services the SPS
- 27 region to store evidence such as damaged transformers, power poles, etc.
- 28 7. **Amarillo Transportation Exterior Lights** - \$5,758 (WBS Level 2
- 29 Number D.0001813.002) – This project provided a LED lighting upgrade
- 30 for energy efficiency and environmental purposes.
- 31 8. **790 Buchanan (Amarillo Tower) Construction** – \$73,180 (WBS Level
- 32 2 Number D.0001813.022) – This project contains miscellaneous costs
- 33 necessary for the completion of the 790 Buchanan Headquarters Project.
- 34 9. **Misc Bldg – Electric – Dumas** – \$65,419 (WBS Level 2 Number
- 35 D.0001823.084) – This project contains the cost for resealing the entire

- 1 metal roof of the Dumas Service Center, consisting of approximately
2 5,000 square feet. It was a two coat process consisting of Teflon primer
3 base and Teflon coating. The resealing was necessary to address leaks in
4 the existing roof.
- 5 10. **Amarillo Northeast Storeroom Roof Replacement** – \$148,446 (WBS
6 Level 2 Number D.0001834.037) – This project provided a 13,000 square
7 foot roof replacement to replace a roof that was no longer sufficient.
- 8 11. **Carlsbad Roof Seal – Safety System** – \$272,224 (WBS Level 2 Number
9 D.0001834.039) – This project contains the cost for resealing the entire
10 metal roof of the Carlsbad Service Center that was leaking. The roof is
11 approximately 24,000 square feet. This project also includes the costs for
12 constructing a new roof pipe railing safety system around the roof top
13 equipment.
- 14 12. **Office Furniture and Equipment – Electric** – \$7,407 (WBS Level 2
15 Number A.0005014.101) – This project provided ice machines for the
16 Amarillo Service Center to replace failed equipment.
- 17 13. **Canyon Service Center – New** – \$7,485,131 (WBS Level 2 Number
18 D.0001813.061) – This project is a new service center constructed due to
19 limited space at the old site and expanding service area needs within
20 Canyon. The previous site was also problematic because it extended
21 service call response times due to the heavily used railroad tracks that had
22 to be crossed to access territory. This new site includes a warehouse;
23 material storage; engineering support; and substation, transmission,
24 distribution line, and service crews.

25 Combined, these projects account for 99.9% of the total capital additions in this
26 category. The remaining .08% of projects were for similar types of projects
27 including paving, doors and entries, and equipment.

28 **Q. Please describe the types of projects included in the “Tools and Equipment”**
29 **category.**

30 A. This category of investment contains the capital additions for furnishing and
31 equipping building facilities and infrastructure used by or for the benefit of SPS
32 in its provision of retail electric service to its customers. The total investment in
33 this category amounts to \$ 32,469 during the period. The project included in this

1 category is **Tools & Equipment** - \$ 32,469 (WBS Level 2 Number
2 A.0006059.489) - This project includes the costs to replace the batteries for
3 uninterrupted power supply to ensure backup power reliability. The batteries
4 have a life expectancy of five to six years. This project was necessary because
5 the Roswell Service Center is a communication hub for the region, and the
6 batteries were beyond the six year life cycle. This project accounts for 100% of
7 the total capital additions in this category.

8 **Q. Were the Property Services-related capital additions, including the**
9 **capitalized affiliate charges, you present reasonable and necessary?**

10 A. Yes. The Property Services projects listed on Attachment LAB-RR-3 are
11 reasonable and necessary to provide the service centers, facilities, infrastructure,
12 furnishings, and equipment that are required to maintain service to SPS's
13 customers, and maintain them in a functional operating condition. As discussed
14 above, oversight for prioritization of capital investments was provided by the
15 Property Services management team and ensures that the capital projects are
16 reasonable and necessary and that the costs were prudently incurred.

17 **C. Property Services-Related Capital Projects Placed in Service**
18 **Between April 1, 2019 and June 30, 2019**

19 **Q. Is SPS asking to recover Property Services-related capital costs for projects**
20 **placed in service between the end of the Test Year and June 30, 2019?**

21 A. Yes. Attachment LAB-RR-4 provides SPS's costs for these projects. As
22 initially filed, the costs reflected in Attachment LAB-RR-4 are estimated
23 amounts. Mr. Moeller explains the basis for the budgeted amounts. As
24 discussed by Mr. Grant, SPS will file actual costs for the Update Period,

1 including an updated version of Attachment LAB-RR-4, no later than the 45th
2 day after the date of the initial filing of this rate case, as required by 16 TAC
3 § 25.246.

4 **Q. What is the cost of the Property Services-related capital projects placed**
5 **in-service between April 1, 2019 and June 30, 2019?**

6 A. The total costs are reflected on Attachment LAB-RR-4, including affiliate costs.
7 These amounts reflect total company costs. Mr. Freitas allocates the total
8 company dollar amount among SPS's three rate jurisdictions (Texas retail; New
9 Mexico retail; and wholesale) in the cost of service study he presents.

10 **Q. Are capitalized affiliate costs included in the total costs?**

11 A. Yes, the costs include capitalized affiliate costs and are similar to those included
12 for projects placed in service during the previous 21 months. As initially filed,
13 Attachment LAB-RR-4 contains only a total estimated amount of affiliate
14 charges, which is based on historic percentages for the different asset classes.
15 This is explained in more detail by Mr. Moeller. The updated version of
16 Attachment LAB-RR-4 will reflect actual affiliate charges for the Update Period.

17 **Q. Are those affiliate costs necessary to complete the Property Services-related**
18 **capital projects?**

19 A. Yes. Affiliate costs were incurred for the same reasons they were incurred on
20 the projects placed in service between July 1, 2017 through March 31, 2019 and
21 discussed earlier in my testimony.

22 **Q. Are these capitalized affiliate charges reasonable?**

23 A. Yes. These costs satisfy the standards for inclusion of affiliate costs in rates for
24 the reasons presented in the testimony of Ms. Schmidt and Mr. Moeller regarding
25 the reasonableness of affiliate charges.

1 **Q. Please describe the information in Attachment LAB-RR-4, which provides**
2 **the details about the dollar amounts for projects placed in service during the**
3 **Update Period.**

4 A. Attachment LAB-RR-4 provides the following information:

Column A —	Asset Class	Identifies the type of asset.
Column B —	Witness	Identifies the witness supporting the project.
Column C —	Project Category	Provides the project category that is descriptive of the project's type.
Column D —	Additions to Plant-in-Service (Apr. 2019 – Jun. 2019)	The budgeted total company dollar amount of the addition to plant-in-service for the project.
Column E —	Total Affiliate Charges (Included in Column F)	The total XES charges and other affiliate charges associated with new plant-in-service shown in Column D.
Column F —	Project Description	Provides a description of the project and its major components.

5 **Q. Please describe the projects placed in service during the Update Period.**

6 A. The projects placed in service from April 1, 2019 through June 30, 2019 are
7 similar to the projects that were closed during the Test Year and that are
8 discussed in the previous section of my testimony. As shown in Attachment
9 LAB-RR-4, the capital additions for the Update Period fall within the following
10 categories: Buildings and Infrastructure; and Tools and Equipment. These
11 categories are described in Subsection B, of this section.

12 The projects placed in service from April 1, 2019 through June 30, 2019
13 support SPS's ability to provide electric service to its customers and are
14 necessary to provide the service centers, facilities, and equipment that are

1 required to maintain service to SPS's customers, and maintain those facilities in
2 a functional operating condition. Much of these costs are related to furnishing
3 the new Canyon Service Center, which houses transmission control center
4 operations. Descriptions of the specific projects placed in service between April
5 1, 2019 and June 30, 2019, and the reasons the specific projects are necessary,
6 are provided on my Attachment LAB-RR-4.

7 **Q. Has SPS managed its Update Period Property Services-related capital**
8 **addition projects to ensure the final, actual costs are reasonable and**
9 **prudent?**

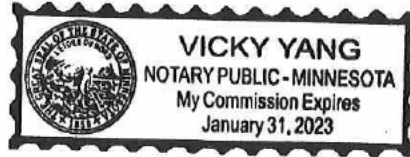
10 A. Yes. The same budgeting and project management process that I describe in
11 Subsection A. of this section applies to the projects for the Update Period.

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

13 A. Yes.

AFFIDAVIT

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN)



LAWRENCE A. BICK, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I have read the 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 testimony are true, valid, and accurate.

A handwritten signature in blue ink, appearing to be "Lawrence A. Bick", written over a horizontal line.

LAWRENCE A. BICK

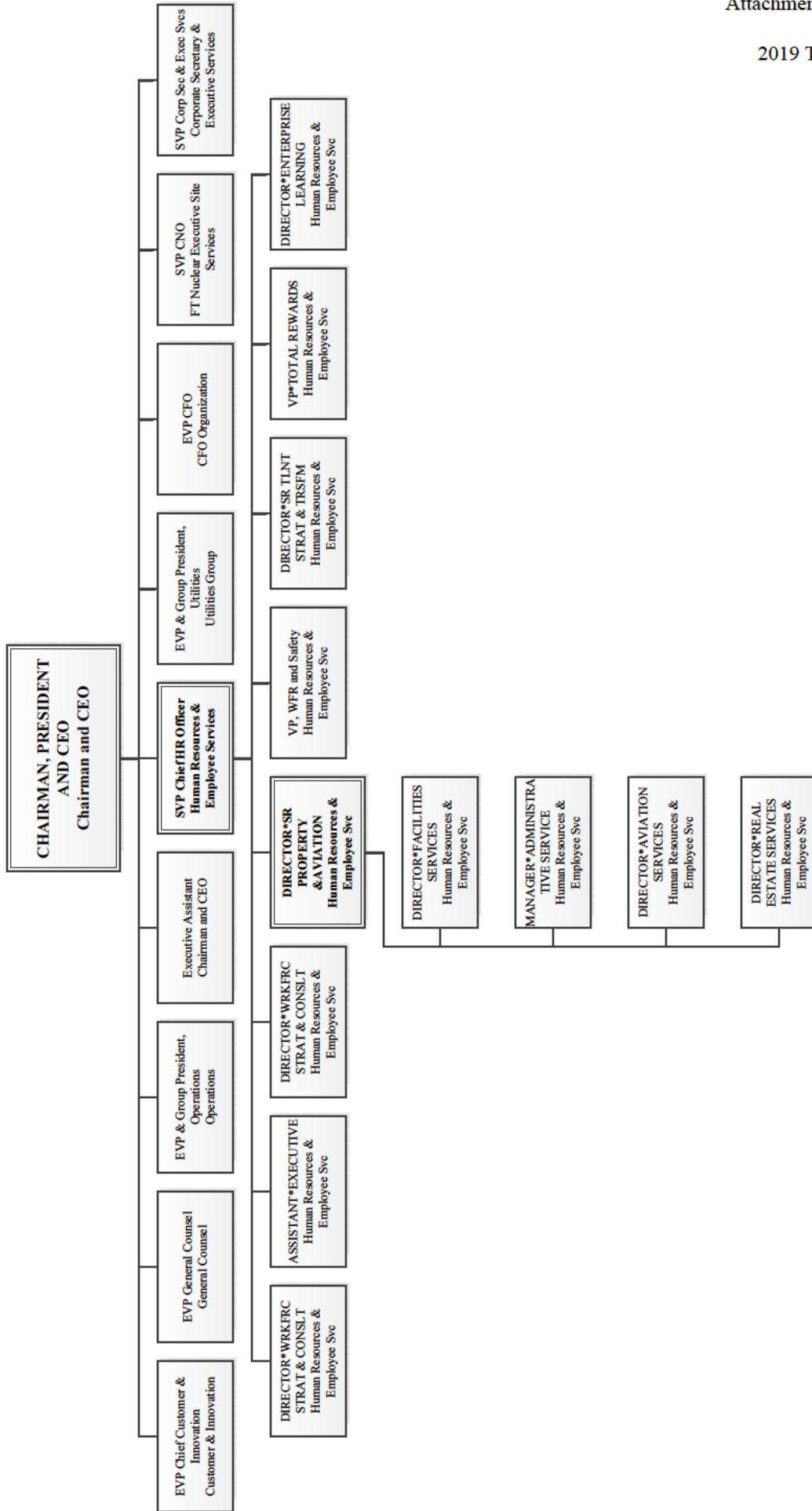
Subscribed and sworn to before me this 30 day of July, 2019 by
LAWRENCE A. BICK

A handwritten signature in blue ink, appearing to be "Vicky Yang", written over a horizontal line.

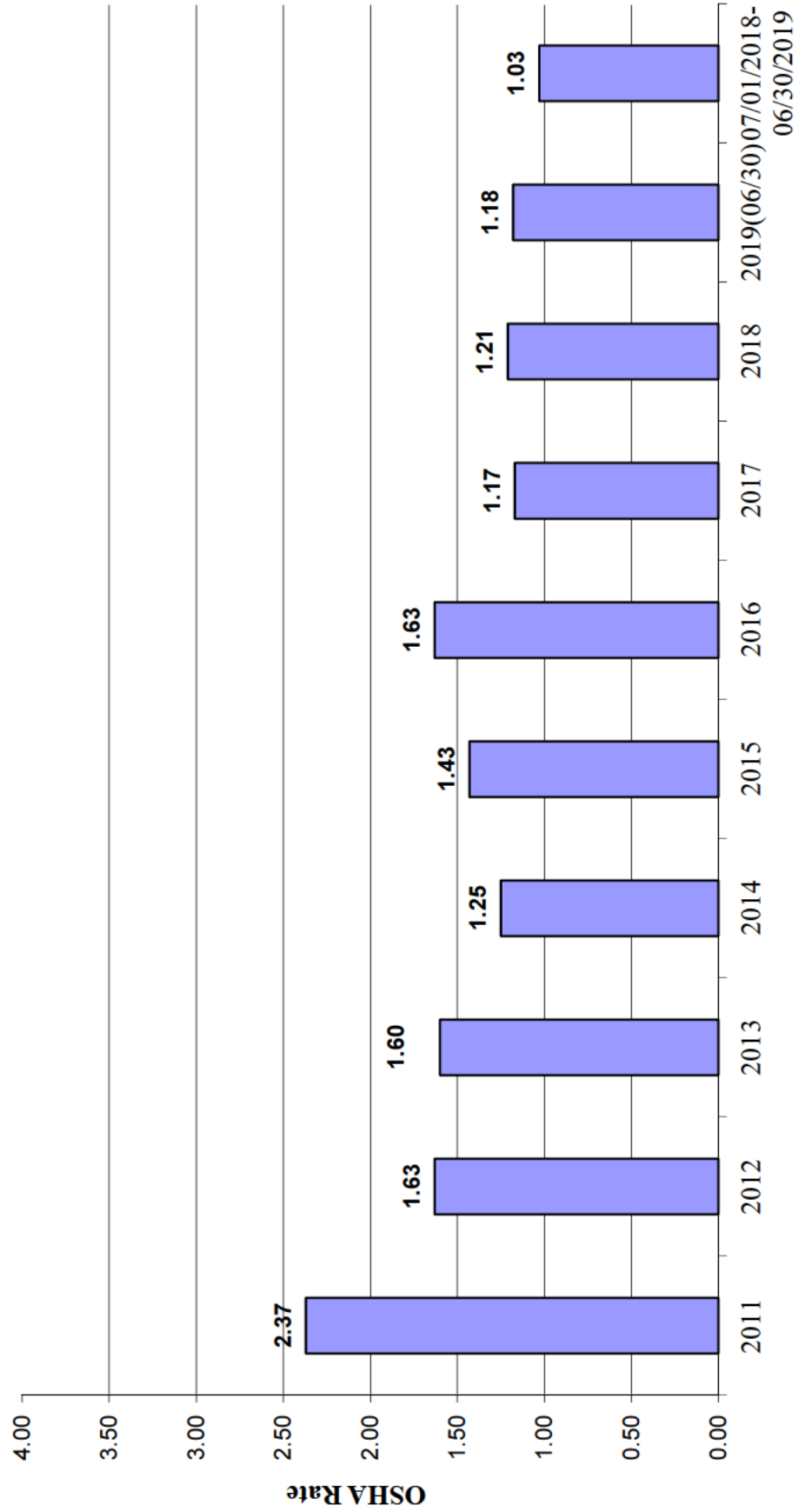
Notary Public, State of Minnesota

My Commission Expires: January 31, 2023

Southwestern Public Service Company
 Organization Chart – Human Resources and Employee Services
 As of March 31, 2019



**SOUTHWESTERN PUBLIC SERVICE COMPANY
OSHA STATISTICS
2011 - 2018 and July 1, 2018 - June 30, 2019**



Southwestern Public Service Company

Property Services Capital Additions
July 1, 2017 through March 31, 2019

Line No.	WBS Level 4 Number	WBS Level 4 Description	Asset Class	Witness	Project Category
(A)	(B)	(C)	(D)	(E)	
1	A 0005014 053 001 004	790 Buchanan Furniture	Electric General	Bick	Building & Infrastructure
2					
3	A 0005014 102 001 001	Office Furn & Equipment - Electric	Electric General	Bick	Building & Infrastructure
4					
5	D 0001806 001 001 005	Amarillo Tower Compressor rplc	Electric General	Bick	Building & Infrastructure
6	D 0001806 001 001 018	Amarillo Tech Center RTU	Electric General	Bick	Building & Infrastructure
7					
8	D 0001806 073 001 002	Amarillo Call Center Lift Pump Rplc	Electric General	Bick	Building & Infrastructure
9	D 0001806 073 001 003	Amarillo Call Center BAS Rplc	Electric General	Bick	Building & Infrastructure
10					
11	D 0001806 080 001 002	Lubbock Ops Center BAS Rplc	Electric General	Bick	Building & Infrastructure
12					
13	D 0001806 086 001 001	Dumas HVAC Rplc	Electric General	Bick	Building & Infrastructure
14					
15	D 0001810 035 001 002	Amarillo Tower Backup Control Cente	Electric General	Bick	Building & Infrastructure
16					
17	D 0001810 036 001 001	Hobbs Overhead Door & Operator	Electric General	Bick	Building & Infrastructure
18					
19	D 0001810 057 001 002	Amarillo NESC Evidence Storage Faci	Electric General	Bick	Building & Infrastructure
20					
21	D 0001811 001 001 004	Amarillo NESC Door-Operator Rplc	Electric General	Bick	Building & Infrastructure
22					
23	D 0001811 051 001 002	Clovis Stores Yard Entry	Electric General	Bick	Building & Infrastructure
24					
25	D 0001811 065 001 002	Seminole yard Drainage	Electric General	Bick	Building & Infrastructure
26					
27	D 0001811 069 001 002	Ama Tech Ctr Bldg B Concrete Entran	Electric General	Bick	Building & Infrastructure
28					
29	D 0001813 002 001 002	Amarillo Meter Rdg Sewer Rplc	Electric General	Bick	Building & Infrastructure
30	D 0001813 002 001 003	Amarillo Transportation Exterior Li	Electric General	Bick	Building & Infrastructure
31					
32	D 0001813 022 001 002	790 Buchanan Construction	Electric General	Bick	Building & Infrastructure
33	D 0001813 022 001 004	790 Buchanan Security System	Electric General	Bick	Building & Infrastructure
34					

Southwestern Public Service Company

Property Services Capital Additions
July 1, 2017 through March 31, 2019

(F) Line No.	(F) WBS Level 2 Number	(G) WBS Level 2 Description	(H) In-Service Date	(I) Additions (Jul 2017 - Mar 2019)	(J) XES Charges (Included in Column I)	(K) Other Affiliate Charges (Included in Column I)	(L) Total Affiliate Charges (Included in Column I)	(M) Total Native Charges (Columns I less L) Within the Total Additions to Plant-in-Service Shown in Column (I)
1	A 0005014 053	Office Furn & Equipment	201705	\$ 144,014 34	\$ -	\$ -	\$ -	144,014 34
2	A 0005014 053 Total			144,014 34	-	-	-	144,014 34
3	A 0005014 102	Office Furn & Equipment - Electric		3,996 90	-	-	-	3,996 90
4	A 0005014 102 Total			3,996 90	-	-	-	3,996 90
5	D 0001806 001	Mechanical	201701	1 28	-	-	-	1 28
6	D 0001806 001	Mechanical	201703	(0 22)	-	-	-	(0 22)
7	D 0001806 001 Total			1 06	-	-	-	1 06
8	D 0001806 073	Mechanical - TX Office - Routine	201707	10,208 39	-	52 00	52 00	10,156 39
9	D 0001806 073	Mechanical - TX Office - Routine	201712	40,521 08	-	-	-	40,521 08
10	D 0001806 073 Total			50,729 47	-	52 00	52 00	50,677 47
11	D 0001806 080	Mechanical - Lubbock - Routine	201803	20,295 93	-	-	-	20,295 93
12	D 0001806 080 Total			20,295 93	-	-	-	20,295 93
13	D 0001806 086	Mechanical - Dumas - Routine	201804	7,464 78	-	-	-	7,464 78
14	D 0001806 086 Total			7,464 78	-	-	-	7,464 78
15	D 0001810 035	Amarillo Tower - Structural	201707	4,063 07	1,056 55	-	1,056 55	3,006 52
16	D 0001810 035 Total			4,063 07	1,056 55	-	1,056 55	3,006 52
17	D 0001810 036	Hobbs Service Center Projects	201705	195 58	-	-	-	195 58
18	D 0001810 036 Total			195 58	-	-	-	195 58
19	D 0001810 057	Amarillo NESC Evidence Storage Faci	201712	696,286 03	12,540 47	-	12,540 47	683,745 56
20	D 0001810 057 Total			696,286 03	12,540 47	-	12,540 47	683,745 56
21	D 0001811 001	Roads and Gates	201703	7 71	-	-	-	7 71
22	D 0001811 001 Total			7 71	-	-	-	7 71
23	D 0001811 051	Clovis - Road & Gates	201705	199 38	-	-	-	199 38
24	D 0001811 051 Total			199 38	-	-	-	199 38
25	D 0001811 065	Roads-Gates - Elect - Seminole-Rout	201712	46,153 42	-	-	-	46,153 42
26	D 0001811 065 Total			46,153 42	-	-	-	46,153 42
27	D 0001811 069	Roads-Gates - Elect - TX Office-Rou	201801	188,491 71	-	-	-	188,491 71
28	D 0001811 069 Total			188,491 71	-	-	-	188,491 71
29	D 0001813 002	Building Renovation/Remodel	201703	33 38	-	-	-	33 38
30	D 0001813 002	Building Renovation/Remodel	201702	5,758 24	-	-	-	5,758 24
31	D 0001813 002 Total			5,791 62	-	-	-	5,791 62
32	D 0001813 022	Amarillo Tower New Lease	201705	233,124 47	13,460 32	25 05	13,485 37	219,639 10
33	D 0001813 022	Amarillo Tower New Lease	201705	(165,702 11)	-	-	-	(165,702 11)
34	D 0001813 022 Total			67,422 36	13,460 32	25 05	13,485 37	53,936 99

Southwestern Public Service Company

Property Services Capital Additions
July 1, 2017 through March 31, 2019

Line No.	(A) WBS Level 4 Number	(B) WBS Level 4 Description	(C) Asset Class	(D) Witness	(E) Project Category
35	D 0001814 001 001 001	Lubbock Campus Exterior lights	Electric General	Bick	Building & Infrastructure
36	D 0001814 001 001 002	Amarillo Call Center Exterior Light	Electric General	Bick	Building & Infrastructure
37					
38	D 0001814 028 001 001	Plainview Exterior Lighting	Electric General	Bick	Building & Infrastructure
39					
40	D 0001814 029 001 001	Roswell SC Exterior Lighting	Electric General	Bick	Building & Infrastructure
41					
42	D 0001814 046 001 002	Borger Svc Center Exterior Lighting	Electric General	Bick	Building & Infrastructure
43					
44	D 0001814 047 001 002	Levelland Exterior Lighting	Electric General	Bick	Building & Infrastructure
45					
46	D 0001823 084 001 002	Dumas Roof Seal	Electric General	Bick	Building & Infrastructure
47					
48	D 0001834 037 001 002	Amarillo Northeast Storeroom Roof R	Electric General	Bick	Building & Infrastructure
49					
50	D 0001834 039 001 002	Carlsbad Roof Seal-Safety System	Electric General	Bick	Building & Infrastructure
51					
52	A 0005014 101 001 001	Office Furn & Equipment - Electric	Electric General	Bick	Building & Infrastructure
53					
54	D 0001779 174 001 002	Clovis Overhead Storeroom Door	Electric General	Bick	Building & Infrastructure
55					
56	D 0001813 061 001 002	New Canyon Service Center	Electric General	Bick	Building & Infrastructure
57					
58	D 0001811 048 001 001	Borger Forklift Door	Electric General	Bick	Building & Infrastructure
59					
60	D 0001814 041 001 002	Hobbs Svc Ctr Exterior Lighting	Electric General	Bick	Building & Infrastructure
61					
62	D 0001811 029 001 002	Amarillo NE SC Paving Rplc	Electric General	Bick	Building & Infrastructure
63					
64	A 0006059 489 001 001	Tools & Equipment - Electric - NM	Electric General	Bick	Tools & Equipment
65					
66					
67					
			Total Electric General		
			Grand Total		

Southwestern Public Service Company

Property Services Capital Additions
July 1, 2017 through March 31, 2019

(F) Line No.	(G) WBS Level 2 Number	(H) WBS Level 2 Description	(I) In-Service Date	(J) Additions (Jul 2017 - Mar 2019)	(K) XES Charges (Included in Column I)	(L) Other Affiliate Charges (Included in Column I)	(M) Total Affiliate Charges (Included in Column I)	(N) Total Native Charges (Columns I less L) Within the Total Additions to Plant-in-Service Shown in Column I
35	D 0001814 001	Electrical	201612	7,176 62	-	-	-	7,176 62
36	D 0001814 001	Electrical	201702	1,981 04	-	-	-	1,981 04
37	D 0001814 001 Total			9,157 66	-	-	-	9,157 66
38	D 0001814 028	Plainview Exterior Lighting	201712	126,453 40	934 67	-	934 67	125,518 73
39	D 0001814 028 Total			126,453 40	934 67	-	934 67	125,518 73
40	D 0001814 029	Roswell SC Exterior Lighting	201712	66,893 48	934 64	-	934 64	65,958 84
41	D 0001814 029 Total			66,893 48	934 64	-	934 64	65,958 84
42	D 0001814 046	Electrical - Borger - Routine	201801	60,940 35	-	-	-	60,940 35
43	D 0001814 046 Total			60,940 35	-	-	-	60,940 35
44	D 0001814 047	Electrical - Levelland - Routine	201801	24,423 55	-	-	-	24,423 55
45	D 0001814 047 Total			24,423 55	-	-	-	24,423 55
46	D 0001823 084	Misc Bldg - Electric - Dumas - Rout	201804	65,418 89	-	-	-	65,418 89
47	D 0001823 084 Total			65,418 89	-	-	-	65,418 89
48	D 0001834 037	Roof Rplc - Electric - TX Off - Rou	201712	148,445 87	-	-	-	148,445 87
49	D 0001834 037 Total			148,445 87	-	-	-	148,445 87
50	D 0001834 039	Carlsbad Roof Seal-Safety System	201804	272,223 95	-	-	-	272,223 95
51	D 0001834 039 Total			272,223 95	-	-	-	272,223 95
52	A 0005014 101	Office Furn & Equipment - Electric		7,406 80	-	-	-	7,406 80
53	A 0005014 101 Total			7,406 80	-	-	-	7,406 80
54	D 0001779 174	Roads & Gates - NM	201703	(498 27)	-	-	-	(498 27)
55	D 0001779 174 Total			(498 27)	-	-	-	(498 27)
56	D 0001813 061	Canyon Service Center - New	201901	7,485,130 92	203 81	150,916 08	150,916 08	7,334,214 84
57	D 0001813 061 Total			7,485,130 92	203 81	150,916 08	150,916 08	7,334,214 84
58	D 0001811 048	Borger Forklift Door	201702	600 00	-	-	-	600 00
59	D 0001811 048 Total			600 00	-	-	-	600 00
60	D 0001814 041	Electrical - Hobbs Svc Ctr - Routin	201712	33,465 92	311 55	-	311 55	33,154 37
61	D 0001814 041 Total			33,465 92	311 55	-	311 55	33,154 37
62	D 0001811 029	Amarillo NE SC Paving	201610	2,883 64	-	-	-	2,883 64
63	D 0001811 029 Total			2,883 64	-	-	-	2,883 64
64	A 0006059 489	Tools & Equipment - Electric - NM		32,468 97	-	0 37	0 37	32,468 60
65	A 0006059 489 Total			32,468 97	-	0 37	0 37	32,468 60
66				\$ 9,570,528.49	\$ 179,950.47	\$ 281.23	\$ 180,231.70	\$ 9,390,296.79
67				\$ 9,570,528.49	\$ 179,950.47	\$ 281.23	\$ 180,231.70	\$ 9,390,296.79

Southwestern Public Service Company

Property Services Capital Additions
April 1, 2019 through June 30, 2019

(A) Line No.	(B) Asset Class	(C) Witness	(D) Project Category	(E) Additions to Plant-in-Service (Apr. 2019 - Jun. 2019)	(F) Total Affiliate Charges (Included in Column D)	(G) Project Description
April-June 2019 Budget Amounts						
1	Electric General Plant	Bick	Building & Infrastructure	\$ 80,951.72		This project is for the furniture for the Canyon Service Center, including office and individual workstations furniture and chairs, conference room and breakroom table and chairs. This also includes other furniture needs in SPS. Final invoices were paid after in service for a few final change orders and retainage which was held until construction was completed to SPS's specification.
2	Electric General Plant	Bick	Building & Infrastructure	2,401.68		This project is for the renovation of approximately 13,870 SF of existing space at the Clovis Service Center to consolidate staff from two locations to one in areas where service centers and customer offices were proximate in order to decrease capital and operating costs. This amount includes the final billing for the construction company for the renovation.
3	Total Electric General Plant			\$ 83,353.40	\$ 3,895.55	

Southwestern Public Service Company

Administrative & General Rents
& Maintenance of General Plant Expenses

Total Company SPS Operation and Maintenance Expenses

Line No	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jul '18-Jun '19)	Test Year Affiliate O&M Expense (Jul '18-Jun '19)	Total Company Requested O&M
Production					
1	500	Operation Supervision and Engineering	\$ 1,432,129	\$ 742,754	\$ 2,174,883
2	501 35*	Coal Non-Mine; Non-Freight	34,515,666	-	34,515,666
3	507 70	Coal Ash Sales	(1,970,658)	1,329,592	(641,065)
4	502	Steam Expenses	10,433,079	(16,011)	10,417,068
5	505	Electric Expenses	9,674,863	214	9,675,077
6	506	Miscellaneous Steam Power Expenses	7,064,766	5,374,135	12,438,901
7	507	Rents	1,391,316	4,419,144	5,810,460
8	509	Steam Operation SO2 Allowance Expense	124,830	-	124,830
9	509 02	Allowances - NM Nox Expense Amortz	(2,340)	-	(2,340)
10	510	Maintenance Supervision and Engineering	1,452,197	4,910	1,457,107
11	511	Maintenance of Structures	4,825,180	1,534	4,826,713
12	512	Maintenance of Boiler Plant	16,817,025	1,019,257	17,836,282
13	513	Maintenance of Electric Plant	12,885,934	449,147	13,335,081
14	514	Maintenance of Miscellaneous Steam Plant	9,671,362	1,499,169	11,170,531
15	546	Operation Supervision and Engineering	2,084	36,052	38,136
16	548	Generation Expenses	311,697	-	311,697
17	549	Misc Other Power Generation Expenses	644,946	169,466	814,412
18	549W	Misc Other Power Generation Expenses Wind	5,755,120	-	5,755,120
19	550	Rents	246,516	413,266	659,782
20	551	Maintenance Supervision and Engineering	179,727	301	180,028
21	552	Maintenance of Structures	335,622	481	336,104
22	553	Maintenance of Generating and Electric Equipment	1,572,028	33,713	1,605,740
23	553W	Maintenance of Generating and Electric Equipment Wind	3,843,120	-	3,843,120
24	554	Maintenance of Misc Other Power Generation Plant	143,369	163,309	306,679
25	556	System Control and Load Dispatching	(2,686)	1,061,033	1,058,347
26	557	Purchased Power Other	(381,078)	1,742,113	1,361,034
27	557 9*	REC Costs	2,543,109	-	2,543,109
28	Total Production O&M Expense		\$ 123,508,923	\$ 18,443,580	\$ 141,952,503

Southwestern Public Service Company

Administrative & General Rents
& Maintenance of General Plant Expenses

Total Company SPS Operation and Maintenance Expenses

			Native SPS O&M		Test Year	
			Expense through the		Affiliate O&M	Total Company
Line	FERC		Update Period		Expense	Requested O&M
No	Acct	Account Description	(Jul '18-Jun '19)		(Jul '18-Jun '19)	
Transmission						
29	560	Operation Supervision and Engineering	\$ (545,350)	\$	10,121,801	\$ 9,576,451
30	561 1	Load Dispatch - Reliability	211,475		-	211,475
31	561 2	Load Dispatch - Monitor and Operate Trans System	1,723,643		1,375,714	3,099,357
32	561 4	Scheduling, System Control and Dispatching Services	3,079,020		-	3,079,020
33	561 4W	Scheduling, System Control and Dispatching Services - Wholesale	964,243		-	964,243
34	561 5	Reliability, Planning and Standards Development	-		3,608	3,608
35	561 6	Transmission Service Studies	64,465		27,835	92,300
36	561 7	Generation Interconnection Studies	(49,954)		-	(49,954)
37	561 8	Reliability Planning and Standards Development Services	2,724,405		-	2,724,405
38	561 8W	Reliability Planning and Standards Development Services - Wholesale	465,778		-	465,778
39	562	Station Expenses	1,618,771		291	1,619,062
40	563	Overhead Line Expenses	969,905		12,027	981,932
41	565	Wheeling Lamar DC Tie	(420)		-	(420)
42	565	Wheeling Meter Charges	910,542		-	910,542
43	565	Wheeling Miscellaneous	(160,568)		-	(160,568)
44	565	Wheeling Schedule 11	97,414,450		-	97,414,450
45	565	Wheeling Schedule 11 - Wholesale	36,648,282		-	36,648,282
46	565	Wheeling Schedule 12	2,027,287		-	2,027,287
47	565	Wheeling Schedule 12 - Wholesale	544,137		-	544,137
48	565	Wheeling Schedule 1 - Wholesale	718,162		-	718,162
49	565	Wheeling Schedule 2	87,728		-	87,728
50	565	W-Wheeling Schedule 2 - Wholesale	(38,596)		-	(38,596)
51	565	Wheeling Schedule 9	6,012,320		-	6,012,320
52	565	Wheeling Schedule 9 - Wholesale	24,630,445		-	24,630,445
53	565	Z2 Direct Assigned Upgrade Charge	81,490		-	81,490
54	565	Z2 Direct Assigned Upgrade Charge - Wholesale	16,962		-	16,962
55	565	Z2 Schedule 11 Charges	(182,512)		-	(182,512)
56	565	Z2 Schedule 11 Charges - Wholesale	(4,093)		-	(4,093)
57	566	Misc Transmission Expenses	2,758,831		771,036	3,529,868
58	567	Rents	248,554		1,443,247	1,691,801
59	568	Maintenance Supervision and Engineering	(4,514)		8,197	3,683
60	570	Maintenance of Station Equipment	1,881,327		3,286	1,884,613
61	571	Maintenance of Overhead Lines	3,279,359		40,513	3,319,872
62	Sub-Total Transmission O&M Expenses		\$ 188,095,571	\$	13,807,556	\$ 201,903,127
Regional Market Expenses						
63	575 1	Operation Supervision	\$ 0	\$	144,493	\$ 144,493
64	575 2	Day-Ahead and Real-Time Market Administration	-		319,247	319,247
65	575 5	Ancillary Services Market Administration	-		45,199	45,199
66	575 6	Market Monitoring and Compliance	-		52,834	52,834
67	575 7	Market Admin, Monitoring, and Compliance Services	5,493,541		-	5,493,541
68	575 7W	Market Admin, Monitoring, and Compliance Services - Wholesale	1,955,333		-	1,955,333
69	575 8	Regional Market Rents	16,697		46,542	63,239
70	Total Regional Market Expenses		\$ 7,465,572	\$	608,316	\$ 8,073,887
71	Total Transmission O&M Expenses		\$ 195,561,142	\$	14,415,872	\$ 209,977,014

Southwestern Public Service Company

Administrative & General Rents
& Maintenance of General Plant Expenses

Total Company SPS Operation and Maintenance Expenses

			Native SPS O&M Expense through the Update Period (Jul '18-Jun '19)		Test Year Affiliate O&M Expense (Jul '18-Jun '19)		Total Company Requested O&M	
Line No	FERC Acct	Account Description						
Distribution								
72	580	Operation Supervision and Engineering	\$	3,405,755	\$	1,112,909	\$	4,518,665
73	581	Load Dispatching		102,311		248,335		350,646
74	582	Station Expenses		1,435,464		(14,170)		1,421,293
75	583	Overhead Line Expenses		3,334,194		105,570		3,439,764
76	584	Underground Line Expenses		156,919		-		156,919
77	585	Street Lighting and Signal Systems Expenses		287,435		415		287,850
78	586	Meter Expenses		2,797,646		179,701		2,977,347
79	587	Customer Installations Expenses		919,216		1,495		920,712
80	588	Misc Distribution Expense		10,390,098		1,143,464		11,533,563
81	589	Rents		989,709		1,543,961		2,533,670
82	590	Maintenance Supervision and Engineering		16,017		28,724		44,741
83	591	Maintenance of Structures		815		-		815
84	592	Maintenance of Station Equipment		912,565		1,149		913,714
85	593	Maintenance of Overhead Lines		9,126,107		191,724		9,317,831
86	594	Maintenance of Underground Lines		180,525		(0)		180,525
87	595	Maintenance of Line Transformers		618		-		618
88	596	Maintenance of Street Lighting and Signal Systems		584,448		2,020		586,468
89	597	Maintenance of Meters		20,218		-		20,218
90	598	Maintenance of Misc Distribution Plant		(390,387)		769		(389,618)
91	Total Distribution O&M Expenses		\$	34,269,676	\$	4,546,065	\$	38,815,741
Customer Accounts								
92	901	Supervision	\$	-	\$	30,503	\$	30,503
93	902	Meter Reading Expenses		4,380,976		460,573		4,841,549
94	903	Customer Records and Collection Expenses		3,232,359		3,722,097		6,954,456
95	904 0*	Uncollectible Expenses		4,736,858		-		4,736,858
96	904 1*	Uncollectible Expenses		762,650		-		762,650
97	DEPINT Customer Deposit Interest Expense			151,110		-		151,110
98	Total Customer Accounts Expense		\$	13,263,953	\$	4,213,172	\$	17,477,125
Customer Service								
99	908 00	Customer Assistance Expense	\$	911,114	\$	130,975	\$	1,042,089
100	908 00	Historical EE Amortization		(30,099)	\$	-	\$	(30,099)
101	908 01	EE Amortization - Texas		-		-		-
102	908 03	EE Amortization - New Mexico		-		-		-
103	908 04	SaversSwitch		775,839		-		775,839
104	909 10	Informational and Instructional Advertising Expense		-		-		-
105	910 00	Miscellaneous Customer Service Expense		44,957		21,107		66,063
106	Total Customer Service Expense		\$	1,701,811	\$	152,081	\$	1,853,892
Sales								
107	912 00	Demonstration and Selling Expense-Economic Development	\$	273,509	\$	105	\$	273,614
108	Total Sales Expense		\$	273,509	\$	105	\$	273,614

Southwestern Public Service Company

Administrative & General Rents
& Maintenance of General Plant Expenses

Total Company SPS Operation and Maintenance Expenses

Line No	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jul '18-Jun '19)	Test Year Affiliate O&M Expense (Jul '18-Jun '19)	Total Company Requested O&M
Administrative and General Expenses					
109	920*	Administrative and General Salaries	\$ 4,833,384	\$ 24,142,782	\$ 28,976,166
110	921	Office Supplies and Expenses	1,269,421	17,962,307	19,231,728
111	922*	Administrative Expenses Transferred-Credit	(14,611,279)	(228,870)	(14,840,149)
112	923	Outside Services Employed	2,916,830	9,095,481	12,012,311
113	924	Property Insurance	3,180,864	1,633	3,182,497
114	925*	Injuries and Damages	4,475,740	2,106,862	6,582,602
115	926 01*	Employee Pensions and Benefits	20,587,923	13,238,622	33,826,545
116	926 03*	Deferred Pension Expense	1,574,975	-	1,574,975
117	928	Regulatory Commission Expense - TX	8,781,003	-	8,781,003
118	928 01	Regulatory Commission Expense - NM	4,701,597	-	4,701,597
119	928 02	Regulatory Commission Expense - Wholesale	748,078	-	748,078
120	928 04	Regulatory Commission Expense - Misc	93,393	1,040	94,433
121	929	Duplicate Charges-Credit	(1,367,138)	-	(1,367,138)
122	930 11	General Advertising Expenses	-	-	-
123	930.20	Misc General Expenses	16,227	468,159	484,386
124	931	Rents	(959,185)	12,711,133	11,751,948
125	935	Maintenance of General Plant	482	107,643	108,125
126		Recoverable Contributions, Dues, and Donations	2,556,746	-	2,556,746
127	Total Administrative and General Expenses		\$ 38,799,063	\$ 79,606,791	\$ 118,405,854
128	Total Operations and Maintenance Expense		\$ 407,378,077	\$ 121,377,667	\$ 528,755,744

Note: All amounts included in this attachment are included in the cost of service study provided as Attachment APF-RR1

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

(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 for 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	Aviation & Travel Services	200063 - Executive - Corporate Governance	Assets/Revenue/No of employees	\$ 6,570,609.22	\$ 5,722,993.14	\$ 847,616.08	\$ (27.64)	\$ 847,588.44	\$ (46,087.33)	\$ 801,501.11	100.00%
2	Aviation & Travel Services			\$ 6,570,609.22	\$ 5,722,993.14	\$ 847,616.08	\$ (27.64)	\$ 847,588.44	\$ (46,087.33)	\$ 801,501.11	100.00%
3	Property Services	200079 - Federal Lobbying	Assets/Revenue/No of employees	\$ 150,964.43	\$ 131,446.30	\$ 19,518.13	\$ (19,518.13)	\$ -	\$ -	\$ -	0.00%
4	Property Services	Direct	Direct	\$ 99,231,557.80	\$ 83,377,046.48	\$ 15,854,511.32	\$ (28,412.83)	\$ 15,826,098.49	\$ 44,286.72	\$ 15,870,385.21	100.00%
5	Property Services			\$ 99,382,522.23	\$ 83,508,492.78	\$ 15,874,029.45	\$ (47,930.96)	\$ 15,826,098.49	\$ 44,286.72	\$ 15,870,385.21	100.00%
6	Workforce Relations & Safety	200071 - Legal - Corporate Governance	Assets/Revenue/No of employees	\$ 8,024.03	\$ 6,987.99	\$ 1,036.04	\$ -	\$ 1,036.04	\$ 31.08	\$ 1,067.12	0.05%
7	Workforce Relations & Safety	200072 - Communications - Corporate Governance	Assets/Revenue/No of employees	\$ 90,538.12	\$ 78,861.76	\$ 11,676.36	\$ 0	\$ 11,676.36	\$ (32.68)	\$ 11,643.68	0.56%
8	Workforce Relations & Safety	200073 - Human Resources (HR) - Corporate Governance	Assets/Revenue/No of employees	\$ 1,055,324.74	\$ 919,207.67	\$ 136,117.07	\$ (6.70)	\$ 136,110.37	\$ (1,417.39)	\$ 134,692.98	6.52%
9	Workforce Relations & Safety	200093 - Legal - OpCos	Assets/Revenue/No of employees	\$ 21.58	\$ 18.46	\$ 3.12	\$ 0	\$ 3.12	\$ (3.12)	\$ 0	0.00%
10	Workforce Relations & Safety	200116 - Distribution Electric FERC 580 (E&S)	Electric Distribution Plant	\$ 1,251.30	\$ 1,102.45	\$ 148.85	\$ 0	\$ 148.85	\$ (12.92)	\$ 135.93	0.01%
11	Workforce Relations & Safety	200122 - Transmission Electric FERC 560 (E&S)	Electric Transmission Plant	\$ 171.04	\$ 119.76	\$ 51.28	\$ 0	\$ 51.28	\$ (51.28)	\$ 0	0.00%
12	Workforce Relations & Safety	200127 - Distribution Gas FERC 870 (E&S)	Gas Distribution Plant	\$ 399.05	\$ 399.05	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00%
13	Workforce Relations & Safety	200135 - Energy Supply Business Resources	MWH Generation	\$ 18,488.23	\$ 14,028.26	\$ 4,459.97	\$ 0	\$ 4,459.97	\$ (344.16)	\$ 4,115.81	0.20%
14	Workforce Relations & Safety	200153 - Customer Safety Advertising/Information Costs	Number of Customers	\$ 817,114.45	\$ 760,017.27	\$ 57,097.18	\$ (199.81)	\$ 56,897.37	\$ (161.68)	\$ 56,735.69	2.75%
15	Workforce Relations & Safety	200164 - Payroll	Number of Employees	\$ 419.93	\$ 359.53	\$ 60.40	\$ 0	\$ 60.40	\$ (60.40)	\$ 0	0.00%

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

(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 for 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
16	Workforce Relations & Safety	200166 - Human Resources (Diversity/Safety/Emp Relations)	Number of Employees	4,024,754.47	3,445,441.26	579,313.21	(117.69)	579,195.52	(7,323.13)	571,872.39	27.68%
17	Workforce Relations & Safety	Direct	Direct	7,868,871.44	6,571,673.58	1,297,197.86	(124.33)	1,297,073.53	(11,313.90)	1,285,759.63	62.23%
18	Workforce Relations & Safety	Workforce Relations & Safety Total		\$ 13,885,378.38	\$ 11,798,217.04	\$ 2,087,161.34	\$ (448.53)	\$ 2,086,712.81	\$ (20,689.58)	\$ 2,066,023.23	100.00%
19	Total - Witness Lawrence Bick			\$ 119,838,509.83	\$ 101,029,702.96	\$ 18,808,806.87	\$ (48,407.13)	\$ 18,760,399.74	\$ (22,490.19)	\$ 18,737,909.55	
	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

Lawrence A. Bick

2019 TX Rate Case

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

LAB-RR-B(CD)

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Exclusions	(E) Exclusions (Total Company)
1	Aviation & Travel Services	426.5 - Other Deductions	Below the line	\$ (27.64)
2	Aviation & Travel Services Total			\$ (27.64)
3	Property Services	417.1 - Expenses of nonutility operations	Below the line	\$ (2,589.75)
4	Property Services	426.4 - Life Insurance	Below the line	(44,610.30)
5	Property Services	426.5 - Other Deductions	Below the line	(730.91)
6	Property Services Total			\$ (47,930.96)
7	Workforce Relations & Safety	426.1 - Donations	Below the line	\$ (4.00)
8	Workforce Relations & Safety	426.5 - Other Deductions	Below the line	(444.53)
9	Workforce Relations & Safety Total			\$ (448.53)
10		Total - Witness Lawrence Bick		\$ (48,407.13)
	Amounts may not add or tie to other schedules due to rounding.			

**Pro Forma Adjustments to XES Expenses by Class and FERC Account
For Twelve Months Ended June 30, 2017
Lawrence Bick**

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
1	Aviation & Travel Services	408.1 - Tax Other Than Income Tax - Payroll	Aviation	Arthur Freitas	\$ (9,401.75)
2	Aviation & Travel Services	920 - Administrative and general salaries	Aviation	Arthur Freitas	(163,727.82)
3	Aviation & Travel Services	921 - Office supplies and expenses	Aviation	Arthur Freitas	317,582.97
4	Aviation & Travel Services	923 - Outside services employed	Aviation	Arthur Freitas	(70,149.32)
5	Aviation & Travel Services	924 - Property insurance	Aviation	Arthur Freitas	(6,940.34)
6	Aviation & Travel Services	925 - Injuries & Damages	Aviation	Arthur Freitas	(180.39)
7	Aviation & Travel Services	926 - Employee pensions and benefits	Aviation	Arthur Freitas	(36,793.54)
8	Aviation & Travel Services	931 - Rents	Aviation	Arthur Freitas	(15.76)
9	Aviation & Travel Services	935 - Maintenance of general plant	Aviation	Arthur Freitas	(76,461.38)
10	Aviation & Travel Services Total				\$ (46,087.33)
11	Property Services	408.1 - Tax Other Than Income Tax - Payroll	Foundation	William Grant	\$ (71.12)
12	Property Services	500 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	714.92
13	Property Services	501 - Fuel	3% Wage Adjustment	Arthur Freitas/Michael Knoll	1,527.75
14	Property Services	502 - Steam expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	270.68
15	Property Services	506 - Miscellaneous steam power expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	9,392.46
16	Property Services	507 - Rents	116.5% Incentive	Arthur Freitas/Michael Knoll	(3,245.58)
17	Property Services	507 - Rents	3% Wage Adjustment	Arthur Freitas/Michael Knoll	2,787.95
18	Property Services	507 - Rents	Business Area Adjustment	Lawrence Bick	(11,737.58)
19	Property Services	507 - Rents	Foundation	William Grant	(122.26)
20	Property Services	514 - Maintenance of miscellaneous steam plant	3% Wage Adjustment	Arthur Freitas/Michael Knoll	6,672.22

**Pro Forma Adjustments to XES Expenses by Class and FERC Account
For Twelve Months Ended June 30, 2017
Lawrence Bick**

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
21	Property Services	546 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	78.67
22	Property Services	549 - Miscellaneous other power generation expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	403.78
23	Property Services	550 - Rents	116.5% Incentive	Arthur Freitas/Michael Knoll	(273.30)
24	Property Services	550 - Rents	3% Wage Adjustment	Arthur Freitas/Michael Knoll	347.02
25	Property Services	550 - Rents	Business Area Adjustment	Lawrence Bick	(803.62)
26	Property Services	550 - Rents	Foundation	William Grant	(18,488.11)
27	Property Services	556 - System control and load dispatching	3% Wage Adjustment	Arthur Freitas/Michael Knoll	1,765.32
28	Property Services	557 - Other expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	3,549.93
29	Property Services	560 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	11,738.10
30	Property Services	561.2 - Load dispatch-Monitor and operate transmiss system	3% Wage Adjustment	Arthur Freitas/Michael Knoll	1,467.75
31	Property Services	566 - Miscellaneous transmission expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	519.44
32	Property Services	567 - Rents	116.5% Incentive	Arthur Freitas/Michael Knoll	(969.31)
33	Property Services	567 - Rents	3% Wage Adjustment	Arthur Freitas/Michael Knoll	971.85
34	Property Services	567 - Rents	Business Area Adjustment	Lawrence Bick	(4,390.96)
35	Property Services	567 - Rents	Foundation	William Grant	(45.74)
36	Property Services	575.1 - Operation Supervision	3% Wage Adjustment	Arthur Freitas/Michael Knoll	382.18
37	Property Services	575.2 - Day-ahead and real-time market administration	3% Wage Adjustment	Arthur Freitas/Michael Knoll	838.41
38	Property Services	575.5 - Ancillary services market administration	3% Wage Adjustment	Arthur Freitas/Michael Knoll	573.03
39	Property Services	575.6 - Market monitoring and compliance	3% Wage Adjustment	Arthur Freitas/Michael Knoll	174.86
40	Property Services	575.8 - Rents	116.5% Incentive	Arthur Freitas/Michael Knoll	(34.57)
41	Property Services	575.8 - Rents	3% Wage Adjustment	Arthur Freitas/Michael Knoll	22.56
42	Property Services	575.8 - Rents	Business Area Adjustment	Lawrence Bick	(95.67)
43	Property Services	575.8 - Rents	Foundation	William Grant	(0.76)
44	Property Services	580 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	2,570.87

**Pro Forma Adjustments to XES Expenses by Class and FERC Account
For Twelve Months Ended June 30, 2017
Lawrence Bick**

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
45	Property Services	581 - Load dispatching	3% Wage Adjustment	Arthur Freitas/Michael Knoll	351.92
46	Property Services	583 - Overhead line expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	146.25
47	Property Services	586 - Meter expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	261.19
48	Property Services	588 - Miscellaneous distribution expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	117.12
49	Property Services	589 - Rents	116.5% Incentive	Arthur Freitas/Michael Knoll	(1,122.03)
50	Property Services	589 - Rents	3% Wage Adjustment	Arthur Freitas/Michael Knoll	1,111.19
51	Property Services	589 - Rents	Business Area Adjustment	Lawrence Bick	(3,332.12)
52	Property Services	589 - Rents	Foundation	William Grant	(52.41)
53	Property Services	590 - Maintenance supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	131.16
54	Property Services	593 - Maintenance of overhead lines	3% Wage Adjustment	Arthur Freitas/Michael Knoll	83.57
55	Property Services	901 - Supervision	3% Wage Adjustment	Arthur Freitas/Michael Knoll	50.68
56	Property Services	902 - Meter reading expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	78.52
57	Property Services	903 - Customer records and collection expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	5,251.87
58	Property Services	908 - Customer assistance expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	302.11
59	Property Services	910 - Miscellaneous customer service and informational expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	114.31
60	Property Services	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	56,759.62
61	Property Services	920 - Administrative and general salaries	Foundation	William Grant	(752.20)
62	Property Services	921 - Office supplies and expenses	Business Area Adjustment	Lawrence Bick	2,161.29
63	Property Services	925 - Injuries & Damages	Foundation	William Grant	(1.31)
64	Property Services	926 - Employee pensions and benefits	Foundation	William Grant	(340.19)
65	Property Services	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(9,231.44)
66	Property Services	930.2 - Miscellaneous general expenses	Foundation	William Grant	0.06
67	Property Services	931 - Rents	116.5% Incentive	Arthur Freitas/Michael Knoll	(2,628.31)
68	Property Services	931 - Rents	3% Wage Adjustment	Arthur Freitas/Michael Knoll	3,537.09
69	Property Services	931 - Rents	Business Area Adjustment	Lawrence Bick	(11,552.72)
70	Property Services	931 - Rents	Foundation	William Grant	(3,649.67)
71	Property Services Total				\$ 44,286.72

**Pro Forma Adjustments to XES Expenses by Class and FERC Account
For Twelve Months Ended June 30, 2017
Lawrence Bick**

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
72	Workforce Relations & Safety	408.1 - Tax Other Than Income Tax - Payroll	Business Area Adjustment	Lawrence Bick	\$ (5.40)
73	Workforce Relations & Safety	501 - Fuel	116.5% Incentive	Arthur Freitas/Michael Knoll	11.48
74	Workforce Relations & Safety	501 - Fuel	3% Wage Adjustment	Arthur Freitas/Michael Knoll	(17.24)
75	Workforce Relations & Safety	502 - Steam expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	497.08
76	Workforce Relations & Safety	502 - Steam expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	(599.96)
77	Workforce Relations & Safety	506 - Miscellaneous steam power expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	2,770.51
78	Workforce Relations & Safety	506 - Miscellaneous steam power expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	(3,590.55)
79	Workforce Relations & Safety	560 - Operation supervision and engineering	116.5% Incentive	Arthur Freitas/Michael Knoll	1,030.11
80	Workforce Relations & Safety	560 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	(1,332.08)
81	Workforce Relations & Safety	560 - Operation supervision and engineering	Business Area Adjustment	Lawrence Bick	(18.12)
82	Workforce Relations & Safety	566 - Miscellaneous transmission expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(2,407.11)

**Pro Forma Adjustments to XES Expenses by Class and FERC Account
For Twelve Months Ended June 30, 2017
Lawrence Bick**

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
83	Workforce Relations & Safety	566 - Miscellaneous transmission expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	3,236.78
84	Workforce Relations & Safety	580 - Operation supervision and engineering	116.5% Incentive	Arthur Freitas/Michael Knoll	(706.32)
85	Workforce Relations & Safety	580 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	804.21
86	Workforce Relations & Safety	588 - Miscellaneous distribution expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(6,590.82)
87	Workforce Relations & Safety	588 - Miscellaneous distribution expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	9,617.72
88	Workforce Relations & Safety	920 - Administrative and general salaries	116.5% Incentive	Arthur Freitas/Michael Knoll	(20,033.48)
89	Workforce Relations & Safety	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	26,537.67
90	Workforce Relations & Safety	920 - Administrative and general salaries	Business Area Adjustment	Lawrence Bick	(63.52)
91	Workforce Relations & Safety	921 - Office supplies and expenses	Business Area Adjustment	Lawrence Bick	(1,215.09)
92	Workforce Relations & Safety	925 - Injuries & Damages	Business Area Adjustment	Lawrence Bick	(0.22)
93	Workforce Relations & Safety	926 - Employee pensions and benefits	Business Area Adjustment	Lawrence Bick	(27.54)

**Pro Forma Adjustments to XES Expenses by Class and FERC Account
For Twelve Months Ended June 30, 2017
Lawrence Bick**

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
94	Workforce Relations & Safety	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(28,567.10)
95	Workforce Relations & Safety	930.1 - General advertising expenses	Advertising	Arthur Freitas	(20.59)
96	Workforce Relations & Safety Total				\$ (20,689.58)
97				Total Witness - Lawrence Bick	\$ (22,490.19)
	Amounts may not add or tie to other schedules due to rounding				