

DOCKET NO. _____

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

DIRECT TESTIMONY
of
ADAM R. DIETENBERGER

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: DietenbergerRRDirect.docx)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Budgets	O&M Budget and Capital Budget
Capital Budget	Capital Expenditure Budget
CDAD/TRC	Contract Development Approval and Delegation/Transaction Review Committee
CFO	Chief Financial Officer
Commission	Public Utility Commission of Texas
FERC	Federal Energy Regulatory Commission
Financial Forecast	Xcel Energy's overall rolling five-year financial forecast
GAAP	Generally Accepted Accounting Principles
IRC	Investment Review Committee
JOA	Joint Operating Agreement
MW	Megawatt
Native SPS costs	Expenses incurred directly by SPS
NSPM	Northern States Power Company, a Minnesota corporation
O&M	Operation and maintenance
O&M Budget	O&M expense budget
Operating Company	One of the Operating Companies
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

<u>Acronym/Defined Term</u>	<u>Meaning</u>
PSCo	Public Service Company of Colorado, a Colorado corporation
SEC	Securities and Exchange Commission
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	April 1, 2018 through March 30, 2019
Total Company or total company	Total SPS (before jurisdictional allocation)
Update Period	April 1, 2019 through June 30, 2019
Updated Test Year	July 1, 2018 through June 30, 2019
VEBA	Voluntary Employee Beneficiary's Association
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
ARD-RR-1	Property and Auto Liability Insurance Expenses (Filename: ARD-RR-1.xls)
ARD-RR-2	Organization Chart – Chief Executive Officer (Non-native format)
ARD-RR-3	Organization Chart – Customer and Innovation (Non-native format)
ARD-RR-4	Organization Chart – Financial Operations (Non-native format)
ARD-RR-A (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Billing Method (Filename: ARD-RR-ABCD.xlsx)
ARD-RR-B(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method and FERC Account (Filename: ARD-RR-ABCD.xlsx)
ARD-RR-C (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account (Filename: ARD-RR-ABCD.xlsx)
ARD-RR-D (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account (Filename: ARD-RR-ABCD.xlsx)

**DIRECT TESTIMONY
OF
ADAM R. DIETENBERGER**

1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3 A. My name is Adam Dietenberger. My business address is 401 Nicollet Mall,
4 Minneapolis, Minnesota 55401.

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

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

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

10 A. I am employed by Xcel Energy Services Inc. (“XES”), the service company
11 subsidiary of Xcel Energy, as the Director, Business Area Finance, Shared
12 Services.

13 **Q. Please briefly outline your responsibilities as Director, Business Area**
14 **Finance, Shared Services.**

15 A. As Director, Business Area Finance, Shared Services I am responsible for
16 supporting the financial aspects of Xcel Energy’s Shared Corporate Business
17 Areas (also known as “Shared Services” organizations), including the
18 coordination of the Shared Services organizations’ five-year operation and
19 maintenance (“O&M”) expense budgets, the five-year capital expenditure
20 budgets, the monthly forecast updates of these five-year plans, and analyzing
21 actual results against these budgets and forecasts.

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

2 A. I received a Bachelor of Science degree, with majors in accounting and finance,
3 from University of Minnesota in 2004.

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

5 A. From 2004 to 2008, I was employed by Deloitte LLP where I performed financial
6 statement audits for companies in various industries including energy and utilities,
7 healthcare, and manufacturing. In 2008, I joined XES as a Senior Accountant in
8 the Corporate Accounting group. I became Manager of Corporate Accounting in
9 2013. In 2014, I became Senior Manager of Service Company Accounting and
10 Cash Processes. In 2017, I was promoted Director, Business Area Finance,
11 Shared Services and was assigned my responsibilities noted above.

12 **Q. Have you attended or taken any special courses or seminars relating to**
13 **public utilities?**

14 A. Yes. I have attended conferences and workshops sponsored by the Edison Electric
15 Institute and the North Central Electric Association covering accounting and
16 finance topics for public utilities. The topics covered included Securities and
17 Exchange Commission (“SEC”), Financial and Accounting Standards, and
18 Federal Energy Regulatory Commission (“FERC”) updates, information on
19 ratemaking issues, and general regulatory topics.

20 **Q. Have you submitted pre-filed testimony before any regulatory authorities?**

21 A. Yes. I have filed testimony before the Public Utility Commission of Texas
22 (“Commission”) in Docket Nos. 47527 and 45524, SPS’s most recent base rate
23 cases, addressing the issues of affiliate services and costs, recording, assigning,

1 and allocating XES and Operating Company costs. I have also filed testimony
2 before: the New Mexico Public Regulation Commission on behalf of SPS in Case
3 No., 15-00296-UT; the Minnesota Public Utilities Commission on behalf of
4 Northern States Power Company, a Minnesota corporation, (“NSPM”) in Docket
5 No. E002/GR-15-826; and the Colorado Public Utilities Commission on behalf of
6 Public Service Company of Colorado, a Colorado corporation (“PSCo”) in
7 Docket No. 17A-0363G on these same topics.

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A. I explain Xcel Energy's O&M Budget¹ and Capital Budget² processes. In addition, I support the Updated Test Year (July 1, 2018 through June 30, 2019)³ O&M expenses and the administrative and general expenses for the following classes of affiliate services: Chief Executive Officer; Chief Customer and Innovation Officer; Corporate Other; Risk Management and Audit Services; Chief Financial Officer ("CFO"); Controller; Financial Planning; Investor Relations; Tax Services; and Treasurer. In regard to the affiliate classes that I support, my testimony will:

- I also support property and auto liability insurance expenses that are directly incurred by SPS (also referred to herein as “native SPS costs”).

³ 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 **Q. Please summarize the recommendations and conclusions in your testimony**
2 **regarding the costs for the classes of affiliate services you support.**

3 A. The Xcel Energy budgeting process includes both an O&M Budget and a Capital
4 Budget. It is a rigorous process designed to create an accurate forecast of costs
5 that will be incurred in delivering service to customers. It is used to anticipate
6 financial needs, make major strategic decisions, and control spending. Business
7 areas are required to adhere to spending targets and significant deviations must be
8 explained and justified.

9 The estimated Updated Test Year (July 1, 2018 through June 30, 2019)
10 costs for the services of each of the ten affiliate classes that I support are
11 reasonable and necessary because they support SPS's ability to provide electric
12 service to its Texas retail customers.

13 **Chief Executive Officer**

- 14 • SPS requests recovery of \$1,135,800⁴ (total company)⁵ for the services of
15 the Chief Executive Officer affiliate class;
- 16 • The costs are for services provided by the office of the Chief Executive
17 Officer and his administrative assistant, including overall leadership for
18 Xcel Energy and each of its subsidiaries, and for the payment of
19 compensation for the independent directors of the Xcel Energy Board of
20 Directors; and,
- 21 • These services are necessary to ensure that Xcel Energy and SPS are
22 effectively, efficiently, and ethically managed.

23 **Chief Customer and Innovation Officer**

- 24 • SPS requests recovery of \$4,300,339 (total company) for the services of
25 the Chief Customer and Innovation Officer affiliate class;

⁴ This dollar amount reflects nine months of actual costs and three months of estimated costs.

⁵ "Total Company" or "total company" means total SPS before jurisdictional allocations.

- 1 • The costs are for providing executive leadership to the Customer and
2 Innovation business area within XES, including providing oversight, and
3 management of business area strategy and finance; providing leadership to
4 business area-wide and Xcel Energy-wide projects; creating roadmap
5 designs and managing all major business cases and initiatives to drive
6 efficiency, operational effectiveness and innovation, with a focus on
7 ensuring Xcel Energy is providing a continually improving customer
8 experience and is focused on customer care; and managing the overall
9 brand strategy and placement of advertising and sponsorships; and,
- 10 • The services are necessary to provide the required leadership and
11 oversight of operational areas necessary to provide electric service to
12 SPS's customers; and to ensure strategic alignment across operational
13 areas in connection with enterprise-wide process, people, and technology
14 deployments.

15 **Corporate Other**

- 16 • SPS requests recovery of \$1,098,950 (total company) for the services of
17 the Corporate Other affiliate class;
- 18 • The costs are related to the shared asset costs of network services,
19 company owned facilities (company use), permanent income tax
20 differences related to meals and the corporate accrual of purchases on the
21 corporate credit card that are pending expense statement processing; and,
- 22 • The costs grouped in the Corporate Other affiliate class are for necessary
23 business expenses.

24 **Risk Management and Audit Services**

- 25 • SPS requests recovery of \$1,227,822 (total company) for the services of
26 the Risk Management and Audit Services affiliate class;
- 27 • The costs are for services provided to SPS that include internal auditing,
28 evaluating and improving internal controls, corporate governance,
29 ensuring ethical conduct, providing information on leading practices,
30 commodity-related transactional governance, valuation and reporting, risk
31 management activities, and cost and resource modeling; and,
- 32 • The services are necessary for the corporate governance of Xcel Energy
33 and its subsidiaries including SPS, and to ensure that the SPS system is
34 modeled accurately, fuel usage is forecasted accurately, energy
35 commodity transactions are consummated prudently with financially
36 viable counterparties, certain capital allocation is performed efficiently,
37 and assurance functions are provided to the Xcel Energy Board of
38 Directors and executive management.

1 **CFO**

- 2 • SPS requests recovery of \$166,110 (total company) for the services of the
- 3 CFO affiliate class;
- 4 • The costs are for providing financial services to all of Xcel Energy and its
- 5 subsidiaries including SPS and providing executive leadership to the
- 6 Financial Operations business area; and,
- 7 • The services are necessary to ensure that SPS's financial objectives are
- 8 carried out and SPS's financial integrity is maintained.

9 **Controller**

- 10 • SPS requests recovery of \$4,462,903 (total company) for the services of
- 11 the Controller affiliate class;
- 12 • The costs are for corporate accounting functions, financial reporting, and
- 13 financial-related initiatives; and,
- 14 • The services are necessary to ensure that finance records are accurate,
- 15 secure, and in line with Generally Accepted Accounting Principles
- 16 ("GAAP"), regulatory, and legislative requirements.

17 **Financial Planning**

- 18 • SPS requests recovery of \$2,902,450 (total company) for the services of
- 19 the Financial Planning affiliate class;
- 20 • The costs are for the oversight, governance, and consolidation of budgets
- 21 and forecasts at the business area and corporate levels; the financial
- 22 administration and management of Xcel Energy legal entities and the
- 23 reporting of financial results to senior leadership as well as to the Xcel
- 24 Energy Board of Directors; providing support to Operating Companies in
- 25 rate proceedings; providing services related to cost of service studies;
- 26 assisting in the development of the revenue component of the Operating
- 27 Company budgets; providing information on sales and load forecasting;
- 28 leading the evaluation and execution of new business investment
- 29 opportunities for Xcel Energy; providing analytical and transactional
- 30 support for generation resource plan development and implementation;
- 31 and providing distribution system evaluations and FERC-jurisdictional
- 32 transmission development and investment; and,
- 33 • The services are necessary to ensure that there is governance and
- 34 monitoring applied to budgeting, financial forecasting and reporting, and
- 35 affiliate transactions; that SPS has accurate and timely information
- 36 regarding cost of service, and fuel and purchased power issues; that SPS is

1 able to provide the Commission and FERC the information necessary for
2 regulatory oversight; that sales are forecasted accurately; and that Xcel
3 Energy is pursuing and entering into the appropriate business investment
4 opportunities for the benefit of Xcel Energy and its affiliates, including
5 SPS.

6 **Investor Relations**

- 7 • SPS requests recovery of \$275,537 (total company) for the services of the
8 Investor Relations affiliate class;
- 9 • The costs are for support of investment analysis, investor relationships,
10 and communications with investors, as well as transaction costs for
11 conducting shareholder votes; and,
- 12 • The services are necessary to attract shareholder investments and obtain
13 financing, which in turn supports SPS's access to capital and its ability to
14 finance ongoing operations and fund new capital projects.

15 **Tax Services**

- 16 • SPS requests recovery of \$723,529 (total company) for the services of the
17 Tax Services affiliate class;
- 18 • The costs are for tax-related services provided to SPS including tax
19 accounting and compliance; and,
- 20 • The services are necessary to ensure compliance with local, state, and
21 federal tax obligations for Xcel Energy and its subsidiaries, including SPS.

22 **Treasurer**

- 23 • SPS requests recovery of \$2,754,351 (total company) for the services of
24 the Treasurer affiliate class;
- 25 • The costs are for services including financial planning and forecasting,
26 debt and equity issuance, insurance management, pension investment,
27 cash management, preparing financial compliance filings, and
28 coordinating due diligence for financing activity; and,
- 29 • The services are necessary to ensure that: SPS's finances and cash
30 liquidity are appropriately managed; financing plans are developed and
31 executed; bank loans, corporate guarantees, letters of credit, and long-term
32 debt and equity securities are in place as needed; SPS's assets are
33 protected from losses through hazard insurance contracts; property and
34 liability insurance settlements are negotiated; and loss control services are

1 in place to minimize property exposures for Xcel Energy and its
2 subsidiaries, including SPS.

3 Additionally, for each of these affiliate classes:

- 4 • The costs are reasonable because they are shared with other affiliates,
5 include reasonable personnel costs, and are subjected to rigorous
6 budgeting and cost control processes,
- 7 • SPS does not provide these services for itself, and the services do not
8 duplicate services provided by others; and,
- 9 • Each charge from SPS's affiliates for these services is billed at cost, and is
10 no higher than the charges by those affiliates to any other entity for the
11 same or similar service.

12 Thus, the affiliate classes' costs that I sponsor are reasonable and should be
13 included for recovery in SPS's base rates.

14 Additionally, the estimated Updated Test Year native costs for property
15 and auto liability insurance are reasonable and necessary to support SPS's ability
16 to provide electric service to its Texas retail customers. These costs, which are
17 shown on Attachment ARD-RR-1, are for the property and auto liability insurance
18 policies maintained by SPS.

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

21 A. As explained by SPS witness William A. Grant, SPS will be using an Updated
22 Test Year in this case. SPS's initial filing presents actual O&M expenses for the
23 Test Year (April 1, 2018 through March 31, 2019) and estimated information for
24 the time period of April 1, 2019 through June 30, 2019, which is the Update
25 Period. Accordingly, the first nine months of SPS's Updated Test Year (i.e., July
26 2018 through March 2019) consist of actual cost information and the last three
27 months (i.e., April through June 2019) contain estimated cost information. For

1 this reason, certain SPS witnesses refer to the Updated Test Year in direct
2 testimony as the “estimated Updated Test Year.”

3 Regarding the affiliate costs I support, as explained by SPS witness
4 Melissa L. Schmidt, actual figures for April and May 2019 have been provided
5 and June 2019 figures have been estimated based on the forecasted
6 budget. However, these expenses have not gone through the full pro forma
7 adjustment review process. Regarding the native costs I support, actual figures
8 for April and May 2019 have been provided and June 2019 figures have been
9 estimated based on the forecasted budget.

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

12 A. Yes. SPS will file an update 45 days after the application has been filed. The
13 update will provide actual costs to replace the estimates provided in the
14 application for the Update Period. As part of that process, my Attachments ARD-
15 RR-A through D will be updated by removing estimates of affiliate O&M
16 expenses incurred by SPS during the Updated Test Year and then replacing those
17 estimates with actual expenses, which will be used to establish SPS’s base rates in
18 this case. Additionally, my Attachment ARD-RR-1 will be updated in SPS’s 45-
19 day update filing to replace estimates of SPS’s native costs relating to Property
20 and Auto Liability Insurance Expenses.

21 **Q. Were Attachments ARD-RR-1 through ARD-RR-D prepared by you or**
22 **under your direct supervision and control?**

23 A. Yes, as to Attachments ARD-RR-2, ARD-RR-3, and ARD-RR-4. Attachment
24 ARD-RR-1 was prepared by SPS witness Arthur P. Freitas and his staff and is

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

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III. O&M AND CAPITAL BUDGETING

A. The Budgeting Process

Q. Please provide an overview of Xcel Energy’s budgeting process.

A. Xcel Energy annually prepares five-year O&M and Capital Budgets (collectively, “Budgets”) for each of the Operating Companies, including SPS, which become part of Xcel Energy’s overall rolling five-year financial forecast (the “Financial Forecast”). The Budgets and the five-year Financial Forecast are used by executive management to prepare for and support each of the Operating Companies’ financial needs and to make major strategic decisions. They are key components of the overall framework used by Xcel Energy to develop supportable and attainable financial plans for each Operating Company and Xcel Energy as a whole. In addition, the Budgets are the foundation for the financial oversight process, which is the continuous monitoring of spending and financial performance in comparison to the Budgets.

Q. What are the major steps in the annual budget process?

A. The first step in the budget process is the establishment of spending guidelines. The spending guidelines establish limits for O&M and capital expenditures for each business area and, on a consolidated basis, for each Operating Company. The demand for budget dollars typically exceeds financial capacity. Therefore, the spending guidelines help to set expectations for the business areas by making it clear that they will be expected to justify and explain any significant deviations from the general budget guidance.

Q. What are the next steps in the budgeting process?

1 A. Each business area develops an internal budget. This is done by budget managers
2 within each business area and directors from within the CFO organization who are
3 appointed to work with the budget managers and oversee the budget process in
4 each business area. The business areas incorporate their strategic priorities and
5 annual plans into their budgets, reviewing their current five-year forecast, and re-
6 evaluating spending priorities. They must balance their strategic and operational
7 priorities, plans, and realities with the overall budget guidance to develop a
8 realistic and accurate forecast of expected costs.

9 Each business area has multiple internal reviews prior to finalizing the
10 budget, and business area management reviews the developed budget several
11 times during the budget cycle. These reviews include: the analysis of long-term
12 trends; discussion of what costs should be reduced based on process efficiencies
13 or changing business requirements; identification of cost pressures and business
14 risks; emerging regulatory requirements; and alignment with strategic objectives.
15 The process is intended to ensure that the budget includes a reasonable forecast of
16 costs and is as accurate as possible.

17 **Q. What occurs after the business areas have developed their internal budgets?**

18 A. Once the business area budgets are complete, corporate analysis and review
19 begins. The budgets are reviewed and approved at the executive management
20 level by the Financial Council, which is chaired by the CFO and consists of
21 twelve additional senior officers of Xcel Energy. To prepare for the presentation
22 to the Financial Council, budget review sessions are held, and information

1 necessary for Financial Council review is gathered and summarized. Each
2 business area presents its proposed budget, explaining key strategic objectives,
3 cost trends, cost pressures, and how cost efficiencies or reductions were
4 incorporated into the budget. At the conclusion of the review sessions, the
5 business areas make any resulting adjustments and the budgets are considered
6 final.

7 **B. The Capital Budgeting Process**

8 **Q. Are there any differences between the steps in the O&M budget process and**
9 **the Capital Budget process?**

10 A. Yes. Although both the O&M and Capital Budget processes generally follow the
11 steps I have described above, the Capital Budget process includes some additional
12 required corporate governance steps, including steps focusing on new capital
13 projects with \$10 million or more in expenditures.

14 **Q. Please describe the Capital Budget process in more detail.**

15 A. The first step is the same as that described above, which is initial development of
16 the Capital Budget for each functional area within the business areas. Each
17 business area identifies budget managers who, in conjunction with the finance
18 support team, are responsible for this task. In addition, the Energy Supply
19 business area develops separate budgets for each generating plant that serves SPS
20 and, therefore, each plant has a budget manager charged with the responsibility
21 for initial development of the Capital Budget for that plant.

1 **Q. Please describe the accounting approach used in the Capital Budgets**
2 **prepared by the business areas.**

3 A. The Capital Budget includes a comprehensive listing of projects, including
4 “routine” project construction work. Many of the large projects are planned and
5 completed over multiple calendar years. Accordingly, each business area
6 develops its Capital Budget from a starting construction work in progress
7 balance, where applicable, and forecasts future capital expenditures for the current
8 bridge year (the remainder of the current year in which the budget is prepared)
9 and for the next five years. In-service dates must be provided for all capital
10 projects or, in the case of routine projects, a closing pattern must be applied.

11 **Q. What is the next step after the business areas have completed their**
12 **recommended Capital Budgets?**

13 A. After the business areas review and approve their bottom-up Capital Budgets,
14 business area leadership meets with their Operating Company President to present
15 their recommendations. At this stage, each Operating Company President is
16 responsible for reviewing the Capital Budgets for his or her Operating Company
17 across all business areas. Since spending guidelines are also developed on an
18 Operating Company basis, the Operating Company President has a foundation on
19 which to evaluate business area Capital Budgets. Based on the needs within the
20 Operating Company, the Operating Company President may request changes
21 either within a business area Capital Budget or across the business areas. After
22 incorporating any modifications requested by the Operating Company President,
23 the Capital Budgets are presented for corporate-level review.

1 **Q. Please describe the corporate review steps that apply to Capital Budgets.**

2 A. The Financial Council reviews and approves the Capital Budgets using the same
3 iterative process as described above. Prior to review by the Financial Council,
4 however, any new major capital projects (above \$10 million) must be reviewed by
5 the Investment Review Committee (“IRC”). Adjustments are made as needed.
6 The IRC, which consists of three members, reviews each project to assess key
7 modeling and analysis assumptions before the projects are submitted to the
8 Financial Council. As is true at the other steps of the process, additional research
9 and analysis may be required and, adjustments are made as needed.

10 After the Financial Council has approved the Capital Budget in total, and
11 also approved new major projects within that budget, the Capital Budget for each
12 Operating Company is then presented to that Operating Company’s Board of
13 Directors for its review and approval (e.g., the SPS Capital Budget is presented to
14 SPS’s Board of Directors), and all of the Operating Companies’ Capital Budgets
15 are presented to the Xcel Energy Board of Directors for its review and approval.
16 The review by the Xcel Energy Board of Directors is focused on the total Capital
17 Budget for the upcoming year, as well as on major changes to the five-year
18 forecast. The Board also specifically reviews and approves any new major
19 projects with total project spend in excess of \$50 million and any previously
20 approved major project that is seeking re-approval because of significant changes
21 to overall spend.

1 **Q. To what extent does the Capital Budget accurately reflect the final cost of**
2 **any particular capital project?**

3 A. The overall Capital Budget is a reasonably accurate prediction of costs to be
4 incurred by each business area and Operating Company. It is important to
5 recognize, however, that “budgeting accuracy” does not mean that every budgeted
6 dollar is spent in exactly the same way that it was forecast to be spent. In fact, it
7 is common for actual capital expenditures on a particular capital project to deviate
8 from budgeted levels, either positively or negatively, because of changed
9 circumstances. For example, there may be delays in obtaining the necessary
10 permits to begin construction, a customer may withdraw a request for a particular
11 project, or the timing of a project may change based on a change in priority within
12 the overall project portfolio. There is an oversight process to identify, review, and
13 approve deviations as they occur, however, and business areas and the Operating
14 Companies are required to live within their overall budgets or within approved
15 forecasted changes. The regular comparison of actual expenditures to budgeted
16 levels maintains an appropriate focus on expenditure levels, encourages timely
17 identification of impacts associated with unforeseen circumstances, and allows
18 business plans to be adjusted on a continuing basis to be responsive to the
19 dynamic nature of the business, while also adhering to the overall Capital Budget.

1 **IV. AFFILIATE CLASSES SPONSORED AND HOW THOSE CLASSES FIT**
2 **INTO THE OVERALL AFFILIATE STRUCTURE**

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

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

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

13 A. I sponsor the Chief Executive Officer, Chief Customer and Innovation Officer,
14 Corporate Other, Risk Management and Audit Services, CFO, Controller,
15 Financial Planning, Investor Relations, Tax Services, and Treasurer affiliate
16 classes. These classes are within the Chief Executive Officer, Customer and
17 Innovation, and Financial Operations business areas, and the Corporate Other cost
18 center.

19 **Q. Please explain where each sponsored affiliate class fits into the overall**
20 **affiliate structure.**

21 A. Attachment MLS-RR-6 to Ms. Schmidt’s direct testimony provides a list and a
22 pictorial display of all affiliate classes, dollar amounts for those classes, and
23 sponsoring witness for each class. As seen on that attachment, during the Update
24 Test Year:

- The Chief Executive Officer affiliate class was part of the Chief Executive Officer business area.
- The Chief Customer and Innovation Officer affiliate class was part of the Customer and Innovation business area.
- The following affiliate classes were part of the Financial Operations business area:
 - Risk Management and Audit Services;
 - CFO;
 - Controller;
 - Financial Planning;
 - Investor Relations;
 - Tax Services; and,
 - Treasurer.

The Corporate Other affiliate class is a different type of class that is not part of a business area. It is a department level group of costs, which is managed at the corporate level.

The organization charts for the business areas identified above are provided in my Attachments ARD-RR-2 through ARD-RR-4 as follows:

- Attachment ARD-RR-2 - Chief Executive Officer business area;
- Attachment ARD-RR-3 - Customer and Innovation business area;
- and,
- Attachment ARD-RR-4 - Financial Operations business area.

V. AFFILIATE EXPENSES FOR THE CHIEF EXECUTIVE OFFICER
CLASS OF SERVICES

A. Summary of Affiliate Expenses for the Chief Executive Officer Class of Services

Q. What services are grouped into the Chief Executive Officer affiliate class?

A. The services that are grouped into the Chief Executive Officer affiliate class are those provided by the office of the Chief Executive Officer and his administrative assistant, as well as the payment of compensation for the independent directors of the Xcel Energy Board of Directors. The Chief Executive Officer provides overall executive leadership for Xcel Energy and each of its subsidiaries.

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

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Chief Executive Officer 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 Chief Executive Officer affiliate class.

Table ARD-RR-1

Class of Services	Total XES Class Expenses	Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
		Requested Amount	% Direct Billed	% Allocated
Chief Executive Officer	\$ 9,155,157	\$1,135,800	0.0%	100%

Total XES Class Expense

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 ARD-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 ARD-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 ARD-RR-1.**

4 A. There are four attachments to my testimony that present information about the
5 requested SPS affiliate expenses for the Chief Executive Officer affiliate class.

1 **Attachment ARD-RR-A:** Provides a summary of the affiliate expenses
2 for this class during the Updated Test Year. The summary starts with the total of
3 the XES expenses to SPS for the services provided by this affiliate class and ends
4 with the requested dollar amount of XES expenses to SPS (total company) for this
5 affiliate class after exclusions and pro forma adjustments. The columns on this
6 attachment provide the following 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 the
3 Updated Test Year.

4 **Attachment ARD-RR-B(CD):** Provides the detail of the XES expenses
5 for the Chief Executive Officer affiliate class that are summarized on Attachment
6 ARD-RR-A. The detail shows the XES expenses billed to SPS for the Chief
7 Executive Officer affiliate class, itemized by the amount, with each expense listed

1 by individual activity, and billing method (cost center). When summed, these
2 amounts tie to the amounts shown on Attachment ARD-RR-A, and the detail
3 regarding the expenses is organized to support that attachment. Specifically, the
4 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 ARD-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 ARD-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 ARD-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 ARD-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 ARD-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.

3 **Attachment ARD-RR-C:** Both Attachments ARD-RR-A and
4 ARD-RR-B(CD) show exclusions to the XES expenses billed to SPS for the Chief
5 Executive Officer affiliate class (Attachment ARD-RR-A, Column H; Attachment
6 ARD-RR-B(CD), Column K). Attachment ARD-RR-C provides detail about
7 those exclusions listed on Attachments ARD-RR-A and ARD-RR-B(CD). The
8 columns on Attachment ARD-RR-C provide the following information.

Column A —	Line No.	Lists the Attachment line numbers.
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Column B —	Affiliate Class	Lists the affiliate class.
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Column C —	FERC Account	Identifies the FERC Account and FERC Account description for the expense that has been excluded.
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Column D —	Explanations for Exclusions	Provides a brief rationale for the exclusion.
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Column E —	Exclusions (Total Company)	Shows the dollar amount of the exclusion.
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9 In her direct testimony, Ms. Schmidt describes the calculations underlying
10 the exclusions.

1 **Attachment ARD-RR-D:** Both Attachments ARD-RR-A and
2 ARD-RR-B(CD) show pro forma adjustments to SPS's per book expenses for the
3 Chief Executive Officer affiliate class (Attachment ARD-RR-A, Column J;
4 Attachment ARD-RR-B(CD), Column M). Attachment ARD-RR-D provides
5 information about those pro forma adjustments shown on Attachments
6 ARD-RR-A and ARD-RR-B(CD). The columns on Attachment ARD-RR-D
7 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 Provides a brief rationale for the pro
Formas forma adjustment.

Column E — Sponsor Identifies the witness or witnesses who
sponsor the pro forma adjustment.

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

8 **Q. Does XES bill its expenses for the Chief Executive Officer affiliate class to**
9 **SPS in the same manner as it bills other affiliates for those expenses?**

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

1 **Q. Are there any exclusions to the XES billings to SPS for the Chief Executive**
2 **Officer 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 ARD-RR-A, Column H, and on Attachment ARD-RR-B(CD),
6 Column K. The details for the exclusions are provided in Attachment ARD-RR-
7 C. Ms. Schmidt describes how the exclusions were calculated. In SPS's 45-day
8 case update, I will present an updated Attachment ARD-RR-C that will provide
9 actual exclusions to replace any estimated exclusions included in my original
10 attachment.

11 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
12 **Chief Executive Officer 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 ARD-RR-A, Column J, and on Attachment ARD-RR-
16 B(CD), Column M. The details for the pro forma adjustments, including the
17 witness or witnesses who sponsor each pro forma adjustment, are provided in
18 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
19 months of the Updated Test Year have completed the full pro forma adjustment
20 review process. In SPS's 45-day case update, I will present an updated
21 Attachment ARD-RR-D that will complete the full pro forma adjustment review
22 process for the last three months of the Updated Test Year.

1 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
2 **adjustments that result in a net increase of \$138,751.67 for the Chief**
3 **Executive Officer affiliate class. Please explain the adjustments.**

4 A. The adjustments that I sponsor were for: the removal of charges related to life
5 events (a net decrease of \$88.49); the removal of credits and costs not benefitting
6 SPS (a net decrease of \$176.03); the removal of charges for alcoholic beverages
7 (a decrease of \$433.61); and the transfer of costs from the Corporate Secretary
8 and Executive Services class for services now performed by this class (a net
9 increase of \$139,449.80).

10 **B. The Chief Executive Officer Affiliate Class of Services are**
11 **Necessary Services**

12 **Q. Are the services that are grouped in the Chief Executive Officer affiliate class**
13 **necessary for SPS's operations?**

14 A. Yes. The services grouped in the Chief Executive Officer affiliate class are
15 performed on behalf of all Xcel Energy subsidiaries, including SPS. These
16 services are necessary to ensure that Xcel Energy and SPS are effectively,
17 efficiently, and ethically managed. They are functions required by all utilities and
18 without which SPS would not be able to provide electric service to its customers.

19 **Q. What are the specific services that are provided to SPS by the Chief**
20 **Executive Officer affiliate class?**

21 A. The specific services that are provided to SPS by the Chief Executive Officer
22 affiliate class include:

- 23 • Implementation of decisions adopted by the Xcel Energy Board of
24 Directors;
- 25 • Execution of business strategy;

- 1 • Execution of corporate governance;
- 2 • Oversight of the operations of the Operating Companies, including SPS;
- 3 • Preservation of financial integrity of the Operating Companies, including
- 4 SPS;
- 5 • Oversight of the corporate organizational structure and corporate staff that
- 6 is necessary to carrying out the Chief Executive Officer functions, and,
- 7 • Payment of compensation for the independent directors of the Xcel Energy
- 8 Board of Directors.

9 **Q. Are any of the Chief Executive Officer affiliate class of services that are**
10 **provided to SPS duplicated elsewhere in XES or in any other Xcel Energy**
11 **subsidiary such as SPS itself?**

12 A. No. Within XES, none of the services grouped in the Chief Executive Officer
13 affiliate class are duplicated elsewhere. No other Xcel Energy subsidiary
14 performs these services for the Operating Companies. In addition, SPS does not
15 perform these services for itself.

16 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
17 **Chief Executive Officer affiliate class of services?**

18 A. Yes. The services of the Chief Executive Officer affiliate class benefit SPS's
19 customers in many ways. For example, through the leadership of the Chief
20 Executive Officer, operations are put in place to optimize performance for
21 customers, employees, shareholders, and the environment; strategies are
22 implemented to assure the financial integrity of Xcel Energy and SPS; and ethical
23 business policies and practices are institutionalized. This leadership assures that
24 Xcel Energy and SPS are operated as successful business entities, that comply
25 with laws and standards required of publicly held corporations, and that succeed
26 in supplying electricity to customers.

1 **C. The Chief Executive Officer Affiliate Class of Services are**
2 **Provided at a Reasonable Cost**

3 **Q. Are the costs of the Chief Executive Officer affiliate class of services**
4 **reasonable?**

5 A. Yes. The costs of the Chief Executive Officer affiliate class of services are
6 reasonable. The Chief Executive Officer provides these functions and services on
7 a consolidated basis for multiple Xcel Energy legal entities. As a result, SPS
8 benefits from professional managerial services, the consolidated costs of which
9 are shared. The economies of scale inherent in this system result in reasonable
10 costs to SPS for these services.

1. Additional Evidence

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

13 A. Yes. Of the estimated Updated Test Year costs for the Chief Executive Officer,
14 approximately 47% consists of fees related to the Xcel Energy Board of Directors.
15 Please refer to SPS witness Angelene Hennes Ghelf for support of the purpose,
16 make-up and associated costs of the Board of Directors. Additionally, 24%
17 consists of compensation and benefits costs for XES personnel. SPS witnesses
18 Michael T. Knoll and Richard R. Schrubbe establish that the level of Xcel
19 Energy's compensation and benefits is reasonable and necessary.

2. Budget Planning

1 **Q. Is a budget planning process applicable to the Chief Executive Officer class**
2 **of affiliate costs?**

3 A. Yes. Annual O&M expense budgets are created for the Chief Executive Officer
4 business area, using guidelines developed at the corporate level. The organization
5 carefully reviews historical spend information, identifies changes that will be
6 coming in the future, and analyzes the costs associated with those changes prior to
7 submitting a proposed budget. The budgeting process is discussed in more detail
8 in Section III of my testimony.

9 **Q. During the fiscal year, does the Chief Executive Officer business area**
10 **monitor its actual expenditures versus its budget?**

11 A. Yes. Actual versus expected expenditures are monitored on a monthly basis by
12 the Chief Executive Officer organization. Deviations are evaluated each month to
13 ensure that costs are appropriate. In addition, action plans are developed to
14 mitigate variations in actual to budgeted expenditures. These mitigation plans
15 may either reduce or delay other expenditures so that the revised budget supports
16 the authorized budget. If authorized budget adjustments are required, they are
17 identified and initiated.

18 **Q. Are employees within the Chief Executive Officer organization held**
19 **accountable for deviations from the budget?**

20 A. Yes. The Chief Executive Officer has responsibility for corporate governance and
21 maintaining the financial integrity of Xcel Energy and its subsidiaries. He and his
22 administrative assistant follow the same procedures as he requires of other

1 business areas, which includes measuring results on a monthly basis to ensure
2 adherence to the goals and to discuss actions necessary to address variances.

3. *Cost Trends*

3 **Q. Please state the dollar amounts of the actual per book charges from XES to**
4 **SPS for the Chief Executive Officer affiliate class of services for the three**
5 **fiscal years preceding the end of the Updated Test Year and the estimated**
6 **per book charges for the estimated Updated Test Year.**

7 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
8 years), the actual per book and, for the Updated Test Year, the estimated per book
9 affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the
10 services grouped in the Chief Executive Officer affiliate class:

11 **Table ARD-RR-2**

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Chief Executive Officer	\$498,841	\$513,988	\$699,208	\$1,000,505

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

13 A. The increase in costs between 2016 and 2017 was due to increases in labor. The
14 increase in costs between 2017 and 2018 was due to increased labor and labor
15 loadings, strategic and financial consulting and industry dues. The increase in
16 costs between 2018 and the Updated Test Year was due primarily to the fees for
17 the Board of Directors moving from the Corporate Secretary and Executive
18 Services class to the Chief Executive Officer class in the current period.

1 **Q. Please provide the staffing levels for the Chief Executive Officer class of**
2 **services for the three fiscal years preceding the end of the Updated Test Year**
3 **and the Updated Test Year.**

9 **Table ARD-RR-3**

5. Cost Control and Process Improvement Initiatives

12 A. Yes. The Chief Executive Officer organization reviews its plans, initiatives, and
13 staffing to ensure they are appropriate and to identify and implement
14 improvements.

1 **D. The Costs for the Chief Executive Officer Affiliate Class of**
2 **Services are Priced in a Fair Manner**

3 **Q. For those costs that XES charges (either directly or through use of an**
4 **allocation) to SPS for the Chief Executive Officer affiliate class of services,**
5 **does SPS pay any more for the same or similar service than does any other**
6 **Xcel Energy affiliate?**

7 A. No. The XES charges to SPS for any particular service are no higher than the
8 XES charges to any other Xcel Energy affiliate. The costs charged for particular
9 services are the actual costs that XES incurred in providing those services to SPS.

10 A single, specific allocation method, rationally related to the cost drivers
11 associated with the service being provided, is used with each cost center (billing
12 method). In her direct testimony, Ms. Schmidt discusses the selection of billing
13 methods and XES's method of charging for services in more detail.

14 **Q. How are the costs of the Chief Executive Officer affiliate class billed to SPS?**

15 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
16 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
17 the billing method associated with each activity. My Attachment ARD-RR-A,
18 shows the allocation method (Column D) associated with each billing method
19 (Column C) used in the affiliate class.

20 In SPS's 45-day case update, I will present updated Attachments ARD-
21 RR-A and ARD-RR-B(CD) so that the entries for the last three months of the
22 Updated Test Year provide actual data and conform to the information provided
23 for the first nine months. In the event the predominant billing methods and
24 associated allocation methods for the Chief Executive Officer affiliate O&M

1 expenses on my updated Attachments ARD-RR-A and ARD-RR-B(CD) differ
2 from those discussed below, I will explain those differences in supplemental
3 testimony in SPS's 45-day case update filing.

4 **Q. What are the predominant allocation methods used for billing the Chief**
5 **Executive Officer affiliate class of services?**

6 A. All of the XES charges to SPS for this class were charged using the following
7 allocation method:

- 8 • Assets, Revenue, and Number of Employees: 100.0% of XES charges to
9 SPS or \$1,135,800.

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

13 A. The three factor allocation method using assets, revenue, and employees produces
14 an allocation of costs that recognizes the complexity, risk, and overall business
15 activity levels that drive the costs included in the cost centers and measures the
16 benefits received from those activities. For the cost centers charged using this
17 allocator, there is no one specific cost driver for the support tasks and services
18 provided, and the services benefit multiple Xcel Energy affiliates. For example,
19 labor costs for the Chief Executive Officer conducting his all employee webcasts,
20 which are predominantly collected in Cost Center 200063, are assigned using this
21 allocation method. Within the Xcel Energy holding company group, those legal
22 entities that have proportionately more assets, revenues, and employees will have
23 more focus placed on their operations due to those subsidiaries' relative influence
24 on the consolidated business balance sheet, income statement and statement of

1 cash flow, and the subsidiaries will benefit accordingly from the services
2 provided. Thus, allocating these costs based upon the average of the total asset
3 ratio, revenue ratio, and the employee ratio is appropriate because it allocates
4 costs in accordance with cost causation and benefits received. Ms. Schmidt
5 discusses this billing method in more detail in her testimony. For the cost centers
6 that assign costs based upon this allocation method, the per unit amounts charged
7 by XES to SPS as a result of the application of this allocation method are no
8 higher than the unit amounts billed by XES to other affiliates for the same or
9 similar services and represent the actual costs of the services.

1 **VII. AFFILIATE EXPENSES FOR THE CHIEF CUSTOMER AND**
2 **INNOVATION OFFICER CLASS OF SERVICES**

3 **A. Summary of Affiliate Expenses for the Chief**
4 **Customer and Innovation Officer Class of Services**

5 **Q. What services are grouped into the Chief Customer and Innovation Officer**
6 **affiliate class?**

7 A. The Customer and Innovation organization consists of multiple operational areas
8 that provide services to SPS. The services that are grouped into this class include
9 providing oversight and management of business area strategy and finance, and
10 providing leadership for projects impacting the Customer and Innovation business
11 area; providing leadership for Xcel Energy-wide projects; creating roadmap
12 designs; and managing all major business cases and initiatives to drive efficiency,
13 operational effectiveness and innovation, with a focus on ensuring Xcel Energy is
14 providing a continually improving customer experience. Further, the services
15 include producing and supervising the overall brand strategy and the placement of
16 advertising and sponsorships.

17 **Q. What is the dollar amount of the Updated Test Year XES charges that SPS**
18 **requests, on a Total Company basis, for Chief Customer and Innovation**
19 **Officer affiliate class?**

20 A. The following table summarizes the dollar amount of the estimated Updated Test
21 Year XES charges for the Chief Customer and Innovation Officer affiliate class. I
22 will update the table below as part of SPS's 45-day case update filing to reflect
23 the actual Updated Test Year costs for the Chief Customer and Innovation Officer

1 affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the
2 amounts below summarize information provided in Attachment ARD-RR-A.

3 **Table ARD-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
Chief Customer and Innovation Officer	\$32,502,465	\$4,300,339	0.6%	99.4%

4 **Q. Please describe the attachments that support the information provided on**
5 **Table ARD-RR-4.**

6 A. There are four attachments to my testimony that present information about the
7 requested SPS affiliate expenses for the Chief Customer and Innovation Officer
8 affiliate class. I explained these attachments in detail previously in Section V.A.
9 of my testimony.

10 **Q. Does XES bill its expenses for the Chief Customer and Innovation Officer**
11 **affiliate class to SPS in the same manner as it bills other affiliates for those**
12 **expenses?**

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

16 **Q. Are there any exclusions to the XES billings to SPS for the Chief Customer**
17 **and Innovation Officer affiliate class?**

18 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
19 expenses not allowed or other below-the-line items. Exclusions are shown on

1 Attachment ARD-RR-A, Column H, and on Attachment ARD-RR-B(CD),
2 Column K. The details for the exclusions are provided in Attachment ARD-RR-
3 C. As I also mentioned earlier, Ms. Schmidt describes how the exclusions were
4 calculated. In SPS's 45-day case update, I will present an updated Attachment
5 ARD-RR-C that will provide actual exclusions to replace any estimated
6 exclusions included in my original attachment.

7 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
8 **Chief Customer and Innovation Officer affiliate class?**

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

1 **Q.** Attachment ARD-RR-D shows that you are a sponsor for pro forma
2 adjustments that result in a net increase of \$884,682.56 for the Chief
3 Customer and Innovation Officer affiliate class. Please explain the
4 adjustments.

5 A. The adjustments that I sponsor were for: the addition of costs from the Corporate
6 Secretary and Executive Services class for advertising and branding related
7 expenses (a net increase of \$885,246.00); removal of items not benefitting SPS (a
8 net decrease of \$441.32); removal of charges for life events (a net decrease of
9 \$79.29); and removal of charges for alcoholic beverages (a decrease of \$42.83).

10 **B.** **The Chief Customer and Innovation Officer Affiliate Class of**
11 **Services are Necessary Services**

12 **Q.** Are the services that are grouped in the Chief Customer and Innovation
13 Officer affiliate class necessary for SPS's operations?

14 A. Yes. The Customer and Innovation organization provides many essential services
15 that are necessary in order for SPS to provide electric service to its customers, and
16 leadership and oversight of the operational areas that provide those services is
17 required to ensure that service is provided and to ensure strategic alignment across
18 operational areas in connection with enterprise-wide process, people, and
19 technology deployments. This leadership is provided through the Chief Customer
20 and Innovation Officer affiliate class. These are functions required by all utilities
21 and without which SPS would not be able to provide electric service to its
22 customers.

1 **Q. What are the specific services that are provided to SPS by the Chief**
2 **Customer and Innovation Officer affiliate class?**

3 A. The specific services that are provided to SPS by the Chief Customer and
4 Innovation Officer affiliate class are leadership and oversight of the operational
5 areas within the Customer and Innovation organization. This includes
6 responsibility for the overall direction of the many services provided to SPS by
7 the Customer and Innovation business area, and providing leadership of business
8 area-wide projects, strategy, and finance. Other than Customer and Brand, and
9 Innovation and Transformation Office, additional affiliate classes included within
10 the Customer and Innovation organization are:

- 11 • Enterprise Security, which is responsible for both cyber and physical
12 security to employees, protecting assets, performing investigations and
13 incident response, and assisting in regulatory compliance. These services
14 allow SPS to operate securely and within regulatory requirements
15 governing the physical security of electrical facilities. This operational
16 area is discussed in detail by SPS witness Stephen Brown;
- 17 • Business Systems, which ensures that SPS has the information technology,
18 including networks, hardware, applications, and systems that are required
19 to provide service to its customers. This operational area is discussed in
20 detail by SPS witness David C. Harkness;
- 21 • Customer Care, which operates the customer contact centers and provides
22 the billing and meter reading services to SPS' customers. This operational
23 area is discussed in detail by SPS witness S. Michelle Edwards;
- 24 • Marketing, which is responsible for developing customer choice options
25 such as load management programs for SPS; performing regulatory
26 compliance, and performing assessments for SPS's customer programs;
27 developing new methods of customer engagement; and, improving
28 customer satisfaction with interactions with SPS. This operational area is
29 discussed in detail by SPS witness Shawn M. White; and,
- 30 • Strategic Revenue Initiatives, which is involved in leading, coordinating,
31 collaborating, and engaging in multiple innovative electric service options
32 for the benefit of SPS and its customers. With advancements in
33 technology and increased focus on energy efficiency, the Strategic

1 Revenue Initiatives class works to meet customer desires for non-
2 traditional services. This operational area is discussed in detail by SPS
3 witness William A. Grant.

4 **Q. Are any of the Chief Customer and Innovation Officer affiliate class of**
5 **services that are provided to SPS duplicated elsewhere in XES or in any**
6 **other Xcel Energy subsidiary such as SPS itself?**

7 A. No. Within XES, none of the services grouped in the Chief Customer and
8 Innovation Officer affiliate class are duplicated elsewhere. No other Xcel Energy
9 subsidiary performs these services for the Operating Companies. In addition, SPS
10 does not perform these services for itself.

11 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
12 **Chief Customer and Innovation Officer affiliate class of services?**

13 A. Yes. The services of the Chief Customer and Innovation Officer affiliate class
14 benefit SPS's customers in many ways. The oversight and coordination provided
15 by the Chief Customer and Innovation Officer class is instrumental in ensuring
16 that the services provided to SPS by the Customer and Innovation departments are
17 efficient, effective, and support SPS's needs in providing electric service to
18 customers.

19 **C. The Chief Customer and Innovation Officer Affiliate Class of**
20 **Services are Provided at a Reasonable Cost**

21 **Q. Are the costs of the Chief Customer and Innovation Officer affiliate class of**
22 **services reasonable?**

23 A. Yes. The costs of the Chief Customer and Innovation Officer affiliate class of
24 services are reasonable. It is typical for a corporate organization, such as Xcel
25 Energy and its subsidiaries, to centralize executive management in a shared

1 services provider such as XES. Xcel Energy provides this centralized executive
2 management service through the office of the Chief Customer and Innovation
3 Officer. This centralized structure reduces overall management and
4 administrative costs by not having duplicate executive management in SPS and
5 the other Xcel Energy subsidiaries. This structure allows costs for the Chief
6 Customer Service and Innovation Office to be shared by and distributed across
7 multiple Xcel Energy legal entities.

1. Additional Evidence

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

10 A. Yes. Of the estimated Updated Test Year costs for the Chief Customer Service
11 and Innovation Officer class, approximately 26.83% are compensation and
12 benefits costs for XES personnel. Mr. Knoll and Mr. Schrubbe establish that the
13 level of Xcel Energy's compensation and benefits is reasonable and necessary. In
14 addition, approximately 70% of the costs for this class were for goods or services
15 procured by contract. Xcel Energy's Supply Chain organization is responsible for
16 the sourcing and purchasing of goods and services needed by SPS, as well as the
17 review and processing of payments by vendors. SPS witness Gary J. O'Hara
18 provides testimony about these functions and demonstrates that the Supply Chain
19 processes and controls produce reasonable costs supporting SPS's operations.

2. Budget Planning

1 **Q. Is a budget planning process applicable to the Chief Customer Service and**
2 **Innovation Officer class of affiliate costs?**

3 A. Yes. Annual O&M budgets are created for the Chief Customer and Innovation
4 Officer class of affiliate costs, using guidelines developed at the corporate level.
5 The process includes the review of historical spend information, identification of
6 known changes for the coming years, and analysis of the costs associated with
7 those changes prior to submitting a proposed budget. The budgeting process is
8 discussed in more detail in Section III of my testimony.

9 **Q. During the fiscal year, does the Chief Customer and Innovation Officer**
10 **organization monitor its actual expenditures versus its budget?**

11 A. Yes. Actual versus expected expenditures of the Chief Customer and Innovation
12 Officer affiliate class are monitored on a monthly basis by management.
13 Deviations are evaluated each month to ensure that costs are appropriate. In
14 addition, action plans are developed to mitigate variations in actual to budgeted
15 expenditures. These mitigation plans may either reduce or delay other
16 expenditures so that overall expenditures comply with the authorized budget.

17 **Q. Are employees within the Chief Customer and Innovation Officer**
18 **organization held accountable for deviations from the budget?**

19 A. Yes. The Chief Customer and Innovation Officer organization follows the same
20 procedures required of other business areas, which includes measuring results on
21 a monthly basis to ensure adherence to the established budgetary goals and to
22 provide for action plan development.

3. Cost Trends

Q. Please state the dollar amounts of the actual per book charges from XES to SPS for the Chief Customer and Innovation Officer class of services for the three fiscal years preceding the end of the Updated Test Year and the estimated per book for the estimated Updated Test Year.

A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar years), the actual per book and, for the Updated Test Year, the estimated per book affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the services grouped in the Chief Customer and Innovation Officer affiliate class:

Table ARD-RR-5

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Chief Customer and Innovation Officer	\$2,370,133	\$2,921,933	\$5,034,498	\$4,177,693

Q. What are the reasons for this trend?

A. The increase in costs from 2016 to 2017 was due to increased consulting and higher labor and labor loading costs. The increase from 2017 to 2018 was due primarily to outside consulting costs related to a continuous improvement initiative undertaken by Xcel Energy. The initiative developed a framework and process for business areas to examine their work and identify efficiencies. The decrease from 2018 to the Updated Test Year was due to decreased consulting, partially offset by higher labor and labor loadings.

1 **Q. Please provide the staffing levels for the Chief Customer and Innovation**
2 **Officer affiliate class of services for the three fiscal years preceding the end**
3 **of the Updated Test Year and the Updated Test Year.**

4 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
5 years) and for the Updated Test Year, the average of the end of month staffing
6 levels for the Chief Customer and Innovation Officer affiliate class of services.

7

	Average of End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Chief Customer and Innovation Officer	52	56	50	51

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

9 A. The increase from 2016 to 2017 was primarily the result of the timing of hires in
10 the latter half of 2016. The decrease from 2017 to 2018 was due to the transfer of
11 employees to the Operations Services Business Area due to a reorganization. The
12 slight increase from 2018 to the Updated Test Year was due to the normal filling
13 of positions.

5. *Cost Control and Process Improvement Initiatives*

1 **Q. Separate from the budget planning process, does the Chief Customer and**
2 **Innovation Officer affiliate class take any steps to control its costs or to**
3 **improve its services?**

4 **A.** Yes. The Chief Customer and Innovation Officer continually reviews its plans
5 and initiatives and staffing to ensure they are appropriate and to identify and
6 implement improvements. Staffing levels are increased only when it becomes
7 apparent that there will be a long-term need for a specific type of expertise that is
8 not currently on staff, when work levels appear to have increased on a permanent
9 basis, or when systematic employee transfers result in the need to replace staff.
10 Conversely, staff is decreased when the opposite trends become apparent.

11 **D. The Costs for the Chief Customer and Innovation Officer**
12 **Affiliate Class of Services are Priced in a Fair Manner**

13 **Q.** **For those costs that XES charges (either directly or through use of an**
14 **allocation) to SPS for the Chief Customer and Innovation Officer affiliate**
15 **class of services, does SPS pay any more for the same or similar service than**
16 **does any other Xcel Energy affiliate?**

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

1 **Q. How are the costs of the Chief Customer and Innovation Officer affiliate**
2 **class billed to SPS?**

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

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

16 **Q. What are the predominant allocation methods used for billing the costs that**
17 **SPS seeks to recover for the Chief Customer and Innovation Officer affiliate**
18 **class of services?**

19 A. The majority of the requested XES charges to SPS for this class were charged
20 using the following allocation method:

- 21 • Assets, Revenue, and Number of Employees: 98.03% of XES charges
22 to SPS or \$4,215,752.90.

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

4 A. The three factor billing method using assets, revenue, and employees produces an
5 allocation of costs that recognizes the complexity, risk, and overall business
6 activity levels that drive the costs included in the cost centers (billing methods)
7 and measures the benefits received from those activities. For the cost centers
8 (billing methods) charged using this allocator, there is no one specific cost driver
9 for the support tasks and services provided, and the services benefit multiple Xcel
10 Energy affiliates. For example, the costs associated with planning and conducting
11 senior leadership strategy meetings, which are collected in Cost Center 200063,
12 are assigned using this allocation method. Within the Xcel Energy holding
13 company group, those legal entities that have proportionately more assets,
14 revenues, and employees will have more focus placed on their operations due to
15 those subsidiaries’ relative influence on the consolidated business balance sheet,
16 income statement, and statement of cash flow, and the subsidiaries will benefit
17 accordingly from the services provided. Thus, allocating these costs based upon
18 the average of the total asset ratio, revenue ratio, and the employee ratio is
19 appropriate because it allocates costs in accordance with cost causation and
20 benefits received. Ms. Schmidt discusses this billing method in more detail in her
21 testimony. For the cost centers (billing methods) that assign costs based upon this
22 allocation method, the per unit amounts charged by XES to SPS as a result of the
23 application of this allocation method are no higher than the unit amounts billed by

1 XES to other affiliates for the same or similar services and represent the actual
2 costs of the services.

3 **Q. You have covered the allocation methods used to bill 98.03% of the costs**
4 **associated with this affiliate class. Why have you not specifically covered the**
5 **remaining 1.97% of the costs of this class?**

6 A. I have described the predominant allocation methods associated with this affiliate
7 class. The remaining costs are billed using six different allocators in addition to
8 the direct method, no one of which is used to bill more than .60% of the costs. In
9 light of the number of remaining allocators, cost centers (billing methods), and
10 relative dollar amounts, I have not gone into a detailed discussion of these other
11 allocation methods in order to keep the discussion to a manageable level. The
12 cost centers (billing methods) used to charge the remaining 1.97% of the costs in
13 this class, however, are presented in my Attachment ARD-RR-B(CD), discussed
14 earlier. A reader may reference that attachment and then refer to the specific cost
15 center (billing method) summary provided in Ms. Schmidt's Attachment MLS-
16 RR-11 for an explanation of the particular allocators used and the cost drivers for
17 the activities reflected in that particular cost center.

18 **Q. Have you determined that the costs reflected in the remaining 1.97% of costs**
19 **associated with this class of services have been billed using an appropriate**
20 **allocation method?**

21 A. Yes. I, or one of my staff working at my direction, have reviewed each of the
22 cost centers and the associated allocators used to bill the remaining 1.97% of the
23 costs of this class. The cost drivers reflected in the allocation method used to bill
24 the costs of each cost center are consistent with and reflect the cost drivers of the

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

VIII. AFFILIATE EXPENSES FOR THE CORPORATE OTHER CLASS OF SERVICES

A. Summary of Affiliate Expenses for the Corporate Other Class of Services

Q. What expenses are reflected within the Corporate Other affiliate class?

A. The Corporate Other affiliate class is a department level group of costs, which is managed at the corporate level. The Corporate Other affiliate class expenses are related to permanent income tax differences, and corporate accrual of purchases on the corporate credit card that are pending expense statement process.

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

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Corporate Other 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 Corporate Other affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the amounts below summarize information provided in Attachment ARD-RR-A.

1

Table ARD-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
Corporate Other	\$7,412,431	\$1,098,950	129%	(29%)

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

4 A. There are four attachments to my testimony that present information about the
5 requested SPS affiliate expenses for the Corporate Other affiliate class. I
6 explained these attachments in detail previously in Section V.A. of my testimony.

7 **Q. Does XES bill its expenses for the Corporate Other affiliate class to SPS in**
8 **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.

12 **Q. Are there any exclusions to the XES billings to SPS for the Corporate Other**
13 **affiliate class?**

14 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
15 expenses not allowed or other below-the-line items. Exclusions are shown on
16 Attachment ARD-RR-A, Column H, and on Attachment ARD-RR-B(CD),
17 Column K. The details for the exclusions are provided in Attachment ARD-RR-
18 C. As I also mentioned earlier, Ms. Schmidt describes how the exclusions were
19 calculated. In SPS's 45-day case update, I will present an updated Attachment

1 ARD-RR-C that will provide actual exclusions to replace any estimated
2 exclusions included in my original attachment.

3 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
4 **Corporate Other affiliate class?**

5 A. No. This affiliate class does not have any pro forma adjustments for the Updated
6 Test Year.

7 **B. The Corporate Other Affiliate Class of Services are Necessary**
8 **Services**

9 **Q. Are the services that are grouped in the Corporate Other affiliate class**
10 **necessary for SPS's operations?**

11 A. Yes. The costs grouped in the Corporate Other affiliate class are for necessary
12 business expenses.. They are related to functions required by all utilities and are
13 necessary for SPS to be able to provide electric service to its customers.

14 **Q. What costs are reflected in the Corporate Other affiliate class?**

15 A. The costs reflected in the Corporate Other class are primarily expenses relating to
16 the corporate accrual of purchases on the corporate credit card that are pending
17 expense statement processing and tax related transactions. In addition, the
18 Corporate Other affiliate class includes miscellaneous expenses, which are
19 corporate in nature, such as miscellaneous write-offs for balances in the retired
20 AP system.

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

4 A. No. The billing of these services from XES is only included in the Corporate
5 Other department. No other Xcel Energy subsidiary performs these services for
6 the Operating Companies. In addition, SPS does not perform these services for
7 itself.

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

10 A. Yes. As noted above, the services provided by the Corporate Other class are
11 primarily related to the net accrual amount during the Updated Test Year of
12 expenses made on the corporate credit card, tax related transactions, as well as,
13 other miscellaneous items required to serve SPS's customers.

14 **C. The Corporate Other Affiliate Class of Services are Provided at a**
15 **Reasonable Cost**

16 **Q. Are the costs of the Corporate Other affiliate class of services reasonable?**

17 A. Yes. The corporate credit card transactions which are pending expense statement
18 processing and the tax related transactions are associated with services provided
19 by all Xcel Energy business areas and are incurred through the normal course of
20 business.

1 **Q. Please state the dollar amounts of the actual per book charges from XES to**
2 **SPS for the Corporate Other class of services for the three fiscal years**
3 **preceding the end of the Updated Test Year and the estimated per book**
4 **charges for the estimated Updated Test Year.**

5 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
6 years), the actual per book and, for the Updated Test Year, the estimated per book
7 affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the
8 services grouped in the Corporate Other affiliate class:

9 **Table ARD-RR-8**

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Corporate Other	\$281,182	\$3,184,238	\$1,511,739	\$1,098,950

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

11 A. The increase in costs from 2016 to 2017 is due primarily to the impact of tax
12 reform, specifically the changes in the tax rate. The decrease in costs from 2017
13 to 2018 is primarily due to the normalization of the impact of tax reform, normal
14 fluctuations of permanent tax items and the corporate credit card accruals. The
15 decrease from 2018 to the Updated Test Year was due to lower taxes and
16 corporate credit card accrual. The charges for unreconciled transactions fluctuate
17 annually and within the months due to the activity on the corporate credit card.

1 **D. The Costs for the Corporate Other Affiliate Class of Services are**
2 **Priced in a Fair Manner**

3 **Q. For those costs that XES charges (either directly or through use of an**
4 **allocation) to SPS for the Corporate Other affiliate class of services, does SPS**
5 **pay any more for the same or similar service than does any other Xcel**
6 **Energy affiliate?**

7 A. No. The XES charges to SPS for any particular service are no higher than the
8 XES charges to any other Xcel Energy affiliate. The costs charged for particular
9 services are the actual costs that XES incurred in providing those services to SPS.

10 A single, specific allocation method, rationally related to the cost drivers
11 associated with the service being provided, is used with each cost center (billing
12 method). In her direct testimony, Ms. Schmidt discusses the selection of billing
13 methods and XES's method of charging for services in more detail.

14 **Q. How are the costs of the Corporate Other affiliate class billed to SPS?**

15 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
16 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
17 the billing method associated with each activity. My Attachment ARD-RR-A,
18 shows the allocation method (Column D) associated with each billing method
19 (Column C) used in the affiliate class.

20 In SPS's 45-day case update, I will present updated Attachments ARD-
21 RR-A and ARD-RR-B(CD) so that the entries for the last three months of the
22 Updated Test Year provide actual data and conform to the information provided
23 for the first nine months. In the event the predominant billing methods and
24 associated allocation methods for the Corporate Other affiliate O&M expenses on

1 my updated Attachments ARD-RR-A and ARD-RR-B(CD) differ from those
2 discussed below, I will explain those differences in supplemental testimony in
3 SPS's 45-day case update filing.

4 **Q. What is the predominant allocation method used for billing the Corporate**
5 **Other affiliate class of services?**

6 **A.** All of the requested XES charges to SPS for this class were charged using one of
7 the following two allocation methods:

- 8 • Direct Billing: 129.26% of XES charges to SPS or \$1,420,530;
- 9 • Assets, Revenue, and Number of Employees: (29.26%) of XES
10 charges to SPS or (\$321,579).

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

13 **A.** For the cost centers that are assigned using the “Direct Billing” method, the costs
14 normally reflect work that was performed specifically for SPS only. In some
15 cases, however, the direct billing occurred after the application of an off-line
16 allocator that tracks the relevant cost drivers. In either situation, the cost centers
17 charged using the “Direct Billing” method are appropriate because the assignment
18 of costs is in accordance with the distribution of benefits for the services received.
19 For example, the tax transactions were direct billed to SPS as they could be
20 discretely assigned. The cost of these services benefitted SPS and the facilities
21 are in the SPS service territory. Thus, the “Direct Billing” method is appropriate
22 because it assigns costs in accordance with cost causation and benefits received.
23 For the cost centers that assign costs using Direct Billing, the per unit amounts
24 charged by XES to SPS are no higher than the unit amounts billed by XES to

1 other affiliates for the same or similar services and represent the actual costs of
2 the services.

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

6 A. The three factor billing method using assets, revenue, and employees produces an
7 allocation of costs that recognizes the complexity, risk, and overall business
8 activity levels that drive the costs included in the cost centers (billing methods)
9 and measures the benefits received from those activities. For the cost centers
10 (billing methods) charged using this allocator, there is no one specific cost driver
11 for the support tasks and services provided, and the services benefit multiple Xcel
12 Energy affiliates. For example, the costs associated with the corporate accrual of
13 the company credit card transactions pending expense statement processing and
14 that have not yet been assigned to specific business areas (e.g., Distribution
15 Operations, Transmission, etc.), which are collected in Cost Center 200081, are
16 assigned using this allocation method. Within the Xcel Energy holding company
17 group, those legal entities that have proportionately more assets, revenues, and
18 employees will have more focus placed on their operations due to those
19 subsidiaries’ relative influence on the consolidated business balance sheet, income
20 statement, and statement of cash flow, and the subsidiaries will benefit
21 accordingly from the services provided. Thus, allocating these costs based upon
22 the average of the total asset ratio, revenue ratio, and the employee ratio is
23 appropriate because it allocates costs in accordance with cost causation and
24 benefits received. Ms. Schmidt discusses this billing method in more detail in her

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

1 **IX. AFFILIATE EXPENSES FOR THE RISK MANAGEMENT AND**
2 **AUDIT SERVICES CLASS OF SERVICES**

3 **A. Summary of Affiliate Expenses for the Risk Management and**
4 **Audit Services Class of Services**

5 **Q. What services are grouped into the Risk Management and Audit Services**
6 **affiliate class?**

7 A. The services that are grouped into the Risk Management and Audit Services
8 affiliate class are internal auditing, evaluating and improving internal controls,
9 corporate governance, ensuring ethical conduct, providing insight on leading
10 practices, commodity-related transactional governance, valuation and reporting
11 for both traditional utility operations and trading, applicable credit risk
12 management, generation cost modeling, modeling support for resource planning,
13 contract development, distribution asset risk management, and other risk
14 management activities.

15 **Q. What is the dollar amount of the Updated Test Year XES charges that SPS**
16 **requests, on a total company basis, for the Risk Management and Audit**
17 **Services affiliate class?**

18 A. The following table summarizes the dollar amount of the estimated Updated Test
19 Year XES charges for the Risk Management and Audit Services affiliate class. I
20 will update the table below as part of SPS's 45-day case update filing to reflect
21 the actual Updated Test Year costs for the Risk Management and Audit Services
22 affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the
23 amounts below summarize information provided in Attachment ARD-RR-A.

1

Table ARD-RR-9

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Risk Management and Audit Services	\$7,840,157	\$1,227,822	20.24%	79.76%

2 **Q. Please describe the attachments that support the information provided on**
3 **Table ARD-RR-9.**

4 A. There are four attachments to my testimony that present information about the
5 requested SPS affiliate expenses for the Risk Management and Audit Services
6 affiliate class. I explained these attachments in detail previously in Section V.A.
7 of my testimony.

8 **Q. Does XES bill its expenses for the Risk Management and Audit Services**
9 **affiliate class to SPS in the same manner as it bills other affiliates for those**
10 **expenses?**

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

14 **Q. Are there any exclusions to the XES billings to SPS for the Risk Management**
15 **and Audit Services affiliate class?**

16 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
17 expenses not allowed or other below-the-line items. Exclusions are shown on
18 Attachment ARD-RR-A, Column H, and on Attachment ARD-RR-B(CD),
19 Column K. The details for the exclusions are provided in Attachment ARD-RR-

1 C. As I also mentioned earlier, Ms. Schmidt describes how the exclusions were
2 calculated. In SPS's 45-day case update, I will present an updated Attachment
3 ARD-RR-C that will provide actual exclusions to replace any estimated
4 exclusions included in my original attachment.

5 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
6 **Risk Management and Audit Services affiliate class?**

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

17 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
18 **adjustments that result in a net decrease for the Risk Management and Audit**
19 **Services affiliate class of \$306.68. Please explain the adjustments.**

20 A. The adjustments that I sponsor remove: alcoholic beverage purchases (a decrease
21 of \$107.04); costs related to life events (a decrease of \$78.51); and costs not
22 benefiting SPS (net decrease of \$121.13).

1 **B. The Risk Management and Audit Services Affiliate Class of**
2 **Services are Necessary Services**

3 **Q. Are the services that are grouped in the Risk Management and Audit**
4 **Services affiliate class necessary for SPS's operations?**

5 A. Yes. Along with the Board of Directors, management, and external auditors, the
6 services grouped in the Risk Management and Audit Services affiliate class play a
7 key role in the corporate governance of Xcel Energy and of the Xcel Energy
8 subsidiaries including SPS, and ensure that the SPS system is modeled accurately,
9 fuel usage is forecasted accurately, energy commodity transactions are
10 consummated prudently with financially viable counterparties, certain capital
11 allocation is performed efficiently, and assurance functions are provided by the
12 Board of Directors and executive management. The services are necessary to
13 ensure that quality control measures are implemented throughout Xcel Energy and
14 its subsidiaries, including SPS, and to ensure that those operations and controls
15 are effective. These are functions required by all utilities.

16 **Q. What are the specific services that are provided to SPS by the Risk**
17 **Management and Audit Services affiliate class?**

18 A. The specific services that are provided to SPS by the Risk Management and Audit
19 Services affiliate class include:

- 20 • Serving in an independent, objective assurance and consulting function.
21 Recommendations are designed to provide business areas with insight on
22 improving operations (process improvements and efficiencies), raising
23 management and staff awareness of control issues, reducing costs, and
24 identifying new opportunities;
- 25 • Evaluating and improving risk management, internal controls, corporate
26 governance processes, promoting ethical conduct and the implementation
27 of best practices;

- 1 • Providing consulting services to management for ad hoc special projects,
2 such as operational and process improvement reviews, assistance in
3 internal investigations of fraud, conflicts of interest, or other potential
4 violations of the Xcel Energy Code of Conduct, and other matters;
- 5 • Working in coordination with Xcel Energy's independent public
6 accountants on projects approved by the Audit Committee of the Board of
7 Directors;
- 8 • Evaluating commodity, credit, and contractual risk for non-retail
9 transactions, evaluating contracts, and implementing risk exposure
10 measures. SPS's commodity and contractual risks are primarily managed
11 through the Contract Development Approval and Delegation/Transaction
12 Review Committee ("CDAD/TRC") transactional governance process.
13 The CDAD/TRC process governs the reviews and approvals required for
14 transactions of energy related items that are necessary for the operation of
15 the SPS system. For example, it covers purchases of fuel, electric
16 transmission services, and natural gas transportation services;
- 17 • Performing analytic modeling to support resource planning. This is
18 accomplished by modeling the longer term SPS system requirements as
19 driven by forecasts of the economy and customer-specific growth along
20 with the associated peak demands. Sensitivities to both economic changes
21 and weather variations are also considered; and,
- 22 • Performing asset risk analytics to support capital allocation
23 decision-making.

24 **Q. Are any of the Risk Management and Audit Services affiliate class of services**
25 **that are provided to SPS duplicated elsewhere in XES or in any other Xcel**
26 **Energy subsidiary such as SPS itself?**

27 A. No. Within XES, none of the services grouped in the Risk Management and
28 Audit Services affiliate class are duplicated elsewhere. No other Xcel Energy
29 subsidiary performs these services for the Operating Companies. In addition, SPS
30 does not perform these services for itself.

1 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
2 **Risk Management and Audit Services affiliate class of services?**

3 A. Yes. The services of the Risk Management and Audit Services affiliate class
4 benefit SPS's customers in many ways. For example, by assisting Xcel Energy
5 and SPS in improving business performance and effectively managing financial,
6 operational, and compliance risks, the services of the Risk Management and Audit
7 Services affiliate class support the ongoing operations of SPS and the provision of
8 electric service to customers.

9 **C. The Risk Management and Audit Services Affiliate Class of**
10 **Services are Provided at a Reasonable Cost**

11 **Q. Are the costs of the Risk Management and Audit Services affiliate class of**
12 **services reasonable?**

13 A. Yes. The costs of the Risk Management and Audit Services affiliate class of
14 services are reasonable. XES provides the Risk Management and Audit Services
15 functions and services on a consolidated basis for multiple Xcel Energy legal
16 entities. As a result, SPS benefits from sophisticated services provided by a pool
17 of talented professionals, the consolidated costs of which are shared. The
18 economies of scale inherent in this system result in reasonable costs to SPS for
19 these services.

1. Additional Evidence

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

22 A. Yes. Of the estimated Updated Test Year costs for the Risk Management and
23 Audit Services class, approximately 88% are compensation and benefits costs for

1 XES personnel. Mr. Knoll and Mr. Schrubbe establish that the level of Xcel
2 Energy's compensation and benefits is reasonable and necessary.

2. Budget Planning

3 **Q. Is a budget planning process applicable to the Risk Management and Audit**
4 **Services class of affiliate costs?**

5 A. Yes. Annual O&M budgets that include the Risk Management and Audit
6 Services class of affiliate costs are created for the Financial Operations business
7 area, using guidelines developed at the corporate level. The process includes the
8 review of historical Risk Management and Audit Services class costs, elimination
9 of non-recurring costs, identification of new, one-time or recurring initiatives, and
10 an assessment of future staffing levels and work assignments. It is an iterative
11 process involving the Risk Management and Audit Services class leadership and
12 assigned business area finance support personnel. The budgeting process is
13 discussed in more detail in Section III of my testimony.

14 **Q. During the fiscal year, does the Risk Management and Audit Services**
15 **organization monitor its actual expenditures versus its budget?**

16 A. Yes. Actual versus expected expenditures of the Risk Management and Audit
17 Services organization are monitored on a monthly basis by management.
18 Deviations are evaluated each month to ensure that costs are appropriate. In
19 addition, action plans are developed to mitigate variations in actual to budgeted
20 expenditures. These mitigation plans may either reduce or delay other
21 expenditures so that overall expenditures comply with the authorized budget.

1 **Q. Are employees within the Risk Management and Audit Services organization**
2 **held accountable for deviations from the budget?**

3 A. Yes. The managers and leadership of the Risk Management and Audit Services
4 organization are required to manage their expenses to support the budgetary goals
5 established by the Financial Operations business area. Budgets are reviewed
6 monthly to ensure adherence to the goals and to discuss actions necessary to
7 address variances. Failure to meet the goals impacts performance evaluations and
8 the overall compensation of the management within this class.

3. Cost Trends

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

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

Table ARD-RR-10

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Risk Management and Audit Services	\$1,306,133	\$1,305,429	\$1,208,830	\$1,240,581

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

2 A. The costs in this class have remained relatively consistent. The slight changes are
3 a result of: labor and labor related overheads as a result of staffing levels and
4 consulting.

4. Staffing Trends

5 **Q. Please provide the staffing levels for the Risk Management and Audit**
6 **Services class of services for the three fiscal years preceding the end of the**
7 **Updated Test Year and the Updated Test Year.**

8 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
9 years) and for the Updated Test Year, the average of the end of month staffing
10 levels for the Risk Management and Audit Services affiliate class of services.

Table ARD-RR-11

	Average of End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Risk Management and Audit Services	44	43	41	41

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

13 A. The decrease in average staffing levels between 2016 and 2018 was due to lower
14 headcount in the Risk Strategy and Control and Credit area offset by higher
15 staffing levels in the Audit Services and Risk Management areas. The average
16 staffing level remained the same between 2018 and the Updated Test Year.

5. *Cost Control and Process Improvement Initiatives*

1 **Q. Separate from the budget planning process, does the Risk Management and**
2 **Audit Services affiliate class take any steps to control its costs or to improve**
3 **its services?**

4 **A.** Yes. The Risk Management and Audit Services organization continually reviews
5 its plans, initiatives, and staffing to ensure they are appropriate and to identify and
6 implement improvements. For example, the adoption of a co-sourcing consulting
7 support option provides access to specialized skills for planned audits and
8 flexibility to deploy resources on short notice to meet changing priorities.

9 **D. The Costs for the Risk Management and Audit Services Affiliate**
10 **Class of Services are Priced in a Fair Manner**

11 **Q.** For those costs that XES charges (either directly or through use of an
12 allocation) to SPS for the Risk Management and Audit Services affiliate class
13 of services, does SPS pay any more for the same or similar service than does
14 any other Xcel Energy affiliate?

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

1 **Q. How are the costs of the Risk Management and Audit Services affiliate class**
2 **billed to SPS?**

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

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

16 **Q. What are the predominant allocation methods used for billing the costs that**
17 **SPS seeks to recover for the Risk Management and Audit Services affiliate**
18 **class of services?**

19 A. The vast majority of the requested XES charges to SPS for this class were charged
20 using one of the following four allocation methods:

- 21 • Assets, Revenue, and Number of Employees: 60.92% of XES charges
22 to SPS or \$748,032;
- 23 • Direct Billing: 20.24% of XES charges to SPS or \$248,485;

- 1 • Joint Operating Agreement (“JOA”): 15.58% of XES charges to SPS
2 or \$191,311; and
- 3 • Prop Trading Hours: 3.10% or \$38,087.

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

7 A. The three factor allocation method using assets, revenue, and employees produces
8 an allocation of costs that recognizes the complexity, risk, and overall business
9 activity levels that drive the costs included in the cost centers and measures the
10 benefits received from those activities. For the cost centers billed using this
11 allocator, there is no one specific cost driver for the support tasks and services
12 provided, and the services benefit multiple Xcel Energy affiliates. For example,
13 the costs associated with oversight and administration of the Audit Services area,
14 which are primarily collected in Cost Center 200067, are allocated using this
15 method. Within the Xcel Energy holding company group, those legal entities that
16 have proportionately more assets, revenues, and employees will have more focus
17 placed on their operations due to those subsidiaries’ relative influence on the
18 consolidated business balance sheet, income statement, and statement of cash
19 flow, and the subsidiaries will benefit accordingly from the services provided.
20 Thus, allocating these costs based upon the average of the total asset ratio,
21 revenue ratio, and the employee ratio is appropriate because it allocates costs in
22 accordance with cost causation and benefits received. Ms. Schmidt discusses this
23 allocation method in more detail in her testimony. For the cost centers that assign
24 costs based upon this allocation method, the per unit amounts charged by XES to

1 SPS as a result of the application of this allocation method are no higher than the
2 unit amounts billed by XES to other affiliates for the same or similar services and
3 represent the actual costs of the services.

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

6 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
7 normally reflect work that was performed specifically for SPS only. In some
8 cases, however, the direct billing occurred after the application of an off-line
9 allocator that tracks the relevant cost drivers. In either situation, the cost centers
10 charged using the “Direct Billing” method are appropriate because the assignment
11 of costs is in accordance with the distribution of benefits for the services received.
12 For example, the labor costs for an audit of the TUCO Coal Supply would be
13 assigned using the “Direct Billing” method. The audit of the TUCO Coal Supply
14 is an annual requirement that ensures compliance with coal supply, handling and
15 transportation contract terms. The cost of these services benefitted SPS, the work
16 was performed specifically for SPS alone, and the cost driver is an audit
17 performed for SPS. Thus, the “Direct Billing” method is appropriate because it
18 assigns costs in accordance with cost causation and benefits received. For the
19 cost centers that assign costs using Direct Billing, the per unit amounts charged by
20 XES to SPS are no higher than the unit amounts billed by XES to other affiliates
21 for the same or similar services and represent the actual costs of the services.

1 **Q. Why is it appropriate to allocate costs based on the “JOA” method for the**
2 **costs captured in the cost center that uses that allocation method?**

3 A. Cost Center 200134 that uses the “JOA” method as the allocator captures the
4 costs associated with proprietary trading activities, which are short-term
5 transactions undertaken in the wholesale electric markets where electricity is
6 purchased for the purpose of selling it. For example, the costs associated with
7 daily proprietary trading profit and loss reporting, analysis of proprietary deals,
8 and credit work specific to proprietary transactions are assigned using this
9 method. The trading activities themselves are covered by the JOA among NSPM,
10 PSCo, and SPS, which designates that the allocation be based on the peak hour of
11 megawatt (“MW”) load for the previous year (i.e., the ratio of the annual peak
12 load in MW of one Operating Company as compared to the combined annual
13 peak loads in MW of all of the three Operating Companies). This allocation
14 reflects cost causation and the distribution of the benefits of the services received.
15 For the cost centers that assign costs based upon this allocation method, the per
16 unit amounts charged by XES to SPS as a result of the application of this
17 allocation method are no higher than the unit amounts billed by XES to other
18 affiliates for the same or similar services and represent the actual costs of the
19 services.

1 **Q. Why is it appropriate to allocate costs based on the “Prop Trading Hours”**
2 **method for the costs captured in the cost center that uses that allocation**
3 **method?**

4 A. Cost Center 200174 that uses the “Prop Trading Hours” method as the allocator
5 captures the costs associated with the labor and non-labor costs associated with
6 independent evaluation and risk measurement of trading and generation book
7 transactions. For example, the costs associated with activities benefiting both
8 proprietary and generation trading such as building the risk system, preparing
9 generation reports including sales of surplus energy, and reviewing credit
10 documents are assigned using this billing method. The cost driver for these
11 activities is the generation and proprietary trading of the Commercial Operations
12 department and there is a direct correlation between the activities of the traders
13 and the associated risk management activities captured in this cost center. Thus,
14 this cost center is allocated based upon the allocation of the labor of these
15 employees who perform Commercial Operations trading activities (i.e., an annual
16 calculation is made of the percentage of the labor costs of these employees that is
17 billed to each affiliate), and the costs in Cost Center 200174 are allocated using
18 those percentages. This allocation reflects cost causation and the distribution of
19 the benefits of the services received. For the cost centers that assign costs based
20 upon this allocation method, the per unit amounts charged by XES to SPS as a
21 result of the application of this allocation method are no higher than the unit
22 amounts billed by XES to other affiliates for the same or similar services and
23 represent the actual costs of the services.

1 **Q. You have covered the allocation methods used to bill 99.84% of the costs**
2 **associated with this affiliate class. Why have you not specifically covered the**
3 **remaining .16% of the costs of this class?**

4 A. I have described the predominant allocation methods associated with this affiliate
5 class. The remaining costs are billed using two different allocators, no one of
6 which is used to bill more than .13% of the costs. In light of the number of
7 remaining allocators, cost centers (billing methods), and relative dollar amounts, I
8 have not gone into a detailed discussion of these other allocation methods in order
9 to keep the discussion to a manageable level. The cost centers (billing methods)
10 used to charge the remaining .16% of the costs in this class, however, are
11 presented in my Attachment ARD-RR-B(CD), discussed earlier. A reader may
12 reference that attachment and then refer to the specific cost center (billing
13 method) summary provided in Ms. Schmidt's Attachment MLS-RR-11 for an
14 explanation of the particular allocators used and the cost drivers for the activities
15 reflected in that particular cost center.

16 **Q. Have you determined that the costs reflected in the remaining .16% of costs**
17 **associated with this class of services have been billed using an appropriate**
18 **allocation method?**

19 A. Yes. I, or one of my staff working at my direction, have reviewed each of the
20 cost centers and the associated allocators used to bill the remaining .16% of the
21 costs of this class. The cost drivers reflected in the allocation method used to bill
22 the costs of each cost center are consistent with and reflect the cost drivers of the
23 services captured in each particular cost center. Therefore, the billing methods
24 are appropriate because the allocation of costs is in accordance with the

- 1 distribution of the benefits received by SPS and are no higher than the per unit
- 2 costs charged to other affiliates for the same or similar types of services.

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		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Chief Financial Officer	\$1,362,688	\$166,110	0.0%	100.0%

1 **Q. Please describe the attachments that support the information provided on**
2 **Table ARD-RR-12.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the CFO affiliate class. I explained these
5 attachments in detail previously in Section V.A. of my testimony.

6 **Q. Does XES bill its expenses for the CFO affiliate class to SPS in the same**
7 **manner as it bills other affiliates for those expenses?**

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

11 **Q. Are there any exclusions to the XES billings to SPS for the CFO affiliate**
12 **class?**

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

- 1 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
2 **CFO affiliate class?**
- 3 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
4 Year expenses for known and measurable changes. Pro forma adjustments are
5 shown on Attachment ARD-RR-A, Column J, and on Attachment ARD-RR-
6 B(CD), Column M. The details for the pro forma adjustments, including the
7 witness or witnesses who sponsor each pro forma adjustment, are provided in
8 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
9 months of the Updated Test Year have completed the full pro forma adjustment
10 review process. In SPS's 45-day case update, I will present an updated
11 Attachment ARD-RR-D that will complete the full pro forma adjustment review
12 process for the last three months of the Updated Test Year.
- 13 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
14 **adjustments that result in a net decrease for the CFO affiliate class of**
15 **\$844.95. Please explain the adjustments.**
- 16 A. The adjustments that I sponsor remove: alcoholic beverage purchases (a decrease
17 of \$173.31); costs not benefitting SPS (a decrease of \$197.72); previous period
18 adjustments (net decrease of \$473.92).

1 **B. The Chief Financial Officer Affiliate Class of Services are**
2 **Necessary Services**

3 **Q. Are the services that are grouped in the CFO affiliate class necessary for**
4 **SPS's operations?**

5 A. Yes. The services grouped in the CFO affiliate class are performed on behalf of
6 all Xcel Energy subsidiaries, including SPS. They are necessary to ensure that the
7 financial objectives set by the Board of Directors for SPS are carried out and that
8 the financial integrity of SPS is maintained. They are functions required by all
9 investor-owned utilities.

10 **Q. What are the specific services that are provided to SPS by the CFO affiliate**
11 **class?**

12 A. The specific services that are provided to SPS by the CFO affiliate class include:

- 13 • Providing leadership to the Financial Operations business area.
14 Reporting to the CFO are Risk Management and Audit Services, the
15 Controller's Organization, Financial Planning, Investor Relations, Tax
16 Services, Corporate Development, and the Treasurer's organization;
- 17 • Establishing and coordinating consistent financial policies and
18 practices among the Financial Operations business area organizations;
- 19 • Providing executive corporate management functions and other
20 programs that ensure the continuity and development of management;
- 21 • Providing oversight of accounting and reporting functions including
22 preparation and filing of financial statements, composing
23 corporate-wide regulatory accounting policy and compliance, and
24 activities related to the Audit Committee of the Board of Directors;
25 and,
- 26 • Providing oversight of Operating Company revenue accounting,
27 regulatory reporting, and other accounting activities of the Controller.

1 **Q. Are any of the CFO affiliate 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 CFO affiliate class are
5 duplicated elsewhere. No other Xcel Energy subsidiary performs these services
6 for the Operating Companies. In addition, SPS does not perform these services
7 for itself.

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

10 A. Yes. The services of the CFO affiliate class benefit SPS's customers in many
11 ways. These services are instrumental in ensuring the financial integrity of SPS
12 which underlies and supports the ability of SPS to provide electricity to
13 customers.

14 **C. The Chief Financial Officer Affiliate Class of Services are**
15 **Provided at a Reasonable Cost**

16 **Q. Are the costs of the CFO affiliate class of services reasonable?**

17 A. Yes. The costs of the CFO affiliate class of services are reasonable. XES
18 provides the CFO affiliate class functions and services on a consolidated basis for
19 multiple Xcel Energy legal entities. As a result, SPS benefits from sophisticated
20 services, the consolidated costs of which are shared. The economies of scale
21 inherent in this system result in reasonable costs to SPS for these services.

1. Additional Evidence

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

3 A. Yes. Of the estimated Updated Test Year costs for the CFO class, approximately
4 67% are compensation and benefits costs for XES personnel. Mr. Knoll and Mr.
5 Schrubbe establish that the level of Xcel Energy's compensation and benefits is
6 reasonable and necessary.

2. Budget Planning

7 **Q. Is a budget planning process applicable to the CFO class of affiliate costs?**

8 A. Yes. Annual O&M budgets that include the CFO class of affiliate costs are
9 created for the Financial Operations business area, using guidelines developed at
10 the corporate level. The process includes the review of historical CFO class costs,
11 elimination of non-recurring costs, identification of new, one-time or recurring
12 initiatives, and an assessment of future staffing levels and work assignments. It is
13 an iterative process involving the CFO class leadership and assigned business area
14 finance support personnel. The budgeting process is discussed in more detail in
15 Section III of my testimony.

16 **Q. During the fiscal year, does the CFO organization monitor its actual**
17 **expenditures versus its budget?**

18 A. Yes. Actual versus expected expenditures of the CFO organization are monitored
19 on a monthly basis by management. Deviations are evaluated each month to
20 ensure that costs are appropriate. In addition, action plans are developed to
21 mitigate variations in actual to budgeted expenditures. These mitigation plans

1 may either reduce or delay other expenditures so that the overall expenditures are
2 in accord with the authorized budget.

3 **Q. Are employees within the CFO organization held accountable for deviations**
4 **from the budget?**

5 A. Yes. The CFO has responsibility for corporate governance and maintaining the
6 financial integrity of Xcel Energy and its subsidiaries, and he and his office
7 follow the same procedures as he requires of other organizations and business
8 areas, which includes measuring results on a monthly basis to ensure adherence to
9 the goals and to provide for action plan development.

3. Cost Trends

10 **Q. Please state the dollar amounts of the actual per book charges from XES to**
11 **SPS for the CFO affiliate class of services for the three fiscal years preceding**
12 **the end of the Updated Test Year and the estimated per book charges for the**
13 **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 ARD-RR-A) from XES to SPS for the
17 services grouped in the CFO affiliate class:

Table ARD-RR-13

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Chief Financial Officer	\$271,357	\$202,142	\$191,649	\$169,578

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

2 A. The decrease in costs between 2016 and 2017 was primarily due to lower labor
3 and employee expenses as a result not having overlap of CFOs during 2017. The
4 decrease in costs between 2017 and 2018 was due to lower license fees offset by
5 small increases in labor, labor loadings and employee expenses. The decrease in
6 costs between 2018 and the Updated Test Year was primarily due to reduced
7 labor costs.

4. Staffing Trends

8 **Q. Please provide the staffing levels for the CFO class of services for the three**
9 **fiscal years preceding the end of the Updated Test Year and the Updated**
10 **Test Year.**

11 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
12 years) and for the Updated Test Year, the average of the end of month staffing
13 levels for the CFO affiliate class of services. As shown below, the department has
14 maintained the same level of average staffing

Table ARD-RR-14

Class of Services	Average of End of Month # of Staff			
	2016	2017	2018	Updated Test Year (Estimated)
Chief Financial Officer	2	2	2	2

5. *Cost Control and Process Improvement Initiatives*

1 **Q. Separate from the budget planning process, does the CFO affiliate class take**
2 **any steps to control its costs or to improve its services?**

3 A. Yes. The CFO organization continually reviews its plans, initiatives, and staffing
4 to ensure they are appropriate and to identify and implement improvements.

5 **D. The Costs for the Chief Financial Officer Affiliate Class of**
6 **Services are Priced in a Fair Manner**

7 **Q. For those costs that XES charges (either directly or through use of an**
8 **allocation) to SPS for the CFO affiliate class of services, does SPS pay any**
9 **more for the same or similar service than does any other Xcel Energy**
10 **affiliate?**

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

18 **Q. How are the costs of the CFO affiliate class billed to SPS?**

19 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
20 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
21 the billing method associated with each activity. My Attachment ARD-RR-A,
22 shows the allocation method (Column D) associated with each billing method
23 (Column C) used in the affiliate class.

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

9 **Q. What are the predominant allocation methods used for billing the costs that**
10 **SPS seeks to recover for the CFO affiliate class of services?**

11 A. All of the requested XES charges to SPS for this class were charged using the
12 assets, revenue and number of employees allocation method.

- 13 • Assets, Revenue, and Number of Employees: 100.0% of XES charges
14 to SPS or \$166,110.

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

18 A. The three factor allocation method using assets, revenue, and employees produces
19 an allocation of costs that recognizes the complexity, risk, and overall business
20 activity levels that drive the costs included in the cost centers and measures the
21 benefits received from those activities. For the cost centers billed using this
22 allocator, there is no one specific cost driver for the support tasks and services
23 provided, and the services benefit multiple Xcel Energy affiliates. For example,
24 the costs associated with providing leadership to the Financial Management Team

1 and the Financial Council, which are collected primarily in Cost Center 200066,
2 are allocated using this method. Within the Xcel Energy holding company group,
3 those legal entities that have proportionately more assets, revenues, and
4 employees will have more focus placed on their operations due to those
5 subsidiaries' relative influence on the consolidated business balance sheet, income
6 statement and statement of cash flow, and the subsidiaries will benefit accordingly
7 from the services provided. Thus, allocating these costs based upon the average
8 of the total asset ratio, revenue ratio, and the employee ratio is appropriate
9 because it allocates costs in accordance with cost causation and benefits received.
10 Ms. Schmidt discusses this allocation method in more detail in her testimony. For
11 the cost centers that assign costs based upon this allocation method, the per unit
12 amounts charged by XES to SPS as a result of the application of this allocation
13 method are no higher than the unit amounts billed by XES to other affiliates for
14 the same or similar services and represent the actual costs of the services.

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Q. What services are grouped into the Controller 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 Controller affiliate class?

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Controller 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 Controller affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the amounts below summarize information provided in Attachment ARD-RR-A.

1

Table ARD-RR-15

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Controller	\$25,247,977	\$4,462,903	47.13%	52.87%

2 **Q. Please describe the attachments that support the information provided on**
3 **Table ARD-RR-15.**

4 A. There are four attachments to my testimony that present information about the
5 requested SPS affiliate expenses for the Controller affiliate class. I explained
6 these attachments in detail previously in Section V.A. of my testimony.

7 **Q. Does XES bill its expenses for the Controller affiliate class to SPS in the same**
8 **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.

12 **Q. Are there any exclusions to the XES billings to SPS for the Controller**
13 **affiliate class?**

14 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
15 expenses not allowed or other below-the-line items. Exclusions are shown on
16 Attachment ARD-RR-A, Column H, and on Attachment ARD-RR-B(CD),
17 Column K. The details for the exclusions are provided in Attachment ARD-RR-
18 C. As I also mentioned earlier, Ms. Schmidt describes how the exclusions were
19 calculated. In SPS's 45-day case update, I will present an updated Attachment

1 ARD-RR-C that will provide actual exclusions to replace any estimated
2 exclusions included in my original attachment.

3 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
4 **Controller affiliate class?**

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

15 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
16 **adjustments that result in a net decrease for the Controller affiliate class of**
17 **\$1,635.39. Please explain the adjustments.**

18 A. The adjustments that I sponsor remove: alcoholic beverage purchases (a decrease
19 of \$80.35); costs not benefitting SPS (a decrease of \$940.98); foreign travel (a net
20 decrease of \$395.76) and life events (net decrease of \$218.30).

1 **B. The Controller Affiliate Class of Services are Necessary Services**

2 **Q. Are the services that are grouped in the Controller affiliate class necessary**
3 **for SPS's operations?**

4 A. Yes. The Controller organization performs all accounting functions required by
5 SPS and ensures compliance with applicable accounting rules. The services are
6 necessary to ensure that finance records are accurate, secure and in line with
7 GAAP, regulatory and legislative requirements. They are functions required by
8 all utilities.

9 **Q. What are the specific services that are provided to SPS by the Controller**
10 **affiliate class?**

11 A. The seven departments included in the Controller affiliate class provide the
12 following specific services to SPS:

13 **Controller:**

- 14 • Serves as the Principal Accounting Officer;
- 15 • Oversees and directs the functions and activities of the Controller area,
16 including providing financial policies, controls, governance, and
17 leadership; and
- 18 • Provides assistance to business areas on special projects.

19 **Capital Asset Accounting:**

- 20 • Maintains all aspects of property accounting, including depreciation
21 for the fixed assets of the company;
- 22 • Monitors regulatory rulemaking activities; and
- 23 • Administers property related regulatory examinations and inquiries.

1 **Corporate, Cash and Benefits Accounting:**

- 2 • Maintains the books and records of the Operating Companies,
3 intermediate holding companies, and Xcel Energy and its various
4 subsidiaries;
- 5 • Oversees the monthly accounting close process;
- 6 • Coordinates independent auditor and certain regulatory examinations
7 and inquiries;
- 8 • Develops and maintains service company agreements between XES
9 and Operating Companies and affiliates;
- 10 • Monitors the processing of outstanding checks, Automated Clearing
11 House (ACH) activity, and oversees the maintenance of software for
12 these purposes;
- 13 • Manages unclaimed property, and oversees the necessary escheatments
14 and subsequent reporting to the states;
- 15 • Provides accounting and analysis services for the employee benefit
16 plans, labor distribution, and payroll withholdings;
- 17 • Creates the annual benefits budget and budget documentation;
- 18 • Performs all benefit and payroll account reconciliations and facilitates
19 annual Form 5500 filings;
- 20 • Oversees preparation of all accounting and disclosure information
21 related to pension and post-retirement benefit obligations; and
- 22 • Establishes XES accounting policies and procedures.

23 **Financial Reporting and Technical Accounting:**

- 24 • Researches, documents, and resolves complex technical accounting
25 issues; and
- 26 • Files external reports with federal and state regulatory authorities and
27 others including the SEC, FERC, state regulators, the United States
28 Department of Labor, and the Internal Revenue Service.

29 **Subsidiary Accounting:**

- 30 • Manages all financial activities associated with Eloigne Company.

1 **Utility Accounting:**

- 2 • Provides accounting and reporting support for all regulatory
3 mechanisms (riders, fuel clause, and performance-based mechanisms);
- 4 • Responsible for accounting and reporting for cost of goods sold and
5 revenue activities including trading, market pool settlements,
6 transmission, fuel and purchased power;
- 7 • Focuses primarily on specific Operating Companies, managing
8 compliance with state and FERC reporting requirements; and
- 9 • Provides rate case support for all jurisdictions, and performs regulatory
10 analysis as required.

11 **CFO Program Office:**

- 12 • Responsible for leading the overall technology strategy for the
13 Financial Operations business area; and
- 14 • Coordinates overall technology strategy between Financial Operations
15 and Business Systems.

16 **Q. Are any of the Controller affiliate class of services that are provided to SPS**
17 **duplicated elsewhere in XES or in any other Xcel Energy subsidiary such as**
18 **SPS itself?**

19 A. No. Within XES, none of the services grouped in the Controller affiliate class are
20 duplicated elsewhere. No other Xcel Energy subsidiary performs these services
21 for the Operating Companies. In addition, SPS does not perform these services
22 for itself.

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

25 A. Yes. The services of the Controller affiliate class benefit SPS's customers in
26 many ways. For example, by ensuring the accuracy of the financial records of
27 SPS and Xcel Energy and that state and FERC reporting requirements are

1 satisfied, the services of the Controller affiliate class support the ongoing business
2 operations of Xcel Energy and SPS, which are necessary for the provision of
3 electric service to customers.

4 **C. The Controller Affiliate Class of Services are Provided at a**
5 **Reasonable Cost**

6 **Q. Are the costs of the Controller affiliate class of services reasonable?**

7 A. Yes. The costs of the Controller affiliate class of services are reasonable. XES
8 provides the Controller affiliate class of functions and services on a consolidated
9 basis for multiple Xcel Energy legal entities. As a result, SPS benefits from
10 sophisticated services provided by a pool of talented professionals, the
11 consolidated costs of which are shared. The economies of scale inherent in this
12 system result in reasonable costs to SPS for these services.

1. Additional Evidence

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

15 A. Yes. Of the estimated Updated Test Year costs for the Controller class,
16 approximately 77% are compensation and benefits costs for XES personnel. Mr.
17 Knoll and Mr. Schrubbe establish that the level of Xcel Energy's compensation
18 and benefits is reasonable and necessary.

2. Budget Planning

19 **Q. Is a budget planning process applicable to the Controller class of affiliate**
20 **costs?**

21 A. Yes. Annual O&M budgets that include the Controller class of affiliate costs are
22 created for the Financial Operations business area, using guidelines developed at

1 the corporate level. The process includes the review of historical Controller class
2 costs, elimination of non-recurring costs, identification of new, one-time or
3 recurring initiatives, and an assessment of future staffing levels and work
4 assignments. It is an iterative process involving the Controller class leadership
5 and assigned business area finance support personnel. The budgeting process is
6 discussed in more detail in Section III of my testimony.

7 **Q. During the fiscal year, does the Controller organization monitor its actual**
8 **expenditures versus its budget?**

9 A. Yes. Actual versus expected expenditures of the Controller organization are
10 monitored on a monthly basis by management. Deviations are evaluated each
11 month to ensure that costs are appropriate. In addition, action plans are developed
12 to mitigate variations in actual to budgeted expenditures. These mitigation plans
13 may either reduce or delay other expenditures so that the overall expenditures are
14 in accord with the authorized budget.

15 **Q. Are employees within the Controller organization held accountable for**
16 **deviations from the budget?**

17 A. Yes. The managers and leadership of the Controller organization are required to
18 manage their expenses to support the budgetary goals established by the Financial
19 Operations business area. Budgets are reviewed monthly to ensure adherence to
20 the goals and to discuss actions necessary to address variances. Failure to meet
21 the goals impacts performance evaluations and the overall compensation of the
22 management within this class.

3. *Cost Trends*

1 **Q. Please state the dollar amounts of the actual per book charges from XES to**
2 **SPS for the Controller class of services for the three fiscal years preceding**
3 **the end of the Updated Test Year and the estimated per book charges for the**
4 **estimated Updated Test Year.**

5 **A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar**
6 **years), the actual per book and, for the Updated Test Year, the estimated per book**
7 **affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the**
8 **services grouped in the Controller affiliate class:**

9 **Table ARD-RR-16**

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Controller	\$4,975,445	\$4,536,762	\$4,375,764	\$4,505,330

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

11 **A. The decrease in costs between 2016 and 2017 and 2018 was due to lower labor**
12 **and labor loadings, offset by increased consulting. The increase in costs from**
13 **2018 to the Updated Test Year was the result of increased consulting, as well as**
14 **increased labor and labor loadings.**

1 **Q. Please provide the staffing levels for the Controller affiliate class of services**
2 **for the three fiscal years preceding the end of the Updated Test Year and the**
3 **Updated Test Year.**

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

7

	Average of End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Controller	164	157	149	150

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

A. The decrease in average headcount between 2016 and 2017 was primarily related to decreased headcount in the utility and regulatory accounting areas. The decrease in average headcount between 2017 and 2018 was primarily due to decreased headcount in the capital asset accounting group. The decrease in these areas was the result of identifying efficiencies, role restructuring and the timing of filling open positions. The average headcount has stayed relatively flat from 2018 to the Updated Test Year with the variance mainly caused by the timing of filling positions.

5. *Cost Control and Process Improvement Initiatives*

1 **Q. Separate from the budget planning process, does the Controller affiliate class**
2 **take any steps to control its costs or to improve its services?**

3 A. Yes. The Controller organization continually reviews its plans, initiatives, and
4 staffing to ensure they are appropriate and to identify and implement
5 improvements.

6 **D. The Costs for the Controller Affiliate Class of Services are Priced**
7 **in a Fair Manner**

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

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

19 **Q. How are the costs of the Controller affiliate class billed to SPS?**

20 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
21 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
22 the billing method associated with each activity. My Attachment ARD-RR-A,

1 shows the allocation method (Column D) associated with each billing method
2 (Column C) used in the affiliate class.

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

11 **Q. What are the predominant allocation methods used for billing the costs that**
12 **SPS seeks to recover for the Controller affiliate class of services?**

13 A. Of the requested XES charges to SPS for this class, approximately 99% were
14 charged using one of the following three allocation methods:

- 15 • Direct Billing: 47.13% of XES charges to SPS or \$2,103,295; and;
- 16 • Assets, Revenue, and Number of Employees: 51.52% of XES charges
17 to SPS or \$2,299,435;
- 18 • Joint Operating Agreement: 1.28% of XES charges to SPS or \$56,986.

19 **Q. Why is the "Direct Billing" method appropriate for assigning the costs**
20 **centers that use that allocation method?**

21 A. For the cost centers that are assigned using the "Direct Billing" method, the costs
22 normally reflect work that was performed specifically for SPS only. In some
23 cases, however, the direct billing occurred after the application of an off-line
24 allocator that tracks the relevant cost drivers. In either situation, the cost centers

1 charged using the “Direct Billing” method are appropriate because the assignment
2 of costs is in accordance with the distribution of benefits for the services received.
3 For example, the costs related to the accounting, analysis and reporting of SPS’s
4 purchased power activities, were assigned using the “Direct Billing” method. The
5 cost of these services benefitted SPS, the work was performed specifically for
6 SPS alone, and the cost driver is SPS’s purchased power activities. Thus, the
7 “Direct Billing” method is appropriate because it assigns costs in accordance with
8 cost causation and benefits received. For the cost centers that assign costs using
9 Direct Billing, the per unit amounts charged by XES to SPS are no higher than the
10 unit amounts billed by XES to other affiliates for the same or similar services and
11 represent the actual costs of the services.

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

15 A. The three factor allocation method using assets, revenue, and employees produces
16 an allocation of costs that recognizes the complexity, risk, and overall business
17 activity levels that drive the costs included in the cost centers and measures the
18 benefits received from those activities. For the cost centers billed using this
19 allocator, there is no one specific cost driver for the support tasks and services
20 provided, and the services benefit multiple Xcel Energy affiliates. For example,
21 the costs associated with preparing and filing SEC financial reports, which are
22 primarily collected in Cost Center 200066, are allocated using this method.
23 Within the Xcel Energy holding company group, those legal entities that have
24 proportionately more assets, revenues, and employees will have more focus

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

12 **Q. Why is it appropriate to allocate costs based on the "JOA" method for the**
13 **costs captured in the cost center that uses that allocation method?**

14 A. Cost Center 200133 that uses the "JOA" method as the allocator captures the
15 costs associated with proprietary trading activities, which are short-term
16 transactions undertaken in the wholesale electric markets where electricity is
17 purchased for the purpose of selling it. For example, the costs associated with
18 back office activities related to these transactions is assigned using this method.
19 The trading activities themselves are covered by the JOA among NSPM, PSCo,
20 and SPS, which designates that the allocation be based on the peak hour of MW
21 load for the previous year (i.e., the ratio of the annual peak load in MW of one
22 Operating Company as compared to the combined annual peak loads in MW of all
23 of the three Operating Companies). This allocation reflects cost causation and the
24 distribution of the benefits of the services received. For the cost centers that

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

1 **XII. AFFILIATE EXPENSES FOR THE FINANCIAL PLANNING**
2 **CLASS OF SERVICES**

3 **A. Summary of Affiliate Expenses for the Financial Planning Class**
4 **of Services**

5 **Q. What services are grouped into the Financial Planning affiliate class?**

6 A. The services that are grouped into the Financial Planning affiliate class are the
7 oversight, governance, and consolidation of budgets and forecasts at the business
8 area and corporate levels; the reporting of financial results to senior leadership as
9 well as to the Xcel Energy Board of Directors; financial administration and
10 management of Xcel Energy legal entities; providing information on sales and
11 load forecasting; the provision of support to Operating Companies in rate
12 proceedings; providing services related to cost of service studies; assisting in the
13 development of the revenue component of the Operating Company budgets;
14 leading the evaluation and execution of new business investment opportunities for
15 Xcel Energy; analytical and transactional support for generation resource plan
16 development and implementation; distribution system evaluations; and
17 FERC-jurisdictional transmission development and investment.

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

20 A. The following table summarizes the dollar amount of the estimated Updated Test
21 Year XES charges for the Financial Planning affiliate class. I will update the
22 table below as part of SPS's 45-day case update filing to reflect the actual
23 Updated Test Year costs for the Financial Planning affiliate class. As explained

1 regarding Table ARD-RR-1 in Section V.A., the amounts below summarize
2 information provided in Attachment ARD-RR-A.

3
4 **Table ARD-RR-18**

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Financial Planning	\$17,953,728	\$2,902,450	48.18%	51.82%

5 **Q. Please describe the attachments that support the information provided on**
6 **Table ARD-RR-18.**

7 A. There are four attachments to my testimony that present information about the
8 requested SPS affiliate expenses for the Financial Planning affiliate class.
9 I explained these attachments in detail previously in Section V.A. of my
10 testimony.

11 **Q. Does XES bill its expenses for the Financial Planning affiliate class to SPS in**
12 **the same manner as it bills other affiliates for those expenses?**

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

16 **Q. Are there any exclusions to the XES billings to SPS for the Financial**
17 **Planning affiliate class?**

18 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
19 expenses not allowed or other below-the-line items. Exclusions are shown on

1 Attachment ARD-RR-A, Column H, and on Attachment ARD-RR-B(CD),
2 Column K. The details for the exclusions are provided in Attachment ARD-RR-
3 C. As I also mentioned earlier, Ms. Schmidt describes how the exclusions were
4 calculated. In SPS's 45-day case update, I will present an updated Attachment
5 ARD-RR-C that will provide actual exclusions to replace any estimated
6 exclusions included in my original attachment.

7 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
8 **Financial Planning affiliate class?**

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

- 1 **Q.** Attachment ARD-RR-D shows that you are a sponsor for pro forma
2 adjustments that result in a net decrease for the Financial Planning affiliate
3 class of \$734.85. Please explain the adjustments.
- 4 A. The adjustments that I sponsor: remove alcoholic beverage purchases (a decrease
5 of \$69.65); remove costs not benefitting SPS (a decrease of \$632.87); remove
6 costs for life events (a decrease of \$32.33).
- 7 **B.** **The Financial Planning Affiliate Class of Services are Necessary**
8 **Services**
- 9 **Q.** Are the services that are grouped in the Financial Planning affiliate class
10 necessary for SPS's operations?
- 11 A. Yes. The services grouped in the Financial Planning affiliate class are performed
12 on behalf of all Xcel Energy subsidiaries, including SPS. They are necessary to
13 ensure that there is governance and monitoring applied to budgeting, financial
14 forecasting and reporting, and affiliate transactions; to ensure sales are forecasted
15 accurately; to ensure that SPS has accurate and timely information regarding cost
16 of service, and fuel and purchased power issues; and that SPS is able to provide
17 the Commission, the New Mexico Public Regulation Commission, and FERC the
18 information necessary for regulatory oversight. They are functions required by all
19 utilities.
- 20 **Q.** What are the specific services that are provided to SPS by the Financial
21 Planning affiliate class?
- 22 A. The specific services that are provided to SPS by the Financial Planning affiliate
23 class include:

- 1 • Oversight, governance and consolidation of budgets and forecasts at
2 the corporate and business area levels;
- 3 • Compiling budget documentation and support for regulatory filings;
- 4 • Maintaining corporate financial modeling and reporting tools;
- 5 • Preparing financial analysis and reporting financial results to senior
6 leadership and the Xcel Energy Board of Directors;
- 7 • Providing accounting support to business areas;
- 8 • Providing revenue and cost of service analysis, expert testimony, and
9 support for SPS rate cases and other regulatory filings;
- 10 • Providing regulatory guidance related to the SPS revenue budget
11 development;
- 12 • Assisting in development of policy for regulatory strategy;
- 13 • Preparing SPS's monthly fuel reports;
- 14 • Maintaining the FERC formula rates and providing annual updates on
15 FERC ratemaking;
- 16 • the development of the revenue component of the Operating Company
17 budgets
- 18 • leading the evaluation and execution of new business investment
19 opportunities for Xcel Energy;
- 20 • providing analytical and transactional support for generation resource
21 plan development and implementation;
- 22 • providing distribution system evaluations and FERC-jurisdictional
23 transmission development and investment;
- 24 • Providing sales and demand forecasting, and load research data to
25 support revenue forecasting, cost allocation, rate design, and fuel
26 requirements forecasting; and
- 27 • Managing the collection, validation and reconciliation of all load
28 research sample data.

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

4 A. No. Within XES, none of the services grouped in the Financial Planning 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 **Financial Planning affiliate class of services?**

10 A. Yes. The services of the Financial Planning affiliate class benefit SPS's
11 customers in many ways. For example, the organization provides senior
12 management with the analysis needed to allocate financial resources to the areas
13 where the resources will have the most impact and align with the strategic goals
14 of Xcel Energy and SPS, thereby supporting the provision of electric service to
15 customers.

16 **C. The Financial Planning Affiliate Class of Services are Provided at**
17 **a Reasonable Cost**

18 **Q. Are the costs of the Financial Planning affiliate class of services reasonable?**

19 A. Yes. The costs of the Financial Planning affiliate class of services are reasonable.
20 XES provides the Financial Planning functions and services on a consolidated
21 basis for multiple Xcel Energy legal entities. As a result, SPS benefits from
22 sophisticated services provided by a pool of talented professionals, the
23 consolidated costs of which are shared. The economies of scale inherent in this
24 system result in reasonable costs to SPS for these services.

1. Additional Evidence

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

3 A. Yes. Of the estimated Updated Test Year costs for the Financial Planning class,
4 approximately 95% are compensation and benefits costs for XES personnel. Mr.
5 Knoll and Mr. Schrubbe establish that the level of Xcel Energy's compensation
6 and benefits is reasonable and necessary.

2. Budget Planning

7 **Q. Is a budget planning process applicable to the Financial Planning class of**
8 **affiliate costs?**

9 A. Yes. Annual O&M budgets that include the Financial Planning class of affiliate
10 costs are created for the Financial Operations business area, using guidelines
11 developed at the corporate level. The process includes the review of historical
12 Financial Planning class costs, elimination of non-recurring costs, identification
13 of new, one-time or recurring initiatives, and an assessment of future staffing
14 levels and work assignments. It is an iterative process involving the Financial
15 Planning class leadership and assigned business area finance support personnel.
16 The budgeting process is discussed in more detail in Section III of my testimony.

17 **Q. During the fiscal year, does the Financial Planning organization monitor its**
18 **actual expenditures versus its budget?**

19 A. Yes. Actual versus expected expenditures of the Financial Planning organization
20 are monitored on a monthly basis by management. Deviations are evaluated each
21 month to ensure that costs are appropriate. In addition, action plans are developed
22 to mitigate variations in actual to budgeted expenditures. These mitigation plans

1 may either reduce or delay other expenditures so that the overall expenditures are
2 in accord with the authorized budget.

3 **Q. Are employees within the Financial Planning organization held accountable**
4 **for deviations from the budget?**

5 A. Yes. The managers and leadership of the Financial Planning organization are
6 required to manage their expenses to support the budgetary goals established by
7 the Financial Operations business area. Budgets are reviewed monthly to ensure
8 adherence to the goals and to discuss actions necessary to address variances.
9 Failure to meet the goals impacts performance evaluations and the overall
10 compensation of the management within this class.

3. *Cost Trends*

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

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

19 **Table ARD-RR-19**

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Financial Planning	\$3,702,553	\$3,480,895	\$3,238,955	\$2,939,043

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

2 A. The decrease in costs between 2016 and 2017 and 2018 was due to decreased
3 labor and labor loadings. The decrease in costs between 2018 and the Updated
4 Test Year was due to decreased labor and labor loading costs, offset by higher
5 employee expenses and consulting.

4. Staffing Trends

6 **Q. Please provide the staffing levels for the Financial Planning affiliate class of**
7 **services for the three fiscal years preceding the end of the Updated Test Year**
8 **and the Updated Test Year.**

9 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
10 years) and for the Updated Test Year, the average of the end of month staffing
11 levels for the Financial Planning affiliate class of services.

Table ARD-RR-20

	Average of End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Financial Planning	140	139	136	135

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

14 A. The decrease in average staffing levels between 2016 and 2018 was due to the
15 timing of hiring open positions in the Corporate Development and Revenue
16 Requirements groups. The additional decrease in average staffing levels between
17 2018 and the Updated Test Year was due primarily to the timing of filling open
18 positions.

5. *Cost Control and Process Improvement Initiatives*

1 **Q. Separate from the budget planning process, does the Financial Planning**
2 **affiliate class take any steps to control its costs or to improve its services?**

3 A. Yes. The Financial Planning organization continually reviews its plans,
4 initiatives, and staffing to ensure they are appropriate and to identify and
5 implement improvements.

6 **D. The Costs for the Financial Planning Affiliate Class of Services**
7 **are Priced in a Fair Manner**

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

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

19 **Q. How are the costs of the Financial Planning affiliate class billed to SPS?**

20 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
21 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
22 the billing method associated with each activity. My Attachment ARD-RR-A,

1 shows the allocation method (Column D) associated with each billing method
2 (Column C) used in the affiliate class.

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

11 **Q. What are the predominant allocation methods used for billing the costs that**
12 **SPS seeks to recover for the Financial Planning affiliate class of services?**

13 A. Of the requested XES charges to SPS for this class, approximately 100% were
14 charged using one of the following four allocation methods:

- 15 • Direct Billing: 48.18% of XES charges to SPS or \$1,398,284;
- 16 • Assets, Revenue, and Number of Employees: 42.40% of XES charges
17 to SPS or \$1,230,659;
- 18 • Revenue: 7.51% of XES charges to SPS or \$217,964;
- 19 • Electric Transmission, Electric Distribution, Gas Transmission and
20 Gas Distribution Plant: 1.90% of XES charges to SPS or \$55,076.

21

22 **Q. Why is the "Direct Billing" method appropriate for assigning the costs**
23 **captured in the cost centers that use that allocation method?**

24 A. For the cost centers that are assigned using the "Direct Billing" method, the costs
25 normally reflect work that was performed specifically for SPS only. In some

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

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

17 A. The three factor billing allocation using assets, revenue, and employees produces
18 an allocation of costs that recognizes the complexity, risk, and overall business
19 activity levels that drives the costs included in the cost centers and measures the
20 benefits received from those activities. For the cost centers billed using this
21 allocator, there is no one specific cost driver for the support tasks and services
22 provided, and the services benefit multiple Xcel Energy affiliates. For example,
23 the costs associated with the preparation of financial analysis and reports to senior
24 leadership and the Xcel Energy Board of Directors, which are collected in Cost

Center 200087, are allocated using this method. Within the Xcel Energy holding company group, those legal entities that have proportionately more assets, revenues, and employees will have more focus placed on their operations due to those subsidiaries' relative influence on the consolidated business balance sheet, income statement and statement of cash flow, and the subsidiaries will benefit accordingly from the services provided. Thus, allocating these costs based upon the average of the total asset ratio, revenue ratio, and the employee ratio is appropriate because it allocates costs in accordance with cost causation and benefits received. Ms. Schmidt discusses this allocation method in more detail in her testimony. 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 allocation 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 “Revenue” method for the costs captured in the cost center that uses that allocation method?

A. Cost Center 200178 uses the “Revenue” method as the allocator, captures the costs associated with the work performed by the Revenue Requirements area such as maintaining and using the Regulatory Information System which is used for regulatory filings. Each Operating Company derives benefits from the services captured in this cost center in proportion to the Operating Company's relative level of revenues. Thus, the costs in this Cost Center are allocated among the Xcel Energy Operating Companies based on each Operating Company's proportionate share of the total annual revenue of all of the Operating Companies

(i.e., the annual revenue of a particular Operating Company as a percentage of the total annual revenue for all of the Operating Companies). This allocation reflects 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 allocation 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 “Electric Transmission Plant, Electric Distribution Plant, Gas Transmission Plant, Gas Distribution Plant” method for the costs captured in the cost center that uses that billing method?

A. Cost Center 200126, which uses the “Electric Transmission Plant, Electric Distribution Plant, Gas Transmission Plant, Gas Distribution Plant” method as the allocator, captures costs related to the management and support services provided to the distribution and transmission functions of the Utilities Group. For example, the costs associated with developing budgets, tracking costs and analyzing variances for distribution capital expenditures are collected in Cost Center 200126 and allocated using this allocation method. These costs are driven by the electric and gas transmission and distribution plant assets of the Operating Companies. Thus, the costs in this cost center are allocated among the Operating Companies based on each Operating Company’s proportionate share of total electric and gas transmission and distribution plant assets (i.e., the electric and gas transmission and distribution plant assets of a particular Operating Company as a percentage of the total electric and gas transmission and distribution plant assets of all of the

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

XIII. AFFILIATE EXPENSES FOR THE INVESTOR RELATIONS
CLASS OF SERVICES

A. Summary of Affiliate Expenses for the Investor Relations Class of Services

Q. What services are grouped into the Investor Relations affiliate class?

A. The services that are grouped into the Investor Relations affiliate class are for support of investment analysis, investor relationships, investor communications, and enabling the casting of shareholder votes.

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

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Investor Relations 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 Investor Relations affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the amounts below summarize information provided in Attachment ARD-RR-A.

Table ARD-RR-21

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Investor Relations	\$1,795,826.06	\$275,537	0.0%	100.0%

1 **Q. Please describe the attachments that support the information provided on**
2 **Table ARD-RR-21.**

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

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

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

11 **Q. Are there any exclusions to the XES billings to SPS for the Investor Relations**
12 **affiliate class?**

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

1 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
2 **Investor Relations affiliate class?**

3 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
4 Year expenses for known and measurable changes. Pro forma adjustments are
5 shown on Attachment ARD-RR-A, Column J, and on Attachment ARD-RR-
6 B(CD), Column M. The details for the pro forma adjustments, including the
7 witness or witnesses who sponsor each pro forma adjustment, are provided in
8 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
9 months of the Updated Test Year have completed the full pro forma adjustment
10 review process. In SPS's 45-day case update, I will present an updated
11 Attachment ARD-RR-D that will complete the full pro forma adjustment review
12 process for the last three months of the Updated Test Year.

13 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
14 **adjustments that result in a net increase for the Investor Relations affiliate**
15 **class of \$51,441.43. Please explain the adjustments.**

16 A. The adjustments that I sponsor result in an increase in costs in the Investor
17 Relations affiliate class due to costs being transferred from the Corporate
18 Secretary and Executive Services class related to shareholder expenses (an
19 increase of \$51,607.57) offset by removal of costs not benefitting SPS (a decrease
20 of \$71.65); removal of costs for life events (a decrease of \$80.61); removal of
21 costs related to alcohol (\$13.03); and removal of foreign travel (\$0.85).

1 **B. The Investor Relations Affiliate Class of Services are Necessary**
2 **Services**

3 **Q. Are the services that are grouped in the affiliate class necessary for SPS's**
4 **operations?**

5 A. Yes. The services grouped in the Investor Relations affiliate class are performed
6 on behalf of all Xcel Energy subsidiaries, including SPS. They are necessary to
7 attract shareholder investments and obtain financing, which in turn supports
8 SPS's access to capital and its ability to finance ongoing operations and fund new
9 capital projects. They are functions required by all investor-owned utilities.

10 **Q. What are the specific services that are provided to SPS by the Investor**
11 **Relations affiliate class?**

12 A. The specific services that are provided to SPS by the Investor Relations affiliate
13 class include:

- 14 • Administering and maintaining relationships with credit rating
15 agencies, analysts, current and prospective investors, and other
16 organizations within the investment community;
- 17 • Developing programs and materials that are used in support of investor
18 relations presentations and functions;
- 19 • Distributing all financial releases;
- 20 • Providing feedback from investors, analysts, shareholders, and credit
21 rating agencies to management; and,
- 22 • enabling the casting of shareholder votes.

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

4 A. No. Within XES, none of the services grouped in the Investor Relations 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 **Investor Relations affiliate class of services?**

10 A. Yes. The services of the Investor Relations affiliate class benefit SPS's customers
11 in many ways. For example, the organization assists in attracting shareholder
12 investments and obtaining financing, which in turn supports SPS's access to
13 capital and its ability to finance ongoing operations and fund new capital projects
14 that serve SPS customers.

15 **C. The Investor Relations Affiliate Class of Services are Provided at**
16 **a Reasonable Cost**

17 **Q. Are the costs of the Investor Relations affiliate class of services reasonable?**

18 A. Yes. The costs of the Investor Relations affiliate class of services are reasonable.
19 XES provides the Investor Relations class of functions and services on a
20 consolidated basis for multiple Xcel Energy legal entities. As a result, SPS
21 benefits from sophisticated services provided by a pool of talented professionals,
22 the consolidated costs of which are shared. The economies of scale inherent in
23 this system result in reasonable costs to SPS for these services.

1. Budget Planning

1 **Q. Is a budget planning process applicable to the Investor Relations class of**
2 **affiliate costs?**

3 A. Yes. Annual O&M budgets that include the Investor Relations class of affiliate
4 costs are created for the Financial Operations business area, using guidelines
5 developed at the corporate level. The process includes the review of historical
6 Investor Relations class costs, elimination of non-recurring costs, identification of
7 new, one-time or recurring initiatives, and an assessment of future staffing levels
8 and work assignments. It is an iterative process involving the Investor Relations
9 class leadership and assigned business area finance support personnel. The
10 budgeting process is discussed in more detail in Section III of my testimony.

11 **Q. During the fiscal year, does the Investor Relations organization monitor its**
12 **actual expenditures versus its budget?**

13 A. Yes. Actual versus expected expenditures of the Investor Relations organization
14 are monitored on a monthly basis by management. Deviations are evaluated each
15 month to ensure that costs are appropriate. In addition, action plans are developed
16 to mitigate variations in actual to budgeted expenditures. These mitigation plans
17 may either reduce or delay other expenditures so that the overall expenditures are
18 in accord with the authorized budget.

19 **Q. Are employees within the Investor Relations organization held accountable**
20 **for deviations from the budget?**

21 A. Yes. The managers and leadership of the Investor Relations organization are
22 required to manage their expenses to support the budgetary goals established by
23 the Financial Operations business area. Budgets are reviewed monthly to ensure

adherence to the goals and to discuss actions necessary to address variances. Failure to meet the goals impacts performance evaluations and the overall compensation of the management within this class.

2. Cost Trends

Q. Please state the dollar amounts of the actual per book charges from XES to SPS for the Investor Relations affiliate class of services for the three fiscal years preceding the end of the Updated Test Year and the estimated charges per book for the estimated Updated Test Year.

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

Table ARD-RR-22

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Investor Relations	\$172,657	\$195,454	\$146,420	\$225,221

Q. What are the reasons for this trend?

A. The increase in costs between 2016 and 2017 were due to labor and labor loadings costs. The decrease in costs from 2017 to 2018 was due to moving from the NY Stock Exchange to NASDAQ, resulting in lower fees. The increase between 2018 and the Updated Test Year is due to higher shareholder related expense and postage, primarily due to the costs transferring from the Corporate Secretary and Executive Services Affiliate Class.

1 **Q. Please provide the staffing levels for the Investor Relations affiliate class of**
2 **services for the three fiscal years preceding the end of the Updated Test Year**
3 **and the Updated Test Year.**

4 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
5 years) and for the Updated Test Year, the average of the end of month staffing
6 levels for the Investor Relations affiliate class of services.

7

	Average of End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Investor Relations	3	4	3	3

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

9 A. With the exception of 2017, the department has maintained the same level of
10 average staffing over this period of time. The decrease in headcount from 2017 to
11 the Updated Test Year is due to the consolidation of administrative support staff.

12 **Q. Separate from the budget planning process, does the Investor Relations**
13 **affiliate class take any steps to control its costs or to improve its services?**

14 A. Yes. The Investor Relations organization continually reviews its plans,
15 initiatives, and staffing to ensure they are appropriate and to identify and
16 implement improvements.

1 **D. The Costs for the Investor Relations Affiliate Class of Services are**
2 **Priced in a Fair Manner**

3 **Q. For those costs that XES charges (either directly or through use of an**
4 **allocation) to SPS for the Investor Relations affiliate class of services, does**
5 **SPS pay any more for the same or similar service than does any other Xcel**
6 **Energy affiliate?**

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

14 **Q. How are the costs of the Investor Relations affiliate class billed to SPS?**

15 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
16 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
17 the billing method associated with each activity. My Attachment ARD-RR-A,
18 shows the allocation method (Column D) associated with each billing method
19 (Column C) used in the affiliate class.

20 In SPS's 45-day case update, I will present updated Attachments
21 ARD-RR-A and ARD-RR-B(CD) so that the entries for the last three months of
22 the Updated Test Year provide actual data and conform to the information
23 provided for the first nine months. In the event the predominant billing methods
24 and associated allocation methods for the Investor Relations affiliate O&M

1 expenses on my updated Attachments ARD-RR-A and ARD-RR-B(CD) differ
2 from those discussed below, I will explain those differences in supplemental
3 testimony in SPS's 45-day case update filing.

4 **Q. What are the predominant allocation methods used for billing the costs that**
5 **SPS seeks to recover for the Investor Relations affiliate class of services?**

6 A. All of the requested XES charges to SPS for this class were charged using the
7 following allocation method:

8 Assets, Revenue, and Number of Employees: 100.0% of XES charges
9 to SPS or \$275,537.

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

13 A. The three factor allocation method using assets, revenue, and employees produces
14 an allocation of costs that recognizes the complexity, risk, and overall business
15 activity levels that drive the costs included in the cost centers and measures the
16 benefits received from those activities. For the cost centers billed using this
17 allocator, there is no one specific cost driver for the support tasks and services
18 provided, and the services benefit multiple Xcel Energy affiliates. For example,
19 the costs associated with developing investor relations programs and all
20 supporting materials to ensure an appropriate financial evaluation of Xcel Energy
21 by the financial community, which are collected in Cost Center 200065, are
22 allocated using this method. Within the Xcel Energy holding company group,
23 those legal entities that have proportionately more assets, revenues, and
24 employees will have more focus placed on their operations due to those

1 subsidiaries' relative influence on the consolidated business balance sheet, income
2 statement and statement of cash flow, and the subsidiaries will benefit accordingly
3 from the services provided. Thus, allocating these costs based upon the average
4 of the total asset ratio, revenue ratio, and the employee ratio is appropriate
5 because it allocates costs in accordance with cost causation and benefits received.
6 Ms. Schmidt discusses this allocation method in more detail in her testimony. For
7 the cost centers that assign costs based upon this allocation method, the per unit
8 amounts charged by XES to SPS as a result of the application of this allocation
9 method are no higher than the unit amounts billed by XES to other affiliates for
10 the same or similar services and represent the actual costs of the services.

XIV. AFFILIATE EXPENSES FOR THE TAX SERVICES
CLASS OF SERVICES

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

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

A. The services that are grouped into the Tax Services affiliate class are tax-related activities including tax accounting and compliance.

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

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Tax 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 Tax Services affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the amounts below summarize information provided in Attachment ARD-RR-A.

Table ARD-RR-24

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Tax Services	\$4,907,814	\$723,529	24.47%	75.53%

1 **Q. Please describe the attachments that support the information provided on**
2 **Table ARD-RR-24.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the Tax Services affiliate class. I explained
5 these attachments in detail previously in Section V.A. of my testimony.

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

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

11 **Q. Are there any exclusions to the XES billings to SPS for the Tax Services**
12 **affiliate class?**

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

1 **Q. Are there any pro forma adjustments to SPS's per book expenses for the Tax**
2 **Services affiliate class?**

3 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
4 Year expenses for known and measurable changes. Pro forma adjustments are
5 shown on Attachment ARD-RR-A, Column J, and on Attachment ARD-RR-
6 B(CD), Column M. The details for the pro forma adjustments, including the
7 witness or witnesses who sponsor each pro forma adjustment, are provided in
8 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
9 months of the Updated Test Year have completed the full pro forma adjustment
10 review process. In SPS's 45-day case update, I will present an updated
11 Attachment ARD-RR-D that will complete the full pro forma adjustment review
12 process for the last three months of the Updated Test Year.

13 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
14 **adjustments that result in a net decrease for the Tax Services affiliate class of**
15 **\$95.94. Please explain the adjustments.**

16 A. The adjustments that I sponsor remove costs not benefitting SPS (a decrease of
17 \$77.01); and remove costs for life events (a decrease of \$18.93).

18 **B. The Tax Services Affiliate Class of Services are Necessary**
19 **Services**

20 **Q. Are the services that are grouped in the affiliate class necessary for SPS's**
21 **operations?**

22 A. Yes. The services grouped in the Tax Services affiliate class are necessary to
23 ensure compliance with local, state, and federal tax obligations for Xcel Energy
24 and its subsidiaries, including SPS. They are functions required by all utilities.

1 **Q. What are the specific services that are provided to SPS by the Tax Services**
2 **affiliate class?**

3 A. The specific services that are provided to SPS by the Tax Services affiliate class
4 include:

- 5 • Preparing and filing federal and state income tax returns and payments
6 for Xcel Energy and its subsidiaries, including SPS;
- 7 • Preparing and filing property and sales and use tax returns and
8 payments for Xcel Energy and its subsidiaries, including SPS;
- 9 • Calculating income, property, and sales and use tax provisions for
10 Xcel Energy and its subsidiaries, including SPS;
- 11 • Administering all federal, state, and local income, sales and use, and
12 property tax audits, protests, and appeals;
- 13 • Providing tax counseling to executive management, business areas,
14 and Xcel Energy subsidiaries, including SPS, to mitigate the impact of
15 taxation on operations, strategic business decisions, and potential
16 transactions;
- 17 • Monitoring federal and state tax legislation, legal developments, and
18 rulemaking activities in the income tax, sales and use tax, and property
19 tax areas; and
- 20 • Defending the tax positions of Xcel Energy and its subsidiaries,
21 including SPS, before various taxing authorities, including with regard
22 to state and local property tax issues, state and local sales and use tax
23 issues, and franchise fee issues.

24 **Q. Are any of the Tax Services affiliate class of services that are provided to SPS**
25 **uplicated elsewhere in XES or in any other Xcel Energy subsidiary such as**
26 **SPS itself?**

27 A. No. Within XES, none of the services grouped in the Tax Services affiliate class
28 are duplicated elsewhere. No other Xcel Energy subsidiary performs these
29 services for the Operating Companies. In addition, SPS does not perform these
30 services for itself.

1 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
2 **Tax Services class of services?**

3 A. Yes. The services of the Tax Services affiliate class benefit SPS's customers in
4 many ways. For example, the Tax Services organization ensures that SPS is in
5 compliance with tax laws, while also seeking to minimize the tax obligations that
6 would increase costs to customers.

7 **C. The Tax Services Affiliate Class of Services are Provided at a**
8 **Reasonable Cost**

9 **Q. Are the costs of the Tax Services affiliate class of services reasonable?**

10 A. Yes. The costs of the Tax Services affiliate class of services are reasonable. XES
11 provides the Tax Services functions and services on a consolidated basis for
12 multiple Xcel Energy legal entities. As a result, SPS benefits from sophisticated
13 services provided by a pool of talented professionals, the consolidated costs of
14 which are shared. The economies of scale inherent in this system result in
15 reasonable costs to SPS for these services.

1. Additional Evidence

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

18 A. Yes. Of the estimated Updated Test Year costs for the Tax Services class,
19 approximately 68% are compensation and benefits costs for XES personnel. Mr.
20 Knoll and Mr. Schrubbe establish that the level of Xcel Energy's compensation
21 and benefits is reasonable and necessary.

2. Budget Planning

1 **Q. Is a budget planning process applicable to the Tax Services class of affiliate**
2 **costs?**

3 A. Yes. Annual O&M budgets that include the Tax Services class of affiliate costs
4 are created for the Financial Operations business area, using guidelines developed
5 at the corporate level. The process includes the review of historical Tax Services
6 class costs, elimination of non-recurring costs, identification of new, one-time or
7 recurring initiatives, and an assessment of future staffing levels and work
8 assignments. It is an iterative process involving the Tax Services class leadership
9 and assigned business area finance support personnel. The budgeting process was
10 discussed in more detail in Section III of my testimony.

11 **Q. During the fiscal year, does the Tax Services organization monitor its actual**
12 **expenditures versus its budget?**

13 A. Yes. Actual versus expected expenditures of the Tax Services organization are
14 monitored on a monthly basis by management. Deviations are evaluated each
15 month to ensure that costs are appropriate. In addition, action plans are developed
16 to mitigate variations in actual to budgeted expenditures. These mitigation plans
17 may either reduce or delay other expenditures so that the overall expenditures are
18 in accord with the authorized budget.

19 **Q. Are employees within the Tax Services organization held accountable for**
20 **deviations from the budget?**

21 A. Yes. The managers and leadership of the Tax Services organization are required
22 to manage their expenses to support the financial goals established by the

1 Financial Operations business area. Budgets are reviewed monthly to ensure
2 adherence to the goals and to discuss actions necessary to address variances.
3 Failure to meet the goals impacts performance evaluations and the overall
4 compensation of the management within this class.

3. *Cost Trends*

5 **Q. Please state the dollar amounts of the actual per book charges from XES to**
6 **SPS for the Tax Services affiliate class of services for the three fiscal years**
7 **preceding the end of the Updated Test Year and the estimated per book**
8 **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 ARD-RR-A) from XES to SPS for the
12 services grouped in the Tax Services affiliate class:

13 **Table ARD-RR-25**

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Tax Services	\$833,004	\$885,434	\$807,342	\$729,614

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

15 A. The increase in costs between 2016 and 2017 was due to increased labor and labor
16 loading costs. The decrease in costs between 2017 and 2018 was due to
17 decreased labor and labor loading costs. The decrease in costs between 2018 and

1 the Updated Test Year was primarily due to labor and labor loadings and
2 decreased consulting fees.

4. *Staffing Trends*

3 **Q. Please provide the staffing levels for the Tax Services affiliate class of**
4 **services for the three fiscal years preceding the end of the Updated Test Year**
5 **and the Updated Test Year.**

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

9 **Table ARD-RR-26**

	Average of End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Tax Services	23	26	24	24

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

11 A. The department has generally maintained the same level of average staffing over
12 this period of time. The increase from 2016 to 2017 was due to hiring additional
13 resources in the sales tax and income tax groups. The decrease from 2017 to the
14 Updated Test Year is due to the timing of filling open positions.

5. *Cost Control and Process Improvement Initiatives*

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

3 A. Yes. The Tax Services organization continually reviews its plans, initiatives, and
4 staffing to ensure they are appropriate and to identify and implement
5 improvements.

6 **D. The Costs for the Tax Services Affiliate Class of Services are**
7 **Priced in a Fair Manner**

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

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

19 **Q. How are the costs of the Tax Services affiliate class billed to SPS?**

20 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
21 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
22 the billing method associated with each activity. My Attachment ARD-RR-A,

1 shows the allocation method (Column D) associated with each billing method
2 (Column C) used in the affiliate class.

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

11 **Q. What are the predominant allocation methods used for billing the costs that**
12 **SPS seeks to recover for the Tax Services affiliate class of services?**

13 A. All of the requested XES charges to SPS for this class were charged using one of
14 the following two allocation methods:

- 15 • Assets, Revenue and Number of Employees: 75.53% of XES charges
16 to SPS or \$546,469;
- 17 • Direct Billing: 24.47% of XES charges to SPS or \$177,060.

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

21 A. The three factor allocation method using assets, revenue, and employees produces
22 an allocation of costs that recognizes the complexity, risk, and overall business
23 activity levels that drive the costs included in the cost centers and measures the
24 benefits received from those activities. For the cost centers billed using this

1 allocator, there is no one specific cost driver for the support tasks and services
2 provided, and the services benefit multiple Xcel Energy affiliates. For example,
3 the costs associated with preparing and filing consolidated federal income tax
4 returns, which are collected in Cost Center 200066, are allocated using this
5 method. Within the Xcel Energy holding company group, those legal entities that
6 have proportionately more assets, revenues, and employees will have more focus
7 placed on their operations due to those subsidiaries' relative influence on the
8 consolidated business balance sheet, income statement and statement of cash
9 flow, and the subsidiaries will benefit accordingly from the services provided.
10 Thus, allocating these costs based upon the average of the total asset ratio,
11 revenue ratio, and the employee ratio is appropriate because it allocates costs in
12 accordance with cost causation and benefits received. Ms. Schmidt discusses this
13 billing method in more detail in her testimony. For the cost centers that assign
14 costs based upon this allocation method, the per unit amounts charged by XES to
15 SPS as a result of the application of this allocation method are no higher than the
16 unit amounts billed by XES to other affiliates for the same or similar services and
17 represent the actual costs of the services.

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

20 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
21 normally reflect work that was performed specifically for SPS only. In some
22 cases, however, the direct billing occurred after the application of an off-line
23 allocator that tracks the relevant cost drivers. In either situation, the cost centers

1 charged using the “Direct Billing” method are appropriate because the assignment
2 of costs is in accordance with the distribution of benefits for the services received.
3 For example, the costs related to the preparation and filing of Texas property and
4 sales and use tax returns, were assigned using the “Direct Billing” method. The
5 cost of these services benefitted SPS, the work was performed specifically for
6 SPS alone, and the cost driver is SPS’s state tax returns. Thus, the “Direct
7 Billing” method is appropriate because it assigns costs in accordance with cost
8 causation and benefits received. For the cost centers that assign costs using Direct
9 Billing, the per unit amounts charged by XES to SPS are no higher than the unit
10 amounts billed by XES to other affiliates for the same or similar services and
11 represent the actual costs of the services.

1 **XV. AFFILIATE EXPENSES FOR THE TREASURER**
2 **CLASS OF SERVICES**

3 **A. Summary of Affiliate Expenses for the Treasurer Class of**
4 **Services**

5 **Q. What services are grouped into the Treasurer affiliate class?**

6 A. The services that are grouped into the Treasurer affiliate class are cash
7 management, debt and equity issuance, insurance management, pension
8 investment, financial planning and forecasting, managing the availability of funds,
9 preparing financial compliance filings, and coordinating due diligence for
10 financing activity. The Treasurer organization encompasses the Treasurer, Cash
11 Management, Financial Policy, Hazard Insurance, Pensions and Investments, and
12 Treasury Forecasting departments.

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

15 A. The following table summarizes the dollar amount of the estimated Updated Test
16 Year XES charges for the Treasurer affiliate class. I will update the table below
17 as part of SPS's 45-day case update filing to reflect the actual Updated Test Year
18 costs for the Treasurer affiliate class. As explained regarding Table ARD-RR-1
19 in Section V.A., the amounts below summarize information provided in
20 Attachment ARD-RR-A.

1

Table ARD-RR-27

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Treasurer	\$21,170,287	\$2,754,351	9.44%	90.56%

2 **Q. Please describe the attachments that support the information provided on**
3 **Table ARD-RR-27.**

4 A. There are four attachments to my testimony that present information about the
5 requested SPS affiliate expenses for the Treasurer affiliate class. I explained
6 these attachments in detail previously in Section V.A. of my testimony.

7 **Q. Does XES bill its expenses for the Treasurer affiliate class to SPS in the same**
8 **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.

12 **Q. Are there any exclusions to the XES billings to SPS for the Treasurer affiliate**
13 **class?**

14 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
15 expenses not allowed or other below-the-line items. Exclusions are shown on
16 Attachment ARD-RR-A, Column H, and on Attachment ARD-RR-B(CD),
17 Column K. The details for the exclusions are provided in Attachment ARD-RR-
18 C. As I also mentioned earlier, Ms. Schmidt describes how the exclusions were
19 calculated. In SPS's 45-day case update, I will present an updated Attachment

1 ARD-RR-C that will provide actual exclusions to replace any estimated
2 exclusions included in my original attachment.

3 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
4 **Treasurer affiliate class?**

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

15 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
16 **adjustments that result in a net decrease for the Treasurer affiliate class of**
17 **\$222.98. Please explain the adjustments.**

18 A. The adjustments that I sponsor: remove costs related to alcohol (a decrease of
19 \$69.27); remove costs not benefitting SPS (a decrease of \$104.00); and remove
20 costs for life events (a decrease of \$49.71).

1 **B. The Treasurer Affiliate Class of Services are Necessary Services**

2 **Q. Are the services that are grouped in the affiliate class necessary for SPS's**
3 **operations?**

4 A. Yes. The services grouped in the Treasurer affiliate class are necessary to ensure
5 that: SPS's finances and cash liquidity are appropriately managed; financing
6 plans are developed and executed; bank loans, corporate guarantees, letters of
7 credit, and long-term debt and equity securities are in place as needed; SPS's
8 assets are protected from losses through hazard insurance contracts; property and
9 liability insurance settlements are negotiated; and loss control services are in
10 place to minimize property exposures for Xcel Energy and its subsidiaries,
11 including SPS.

12 **Q. What are the specific services that are provided to SPS by the Treasurer**
13 **affiliate class?**

14 A. The specific services that are provided to SPS by the five departments grouped in
15 the Treasurer affiliate class include:

16 **Treasurer:**

- 17 • Developing and executing Xcel Energy's financing plans;
- 18 • Managing business relationships with Xcel Energy's financial services
19 suppliers, including commercial and investment banks, insurance
20 companies, investment advisors, and investment managers;
- 21 • Maintaining contacts and providing information to each of the three
22 primary credit rating agencies (Standard & Poor's, Moody's, and
23 Fitch);
- 24 • Providing financial evaluation expertise to business areas on special
25 projects; and,
- 26 • Acting as a coordinating officer for the Xcel Energy Board Finance
27 Committee.

1 **Cash Management:**

- 2 • Managing the daily liquidity (e.g., short-term borrowings and cash
3 investments) at each legal entity within Xcel Energy, including issuing
4 commercial paper and bank facility drawdowns;
- 5 • Moving funds internally to achieve optimal short-term liquidity and
6 capital structure positions;
- 7 • Providing information used in liquidity assessments by the rating
8 agencies; and,
- 9 • Coordinating cash flow with Accounts Payable, Accounting, and
10 Treasury Forecasting.

11 **Financial Policy:**

- 12 • Negotiating bank loans, corporate guarantees, and letters of credit;
- 13 • Handling issuances of long-term debt and equity securities for Xcel
14 Energy and each of the regulated utilities;
- 15 • Developing and maintaining banking relationships;
- 16 • Maintaining inter-company notes for non-regulated subsidiaries;
- 17 • Analyzing public market financial data to develop financial testimony
18 for capital structure and cost of capital positions in regulatory
19 proceedings;
- 20 • Preparing SEC, bank, regulatory, and other financial compliance
21 filings; and,
- 22 • Coordinating due diligence for financing activity.

23 **Pensions and Investments:**

- 24 • Coordinating with Xcel Energy's investment advisor to perform asset
25 allocation studies for the pension trust, the nuclear decommissioning
26 trust, and the Voluntary Employee Beneficiary's Association
27 ("VEBA") trust assets;
- 28 • Providing analytical support for investment decisions and oversight of
29 the assets invested in the pension trust, the nuclear decommissioning
30 trusts, and the VEBA trusts;

- 1 • Directing all cash movements and investment account rebalancing
2 required for the pension, nuclear decommissioning, and the VEBA
3 trusts;
- 4 • Managing the business relationships with the investment managers,
5 advisors, and trustees;
- 6 • Performing analysis and support to the financial accounting group
7 responsible for reporting the value of the various trust assets;
- 8 • Coordinating with the Hazard Insurance department on investment and
9 investment manager-related reviews and due diligence;
- 10 • Providing primary internal oversight along with benefits accounting
11 for Mutual Business Programs 15; and,
- 12 • Leading the internal advisory committee who has oversight of VEBA
13 investment.

14 **Treasury Forecasting:**

- 15 • Developing corporate financial objectives, including the dividend
16 policy for Xcel Energy and its subsidiaries;
- 17 • Providing financial analysis to senior management, the Board of
18 Directors, investors and credit rating agencies; and,
- 19 • Providing analytical and investment analysis to support business
20 decisions.

21 **Hazard Insurance:**

- 22 • Protecting assets from catastrophic loss using risk financing
23 mechanisms, including captive risk retention and design and
24 negotiation of insurance contracts with commercial and industry
25 mutual underwriters (property insurance, excess liability insurance,
26 director and officer insurance, primary casualty insurance, nuclear
27 property/liability/business interruption insurance, cyber risk insurance,
28 surety bonds, and various smaller programs);
- 29 • Negotiating and coordinating property and liability insurance
30 settlements;
- 31 • Reviewing and advising business areas and Xcel Energy subsidiaries
32 on contracts under development to ensure that corporate asset
33 protection objectives are met;

- 1 • Providing evidence of: insurance as required under various
2 contractual agreements throughout Xcel Energy and its subsidiaries;
3 loss control services to minimize large property exposures; analyses to
4 determine optimal risk financing; surety bonds for financial guarantees
5 included in various contracts; and boiler and machinery inspection as
6 required by the states; and,
- 7 • Coordinating insurance activities with Legal Services and Energy
8 Supply.

9 **Q. Does the Hazard Insurance department purchase property and auto liability**
10 **insurance policies and process payments for those policies?**

11 A. Yes. The Hazard Insurance department purchases property and auto liability
12 insurance policies and processes the payments for those policies on behalf of Xcel
13 Energy subsidiaries, including SPS.

14 **Q. Are the payments made on behalf of SPS reflected as native costs?**

15 A. Yes. Native SPS costs are those costs incurred directly by SPS associated with
16 the provision of electric service to customers. In regard to property and auto
17 liability insurance, SPS is the legal entity that purchases the policy and pays the
18 premium directly to the insurer. The Hazard Insurance department simply acts as
19 SPS's agent. Thus, the actual payment amounts for the property and auto liability
20 insurance policies are reflected as native SPS costs.

21 **Q. Please describe the SPS native costs incurred for these services.**

22 A. These costs, which are provided on my Attachment ARD-RR-1, are for property
23 insurance and auto liability insurance policies. Auto liability insurance covers
24 any claims against SPS for third party vehicle accident claims when a third party
25 experiences injuries or property damage due to employee driver vehicle
26 operations. The property insurance covers damages to SPS property such as

1 buildings and substations, excluding transmission and distribution lines. These
2 costs are included in FERC Account 924.

3 **Q. Are the native SPS costs for property and auto liability insurance reasonable**
4 **and necessary for SPS's operations?**

5 A. Yes. These costs are necessary for the appropriate protection of SPS's assets as
6 well as to meet state law regarding the maintenance of auto insurance. These
7 costs are reasonable and necessary and support SPS's ability to provide safe and
8 reliable service to its Texas retail customers.

9 **Q. Are any of the Treasurer affiliate class of services that are provided to SPS**
10 **duplicated elsewhere in XES or in any other Xcel Energy subsidiary such as**
11 **SPS itself?**

12 A. No. Within XES, none of the services grouped in the Treasurer affiliate class are
13 duplicated elsewhere. No other Xcel Energy subsidiary performs these services
14 for the Operating Companies. In addition, SPS does not perform these services
15 for itself.

16 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
17 **Treasurer affiliate class of services?**

18 A. Yes. The services of the Treasurer affiliate class benefit SPS's customers in many
19 ways. For example, the services of the Treasurer organization ensure that Xcel
20 Energy and SPS have funding for capital investments, adequate daily cash flows
21 necessary for ongoing operations, and proper hazard loss insurance coverage.
22 These services support the ongoing operations of SPS in providing electric service
23 to customers.

1 **C. The Treasurer Affiliate Class of Services are Provided at a**
2 **Reasonable Cost**

3 **Q. Are the costs of the Treasurer affiliate class of services reasonable?**

4 A. Yes. The costs of the Treasurer class of services are reasonable. XES provides
5 the Treasurer functions and services on a consolidated basis for multiple Xcel
6 Energy legal entities. As a result, SPS benefits from sophisticated services
7 provided by a pool of talented professionals, the consolidated costs of which are
8 shared. The economies of scale inherent in this system result in reasonable costs
9 to SPS for these services. Additionally, XES ensures that costs are reasonable
10 through efforts including the use of actuaries and professional brokerage firms to
11 help ensure adequate coverage of and to negotiate appropriate premiums for the
12 excess liability insurance costs included within this class.

1. Budget Planning

13 **Q. Is a budget planning process applicable to the Treasurer class of affiliate**
14 **costs?**

15 A. Yes. Annual O&M budgets that include the Treasurer class of affiliate costs are
16 created for the Financial Operations business area, using guidelines developed at
17 the corporate level. The process includes the review of historical Treasurer class
18 costs, elimination of non-recurring costs, identification of new, one-time or
19 recurring initiatives, and an assessment of future staffing levels and work
20 assignments. It is an iterative process involving the Treasurer class leadership
21 and assigned business area finance support personnel. The budgeting process is
22 discussed in more detail in Section III of my testimony.

1 **Q. During the fiscal year, does the Treasurer organization monitor its actual**
2 **expenditures versus its budget?**

3 A. Yes. Actual versus expected expenditures of the Treasurer organization are
4 monitored on a monthly basis by management. Deviations are evaluated each
5 month to ensure that costs are appropriate. In addition, action plans are developed
6 to mitigate variations in actual to budgeted expenditures. These mitigation plans
7 may either reduce or delay other expenditures so that the overall expenditures are
8 in accord with the authorized budget.

9 **Q. Are employees within the Treasurer organization held accountable for**
10 **deviations from the budget?**

11 A. Yes. The managers and leadership of the Treasurer organization are required to
12 manage their expenses to support the financial goals established by the Financial
13 Operations business area. Budgets are reviewed monthly to ensure adherence to
14 the goals and to discuss actions necessary to address variances. Failure to meet
15 the goals impacts performance evaluations and the overall compensation of the
16 management within this class.

1 **Q.** Please state the dollar amounts of the actual per book charges from XES to
2 SPS for the Treasurer affiliate class of services for the three fiscal years
3 preceding the end of the Updated Test Year and the estimated per book
4 charges for the estimated Updated Test Year.

5 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar
6 years), the actual per book and, for the Updated Test Year, the estimated per book
7 affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the
8 services grouped in the Treasurer affiliate class:

9

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Treasurer	\$4,237,729	\$2,904,454	\$2,637,117	\$2,759,763

A. The cost decreases from 2016 to 2017 to 2018 were primarily driven by insurance premium decreases for policies purchased by XES, offset by higher consulting and bank charges. The cost increase from 2018 to the Updated Test Year was due to increased bank and rating agency fees and higher insurance costs in multiple policies.

3. Staffing Trends

1 **Q. Please provide the staffing levels for the Treasurer affiliate class of services**
2 **for the three fiscal years preceding the end of the Updated Test Year and the**
3 **Updated Test Year.**

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

7 **Table ARD-RR-29**

	Average of End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Treasurer	24	24	25	26

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

9 A. The slight increase in average staffing level from 2016 to the Updated Test Year
10 is due to an additional loss control engineer being hired in 2018 and timing of
11 hiring open positions.

4. Cost Control and Process Improvement Initiatives

12 **Q. Separate from the budget planning process, does the Treasurer affiliate class**
13 **take any steps to control its costs or to improve its services?**

14 A. Yes. The Treasurer organization continually reviews its plans, initiatives, and
15 staffing to ensure they are appropriate and to identify and implement
16 improvements.

1 **D. The Costs for the Treasurer Affiliate Class of Services are Priced**
2 **in a Fair Manner**

3 **Q. For those costs that XES charges (either directly or through use of an**
4 **allocation) to SPS for the Treasurer affiliate class of services, does SPS pay**
5 **any more for the same or similar service than does any other Xcel Energy**
6 **affiliate?**

7 A. No. The XES charges to SPS for any particular service are no higher than the
8 XES charges to any other Xcel Energy affiliate. The costs charged for particular
9 services are the actual costs that XES incurred in providing those services to SPS.

10 A single, specific allocation method, rationally related to the cost drivers
11 associated with the service being provided, is used with each cost center (billing
12 method). In her direct testimony, Ms. Schmidt discusses the selection of billing
13 methods and XES's method of charging for services in more detail.

14 **Q. How are the costs of the Treasurer affiliate class billed to SPS?**

15 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
16 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
17 the billing method associated with each activity. My Attachment ARD-RR-A,
18 shows the allocation method (Column D) associated with each billing method
19 (Column C) used in the affiliate class.

20 In SPS's 45-day case update, I will present updated Attachments
21 ARD-RR-A and ARD-RR-B(CD) so that the entries for the last three months of
22 the Updated Test Year provide actual data and conform to the information
23 provided for the first nine months. In the event the predominant billing methods
24 and associated allocation methods for the Treasurer affiliate O&M expenses on

1 my updated Attachments ARD-RR-A and ARD-RR-B(CD) differ from those
2 discussed below, I will explain those differences in supplemental testimony in
3 SPS's 45-day case update filing.

4 **Q. What are the predominant allocation methods used for billing the costs that**
5 **SPS seeks to recover for the Treasurer affiliate class of services?**

6 A. All of the requested XES charges to SPS for this class were charged using one of
7 the following two allocation methods:

- 8 • Assets, Revenue, and Number of Employees: 90.56% of XES charges
9 to SPS or \$2,494,463; and
- 10 • Direct Billing: 9.44% of XES charges to SPS or \$259,994.

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

14 A. The three factor allocation method using assets, revenue, and employees produces
15 an allocation of costs that recognizes the complexity, risk, and overall business
16 activity levels that drive the costs included in the cost centers and measures the
17 benefits received from those activities. For the cost centers billed using this
18 allocator, there is no one specific cost driver for the support tasks and services
19 provided, and the services benefit multiple Xcel Energy affiliates. For example,
20 the costs associated with Directors and Officers insurance, which are collected in
21 Cost Center 200063, are allocated using this method. Within the Xcel Energy
22 holding company group, those legal entities that have proportionately more assets,
23 revenues, and employees will have more focus placed on their operations due to
24 those subsidiaries' relative influence on the consolidated business balance sheet,

1 income statement and statement of cash flow, and the subsidiaries will benefit
2 accordingly from the services provided. Thus, allocating these costs based upon
3 the average of the total asset ratio, revenue ratio, and the employee ratio is
4 appropriate because it allocates costs in accordance with cost causation and
5 benefits received. Ms. Schmidt discusses this billing method in more detail in her
6 testimony. For the cost centers that assign costs based upon this allocation
7 method, the per unit amounts charged by XES to SPS as a result of the application
8 of this allocation method are no higher than the unit amounts billed by XES to
9 other affiliates for the same or similar services and represent the actual costs of
10 the services.

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

13 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
14 normally reflect work that was performed specifically for SPS only. In some
15 cases, however, the direct billing occurred after the application of an off-line
16 allocator that tracks the relevant cost drivers. In either situation, the cost centers
17 charged using the “Direct Billing” method are appropriate because the assignment
18 of costs is in accordance with the distribution of benefits for the services received.
19 For example, the labor costs related to issuing SPS bonds and SPS regulatory
20 compliance filings, were assigned using the “Direct Billing” method. The cost of
21 these services benefitted SPS, the work was performed specifically for SPS alone,
22 and the cost driver is issuance of SPS bonds and compliance filings. Thus, the
23 “Direct Billing” method is appropriate because it assigns costs in accordance with
24 cost causation and benefits received. For the cost centers that assign costs using

1 Direct Billing, the per unit amounts charged by XES to SPS are no higher than the
2 unit amounts billed by XES to other affiliates for the same or similar services and
3 represent the actual costs of the services.

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

5 A. Yes.

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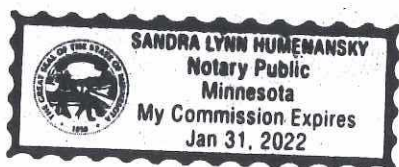
STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN)

ADAM R. DIETENBERGER, 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.


ADAM R. DIETENBERGER

Subscribed and sworn to before me this 2nd day of August, 2019 by ADAM R. DIETENBERGER.




Notary Public, State of Minnesota

My Commission Expires: 01/31/2022

Southwestern Public Service Company

Property & Auto Liability Insurance 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

Property & Auto Liability Insurance Expenses

Total Company SPS Operation and Maintenance Expenses

			Native SPS O&M		Test Year	
Line	FERC		Expense through the		Affiliate O&M	Total Company
No.	Acct	Account Description	Update Period		Expense	Requested O&M
			(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

Property & Auto Liability Insurance 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

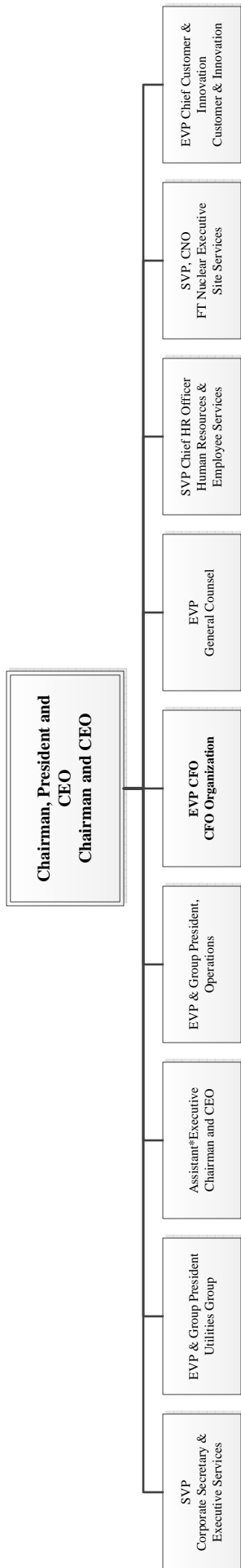
Property & Auto Liability Insurance Expenses

Total Company SPS Operation and Maintenance Expenses

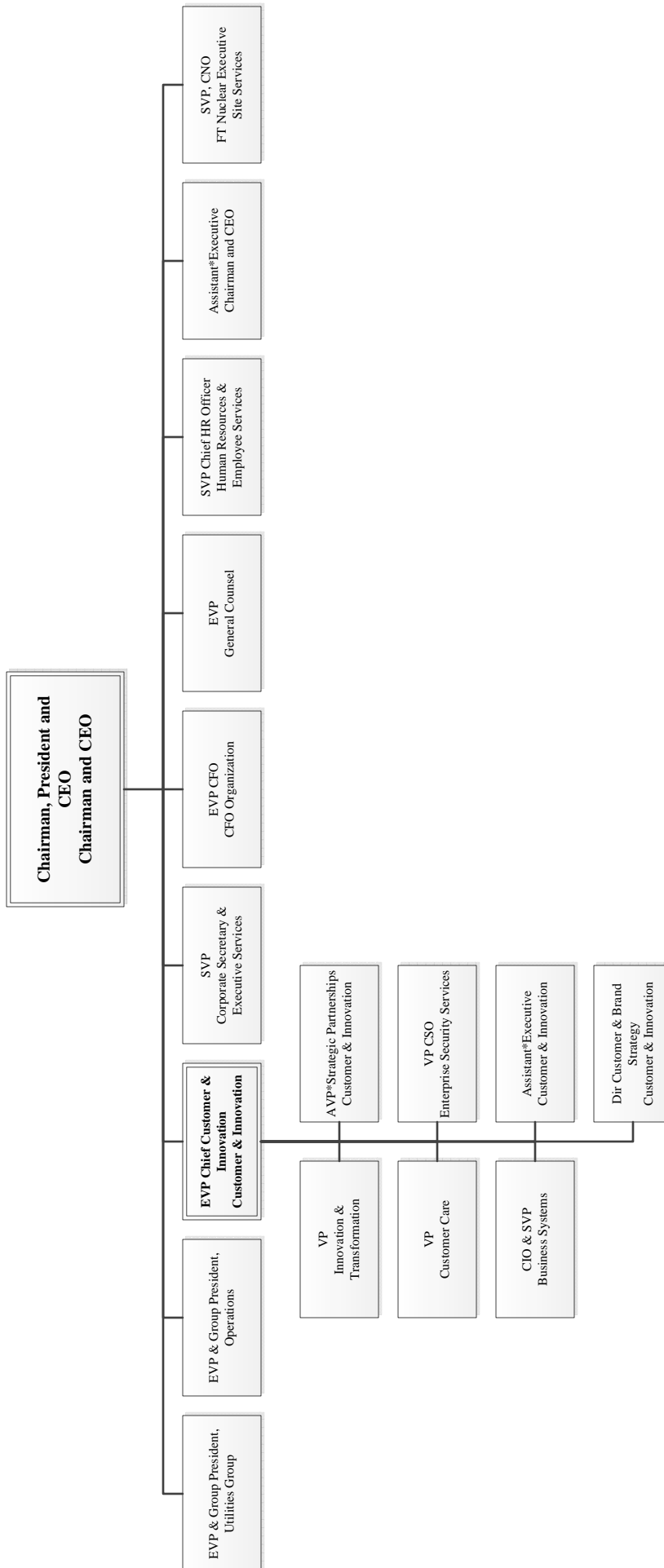
Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jul '18-Jun '19)	Test Year Affiliate O&M Expense (Jul '18-Jun '19)	Total Company Requested O&M
Administrative and General Expenses					
109	920*	Administrative and General Salaries	\$ 4,833,384	\$ 24,142,782	\$ 28,976,166
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

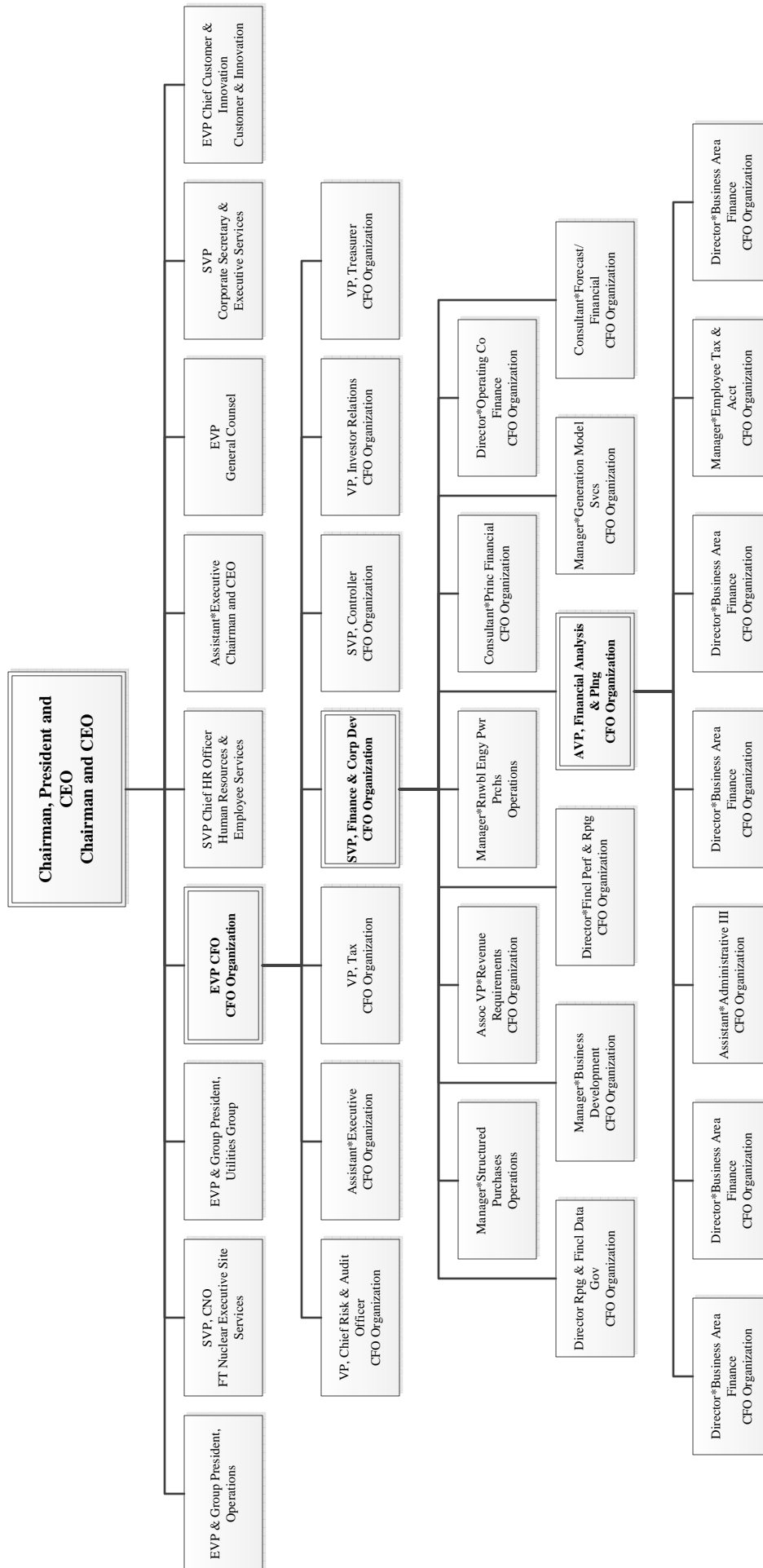
Southwestern Public Service Company
 Organization Chart – CEO
 As of March 31, 2019



Southwestern Public Service Company
Organization Chart – Customer and Innovation Group
As of March 31, 2019



Southwestern Public Service Company
Organization Chart – Financial Operations
As of March 31, 2019



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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Exclusions	Per Book	Pro Formas	Requested Amount (Total Company)	% of Class Charges
1	Chief Customer and Innovation Officer	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 31,169,430.50	\$ 27,148,333.70	\$ 4,021,096.80	\$ (3,301.65)	\$ 4,017,795.15	\$ (9,925.06)	\$ 4,007,870.09	93.20%
2	Chief Customer and Innovation Officer	200070 - Corporate Strategy & Bus Dev - Corporate Governance	Assets/Revenue/No. of employees	1,360.63	1,185.42	175.21	-	175.21	5.26	180.47	0.00%
3	Chief Customer and Innovation Officer	200071 - Legal - Corporate Governance	Assets/Revenue/No. of employees	9,197.72	8,003.59	1,194.13	-	1,194.13	35.82	1,229.95	0.03%
4	Chief Customer and Innovation Officer	200072 - Communications - Corporate Governance	Assets/Revenue/No. of employees	-	-	-	-	-	22,196.80	22,196.80	0.52%
5	Chief Customer and Innovation Officer	200074 - Corporate Systems - Corporate Governance	Assets/Revenue/No. of employees	906,321.46	788,654.65	117,666.81	(2,655.33)	115,011.48	-	115,011.48	2.67%
6	Chief Customer and Innovation Officer	200077 - Branding	Assets/Revenue/No. of employees	-	-	-	-	-	65,045.23	65,045.23	1.51%
7	Chief Customer and Innovation Officer	200087 - Accounting - Operating Companies	Assets/Revenue/No. of employees	1,851.04	1,580.29	270.75	-	270.75	8.12	278.87	0.01%
8	Chief Customer and Innovation Officer	200092 - Corp Strategy & Bus Dev - OpCo	Assets/Revenue/No. of employees	26,477.27	22,604.51	3,872.76	-	3,872.76	67.25	3,940.01	0.09%
9	Chief Customer and Innovation Officer	200122 - Transmission Electric FERC 560 (E&S)	Electric Transmission Plant	72,659.99	51,020.61	21,639.38	-	21,639.38	649.18	22,288.56	0.52%
10	Chief Customer and Innovation Officer	200138 - ES Operations Management OPCo's	MWH Generation	(241.64)	(189.75)	(51.89)	-	(51.89)	50.33	(1.56)	0.00%
11	Chief Customer and Innovation Officer	200148 - Business Systems	Number of Computers	2,989.42	2,574.07	415.35	-	415.35	(3.96)	411.39	0.01%
12	Chief Customer and Innovation Officer	200153 - Customer Safety Advertising/Information Costs	Number of Customers	-	-	-	-	-	23,866.08	23,866.08	0.55%
13	Chief Customer and Innovation Officer	200156 - Customer Care 901	Number of Customers	41,573.45	38,667.38	2,906.07	-	2,906.07	87.18	2,993.25	0.07%
14	Chief Customer and Innovation Officer	200163 - Employee Communications	Number of Employees	-	-	-	-	-	1,445.56	1,445.56	0.03%
15	Chief Customer and Innovation Officer	200176 - Marketing & Sales	Revenue	48,605.84	40,707.72	7,898.12	-	7,898.12	(253.02)	7,645.10	0.18%

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Exclusions	Per Book	Pro Formas	Requested Amount (Total Company)	% of Class Charges
16	Chief Customer and Innovation Officer	Direct	Direct	222,239.55	215,672.84	6,566.71	-	6,566.71	19,371.33	25,938.04	0.60%
17	Chief Customer and Innovation Officer Total			\$ 32,502,465.23	\$ 28,318,815.03	\$ 4,183,650.20	\$ (5,956.98)	\$ 4,177,693.22	\$ 122,646.11	\$ 4,300,339.33	100.00%
18	Chief Executive Officer	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 5,711,899.70	\$ 4,973,645.96	\$ 738,253.74	\$ (47,843.11)	\$ 690,410.63	\$ (4,143.92)	\$ 686,266.71	60.42%
19	Chief Executive Officer	200075 - Board of Directors - Corporate Governance	Assets/Revenue/No. of employees	444,370.93	386,678.70	57,692.23	-	57,692.23	139,438.80	197,131.03	17.36%
20	Chief Executive Officer	200088 - Acctg. Rptg. Tax - OpCos Elec	Assets/Revenue/No. of employees	2,136,006.33	1,826,556.89	309,449.44	(57,046.84)	252,402.60	-	252,402.60	22.22%
21	Chief Executive Officer	200101 - Legal - Opco's - Gas	Assets/Revenue/No. of employees	293,719.50	293,719.50	-	-	-	-	-	0.00%
22	Chief Executive Officer	Direct	Direct	569,160.87	569,160.87	-	-	-	-	-	0.00%
23	Chief Executive Officer Total			\$ 9,155,157.33	\$ 8,049,761.92	\$ 1,105,395.41	\$ (104,889.95)	\$ 1,000,505.46	\$ 135,294.88	\$ 1,135,800.34	100.00%
24	Chief Financial Officer	200066 - Accounting & Reporting - Corporate Governance	Assets/Revenue/No. of employees	\$ 1,331,406.69	\$ 1,159,748.72	\$ 171,657.97	\$ (2,079.67)	\$ 169,578.30	\$ (3,468.25)	\$ 166,110.05	100.00%
25	Chief Financial Officer	Direct	Direct	31,281.65	31,281.65	-	-	-	-	-	0.00%
26	Chief Financial Officer Total			\$ 1,362,688.34	\$ 1,191,030.37	\$ 171,657.97	\$ (2,079.67)	\$ 169,578.30	\$ (3,468.25)	\$ 166,110.05	100.00%
27	Controller	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 6,819.98	\$ 5,934.55	\$ 885.43	-	\$ 885.43	\$ 26.56	\$ 911.99	0.02%
28	Controller	200066 - Accounting & Reporting - Corporate Governance	Assets/Revenue/No. of employees	12,486,243.51	10,875,252.20	1,610,991.31	(273.31)	1,610,718.00	(10,269.94)	1,600,448.06	35.86%
29	Controller	200080 - Capital Asset Acctg	Assets/Revenue/No. of employees	79,785.28	68,235.69	11,549.59	-	11,549.59	(340.45)	11,209.14	0.25%
30	Controller	200081 - Accounting, Reporting, & Taxes	Assets/Revenue/No. of employees	43,996.91	37,589.97	6,406.94	-	6,406.94	86.85	6,493.79	0.15%
31	Controller	200087 - Accounting - Operating Companies	Assets/Revenue/No. of employees	4,483,905.42	3,834,095.86	649,809.56	(179.06)	649,630.50	(7,723.00)	641,907.50	14.38%
32	Controller	200088 - Acctg. Rptg. Tax - OpCos Elec	Assets/Revenue/No. of employees	268,047.00	229,219.11	38,827.89	(75.67)	38,752.22	(573.47)	38,178.75	0.86%
33	Controller	200096 - Energy Markets - Business Services	Assets/Revenue/No. of employees	1,956.60	1,670.42	286.18	-	286.18	-	286.18	0.01%
34	Controller	200098 - Transm Elec FERC 566	Assets/Revenue/No. of employees	357.51	305.88	51.63	-	51.63	(51.63)	-	0.00%
35	Controller	200105 - Acctg. Rptg. Tax - MN, WI	Assets/Revenue/No. of employees	350,762.67	350,762.67	-	-	-	-	-	0.00%
36	Controller	200106 - Acctg. Rptg. Tax - MN, WI Elec	Assets/Revenue/No. of employees	544,040.64	544,040.64	-	-	-	-	-	0.00%

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Exclusions	Per Book	Pro Formas	Requested Amount (Total Company)	% of Class Charges
37	Controller	200122 - Transmission Electric FERC 560 (E&S)	Electric Transmission Plant	522.55	368.10	154.45	-	154.45	4.63	159.08	0.00%
38	Controller	200126 - Customer & Field Operations Constr, Oper & Maint	ElcTrn ElcDst GasTrn GasDst Plnt	8,172.92	6,831.12	1,341.80	-	1,341.80	40.25	1,382.05	0.03%
39	Controller	200133 - Prop Trading - Back Office	Joint Operating Agreement	256,311.69	198,651.10	57,660.59	-	57,660.59	(674.73)	56,985.86	1.28%
40	Controller	200173 - Gen/Prop Trading - Back Office	Prop Trading Hours	6,817.44	5,264.20	1,553.24	-	1,553.24	(17.92)	1,535.32	0.03%
41	Controller	200174 - Gen/Prop Trading - Mid Office	Prop Trading Hours	486.82	380.40	106.42	-	106.42	3.19	109.61	0.00%
42	Controller	200178 - Rates & Regulation	Revenue	111.00	94.19	16.81	-	16.81	(16.81)	-	0.00%
43	Controller	Direct	Direct	6,709,639.24	4,583,086.82	2,126,552.42	(336.14)	2,126,216.28	(22,920.88)	2,103,295.40	47.13%
44	Controller Total			\$ 25,247,977.18	\$ 20,741,782.92	\$ 4,506,194.26	\$ (864.18)	\$ 4,505,330.08	\$ (42,427.34)	\$ 4,462,902.74	100.00%
45	Corporate Other	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ (3,895,700.77)	\$ (3,392,566.27)	\$ (503,134.50)	\$ 503,134.50	\$ -	\$ -	\$ -	0.00%
46	Corporate Other	200066 - Accounting & Reporting - Corporate Governance	Assets/Revenue/No. of employees	(304,010.57)	(264,864.95)	(39,145.62)	5,360.47	(33,785.15)	-	(33,785.15)	-3.07%
47	Corporate Other	200068 - Finance & Treasury - Corporate Governance	Assets/Revenue/No. of employees	(11,281.99)	(9,827.16)	(1,454.83)	1,454.83	-	-	-	0.00%
48	Corporate Other	200081 - Accounting, Reporting, & Taxes	Assets/Revenue/No. of employees	(2,307,182.64)	(1,974,153.42)	(333,029.22)	(522.00)	(333,551.22)	-	(333,551.22)	-30.35%
49	Corporate Other	200087 - Accounting - Operating Companies	Assets/Revenue/No. of employees	374,811.72	320,408.04	54,403.68	(8,646.58)	45,757.10	-	45,757.10	4.16%
50	Corporate Other	Direct	Direct	13,555,795.15	11,631,339.58	1,924,455.57	(503,925.88)	1,420,529.69	-	1,420,529.69	129.26%
51	Corporate Other Total			\$ 7,412,430.90	\$ 6,310,335.82	\$ 1,102,095.08	\$ (3,144.66)	\$ 1,098,950.42	\$ -	\$ 1,098,950.42	100.00%
52	Financial Planning	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 502.89	\$ 438.14	\$ 64.75	\$ -	\$ 64.75	(64.75)	\$ -	0.00%
53	Financial Planning	200066 - Accounting & Reporting - Corporate Governance	Assets/Revenue/No. of employees	3,394,518.56	2,956,294.54	438,224.02	(478.12)	437,745.90	(5,946.72)	431,799.18	14.88%
54	Financial Planning	200068 - Finance & Treasury - Corporate Governance	Assets/Revenue/No. of employees	524,068.60	456,492.87	67,575.73	-	67,575.73	(1,507.72)	66,068.01	2.28%
55	Financial Planning	200070 - Corporate Strategy & Bus Dev - Corporate Governance	Assets/Revenue/No. of employees	634,446.29	552,529.01	81,917.28	-	81,917.28	(890.90)	81,026.38	2.79%
56	Financial Planning	200079 - Federal Lobbying	Assets/Revenue/No. of employees	4,386.17	3,814.11	572.06	(487.63)	84.43	(84.43)	-	0.00%
57	Financial Planning	200081 - Accounting, Reporting, & Taxes	Assets/Revenue/No. of employees	(2,549.51)	(2,181.42)	(368.09)	-	(368.09)	(11.04)	(379.13)	-0.01%

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Exclusions	Per Book	Pro Forma	Requested Amount (Total Company)	% of Class Charges
58	Financial Planning	200087 - Accounting - Operating Companies	Assets/Revenue/No. of employees	2,595,825.83	2,220,646.44	375,179.39	(112.98)	375,066.41	(5,431.31)	369,635.10	12.74%
59	Financial Planning	200088 - Acctg. Rptg. Tax - OpCos Elec	Assets/Revenue/No. of employees	1,623,604.15	1,388,511.44	235,092.71	(58.81)	235,033.90	(2,525.75)	232,508.15	8.01%
60	Financial Planning	200090 - Risk Mgmt - OpCos	Assets/Revenue/No. of employees	310,672.82	265,732.15	44,940.67	(18.28)	44,922.39	(276.73)	44,645.66	1.54%
61	Financial Planning	200098 - Transm Elec FERC 566	Assets/Revenue/No. of employees	38,660.02	33,093.67	5,566.35	-	5,566.35	(210.98)	5,355.37	0.18%
62	Financial Planning	200102 - Gas Dist FERC 880	Assets/Revenue/No. of employees	14,248.91	14,248.91	-	-	-	-	-	0.00%
63	Financial Planning	200105 - Acctg. Rptg. Tax - MN, WI	Assets/Revenue/No. of employees	3,704.25	3,704.25	-	-	-	-	-	0.00%
64	Financial Planning	200106 - Acctg. Rptg. Tax - MN, WI Elec	Assets/Revenue/No. of employees	479,765.20	479,765.20	-	-	-	-	-	0.00%
65	Financial Planning	200121 - Elec Dist, Gas Dist, & Gas Trans FERC 588, 880, 859	ElecDistPlnt GasTranPlnt GasDistPlnt	5,788.46	5,320.18	468.28	-	468.28	-	468.28	0.02%
66	Financial Planning	200126 - Customer & Field Operations Constr, Oper & Maint	ElecTrn ElecDist GasTrn GasDist Plnt	342,368.58	286,549.68	55,818.90	-	55,818.90	(742.60)	55,076.30	1.90%
67	Financial Planning	200133 - Prop Trading - Back Office	Joint Operating Agreement	265.56	204.52	61.04	-	61.04	(61.04)	-	0.00%
68	Financial Planning	200178 - Rates & Regulation	Revenue	1,351,610.72	1,130,773.10	220,837.62	(630.29)	220,207.33	(2,243.82)	217,963.51	7.51%
69	Financial Planning	Direct	Direct	6,631,840.97	5,216,900.75	1,414,940.22	(62.00)	1,414,878.22	(16,594.69)	1,398,283.53	48.18%
70	Financial Planning	Financial Planning Total		\$ 17,953,728.47	\$ 15,012,837.54	\$ 2,940,890.93	\$ (1,848.11)	\$ 2,939,042.82	\$ (36,592.48)	\$ 2,902,450.34	100.00%
71	Investor Relations	200064 - Shareholder - Corporate Governance	Assets/Revenue/No. of employees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,607.57	\$ 51,607.57	18.73%
72	Investor Relations	200065 - Investor Relations - Corporate Governance	Assets/Revenue/No. of employees	1,746,512.83	1,520,985.38	225,527.45	(306.02)	225,221.43	(1,291.98)	223,929.45	81.27%
73	Investor Relations	Direct	Direct	49,313.23	49,313.23	-	-	-	-	-	0.00%
74	Investor Relations	Investor Relations Total		\$ 1,795,826.06	\$ 1,570,298.61	\$ 225,527.45	\$ (306.02)	\$ 225,221.43	\$ 50,315.59	\$ 275,537.02	100.00%
75	Risk Management and Audit Services	200067 - Audit Services - Corporate Governance	Assets/Revenue/No. of employees	\$ 2,497,873.10	\$ 2,175,690.11	\$ 322,182.99	(32.31)	\$ 322,150.68	\$ (3,144.58)	\$ 319,006.10	25.98%
76	Risk Management and Audit Services	200069 - Risk Management - Corporate Governance	Assets/Revenue/No. of employees	329,209.77	286,834.06	42,375.71	-	42,375.71	(164.66)	42,211.05	3.44%

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Exclusions	Per Book	Pro Forma	Requested Amount (Total Company)	% of Class Charges
77	Risk Management and Audit Services	200079 - Federal Lobbying	Assets/Revenue/No. of employees	152,980.34	133,177.50	19,802.84	(18,992.98)	809.86	-	809.86	0.07%
78	Risk Management and Audit Services	200088 - Acctg. Rptg. Tax - OpCos Elec	Assets/Revenue/No. of employees	153,402.10	131,184.88	22,217.22	-	22,217.22	(236.44)	21,980.78	1.79%
79	Risk Management and Audit Services	200089 - Audit Services - OpCos	Assets/Revenue/No. of employees	85,644.05	73,231.11	12,412.94	-	12,412.94	(94.22)	12,318.72	1.00%
80	Risk Management and Audit Services	200090 - Risk Mgmt - OpCos	Assets/Revenue/No. of employees	2,456,094.32	2,100,322.98	355,771.34	(152.65)	355,618.69	(3,913.09)	351,705.60	28.64%
81	Risk Management and Audit Services	200100 - Audit Services - OpCos - Gas	Assets/Revenue/No. of employees	30,409.39	30,409.39	-	-	-	-	-	0.00%
82	Risk Management and Audit Services	200106 - Acctg. Rptg. Tax - MN, WI Elec	Assets/Revenue/No. of employees	80,677.85	80,677.85	-	-	-	-	-	0.00%
83	Risk Management and Audit Services	200116 - Distribution Electric FERC 580 (E&S)	Electric Distribution Plant	800.00	705.32	94.68	-	94.68	(94.68)	-	0.00%
84	Risk Management and Audit Services	200126 - Customer & Field Operations Constr. Oper & Maint	ElcTrn ElcDst GasTrn GasDst Plnt	9,710.25	8,130.04	1,580.21	-	1,580.21	47.41	1,627.62	0.13%
85	Risk Management and Audit Services	200134 - Prop Trading - Frt/Mid Office	Joint Operating Agreement	856,636.82	663,159.93	193,476.89	-	193,476.89	(2,165.52)	191,311.37	15.58%
86	Risk Management and Audit Services	200146 - Energy Markets - Regulated Trading (Gen Book)	MWH Hours Sold	100.15	73.70	26.45	-	26.45	(26.45)	-	0.00%
87	Risk Management and Audit Services	200174 - Gen/Prop Trading - Mid Office	Prop Trading Hours	165,950.42	127,347.00	38,603.42	-	38,603.42	(516.26)	38,087.16	3.10%

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Exclusions	Per Book	Pro Forma	Requested Amount (Total Company)	% of Class Charges
88	Risk Management and Audit Services	200178 - Rates & Regulation	Revenue	1,348.69	1,078.29	270.40	-	270.40	8.11	278.51	0.02%
89	Risk Management and Audit Services	Direct	Direct	1,019,319.65	768,375.81	250,943.84	-	250,943.84	(2,458.96)	248,484.88	20.24%
90	Risk Management and Audit Services Total			\$ 7,840,156.90	\$ 6,580,397.97	\$ 1,259,758.93	\$ (19,177.94)	\$ 1,240,580.99	\$ (12,759.33)	\$ 1,227,821.66	100.00%
91	Tax Services	200066 - Accounting & Reporting - Corporate Governance	Assets/Revenue/No. of employees	\$ 1,156,247.22	\$ 1,007,049.62	\$ 149,197.60	\$ (65.67)	\$ 149,131.93	\$ (1,894.05)	\$ 147,237.88	20.35%
92	Tax Services	200087 - Accounting - Operating Companies	Assets/Revenue/No. of employees	2,774,679.04	2,372,910.38	401,768.66	(203.83)	401,564.83	(2,333.83)	399,231.00	55.18%
93	Tax Services	Direct	Direct	976,887.40	797,970.52	178,916.88	-	178,916.88	(1,856.93)	177,059.95	24.47%
94	Tax Services Total			\$ 4,907,813.66	\$ 4,177,930.52	\$ 729,883.14	\$ (269.50)	\$ 729,613.64	\$ (6,084.82)	\$ 723,528.82	100.00%
95	Treasurer	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 3,374,586.71	\$ 2,939,559.21	\$ 435,027.50	\$ -	\$ 435,027.50	\$ -	\$ 435,027.50	15.79%
96	Treasurer	200066 - Accounting & Reporting - Corporate Governance	Assets/Revenue/No. of employees	70,000.00	60,986.52	9,013.48	-	9,013.48	270.40	9,283.88	0.34%
97	Treasurer	200068 - Finance & Treasury - Corporate Governance	Assets/Revenue/No. of employees	3,318,623.86	2,890,288.90	428,334.96	(161.80)	428,173.16	(2,647.24)	425,525.92	15.45%
98	Treasurer	200069 - Risk Management - Corporate Governance	Assets/Revenue/No. of employees	1,247,280.25	1,086,455.32	160,824.93	-	160,824.93	(604.20)	160,220.73	5.82%
99	Treasurer	200081 - Accounting, Reporting, & Taxes	Assets/Revenue/No. of employees	1,976.01	1,687.53	288.48	-	288.48	8.65	297.13	0.01%
100	Treasurer	200084 - Risk Management	Assets/Revenue/No. of employees	9,153,087.11	7,828,916.18	1,324,170.93	-	1,324,170.93	-	1,324,170.93	48.08%
101	Treasurer	200090 - Risk Mgmt - OpCos	Assets/Revenue/No. of employees	875.96	749.46	126.50	-	126.50	-	126.50	0.00%
102	Treasurer	200091 - Captive Insurance	Assets/Revenue/No. of employees	960,901.64	820,358.19	140,543.45	-	140,543.45	(733.10)	139,810.35	5.08%
103	Treasurer	200151 - Customer Billing FERC 903	Number of Customer Bills	(1,192.40)	(1,090.01)	(102.39)	-	(102.39)	(3.07)	(105.46)	0.00%
104	Treasurer	Direct	Direct	3,044,148.11	2,324,460.81	719,687.30	(457,990.10)	261,697.20	(1,703.51)	259,993.69	9.44%
105	Treasurer Total			\$ 21,170,287.25	\$ 17,952,372.11	\$ 3,217,915.14	\$ (458,151.90)	\$ 2,759,763.24	\$ (5,412.06)	\$ 2,754,351.18	100.00%
106	Total - Witness Adam Dietenberger			\$ 129,348,531.32	\$ 109,905,562.81	\$ 19,442,968.51	\$ (596,688.91)	\$ 18,846,279.60	\$ 201,512.30	\$ 19,047,791.90	

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

Adam R. Dietenberger

2019 TX Rate Case

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

ARD-RR-B(CD)

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Exclusions	(E) Exclusions (Total Company)
1	Chief Customer and Innovation	426.1 - Donations	Below the line	\$ (904.70)
2	Chief Customer and Innovation	426.4 - Life Insurance	Below the line	(1,762.56)
3	Chief Customer and Innovation	426.5 - Other Deductions	Below the line	(3,289.72)
4	Chief Customer and Innovation Officer Total			\$ (5,956.98)
5	Chief Executive Officer	426.1 - Donations	Below the line	\$ (39,004.94)
6	Chief Executive Officer	426.4 - Life Insurance	Below the line	(57,046.84)
7	Chief Executive Officer	426.5 - Other Deductions	Below the line	(8,838.17)
8	Chief Executive Officer Total			\$ (104,889.95)
9	Chief Financial Officer	426.1 - Donations	Below the line	(676.01)
10	Chief Financial Officer	426.5 - Other Deductions	Below the line	(1,403.66)
11	Chief Financial Officer Total			\$ (2,079.67)
12	Controller	426.1 - Donations	Below the line	\$ (9.01)
13	Controller	426.4 - Life Insurance	Below the line	(34.90)
14	Controller	426.5 - Other Deductions	Below the line	(820.27)
15	Controller Total			\$ (864.18)
16	Corporate Other	419 - Interest & Dividend Income	Below the line	\$ 509,420.93
17	Corporate Other	426.2 - Life Insurance	Below the line	48,887.84
18	Corporate Other	426.5 - Other Deductions	Below the line	(33,929.12)
19	Corporate Other	430 - Interest on debt to associated	Below the line	(527,271.05)
20	Corporate Other	431 - Other Interest Expense	Below the line	(253.26)
21	Corporate Other Total			\$ (3,144.66)
22	Financial Planning	426.1 - Donations	Below the line	\$ (391.89)
23	Financial Planning	426.3 - Penalties	Below the line	(59.24)
24	Financial Planning	426.4 - Life Insurance	Below the line	(502.07)
25	Financial Planning	426.5 - Other Deductions	Below the line	(894.91)

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Exclusions	(E) Exclusions (Total Company)
26	Financial Planning Total			\$ (1,848.11)
27	Investor Relations	426.1 - Donations	Below the line	\$ (207.43)
28	Investor Relations	426.5 - Other Deductions	Below the line	(98.59)
29	Investor Relations Total			\$ (306.02)
30	Risk Management and Audit Services	426.4 - Life Insurance	Below the line	\$ (18,994.18)
31	Risk Management and Audit Services	426.5 - Other Deductions	Below the line	(183.76)
32	Risk Management and Audit Services Total			\$ (19,177.94)
33	Tax Services	426.1 - Donations	Below the line	\$ (175.52)
34	Tax Services	426.4 - Life Insurance	Below the line	(1.34)
35	Tax Services	426.5 - Other Deductions	Below the line	(92.64)
36	Tax Services Total			\$ (269.50)
37	Treasurer	419 - Interest & Dividend Income	Below the line	\$ 189,039.74
38	Treasurer	426.5 - Other Deductions	Below the line	(161.80)
39	Treasurer	430 - Interest on debt to associated companies	Below the line	(647,029.84)
40	Treasurer Total			\$ (458,151.90)
41	Total - Witness Adam Dietenberger			\$ (596,688.91)
	Amounts may not add or tie to other schedules due to rounding.			

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
1	Chief Cust & Innovation Officer	408.1 - Tax Other Than Income Tax - Payroll	Business Area Adjustment	Adam Dietenberger	\$ 4,129.38
2	Chief Cust & Innovation Officer	500 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	(1.11)
3	Chief Cust & Innovation Officer	500 - Operation supervision and engineering	Business Area Adjustment	Adam Dietenberger	36.94
4	Chief Cust & Innovation Officer	546 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	(0.45)
5	Chief Cust & Innovation Officer	546 - Operation supervision and engineering	Business Area Adjustment	Adam Dietenberger	14.95
6	Chief Cust & Innovation Officer	560 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	649.18
7	Chief Cust & Innovation Officer	580 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	3.17
8	Chief Cust & Innovation Officer	901 - Supervision	3% Wage Adjustment	Arthur Freitas/Michael Knoll	87.18
9	Chief Cust & Innovation Officer	908 - Customer assistance expenses	Business Area Adjustment	Adam Dietenberger	3,474.39
10	Chief Cust & Innovation Officer	909 - Customer Service Instructional Advertising	Business Area Adjustment	Adam Dietenberger	56,544.79
11	Chief Cust & Innovation Officer	920 - Administrative and general salaries	116.5% Incentive	Arthur Freitas/Michael Knoll	(14,396.03)
12	Chief Cust & Innovation Officer	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	20,775.32
13	Chief Cust & Innovation Officer	920 - Administrative and general salaries	Business Area Adjustment	Adam Dietenberger	48,873.43
14	Chief Cust & Innovation Officer	921 - Office supplies and expenses	Business Area Adjustment	Adam Dietenberger	2,543.45
15	Chief Cust & Innovation Officer	923 - Outside services employed	Business Area Adjustment	Adam Dietenberger	399.70
16	Chief Cust & Innovation Officer	925 - Injuries & Damages	Business Area Adjustment	Adam Dietenberger	73.24
17	Chief Cust & Innovation Officer	926 - Employee pensions and benefits	Business Area Adjustment	Adam Dietenberger	16,078.49
18	Chief Cust & Innovation Officer	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(16,639.91)
19	Chief Cust & Innovation Officer	930.1 - General advertising expenses	Advertising	Arthur Freitas	(752,513.80)

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
20	Chief Cust & Innovation Officer	930.1 - General advertising expenses	Business Area Adjustment	Adam Dietenberger	752,513.80
21	Chief Customer and Innovation Officer Total				\$ 122,646.11
22	CEO	920 - Administrative and general salaries	116.5% Incentive	Arthur Freitas/Michael Knoll	\$ (3,884.54)
23	CEO	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	4,906.83
24	CEO	921 - Office supplies and expenses	Business Area Adjustment	Adam Dietenberger	(698.13)
25	CEO	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(4,479.08)
26	CEO	930.2 - Miscellaneous general expenses	Business Area Adjustment	Adam Dietenberger	139,449.80
27	Chief Executive Officer Total				\$ 135,294.88
28	CFO	920 - Administrative and general salaries	116.5% Incentive	Arthur Freitas/Michael Knoll	\$ (2,026.38)
29	CFO	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	1,737.41
30	CFO	921 - Office supplies and expenses	Business Area Adjustment	Adam Dietenberger	(844.95)
31	CFO	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(2,334.33)
32	Chief Financial Officer Total				\$ (3,468.25)
33	Controller	501 - Fuel	116.5% Incentive	Arthur Freitas/Michael Knoll	\$ (468.68)
34	Controller	501 - Fuel	3% Wage Adjustment	Arthur Freitas/Michael Knoll	602.68
35	Controller	557 - Other expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(940.25)
36	Controller	557 - Other expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	1,233.26
37	Controller	560 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	4.63
38	Controller	566 - Miscellaneous transmission expenses	Business Area Adjustment	Adam Dietenberger	(51.63)
39	Controller	920 - Administrative and general salaries	116.5% Incentive	Arthur Freitas/Michael Knoll	(47,248.39)
40	Controller	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	62,226.96
41	Controller	920 - Administrative and general salaries	Business Area Adjustment	Adam Dietenberger	(16.81)
42	Controller	921 - Office supplies and expenses	Business Area Adjustment	Adam Dietenberger	(1,566.95)
43	Controller	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(56,202.15)
44	Controller Total				\$ (42,427.34)
45	Financial Planning	408.2 - Taxes other than income taxes, other income and deductions	Business Area Adjustment	Adam Dietenberger	\$ (84.43)
46	Financial Planning	506 - Miscellaneous steam power expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(2,546.04)
47	Financial Planning	506 - Miscellaneous steam power expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	4,095.26

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
48	Financial Planning	560 - Operation supervision and engineering	116.5% Incentive	Arthur Freitas/Michael Knoll	(279,36)
49	Financial Planning	560 - Operation supervision and engineering	3% Wage Adjustment	Arthur Freitas/Michael Knoll	17.53
50	Financial Planning	566 - Miscellaneous transmission expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(151,26)
51	Financial Planning	566 - Miscellaneous transmission expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	45.42
52	Financial Planning	588 - Miscellaneous distribution expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(40,37)
53	Financial Planning	588 - Miscellaneous distribution expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	55.85
54	Financial Planning	908 - Customer assistance expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(5,94)
55	Financial Planning	908 - Customer assistance expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	4.70
56	Financial Planning	920 - Administrative and general salaries	116.5% Incentive	Arthur Freitas/Michael Knoll	(37,149,80)
57	Financial Planning	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	46,627.84
58	Financial Planning	920 - Administrative and general salaries	Business Area Adjustment	Adam Dietenberger	(125,79)
59	Financial Planning	920 - Administrative and general salaries	Foundation	William Grant	(4,17)
60	Financial Planning	921 - Office supplies and expenses	Business Area Adjustment	Adam Dietenberger	(524,63)
61	Financial Planning	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(46,527,28)
62	Financial Planning Total				\$ (36,592,48)
63	Investor Relations	920 - Administrative and general salaries	116.5% Incentive	Arthur Freitas/Michael Knoll	\$ (1,227,00)
64	Investor Relations	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	1,550.68
65	Investor Relations	921 - Office supplies and expenses	Business Area Adjustment	Adam Dietenberger	(166,14)
66	Investor Relations	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(1,449,52)
67	Investor Relations	930.2 - Miscellaneous general expenses	Business Area Adjustment	Adam Dietenberger	51,607.57
68	Investor Relations Total				\$ 50,315.59
69	Risk Management and Audit Svcs	557 - Other expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	\$ (3,335.88)
70	Risk Management and Audit Svcs	557 - Other expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	4,283.32
71	Risk Management and Audit Svcs	580 - Operation supervision and engineering	Business Area Adjustment	Adam Dietenberger	(94,68)
72	Risk Management and Audit Svcs	920 - Administrative and general salaries	116.5% Incentive	Arthur Freitas/Michael Knoll	(12,113,64)

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
73	Risk Management and Audit Svcs	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	15,964.36
74	Risk Management and Audit Svcs	920 - Administrative and general salaries	Business Area Adjustment	Adam Dietenberger	(26.45)
75	Risk Management and Audit Svcs	920 - Administrative and general salaries	Foundation	William Grant	(0.80)
76	Risk Management and Audit Svcs	921 - Office supplies and expenses	Business Area Adjustment	Adam Dietenberger	(185.55)
77	Risk Management and Audit Svcs	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(17,250.02)
78	Risk Management and Audit Services Total				\$ (12,759.33)
79	Tax Services	920 - Administrative and general salaries	116.5% Incentive	Arthur Freitas/Michael Knoll	\$ (6,959.91)
80	Tax Services	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	9,159.12
81	Tax Services	921 - Office supplies and expenses	Business Area Adjustment	Adam Dietenberger	(95.94)
82	Tax Services	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(8,188.09)
83	Tax Services Total				\$ (6,084.82)
84	Treasurer	903 - Customer records and collection expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	\$ (3.07)
85	Treasurer	920 - Administrative and general salaries	116.5% Incentive	Arthur Freitas/Michael Knoll	(7,026.86)
86	Treasurer	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	10,019.06
87	Treasurer	921 - Office supplies and expenses	Business Area Adjustment	Adam Dietenberger	(222.98)
88	Treasurer	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(8,178.21)
89	Treasurer Total				\$ (5,412.06)
90	Total Witness - Adam Dietenberger				\$ 201,512.30
		Amounts may not add or tie to other schedules due to rounding			