

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

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

**UPDATE TESTIMONY  
of  
RICHARD R. SCHRUBBE**

*on behalf of*

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

*(Filename: SchrubbeRRUpdate.doc; Total Pages: 14)*

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

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
FAS	Statement of Financial Accounting Standard
IBNR	Incurred But Not Reported
PURA	Public Utility Regulatory Act
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	April 1, 2018 through March 31, 2019
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

**UPDATE TESTIMONY  
OF  
RICHARD R. SCHRUBBE**

1                                    **I. WITNESS IDENTIFICATION**

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

3    A.    My name is Richard R. Schrubbe. My business address is 401 Nicollet Mall,  
4            Minneapolis, Minnesota 55401.

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

6    A.    I am employed by Xcel Energy Services Inc. as Area Vice-President.

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

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

10   **Q.    Are you the same Richard R. Schrubbe who filed direct testimony on behalf**  
11           **of SPS in this docket?**

12   A.    Yes.

1 **II. ASSIGNMENT FOR UPDATE TESTIMONY**

2 **Q. What is the purpose of your update testimony?**

3 A. The purpose of my update testimony is to explain the adjustments that SPS is  
4 making in accordance with Section 36.112(b)(2) of the Public Utility Regulatory  
5 Act (“PURA”), which allows a utility to calculate its revenue requirement based  
6 on “information submitted for a test year, updated to include information that  
7 reflects the most current actual or estimated information regarding increases and  
8 decreases in the utility’s cost of service, including expenses, capital investment,  
9 cost of capital, and sales.”<sup>1</sup> In its initial application, SPS provided information for  
10 the Test Year, which was the 12-month period from April 1, 2018 to March 31,  
11 2019.

12 The purpose of my update testimony is to replace the numbers in my  
13 direct testimony with actual numbers for the Updated Test Year, which is the  
14 twelve-month period from July 1, 2018 through June 30, 2019. The Updated Test  
15 Year includes the three-month period from April 1, 2019 through June 30, 2019,  
16 which I refer to as the “Update Period.” Specifically, I describe updated amounts  
17 for:

- 18 (a) qualified pension expense calculated under Statement of Financial  
19 Accounting Standard (“FAS”) 87;  
20 (b) retiree medical expense calculated under FAS 106;

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<sup>1</sup> PURA is codified in Title II of the Texas Utilities Code. See Tex. Util. Code §§ 11.001-66.016.

- 1 (c) self-insured long-term disability expense calculated under FAS  
2 112;<sup>2</sup>
- 3 (d) active health care expense;
- 4 (e) third-party insured long-term disability expense;
- 5 (f) life insurance benefit expense;
- 6 (g) miscellaneous health-care-related benefit expense;
- 7 (h) miscellaneous retirement costs;
- 8 (i) 401(k) match expense; and
- 9 (j) third-party insured workers' compensation benefit expense.

10 I am also updating the following Rate Filing Package schedules, and I incorporate  
11 them into my update testimony:

- 12 • Schedule B-2, and
- 13 • Schedules G-2.0, 2.1, 2.2, and 2.3.

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

15 A. I recommend that the Public Utility Commission of Texas authorize SPS to  
16 recover \$29,660,404 (total company) in pension and benefits, which includes  
17 actual amounts and known and measurable adjustments through the end of the  
18 Update Period. Table RRS-RR-U1 (next page) summarizes the updated amounts  
19 of the pension and benefit costs that SPS seeks to recover in rates.

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<sup>2</sup> The amounts requested for qualified pension expense, retiree medical expense, and self-insured long-term disability expense are not changing, but the per book amounts have changed. I discuss those changes to the per book amounts in this Update Testimony.

Table RRS-RR-U1

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Benefit</b>	<b>Updated Test Year (12 months ended June 30, 2019)</b>	<b>Known and Measurable Adjustment</b>	<b>Amount Included in Updated Testimony Cost of Service</b>
Qualified Pension	\$10,471,822	\$(656,598)	\$9,815,224
Non-Qualified Pension	\$439,806	\$(26,425)	\$413,381
Remove Non-Qualified Pension	0	\$(413,381)	\$(413,381)
FAS 106 Retiree Medical	\$(97,148)	\$65,877	\$(31,271)
FAS 112 Long-Term Disability (Self-Insured)	\$(21,750)	\$35,942	\$14,192
Active Health Care	\$13,877,787 <sup>3</sup>	\$264,244	\$14,142,030
Long-Term Disability (Third-Party-Insured)	\$602,789	0	\$602,789
Life Insurance	\$150,567	0	\$150,567
Miscellaneous Health-Care-Related Benefit Programs and Costs	\$728,394	0	\$728,394
401(k) Match	\$3,110,099	\$91,046	\$3,201,145
Miscellaneous Retirement-Related Costs	\$229,962	0	\$229,962
Workers Compensation (Third-Party-Insured)	\$807,373	0	\$807,373
<b>Total Pension and Benefits Expense</b>	<b>\$30,299,880</b>	<b>\$(639,476)</b>	<b>\$29,660,404</b>

<sup>3</sup> As explained in footnote 3 on page 13 of my direct testimony, the per book amount for active health care must be adjusted to reflect the Incurred But Not Reported (“IBNR”) amount. For the Updated Test Year, the IBNR adjustment is \$(66,597). That amount is offset by a known and measurable adjustment of \$330,841 to arrive at a net adjustment of \$264,244. On page 34 of my direct testimony, I explained at how I arrived at the \$330,841 adjustment.

1                   **III. UPDATES TO PENSION AND BENEFIT AMOUNTS**

2   **A. Qualified Pension Expense**

3   **Q.   Is SPS seeking to update the amount of qualified pension expense that is**  
4       **included in the cost of service?**

5   A.   No. As I explained in my direct testimony, SPS is basing its requested amount of  
6       qualified pension expense on the February 2019 calculation by SPS's actuary,  
7       Willis Towers Watson.<sup>4</sup> Because that calculation had been performed before SPS  
8       filed its direct testimony, it is not necessary to update the amount requested,  
9       which is \$9,815,224 on a total company basis.

10 **Q.   Is SPS providing any updates related to qualified pension expense?**

11 A.   Yes. SPS is updating the per book amount of qualified pension expense, which  
12       was \$10,471,822 (total company) for the Updated Test Year. To get from that  
13       amount to the requested amount of \$9,815,224 (total company), it is necessary to  
14       make a known and measurable adjustment of \$656,598 (total company) to the  
15       updated per book amount.

16 **B. Retiree Medical Expense**

17 **Q.   Is SPS seeking to update the amount of retiree medical expense that is**  
18       **included in the cost of service?**

19 A.   No. Similar to the qualified pension expense, SPS is basing its requested amount  
20       of retiree medical expense on the calculation by Willis Towers Watson. The  
21       requested amount of retiree medical expense is \$(31,271) on a total company  
22       basis.

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<sup>4</sup> See Attachment RRS-RR-3 to my direct testimony.

1 **Q. Is SPS providing any updates related to retiree medical expense?**

2 A. Yes. SPS is updating the per book amount of retiree medical pension expense,  
3 which was \$(97,148) (total company) for the Updated Test Year. To get from that  
4 amount to the requested amount of \$(31,271) (total company), it is necessary to  
5 make a known and measurable adjustment of \$65,877 (total company) to the  
6 updated per book amount.

7 **C. Self-Insured Long-Term Disability**

8 **Q. Is SPS seeking to update the amount of self-insured long-term disability  
9 expense that is included in the cost of service?**

10 A. No. Similar to the qualified pension expense, SPS is basing its requested amount  
11 of self-insured long-term disability expense on the calculation by Willis Towers  
12 Watson. The requested amount of self-insured long-term disability expense is  
13 \$14,192 on a total company basis.

14 **Q. Is SPS providing any updates related to self-insured long-term disability  
15 expense?**

16 A. Yes. SPS is updating the per book amount of self-insured long-term disability  
17 expense, which was \$(21,750) (total company) for the Updated Test Year. To get  
18 from that amount to the requested amount of \$14,192 (total company), it is  
19 necessary to make a known and measurable adjustment of \$35,942 (total  
20 company) to the updated per book amount.

21 **D. Active Health Care**

22 **Q. What amount of active health care expense did SPS include in its direct  
23 testimony cost of service?**

24 A. The amount of active health care expense that SPS included in its direct testimony  
25 cost of service was \$14,455,628 (total company).



1 **Q. Is SPS changing that amount to reflect any known and measurable changes**  
2 **during the Update Period?**

3 A. Yes. SPS is changing the per book amount to reflect the actual amount of active  
4 health care expense incurred during the Updated Test Year, which was  
5 \$13,877,787. SPS then reduced that amount to reflect an IBNR adjustment of  
6 \$(66,597), which produced an Updated Test Year amount of \$13,811,190.  
7 Finally, SPS made the known and measurable adjustment of \$330,841 that I  
8 discussed in my direct testimony to arrive at the new active health care expense  
9 amount of \$14,142,030 (total company).

10 **E. Third-Party-Insured Long-Term Disability**

11 **Q. What amount of third-party-insured long-term disability expense did SPS**  
12 **include in its direct testimony cost of service?**

13 A. The amount of third-party-insured long-term disability expense that SPS included  
14 in its direct testimony cost of service was \$609,712 (total company).

15 **Q. Is SPS changing that amount to reflect the actual amounts for the Updated**  
16 **Test Year?**

17 A. Yes. The actual amount of third-party-insured long-term disability expense that  
18 SPS incurred during the Updated Test Year was \$602,789. That is the amount  
19 that is included in SPS's updated cost of service.

20 **F. Life Insurance**

21 **Q. What amount of life insurance expense did SPS include in its direct**  
22 **testimony cost of service?**

23 A. The amount of life insurance expense that SPS included in its direct testimony  
24 cost of service was \$152,145 (total company).

1 **Q. Is SPS changing that amount to reflect the actual amounts for the Updated**  
2 **Test Year?**

3 A. Yes. The actual amount of life insurance expense that SPS incurred during the  
4 Updated Test Year was \$150,567 (total company). That is the amount that is  
5 included in SPS's updated cost of service.

6 **G. Miscellaneous Health-Care-Related Benefits**

7 **Q. What amount of miscellaneous health-care-related benefits expense did SPS**  
8 **include in its direct testimony cost of service?**

9 A. The amount of miscellaneous health-care-related benefits expense that SPS  
10 included in its direct testimony cost of service was \$741,099 (total company).<sup>5</sup>

11 **Q. Is SPS changing that amount to reflect the actual amounts incurred during**  
12 **the Updated Test Year?**

13 A. Yes. The actual amount of miscellaneous health-care-related benefits that SPS  
14 incurred during the Updated Test Year was \$728,394. That is the amount that is  
15 included in SPS's updated cost of service.

16 **H. Miscellaneous Retirement Costs**

17 **Q. What amount of miscellaneous retirement expense did SPS include in its**  
18 **direct testimony cost of service?**

19 A. The amount of miscellaneous retirement expense that SPS included in its direct  
20 testimony cost of service was \$239,084 (total company).<sup>6</sup>

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<sup>5</sup> I describe those miscellaneous health-care-related benefits on page 35 of my direct testimony.

<sup>6</sup> I describe those miscellaneous retirement expenses on page 43 of my direct testimony.

1 **Q. Is SPS changing that amount to reflect the actual miscellaneous retirement**  
2 **costs incurred during the Updated Test Year?**

3 A. Yes. The actual amount of miscellaneous retirement costs that SPS incurred  
4 during the Updated Test Year was \$229,962. That is the amount that is included  
5 in SPS's updated cost of service.

6 **I. 401(k) Match**

7 **Q. What amount of 401(k) matching expense did SPS include in its direct**  
8 **testimony cost of service?**

9 A. SPS included \$3,198,137 (total company) of 401(k) matching expense in its direct  
10 testimony cost of service.

11 **Q. Is SPS changing that amount to reflect any known and measurable changes**  
12 **during the Update Period?**

13 A. Yes. SPS is requesting a known and measurable adjustment of \$91,046 (total  
14 company) for 401(k) matching expense. That amount is necessary to match the  
15 additional compensation amounts incurred during the Update Period. Adding the  
16 known and measurable amount to the \$3,198,137 requested in my direct  
17 testimony produces an Updated Test Year amount of \$3,201,145 (total company).  
18 That is the amount SPS has included in the updated cost of service.

19 **J. Third-Party-Insured Workers' Compensation**

20 **Q. What amount of third-party-insured workers' compensation expense did**  
21 **SPS include in its direct testimony cost of service?**

22 A. The amount of third-party-insured workers' compensation expense that SPS  
23 included in its direct testimony cost of service was \$811,724 (total company).

1 **Q. Is SPS changing that amount to reflect the actual third-party-insured**  
2 **workers' compensation expense incurred during the Updated Test Year?**

3 A. Yes. The actual amount of third-party insured workers' compensation expense  
4 that SPS incurred during the Updated Test Year was \$807,373 (total company).  
5 That is the amount that is included in SPS's updated cost of service.

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

7 A. Yes.

**AFFIDAVIT**


STATE OF MINNESOTA       )  
  )  
COUNTY OF HENNEPIN     )

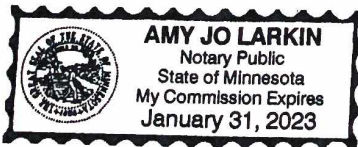
RICHARD R. SCHRUBBE, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachments and am familiar with their 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.

  
\_\_\_\_\_  
RICHARD R. SCHRUBBE

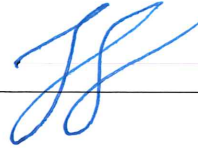
Subscribed and sworn to before me this 11 day of September 2019 by  
RICHARD R. SCHRUBBE.

  
\_\_\_\_\_  
Notary Public, State of Minnesota  
My Commission Expires: 1/31/2023



**CERTIFICATE OF SERVICE**

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



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