

DOCKET NO. \_\_\_\_\_

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

DIRECT TESTIMONY  
of  
S. MICHELLE EDWARDS

*on behalf of*

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: EdwardsRRDirect.doc)

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

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
AMP	Average Monthly Payment
Commission	Public Utility Commission of Texas
FERC	Federal Energy Regulatory Commission
IVR	Interactive Voice Response
O&M	Operation and maintenance
Operating Companies	Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; PSCo; and SPS
Operating Company	One of the Operating Companies
OPUC	Office of Public Utility Counsel
PSCo	Public Service Company of Colorado, a Colorado corporation
RFP	Rate Filing Package
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	April 1, 2018 through March 31, 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
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

## LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
SME-RR-1	Native SPS Costs for Meter Reading and Customer Records and Collections ( <i>Filename: SME-RR-1.xlsx</i> )
SME-RR-2	Organization Chart - Customer Care ( <i>Non-native format</i> )
SME-RR-A (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Allocation Method ( <i>Filename: SME-RR-ABCD.xlsx</i> )
SME-RR-B(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method and FERC Account ( <i>Filename: SME-RR-ABCD.xlsx</i> )
SME-RR-C (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account ( <i>Filename: SME-RR-ABCD.xlsx</i> )
SME-RR-D (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account ( <i>Filename: SME-RR-ABCD.xlsx</i> )

**DIRECT TESTIMONY  
OF  
S. MICHELLE EDWARDS**

1           **I.    WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3   A.    My name is S. Michelle Edwards. My business address is 1800 Larimer Street,  
4           Denver, Colorado 80202.

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 Director, Customer Operations.

12  **Q.    Please briefly outline your responsibilities as Director, Customer Operations.**

13  A.    I am responsible for business support services of the Customer Care organization  
14           for Xcel Energy’s four Operating Companies.<sup>1</sup> This responsibility includes fiscal  
15           oversight of the operation and maintenance (“O&M”) budget and strategic  
16           planning coordination for Customer Care, as well as performance management  
17           and process improvement, contact center operations management, talent and  
18           training, quality assurance, communications, customer complaint management,  
19           customer policy, and low-income program management and customer support.

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<sup>1</sup> The Operating Companies are: Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation (“PSCo”); and SPS.

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

2 A. I hold a Bachelor of Arts degree in Journalism from the University of Oregon and  
3 a Master of Special Studies degree in Applied Communication from the  
4 University of Denver. I have continued my education through various executive  
5 education programs, including the Minnesota Management Institute at the Carlson  
6 School of Management of the University of Minnesota, as well as leadership and  
7 customer care-focused training programs and conferences.

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

9 A. I have been employed with Xcel Energy or its predecessor companies for 30  
10 years. Prior to 2004, I held various positions with PSCo, including Assistant to  
11 the Chairman of PSCo, Executive Public Relations Specialist, and several  
12 communication consultant and analyst roles. From 2004 to 2007, I served as  
13 Manager, Environmental Policy Relations for Xcel Energy. From 2007 to 2008, I  
14 served as Chief of Staff of Xcel Energy's Customer and Enterprise Solutions,  
15 which included the current Customer Care organization. From 2008 to 2009, I  
16 served as Director, Planning and Performance for Xcel Energy and managed a  
17 subset of the functions I have today. Beginning in 2009, I became the Director,  
18 Customer Operations, with organizational responsibility added over time.

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

20 A. Yes. I have filed testimony at the Public Utility Commission of Texas  
21 ("Commission") in Docket Nos. 40824, 42004, 43695, 45524, and 47527, SPS's  
22 five most recent base rate case proceedings, on the Customer Care class of  
23 affiliate services. I have also filed testimony at the Colorado Public Utilities  
24 Commission on behalf of PSCo about customer care-related issues in a regulatory  
25 proceeding concerning municipalization.

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

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

4 A. I support the Updated Test Year (July 1, 2018 through June 30, 2019)<sup>2</sup> O&M  
5 expenses and administrative and general expenses for activities and work  
6 performed by: (1) SPS employees and contract resources for meter reading and  
7 third-party vendor costs for customer records and collection expenses (also  
8 referred to as “native SPS costs”); and (2) the Customer Care class of affiliate  
9 services. I also explain the accounting for and management of SPS’s bad debt  
10 expense.

11 In regard to SPS’s native meter reading and customer records and  
12 collection expenses, my testimony will:

- 13 • describe the types of services provided;  
14 • explain how the services are reasonable and necessary for SPS’s  
15 operations; and  
16 • support the costs as reasonable and necessary for rate recovery  
17 purposes.

18 In regard to the Customer Care affiliate class, my testimony will:

- 19 • describe the services included in the class;  
20 • explain that those services are reasonable and necessary for SPS’s  
21 operations;  
22 • explain that the costs for those services are reasonable and necessary;

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<sup>2</sup> 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 • explain that these services do not duplicate services that SPS provides  
2 to itself through its own employees or that are provided from any other  
3 source; and
- 4 • explain that each charge from SPS’s affiliates for these services is no  
5 higher than the charge by those affiliates to any other entity for the  
6 same or similar services.

7 In addition, I sponsor Schedule G-3 of SPS’s Rate Filing Package  
8 (“RFP”). Schedule G-3 provides the policy for writing off bad debts and the  
9 calculation of commodity bad debt expense. I support the effort to manage the  
10 incidence of bad debt, which is reflected in the level of expense shown on the  
11 schedule. I also propose a change to the Texas Average Monthly Payment  
12 (“AMP”) Program and provide the rationale for the proposed change.

13 **Q. Please summarize the recommendations and conclusions in your testimony.**

14 A. *Native Costs* - The native amounts included in Attachment SME-RR-1 represent,  
15 at a total company level (total SPS before jurisdictional allocation, “total  
16 company” or “Total Company”), reasonable and necessary meter reading,  
17 customer records, and customer collections related costs incurred directly by SPS  
18 to support SPS’s ability to provide safe and reliable electric service to its Texas  
19 retail customers. I recommend the Commission approve those costs.

20 *Affiliate Costs* - The affiliate charges to SPS are included in Attachments SME-  
21 RR-A through SME-RR-D, and are addressed in more detail in Section IV of my  
22 testimony. The estimated Updated Test Year costs that SPS seeks to recover for  
23 the services of the Customer Care affiliate class of \$3,255,721 (total company)<sup>3</sup>  
24 are reasonable and necessary because they support SPS’s ability to provide  
25 electric service to its Texas retail customers.

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<sup>3</sup> This dollar amount reflects nine months of actual costs and three months of estimated costs.

- 1                     • The costs are for services provided by the Customer Care business  
2                     area that are necessary for the provision of electric service by SPS,  
3                     including:
- 4                     ○ oversight and administrative support for reading customer  
5                     meters;
- 6                     ○ manual billing work, billing quality assurance, billing issue  
7                     resolution, and receiving and posting payments; operating the  
8                     customer contact centers that answer customer questions  
9                     regarding bills, services, and outages;
- 10                    ○ providing collections services; and
- 11                    ○ support and oversight for customer service operations.
- 12                    • The costs for these services are reasonable because they are shared  
13                    with other affiliates, include reasonable personnel costs, and are  
14                    subjected to rigorous budgeting and cost control processes.
- 15                    • SPS does not provide these services for itself, and the services do not  
16                    duplicate services provided by others.
- 17                    • Each charge from SPS’s affiliate for these services is no higher than  
18                    the charge by those affiliates to any other entity for the same or similar  
19                    service.

20                    Accordingly, I recommend the Commission approve SPS’s requested amount for  
21                    the Customer Care affiliate class.

22                    ***Bad Debt Expense*** - SPS incurs bad debt expense when customers fail to pay  
23                    their bills. SPS’s write-off policy requires specific action—a write-off or further  
24                    collection efforts—when a customer account is 119 working days past the final  
25                    bill due date. SPS is requesting \$5,629,706 (total company)<sup>4</sup> of bad debt expense  
26                    in this case. That amount is the actual amount of bad debt expense incurred  
27                    during the Updated Test Year.

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<sup>4</sup> The total company number consists of Customer Care-related commodity bad debt expense in the amount of \$4,447,042; Customer Care-related non-commodity bad debt expense in the amount of \$75,872; and Distribution Operations non-commodity bad debt expense in the amount of \$1,106,793. The Distribution Operations non-commodity bad debt expense is sponsored by SPS witness Casey S. Meeks.



1 *Average Monthly Payment Program* - I recommend that the Commission  
2 authorize SPS to change the Texas AMP program to enable a quarterly review of  
3 customers' AMP amounts, and a bill amount adjustment if needed, as opposed to  
4 the annual review and true up that is required by the tariff today. The change will  
5 reduce the variance in billed amount owed and paid at the end of a 12-month  
6 period, which should benefit customers by reducing the amount owed at the end  
7 of the 12-month period or allowing customers to reduce monthly expenditures.

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

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

19 Regarding the Customer Care affiliate costs I support, as explained by SPS  
20 witness Melissa L. Schmidt, actual figures for April and May 2019 have been  
21 provided and June 2019 figures have been estimated based on the forecasted  
22 budget. However, these expenses have not gone through the full pro forma  
23 adjustment review process.

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

3 A. Yes. SPS will file an update 45 days after this application has been filed. The  
4 update will provide actual costs incurred to replace the estimates provided in the  
5 application for the Update Period. As part of that process, my Attachments  
6 SME-RR-A through D will be updated by removing estimates of Customer Care  
7 affiliate O&M expenses incurred by SPS during the Updated Test Year and then  
8 replacing those estimates with actual expenses, which will be used to establish  
9 SPS's base rates in this case.

10 **Q. Were Attachments SME-RR-1, SME-RR-2, and SME-RR-A through**  
11 **SME-RR-D prepared by you or under your direct supervision and control?**

12 A. Yes, with respect to Attachment SME-RR-2. Attachment SME-RR-1 was  
13 prepared by SPS witness Arthur P. Freitas and his staff and is based on the cost of  
14 service study. My staff and I have reviewed this attachment, and I believe it is  
15 accurate. Attachments SME-RR-A through SME-RR-D were prepared by Ms.  
16 Schmidt and her staff. My staff and I have reviewed these attachments, and I  
17 believe them to be accurate. Although the same information provided in  
18 Attachments SME-RR-A through SME-RR-D is presented in Ms. Schmidt's  
19 Attachments MLS-RR-A through MLS-RR-D, I have presented this information  
20 in my testimony for the convenience of those reviewing my testimony.

21 **Q. Were the portions of the RFP schedule you sponsor prepared by you or**  
22 **under your supervision and control?**

23 A. Yes.

1 **Q. Do you incorporate the portions of the RFP schedule sponsored by you into**  
2 **this testimony?**

3 **A. Yes.**

1       **III. METER READING, CUSTOMER RECORDS, AND COLLECTION-**  
2       **RELATED ACTIVITIES AND O&M COSTS**

3       **Q.**       **What are the types of charges included in SPS's requested level of meter**  
4       **reading, customer records, and collection-related expenses and total O&M**  
5       **costs?**

6       A.       The Customer Care component of the Customer and Innovation business area  
7       provides a wide range of services that are necessary to support SPS's ability to  
8       provide electric service to its Texas retail customers. The core functions provided  
9       by Customer Care include meter reading, billing services, contact centers, credit  
10       and collections, and customer operations. Within Customer Care, XES and SPS  
11       employees have separate roles and responsibilities, but work in coordination with  
12       each other and under the direction of the XES Customer Care business area  
13       management to provide various types of services, including meter reading,  
14       customer records, and customer collections.

15              Meter reading, customer records, and collection-related O&M expenses,  
16       within the Customer and Innovation business area, include both native SPS costs  
17       and affiliate charges. Native costs are those costs incurred directly by SPS  
18       associated with the provision of electric service to customers. These costs include  
19       labor, materials, and other non-fuel O&M costs. For example, the salaries of SPS  
20       employees are native costs. In this section of my testimony, I discuss the  
21       reasonableness and prudence of SPS's requested native costs relating to meter  
22       reading, customer records, and customer collection expenses.

23              Affiliate expenses are those associated with services provided by XES to  
24       SPS. XES is a centralized service company and the charges for its services are to

1 be provided “at cost,” or without profit. These services are in addition to, and not  
2 duplicative of, the services that SPS employees provide. Finally, affiliate O&M  
3 expenses also include charges to SPS from other Operating Companies or  
4 affiliated interests. Similar to the charges from XES, these services are charged to  
5 SPS “at cost” and generally involve oversight functions. Ms. Schmidt provides  
6 additional details regarding the methodology of charging affiliate costs to SPS  
7 from XES and other affiliated interests. Starting in the next section of my  
8 testimony, I discuss Customer Care affiliate O&M charges to SPS in more detail.

9 **Q. Please describe SPS’s native meter reading, customer records, and customer**  
10 **collection expenses that SPS has included in its cost of service.**

11 A. These costs, which are provided on my Attachment SME-RR-1 and included in  
12 Federal Energy Regulatory Commission (“FERC”) Accounts 902 and 903,  
13 include various services associated with the reading of customer meters by SPS  
14 employees, as well as external vendor expenses and postage to provide billing and  
15 collection services specifically for SPS customers.

16 With respect to meter reading, there are approximately 66 SPS employees,  
17 including those in management roles, in the Customer Care business area who  
18 perform meter reading functions for SPS, as of June 2019. There are also  
19 approximately 16 contract resources used to perform meter reading functions.  
20 These employees and contract resources read and record usage data from  
21 customer meters, without which SPS would be unable to bill customers for  
22 electricity consumption, generate disconnection orders, and investigate energy  
23 theft. These meter reading activities, and associated labor, are directly incurred

1 by SPS in its provision of electric service to customers. Although XES  
2 employees provided management, oversight, and administrative support for meter  
3 reading, such activities are separate and distinct from the day-to-day management  
4 of meter reading personnel that is provided by management-level employees at  
5 SPS (e.g., completion of work assignments, scheduling, and verification of data).  
6 Both native and affiliate costs relating to meter reading services performed by the  
7 Customer Care group are recorded to FERC Account 902.

8           Regarding customer records and customer collections expenses, SPS  
9 native costs include external vendor expenses to provide billing and collection  
10 services specifically for SPS customers. These services include the creation,  
11 printing, and mailing of SPS customer letters, notices, and bill statements, as well  
12 as the generation of electronic bill images for SPS customers who receive their  
13 bills electronically. Postage expense for mailed communications with SPS  
14 customers are also included in these native costs. Native costs also include  
15 expenses from credit agency vendors collecting past-due balances for SPS  
16 customer accounts, and bank fees SPS reimburses to its customers due to billing  
17 or collection errors. Starting in January 2019, Customer Care assumed  
18 management responsibility for work to disconnect and reconnect single-phase  
19 electric meters due to non-payment in SPS. This work had previously been  
20 managed by the Distribution Operations organization and is performed by  
21 contracted personnel. The native SPS costs for customer records and customer  
22 collections described above are separate and distinct from the services provided  
23 by the Customer Care affiliate class. Both native and affiliate costs relating to

1 customer records and collections-related activities performed by SPS employees  
2 and the Customer Care group, respectively, are recorded to FERC Account 903.

3 **Q. Are the native SPS costs for meter reading, customer records, and customer**  
4 **collections-related expenses and associated O&M necessary and reasonable**  
5 **for SPS's operations?**

6 A. Yes. These costs are necessary to ensure that SPS maintains the ability to meter,  
7 bill, and collect payment for the electricity it provides. They are functions  
8 required by all utilities. Without them, SPS would not be able to provide electric  
9 service to its customers. These costs include labor, materials, and other non-fuel  
10 O&M costs. SPS witnesses Michael T. Knoll and Richard R. Schrubbe provide  
11 testimony explaining that SPS's labor and benefits costs are reasonable, and SPS  
12 witness Gary J. O'Hara provides testimony about explaining that the costs  
13 associated with the sourcing and procurement of goods and services are  
14 reasonable. These costs are reasonable and necessary and support SPS's ability to  
15 provide safe and reliable service to its Texas retail customers.

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**IV. AFFILIATE EXPENSES FOR THE CUSTOMER CARE CLASS OF SERVICES**

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

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

**Q. Which affiliate class do you sponsor?**

A. I sponsor the Customer Care class of affiliate services.

**A. Summary of Affiliate Expenses for the Customer Care Class of Services**

**Q. Where does the Customer Care affiliate class fit into the overall affiliate structure?**

A. Attachment MLS-RR-6 to Ms. Schmidt’s direct testimony provides a list and a pictorial display of all affiliate classes, dollar amounts for those classes, and sponsoring witness for each class. As seen on that attachment, the Customer Care affiliate class was part of the Customer and Innovation business area during the Updated Test Year. Prior to moving to the Customer and Innovation business area in April 2018, the Customer Care affiliate class was part of the Operations Services business area. Attachment SME-RR-2 to my testimony is an organization chart showing the Customer Care organization.



1 **Q. What services are grouped into the Customer Care affiliate class?**

2 A. The services that are grouped into the Customer Care affiliate class are meter  
3 reading (oversight and administrative support), billing services, contact centers,  
4 credit and collections, and customer operations. As described previously, these  
5 services are separate and distinct from costs incurred directly by SPS.

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

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

12

**Table SME-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
Customer Care	\$45,645,961	\$3,255,721	1.42%	98.58%

Total XES Class Expenses

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

% Direct Billed

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

% Allocated

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

1 **Q. Please describe the attachments that support the information provided in**  
2 **Table SME-RR-1.**

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

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

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

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

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

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

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

Column H —	Total XES Billings for Class to All Companies (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 SME-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 SME-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 SME-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 SME-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 SME-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 the Updated Test Year.

3 **Attachment SME-RR-C:** Both Attachments SME-RR-A and  
 4 SME-RR-B(CD) show exclusions to the XES expenses billed to SPS for the  
 5 Customer Care affiliate class (Attachment SME-RR-A, Column H; Attachment  
 6 SME-RR-B(CD), Column K). Attachment SME-RR-C provides detail about  
 7 those exclusions listed on Attachments SME-RR-A and SME-RR-B(CD). The  
 8 columns on Attachment SME-RR-C 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 for the expense that has been excluded.
Column D — Explanations for Exclusions	Provides a brief rationale for the exclusion.
Column E — Exclusions (Total Company)	Shows the dollar amount of the exclusion.

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

11 **Attachment SME-RR-D:** Both Attachments SME-RR-A and  
 12 SME-RR-B(CD) show pro forma adjustments to SPS’s per book expenses for the

1 Customer Care affiliate class (Attachment SME-RR-A, Column J; Attachment  
2 SME-RR-B(CD), Column M). Attachment SME-RR-D provides information  
3 about those pro forma adjustments shown on Attachments SME-RR-A and  
4 SME-RR-B(CD). The columns on Attachment SME-RR-D provide the following  
5 information.

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

6 **Q. Does XES bill its expenses for the Customer Care 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 Customer Care**  
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 SME-RR-A, Column H, and on Attachment SME-RR-B(CD),

1 Column K. The details for the exclusions are provided in Attachment  
2 SME-RR-C. Ms. Schmidt describes how the exclusions were calculated. In  
3 SPS's 45-day case update, I will present an updated Attachment SME-RR-C that  
4 will provide actual exclusions to replace any estimated exclusions included in my  
5 original attachment.

6 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**  
7 **Customer Care affiliate class?**

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

18 **Q. Attachment SME-RR-D shows that you are a sponsor for pro forma**  
19 **adjustments for expenses for the Customer Care affiliate class during the**  
20 **first nine months of the Updated Test Year that result in a net decrease for**  
21 **the Customer Care affiliate class of \$13,000.83 Please explain the**  
22 **adjustments.**

23 A. The adjustments that I sponsor: remove alcohol charges (a decrease of \$19.64);  
24 remove costs not benefitting SPS (a decrease of \$456.72); remove below-the-line



1 charges (a decrease of \$496.00); remove charges associated with employee  
2 life/career events (a decrease of \$710.86); remove charges associated with  
3 employee recognition awards (a decrease of \$11,226.50); and remove charges less  
4 than \$100 (a decrease of \$91.11).

5 **B. The Customer Care Class of Services are Necessary Services**

6 **Q. Are the services that are grouped in the Customer Care affiliate class  
7 necessary for SPS's operations?**

8 A. Yes. The services grouped in the Customer Care affiliate class are necessary to  
9 ensure that SPS maintains the ability to meter, bill, and collect payment for the  
10 electricity it provides and that customers have the ability to contact SPS regarding  
11 service and billing issues. They are functions required by all utilities and without  
12 which SPS would not be able to provide electric service to its customers.

13 **Q. What are the specific services that are provided to SPS by the Customer  
14 Care affiliate class?**

15 A. The specific services that are provided to SPS by the Customer Care affiliate class  
16 are in five major categories:

- 17 • **Meter Reading** – these services provide oversight, management, and  
18 administrative support for reading customer meters;
- 19 • **Contact Centers** – these services include the operation of the  
20 Residential Contact Centers and the Business Solutions Contact  
21 Centers;
- 22 • **Billing Services** – these services include manual billing work, billing  
23 quality assurance, billing issue resolution, and receiving and posting  
24 customer payments;

- 1                   • **Credit and Collections** – these services include management of  
2                   accounts receivables, minimizing customer receivable write-offs, and  
3                   operation of the Credit Contact Centers; and
- 4                   • **Customer Operations** – these services include staff training, quality  
5                   control, process efficiencies, contact center operational management  
6                   and reporting, escalated customer complaints, communications within  
7                   the organization and with customers, customer policy, low-income  
8                   customer support, strategic planning, and budget oversight.

9   **Q.    Are any of the Customer Care 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 Customer Care affiliate  
13       class are duplicated elsewhere. No other Xcel Energy subsidiary performs these  
14       services for the Operating Companies. In addition, SPS does not perform these  
15       services for itself.

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

18   A.    Yes. The services of the Customer Care affiliate class benefit SPS’s customers in  
19       many ways. For example, it is through the services of the Customer Care class  
20       that SPS’s customers: receive accurate and timely bills for the use of products  
21       and services based on their measured consumption; have their payments  
22       processed in an accurate and timely manner; request that service start or stop, ask  
23       a question, voice a concern, enroll in a billing program, or report an outage or  
24       emergency; and are able to discuss payment arrangements and assistance options  
25       if they have difficulty paying their bills.

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

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

4 A. Yes. The costs of the Customer Care affiliate class of services are reasonable.  
5 Because these services are provided through XES on a consolidated basis, SPS  
6 benefits from economies of scale and the distribution of costs over multiple Xcel  
7 Energy legal entities.

8 *1. Additional Evidence*

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

11 A. Yes. Of the estimated Updated Test Year costs for the Customer Care class,  
12 91.71% are compensation and benefits costs for XES personnel. SPS witnesses  
13 Mr. Knoll and Mr. Schrubbe establish that the level of Xcel Energy's  
14 compensation and benefits is reasonable and necessary.

15 *2. Budget Planning*

16 **Q. Is a budget planning process applicable to the Customer Care class of**  
17 **affiliate costs?**

18 A. Yes. Annual O&M budgets are created for the Customer and Innovation business  
19 area, which includes the Customer Care organization and the Customer Care class  
20 of affiliate costs, using guidelines developed at the corporate level. Each manager  
21 within the Customer Care organization carefully reviews historical spend  
22 information, identifies changes that will be coming in the future, and analyzes the  
23 costs associated with those changes prior to submitting a proposed budget. The  
24 budgeting process is discussed in more detail by SPS witness Adam R.  
25 Dietenberger.

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

3 A. Yes. Actual versus expected expenditures are monitored on a monthly basis by  
4 management in the Customer Care organization. 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 overall spending complies  
8 with the authorized budget.

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

11 A. Yes. All management employees in Customer Care have specific budgetary goals  
12 that are incorporated into their performance evaluations. Performance is  
13 measured on a monthly basis to ensure adherence to the goals and provide for  
14 action plan development to address variances. All Customer Care managers are  
15 required to manage their expenses to support the budgetary goals. Failure to meet  
16 these performance targets will affect their performance evaluation and overall  
17 compensation.

18 *3. Cost Trends*

19 **Q. Please state the dollar amounts of the actual per book charges from XES to**  
20 **SPS for the Customer Care affiliate class of services for the three fiscal years**  
21 **preceding the end of the Updated Test Year and the estimated per book**  
22 **charges for the estimated Updated Test Year.**

23 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar  
24 years), the actual per book and, for the Updated Test Year, the estimated per book

1 affiliate charges (Column I on Attachment SME-RR-A) from XES to SPS for the  
2 services grouped in the Customer Care affiliate class:

3 **Table SME-RR-2**

	Per Book Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
Customer Care	\$3,981,837	\$3,652,932	\$3,372,426	\$3,300,347

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

5 A. There has been a decrease in costs from 2016 to the Updated Test Year primarily  
6 related to decreases in labor, pension, and incentive costs. Customer Care has  
7 realized ongoing operational efficiencies, process improvements, and work  
8 automation, and customers are increasing their digital interactions. These factors  
9 have enabled labor cost decreases through headcount reductions.

10 *4. Staffing Trends*

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

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

1

**Table SME-RR-3**

Class of Services	Average of End of Month # of Staff			
	2016	2017	2018	Updated Test Year (Estimated)
Customer Care	839	774	713	708

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

3 A. The decrease in average staffing levels from 2016 to the Updated Test Year was  
4 primarily due to ongoing efforts to improve operational efficiencies and processes  
5 and automate work where possible and cost effective. Customers are also  
6 increasing their use of digital interaction channels, as new functionality and  
7 enhancements have been added over time to the Interactive Voice Response  
8 (“IVR”) system, xcelenergy.com and a mobile app launched in 2017. Customers  
9 can also set preferences to receive notifications to stay informed during power  
10 outages and for billing and payment reminders. In combination, these efforts  
11 have enabled Customer Care to avoid filling some positions that were vacated  
12 through natural attrition and to reduce overall hiring needs. Several Customer  
13 Care business areas have realized headcount reductions during this period,  
14 including billing, credit and collections, and customer operations, with the largest  
15 headcount reduction occurring in the contact centers.

16 *5. Cost Control and Process Improvement Initiatives*

17 **Q. Separate from the budget planning process, does the Customer Care affiliate**  
18 **class take any steps to control its costs or to improve its services?**

19 A. Yes. Customer Care strives to improve its processes and deploy technology that  
20 will enable the organization to operate more efficiently and effectively. The

1 following are examples of some initiatives that Customer Care has undertaken to  
2 control costs and improve service:

- 3 • regularly forecasting call volumes, allowing the timing of hiring to be  
4 adjusted on an ongoing basis and staffing to be managed and  
5 scheduled to meet real-time workload needs;
- 6 • enhancing the IVR system to handle a wider range of calls quickly and  
7 efficiently, allowing contact center agents to handle the more complex  
8 calls from customers;
- 9 • focusing on segmented and proactive customer contacts in order to  
10 manage bad debt expense and minimize the number of days that  
11 revenue remains outstanding; and
- 12 • identifying opportunities to reduce errors, improve processes, increase  
13 efficiency, and enhance customer satisfaction through process  
14 improvement throughout Customer Care.

15 **Q. Does Customer Care track key statistics related to customer satisfaction?**

16 A. Yes. Customer Care tracks the number of customer complaints received. As  
17 shown on the following table, Texas customer complaints remain low, with the  
18 most common complaint type related to credit and collections activity.

19 **Table SME-RR-4**

Number of Customer Complaints (Texas Retail Customers – All Sources)				
2014	2015	2016	2017	2018
35	56	65	75	73

20 Customer Care also tracks customer use of the IVR system, and  
21 satisfaction with both contact center agent interactions and IVR system  
22 interactions. As shown on the following tables, customer use of the IVR system  
23 has generally increased over time, and satisfaction with both agent calls and IVR  
24 calls is high.

1

**Table SME-RR-5**

IVR System Utilization (Texas Retail Customers)					
	2014	2015	2016	2017	2018
Total Offered Calls (Agent and IVR)	1,239,384	1,285,259	1,177,483	1,191,821	1,167,823
% of calls handled by the IVR system	53.6%	56.4%	55.3%	56.4%	59.8%

2

3

**Table SME-RR-6**

Voice of the Customer Transaction Survey (Texas Retail Customers)					
	2014	2015	2016	2017	2018
Overall Satisfaction with Transaction <sup>5</sup>	88.0%	89.6%	89.6%	88.1%	86.4%
Overall Satisfaction with Transaction (IVR)	90.2%	89.5%	91.0%	83.4%	85.6%

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Beginning with data reported for 2017, Xcel Energy implemented a new customer experience platform through vendor MaritzCX to assess satisfaction for various channels, including agent and IVR experiences. Xcel Energy's partnership with the new vendor eliminates the manual agent call transfer process, objectively manages the survey sampling process, and works to ensure a statistically representative sample. Results are loaded daily to interactive reporting dashboards for easier access. These enhancements facilitate more frequent results and more in-depth understanding.

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<sup>5</sup> The survey results report both IVR and Agent results combined for the years 2014 – 2016. Beginning in 2017, the survey reports Agent results only.



1           The former vendor transaction study also used a different scale than the  
2 new vendor for agent results. The former vendor used a 0-10 scale for the agent  
3 survey results, while the new vendor survey uses a 1-10 scale, both with a top  
4 three box range (8-10). The IVR survey scale remains a 1-5 scale with a top two  
5 box range (4-5). However, the IVR survey method changed to an automated  
6 phone survey instead of a live phone survey to match the method of customer  
7 interaction. The agent survey remains a live phone survey. Finally, IVR and  
8 agent survey results are now reported separately, instead of being combined into  
9 one score based on transaction channel volume. Because of these changes, data  
10 reported starting with 2017 will be somewhat different than data reported for past  
11 years. The data presented in Table SME-RR-6 reflects the changes in the survey  
12 methodology for years 2017 and 2018.

13 **D. The Costs for the Customer Care Class of Services are Priced in a**  
14 **Fair Manner**

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

19 **A.** No. The XES charges to SPS for any particular service are no higher than the  
20 XES charges to any other Xcel Energy affiliate. The costs charged for particular  
21 services are the actual costs that XES incurred in providing those services to SPS.  
22 A single, specific allocation method, rationally related to the cost drivers  
23 associated with the service being provided, is used with each cost center (billing

1 method). In her direct testimony, Ms. Schmidt discusses the selection of billing  
2 methods and XES's method of charging for services in more detail.

3 **Q. How are the costs of the Customer Care affiliate class billed to SPS?**

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

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

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

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

- 21 • Number of Customers – 71.54% of XES charges to SPS -  
22 \$2,329,047.26;
- 23 • Number of Customer Bills – 25.52% of XES charges to SPS -  
24 \$830,781.54;

- 1                   • Direct Billing – 1.42% of XES charges to SPS - \$46,316.92; and
- 2                   • Number of Residential Customers – 1.52% of XES charges to SPS -
- 3                   \$49,575.22.

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

7 A. For the cost centers charged using the “Number of Customers” method as the  
8 allocator, the costs are driven by the needs of customers. They include costs  
9 associated with the Customer Care organization that operates the centralized  
10 customer contact centers and handles the interface between individual customers  
11 and each of the Operating Companies. For example, Cost Center 200155, which  
12 uses the “Number of Customers” method as the allocator, includes labor costs  
13 associated with responding to retail customer calls regarding power outages and  
14 starting or stopping service. Accordingly, this cost center allocates costs among  
15 the Operating Companies based upon the proportionate share of customers of  
16 each Operating Company (i.e., the number of customers of a particular Operating  
17 Company as a percentage of the total number of customers of all of the Operating  
18 Companies). This allocation reflects cost causation and the distribution of the  
19 benefits of the services received. For the cost centers that assign costs based upon  
20 this allocation method, the per unit amounts charged by XES to SPS as a result of  
21 the application of this allocation method are no higher than the unit amounts  
22 billed by XES to other affiliates for the same or similar services and represent the  
23 actual costs of the services.

1 **Q. Why is it appropriate to allocate costs based upon the “Number of Customer**  
2 **Bills” method for the costs captured in the cost center that uses that**  
3 **allocation method?**

4 A. The cost center charged using the “Number of Customer Bills” method as the  
5 allocator captures the costs of billing services provided to the Operating  
6 Companies, including manual billing work, oversight of customer billing, and  
7 responding to customers regarding billing issues. For example, the labor costs  
8 associated with manually calculating bills, billing quality assurance, and billing  
9 corrections are collected in Cost Center 200151 and are allocated using this  
10 allocation method. These costs are driven by the activities required to issue and  
11 process bills for each Operating Company. Accordingly, the costs in this cost  
12 center are allocated among the Operating Companies based on each legal entity’s  
13 proportionate share of customer bills (i.e., the number of customer bills processed  
14 for a particular Operating Company as a percentage of the total number of  
15 customer bills processed for all of the Operating Companies). This allocation  
16 reflects cost causation and the distribution of the benefits of the services received.  
17 For the cost centers that assign costs based upon this allocation method, the per  
18 unit amounts charged by XES to SPS as a result of the application of this  
19 allocation method are no higher than the unit amounts billed by XES to other  
20 affiliates for the same or similar services and represent the actual costs of the  
21 services.

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

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

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

22 A. Cost Center 200161 – Customer Care Low-Income Assistance, which uses the  
23 “Number of Residential Customers” method as the allocator, captures the costs

1 associated with the low-income assistance support for residential customers, such  
2 as answering calls from customers for referral to low-income assistance agencies,  
3 providing information to the agencies in order to process applications for  
4 assistance, and processing payments from agencies. For example, the labor costs  
5 associated with answering calls for referral are collected in Cost Center 200161  
6 and allocated using this allocation method. These costs are driven by the  
7 activities required to provide residential customer low-income assistance support  
8 for each Operating Company. Thus, the costs in this cost center are allocated  
9 among the Operating Companies based on each legal entity's proportionate share  
10 of residential customers. This allocation reflects cost causation and the  
11 distribution of the benefits of the services received. For the cost centers that  
12 assign costs based upon this allocation method, the per unit amounts charged by  
13 XES to SPS as a result of the application of this allocation method are no higher  
14 than the unit amounts billed by XES to other affiliates for the same or similar  
15 services and represent the actual costs of the services.

1 **V. BAD DEBT EXPENSE**

2 **Q. What topic do you address in this section of your testimony?**

3 A. In this section of my testimony, I address SPS's accounting for and management  
4 of bad debt expense. I also provide the amount of bad debt expense included in  
5 SPS's request.

6 **Q. What is bad debt expense?**

7 A. Bad debt expense includes billed commodity revenue for electric service that is  
8 considered uncollectible from customers. It also includes non-commodity  
9 revenue that is considered uncollectible. Commodity revenue refers to the  
10 revenue billed to SPS's customers for the cost of utility service, including fuel  
11 charges and all regulated charges to customers, such as riders. This definition  
12 represents virtually all of SPS's billed retail customer revenue. Non-commodity  
13 bad debt typically includes comparatively minor ancillary charges such as  
14 reconnection fees, damage claims, and service policy. Please refer to Schedule  
15 G-3 in SPS's RFP for more information on SPS's commodity bad debt expense.

16 **Q. What is SPS's policy for writing off a customer account receivable as a bad  
17 debt?**

18 A. SPS has a write-off policy that it follows with respect to customer accounts that  
19 are past due. For SPS, when a customer account is 119 working days past the  
20 final bill due date, the write-off policy requires specific actions. Smaller balances  
21 (\$1,000 or less) are directly written off, while additional procedures are mandated  
22 for larger balances.

1 **Q. What items affect commodity bad debt expense?**

2 A. All else being equal, commodity bad debt expense varies directly with commodity  
3 revenues. Other factors affecting bad debt expense include changes in credit  
4 policy, external considerations such as the economy, low-income energy  
5 assistance programs, as well as the efficiency of SPS's supporting processes and  
6 operations.

7 **Q. How does SPS account for bad debt expense?**

8 A. There are two major accounting entries that SPS makes on a monthly basis that  
9 affect bad debt expense. First, the net write-off entry records the gross write-offs  
10 less any recoveries during a particular month. Second, a reserve change entry is  
11 accrued and recorded each month to properly reserve for the outstanding accounts  
12 receivable balance at the end of each month.

13 **Q. Is bad debt expense accounted for separately for each of SPS's retail  
14 jurisdictions?**

15 A. No. Bad debt expense is attributed to SPS on a total company basis. Mr. Freitas  
16 calculates the jurisdictional amount of expense attributable to Texas in the cost of  
17 service study he presents. SPS witness Richard M. Luth provides the allocation  
18 of bad debt expense among SPS's Texas-retail customer classes in the class cost  
19 of service study he presents.

20 **Q. What is the amount of bad debt expense on a total company basis included in  
21 this filing?**

22 A. SPS seeks to recover \$5,629,706 of bad debt expense on a total company basis for  
23 the Updated Test Year. That number represents actual amounts for each month of  
24 the Updated Test Year.



1 **Q. How does SPS manage bad debt expense?**

2 A. The Customer Care group manages bad debt expense.<sup>6</sup> Customer Care has  
3 increased its focus on managing bad debt expense through numerous actions over  
4 the last several years. This includes increased and more targeted outbound  
5 campaigns to contact past-due customers about their late payments, providing  
6 increased opportunity for customers to use automated payment channels;  
7 insourcing staffing in Credit Contact Centers to interact with customers; and  
8 increasing competition between third-party collection agencies for debt  
9 placement.

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<sup>6</sup> As noted earlier, a portion of SPS's bad debt expense originates in Distribution Operations, which is responsible for managing that portion of the expense.

1                   **VI. AVERAGE MONTHLY PAYMENT PROGRAM**

2   **Q.    What is the Texas AMP program?**

3    A.    The Texas AMP program is a customer billing option applicable to the  
4          Residential Service and Small General Service rates that is designed to help  
5          customers manage their energy bills during the year.  When a customer’s AMP  
6          amount is established, it creates a consistent monthly payment amount for the  
7          coming 12 months based on billed amounts from the prior 12 months at a  
8          premise.  Unlike the other states Xcel Energy serves, the billed amount in the  
9          Texas AMP program is not reviewed through Xcel Energy’s billing system during  
10         the year, so there is no opportunity to adjust the amount if it no longer aligns with  
11         the prior year’s usage and resulting billed amounts.

12 **Q.    Are you proposing a change to the Texas AMP program?**

13 A.    Yes. I am proposing to change the Texas AMP program to enable a quarterly  
14         review of customers’ AMP amounts, and a bill amount adjustment if needed, as  
15         opposed to the annual review and true up that is required by the tariff today.

16 **Q.    What issues have you seen Texas customers have with the annual AMP  
17         program experience?**

18 A.    The current annual review in Texas can result in greater variance in billed amount  
19         owed and paid at the end of a 12-month period, which can cause hardship to  
20         customers if it is a larger amount owed, or prevent customers who may be  
21         carrying a larger credit balance from using those dollars for other needs.  The  
22         most compelling circumstance is when Texas customers enter credit difficulty  
23         when faced with a larger than expected true-up at the end of a 12-month AMP

1 cycle. This is the opposite of what a customer would expect or want when using  
2 an AMP program.

3 **Q. Why are you proposing a change to the Texas AMP Program?**

4 A. SPS strives to offer services and options that our customers value to help them  
5 manage their energy use and bills. It is with this goal in mind that SPS requests a  
6 change to its tariff to enable a quarterly review and bill amount adjustment, if  
7 needed, for Texas customers participating in the AMP program.

8 **Q. How will the proposed quarterly review improve the customer experience?**

9 A. In addition to enabling bill amounts that track closer to actual usage while still  
10 providing bill smoothing, SPS believes quarterly adjustments, if needed, also  
11 make it easier for our customers to do business with SPS. There are fewer  
12 surprises, and there is less need to have to call to cancel the program or change  
13 the AMP amount.

14 **Q. Does Xcel Energy offer an AMP program with a quarterly review process  
15 elsewhere?**

16 A. Yes. Xcel Energy offers an AMP program with a quarterly review process in  
17 every other retail jurisdiction it serves, except Texas. This includes offering a  
18 quarterly review process for the AMP program for SPS's retail customers in New  
19 Mexico, as well as for customers in Colorado, Minnesota, North Dakota, South  
20 Dakota, Wisconsin, and Michigan. Based on Xcel Energy's experience with the  
21 quarterly review process that is allowed in these seven other states, and issues  
22 SPS has seen some customers experience, SPS believes its Texas retail customers  
23 would benefit from a quarterly review process as well.

1 **Q. Does a customer's AMP amount automatically change each quarter at the**  
2 **quarterly review?**

3 A. Yes, if the threshold for an adjustment is met. Xcel Energy's experience in the  
4 seven other states where it provides electric utility service indicates that most  
5 customers who participate in an AMP program with a quarterly review process do  
6 not need an adjustment during the year because their AMP monthly bill amounts  
7 track within an allowed range. However, for some customers where usage has  
8 changed in a meaningful way, due to circumstances in the home such as an  
9 increase in residents or weather variation from the previous year as examples, a  
10 quarterly review and adjustment can make a meaningful difference to the amount  
11 owed in the true-up month.

12 **Q. How does a quarterly AMP review work?**

13 A. When a quarterly AMP review is in place, Xcel Energy's billing system uses the  
14 current rate for electricity, along with the forecasted consumption based on  
15 consumption for the same period in the prior year, to forecast the new AMP  
16 amount. Any bill credits, such as a rate refund, are not considered consumption  
17 and are not part of the review calculation.

18 The AMP review is performed every three months (at three, six, and nine  
19 months) through Xcel Energy's billing system. The review is also conducted at  
20 12 months to create the new AMP amount for the next year.

21 The review calculation accounts for the following: Last review date;  
22 current AMP amount; consumption history for the remaining number of  
23 installments for the same period in the prior year; and AMP difference (actual  
24 consumption minus actual payments).

1 **Q. Please explain how the billing system calculates the AMP review.**

2 A. The billing system calculates AMP review through the following steps:

- 3 1. To forecast consumption, the billing system extracts the consumption for  
4 the same period from the prior year for the number of remaining  
5 installments.
- 6 2. To forecast the invoice amount, the billing system multiplies the  
7 forecasted consumption by the current tariff rate.
- 8 3. To forecast the amount remaining to be billed on the plan, the billing  
9 system subtracts the AMP difference (sum of all smoothing journals and  
10 any reversal journals) from the forecasted invoice amount.
- 11 4. To forecast the new AMP amount, the billing system divides the  
12 forecasted amount remaining by the number of installments remaining.
- 13 5. Finally, the billing system compares the forecasted new AMP amount to  
14 the last billed AMP amount.
  - 15 a. If the difference between the two is \$50 or more, the AMP amount  
16 will change to the forecasted AMP amount.
  - 17 b. If the difference between the two is less than \$50, the AMP  
18 amount will not change.

19 **Q. Has SPS discussed this requested tariff change with representatives of the**  
20 **Commission of Texas Staff and the Office of Public Utility Counsel**  
21 **(“OPUC”)?**

22 A. Yes. SPS has discussed this with members of the Commission Staff and OPUC,  
23 and responded to their questions. Neither Commission Staff nor OPUC raised  
24 any objections at the time of the discussion.

25 **Q. Would enabling a quarterly review in your billing system be difficult or**  
26 **costly to implement?**

27 A. No. The technical implementation of the change for Texas retail customers would  
28 involve turning on programming already active in the seven other states that

1           implement the quarterly AMP. It is not possible, however, to activate the  
2           programming in a staggered fashion or only for new AMP customers.

3   **Q.    If approved, how does SPS propose to inform customers of this change?**

4   A.    SPS requests up to 90 days from receiving Commission approval to implement  
5           the change to communicate with customers prior to and during the change through  
6           bill messaging, Xcel Energy's web site, and potentially other means, as well as to  
7           inform contact center agents so they can best assist customers if they have any  
8           questions.

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

10 A.    Yes.

**AFFIDAVIT**

STATE OF COLORADO   )  
  )  
COUNTY OF DENVER   )

S. MICHELLE EDWARDS, first being sworn on her 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.

S. Michelle Edwards  
S. MICHELLE EDWARDS

Subscribed and sworn to before me this 29<sup>th</sup> day of July, 2019 by S. MICHELLE EDWARDS.



Keli L. Cavaleri  
Notary Public, State of Colorado

My Commission Expires: 10-21-2021

Southwestern Public Service Company

Native SPS Costs for Meter Reading and  
Customer Records and Collections

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
<b>Production</b>					
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

Native SPS Costs for Meter Reading and  
Customer Records and Collections

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
<b>Transmission</b>					
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
<b>Regional Market Expenses</b>					
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

Native SPS Costs for Meter Reading and  
Customer Records and Collections

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
<b>Distribution</b>					
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	<b>Total Distribution O&amp;M Expenses</b>		<b>\$ 34,269,676</b>	<b>\$ 4,546,065</b>	<b>\$ 38,815,741</b>
<b>Customer Accounts</b>					
92	901	Supervision	\$ -	\$ 30,503	\$ 30,503
93	902	<b>Meter Reading Expenses</b>	<b>4,380,976</b>	<b>460,573</b>	<b>4,841,549</b>
94	903	<b>Customer Records and Collection Expenses</b>	<b>3,232,359</b>	<b>3,722,097</b>	<b>6,954,456</b>
95	904.0*	<b>Uncollectible Expenses</b>	<b>4,736,858</b>	<b>-</b>	<b>4,736,858</b>
96	904.1*	<b>Uncollectible Expenses<sup>1</sup></b>	<b>762,650</b>	<b>-</b>	<b>762,650</b>
97	DEPINT Customer Deposit Interest Expense		151,110	-	151,110
98	<b>Total Customer Accounts Expense</b>		<b>\$ 13,263,953</b>	<b>\$ 4,213,172</b>	<b>\$ 17,477,125</b>
<b>Customer Service</b>					
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	<b>Total Customer Service Expense</b>		<b>\$ 1,701,811</b>	<b>\$ 152,081</b>	<b>\$ 1,853,892</b>
<b>Sales</b>					
107	912.00	Demonstration and Selling Expense-Economic Development	\$ 273,509	\$ 105	\$ 273,614
108	<b>Total Sales Expense</b>		<b>\$ 273,509</b>	<b>\$ 105</b>	<b>\$ 273,614</b>

Southwestern Public Service Company

Native SPS Costs for Meter Reading and  
Customer Records and Collections

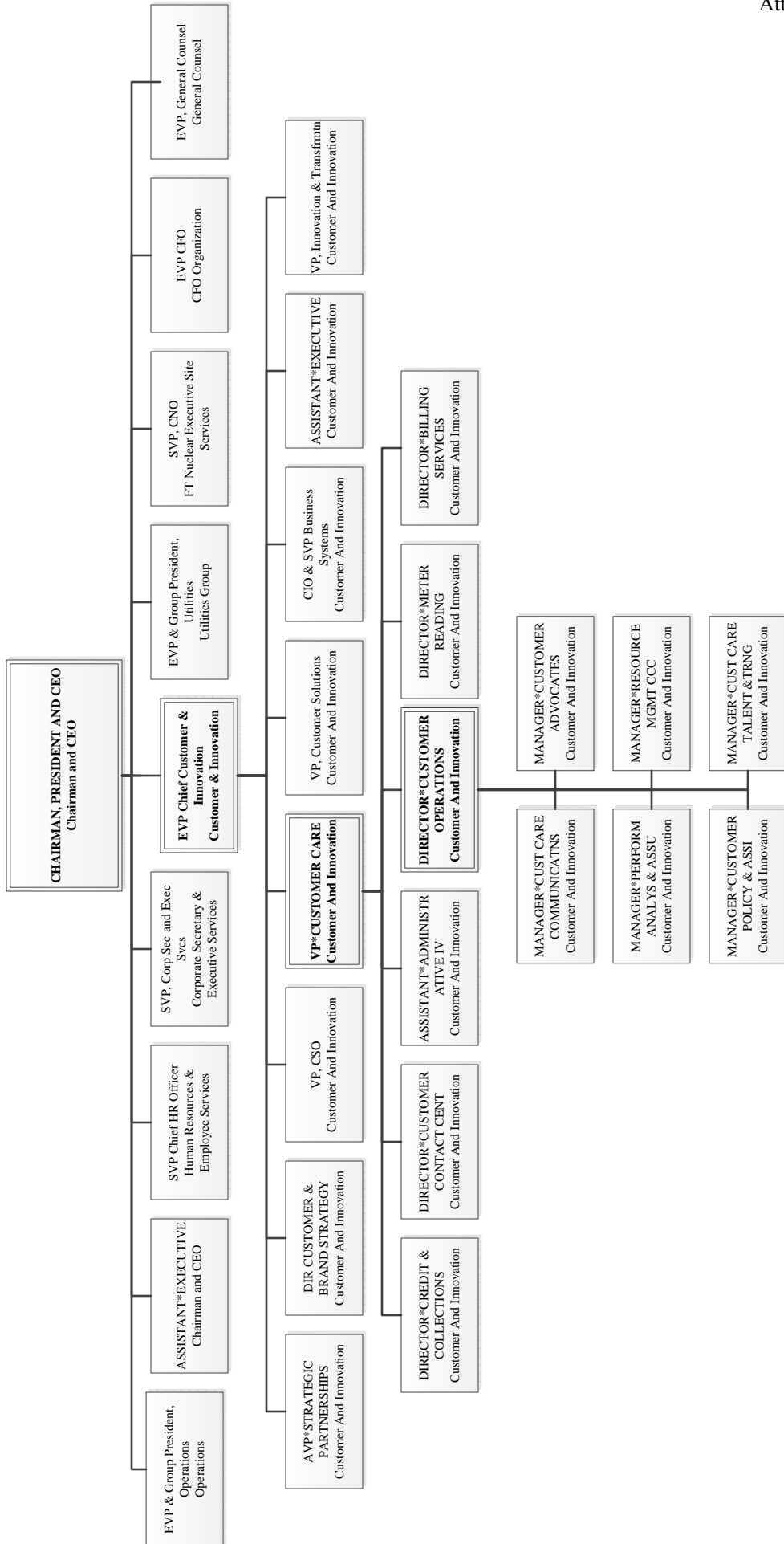
Total Company SPS Operation and Maintenance Expenses

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
<b>Administrative and General Expenses</b>					
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		<b>Total Administrative and General Expenses</b>	<b>\$ 38,799,063</b>	<b>\$ 79,606,791</b>	<b>\$ 118,405,854</b>
128		<b>Total Operations and Maintenance Expense</b>	<b>\$ 407,378,077</b>	<b>\$ 121,377,667</b>	<b>\$ 528,755,744</b>

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

<sup>1</sup> Ms. Edwards co-sponsors FERC Account 904.1 with SPS witness Casey S. Meeks. Mr. Meeks sponsors the portion related to distribution.

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



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

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro-Formas	(K) Requested Amount (Total Company)	(L) % of Class Charges
1	Customer Care	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 75,000.00	\$ 65,342.70	\$ 9,657.30	\$ -	\$ 9,657.30	\$ (9,657.30)	\$ -	0.00%
2	Customer Care	200079 - Federal Lobbying	Assets/Revenue/No. of employees	3,341.70	2,910.11	431.59	(431.59)	-	-	-	0.00%
3	Customer Care	200151 - Customer Billing FERC 903	Number of Customer Bills	9,806,265.48	8,965,944.79	840,320.69	(174.33)	840,146.36	(9,364.82)	830,781.54	25.52%
4	Customer Care	200152 - Customer Care 902	Number of Customers	459,742.50	427,692.33	32,050.17	-	32,050.17	(410.19)	31,639.98	0.97%
5	Customer Care	200155 - Customer Care 903	Number of Customers	32,927,236.74	30,628,367.03	2,298,869.71	(496.71)	2,298,373.00	(33,421.25)	2,264,951.75	69.57%
6	Customer Care	200156 - Customer Care 901	Number of Customers	327,561.29	304,706.14	22,855.15	212.91	23,068.06	9,387.46	32,455.52	1.00%
7	Customer Care	200158 - Customer Care South 903	Number of Customers	759.59	668.48	91.11	-	91.11	(91.11)	-	0.00%
8	Customer Care	200160 - Customer Care North 903	Number of Customers	553,886.67	553,886.67	-	-	-	-	-	0.00%
9	Customer Care	200161 - Customer Care Low Income Assistance 908	Number of Residential Customers	538,278.34	488,115.63	50,162.71	(18.05)	50,144.66	(569.44)	49,575.22	1.52%
10	Customer Care	Direct	Direct	953,888.53	893,088.98	60,799.55	(13,983.71)	46,815.84	(498.92)	46,316.92	1.42%
11	Customer Care Total			\$ 45,645,960.84	\$ 42,330,722.86	\$ 3,315,237.98	\$ (14,891.48)	\$ 3,300,346.50	\$ (44,625.56)	\$ 3,255,720.94	100.00%
12	Total - Witness Michelle Edwards			\$ 45,645,960.84	\$ 42,330,722.86	\$ 3,315,237.98	\$ (14,891.48)	\$ 3,300,346.50	\$ (44,625.56)	\$ 3,255,720.94	
	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**

**S. Michelle Edwards**

**2019 TX Rate Case**

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

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**SME-RR-B(CD)**

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Exclusions	(E) Exclusions (Total Company)
1	Customer Care	417.1 - Expenses of nonutility operations	Below the line	\$ (13,983.71)
2	Customer Care	426.1 - Donations	Below the line	331.44
3	Customer Care	426.4 - Life Insurance	Below the line	(431.59)
4	Customer Care	426.5 - Other Deductions	Below the line	(807.62)
5	<b>Customer Care Total</b>			<b>\$ (14,891.48)</b>
6		<b>Total - Witness Michelle Edwards</b>		<b>\$ (14,891.48)</b>
	Amounts may not add or tie to other schedules due to rounding.			

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
1	Customer Care	408.1 - Tax Other Than Income Tax - Payroll	Business Area Adjustment	Michelle Edwards	\$ (9.60)
2	Customer Care	588 - Miscellaneous distribution expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	24.06
3	Customer Care	901 - Supervision	116.5% Incentive	Arthur Freitas/Michael Knoll	(313.94)
4	Customer Care	901 - Supervision	3% Wage Adjustment	Arthur Freitas/Michael Knoll	617.01
5	Customer Care	901 - Supervision	Business Area Adjustment	Michelle Edwards	9,447.53
6	Customer Care	902 - Meter reading expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(440.26)
7	Customer Care	902 - Meter reading expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	566.55
8	Customer Care	902 - Meter reading expenses	Business Area Adjustment	Michelle Edwards	(56.84)
9	Customer Care	903 - Customer records and collection expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(38,343.49)
10	Customer Care	903 - Customer records and collection expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	54,313.56
11	Customer Care	903 - Customer records and collection expenses	Business Area Adjustment	Michelle Edwards	(12,518.20)
12	Customer Care	908 - Customer assistance expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(1,256.42)
13	Customer Care	908 - Customer assistance expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	1,629.05
14	Customer Care	909 - Customer Service Instructional Advertising	Business Area Adjustment	Michelle Edwards	(121.60)
15	Customer Care	920 - Administrative and general salaries	Business Area Adjustment	Michelle Edwards	(9,657.30)
16	Customer Care	925 - Injuries & Damages	Business Area Adjustment	Michelle Edwards	(0.39)
17	Customer Care	926 - Employee pensions and benefits	Business Area Adjustment	Michelle Edwards	(48.92)
18	Customer Care	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(46,453.39)
19	Customer Care	930.1 - General advertising expenses	Advertising	Arthur Freitas	(1,967.45)
20	Customer Care	931 - Rents	Business Area Adjustment	Michelle Edwards	(35.51)
21	<b>Customer Care Total</b>				<b>\$ (44,625.56)</b>
22	<b>Total Witness - Michelle Edwards</b>				<b>\$ (44,625.56)</b>
		Amounts may not add or tie to other schedules due to rounding			