

DOCKET NO. _____

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

**DIRECT TESTIMONY
of
JAMES L. ALTMAN**

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: AltmanRRDirect.doc)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Commission	Public Utility Commission of Texas
FERC	Federal Energy Regulatory Commission
GC	General Counsel
NERC	North American Electric Reliability Corporation
O&M	Operation and maintenance
Operating Companies	Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS
Operating Company	One of the Operating Companies
SEC	Securities and Exchange Commission
SME	Subject Matter Expert
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	April 1, 2018 through March 31, 2019
TPA	third-party administrator
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>
JLA-RR-1	Organization Chart – General Counsel (<i>Non-native format</i>)
JLA-RR-2	Native SPS Costs for Outside Law Firms and Third Party Legal Vendors (<i>Filename: JLA-RR-2.docx</i>)
JLA-RR-A (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Billing Method (<i>Filename: JLA-RR-ABCD.xlsx</i>)
JLA-RR-B(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method and FERC Account (<i>Filename: JLA-RR-ABCD.xlsx</i>)
JLA-RR-C (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account (<i>Filename: JLA-RR-ABCD.xlsx</i>)
JLA-RR-D (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account (<i>Filename: JLA-RR-ABCD.xlsx</i>)

**DIRECT TESTIMONY
OF
JAMES L. ALTMAN**

1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3 A. My name is James L. Altman. My business address is 401 Nicollet Mall,
4 Minneapolis, Minnesota 55401.

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

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

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

10 A. I am employed by Xcel Energy Services Inc. (“XES”), the service company
11 subsidiary of Xcel Energy, as Vice President and Deputy General Counsel.

12 **Q. Please briefly outline your responsibilities as Vice President and Deputy**
13 **General Counsel.**

14 A. I am responsible for providing legal support to the directors, officers, and
15 employees of Xcel Energy and its subsidiaries, supervising in-house and outside
16 counsel who perform services for Xcel Energy and its subsidiaries, and
17 maintaining cost control over the legal services provided by the General Counsel
18 business area. I am also responsible overall for litigation, and manage litigation
19 as well.

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

2 A. In 1979, I graduated summa cum laude from University of Minnesota with a
3 Bachelor of Arts. In 1982, I obtained my Juris Doctor degree from the University
4 of Iowa.

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

6 A. Between September 1982 and April 1987, I practiced law at the Minneapolis,
7 Minnesota law firm of Dorsey & Whitney. My primary area of practice was
8 commercial litigation. On April 1, 1987, I joined the law department of Northern
9 States Power Company. My primary area of practice continued to be litigation at
10 Northern States Power Company, with an emphasis on tort litigation. Following
11 the August 2000 merger between Northern States Power Company and New
12 Century Energies, Inc., I became the practice leader for Xcel Energy in the area of
13 litigation. I also assumed supervising responsibility for the Claims Services
14 group, which consisted of claims investigators and billing coordinators. My job
15 responsibilities and title (Assistant General Counsel) remained unchanged until
16 November 2005. At that time, I was promoted to Vice President and Deputy
17 General Counsel.

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

20 A. Over my career, I have taken courses and seminars related specifically to the
21 public utility industry and related issues, including Utility Accounting
22 Fundamentals and a Financial Fundamentals seminar.

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

24 A. Yes. I am licensed to practice law in Minnesota and Wisconsin.

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

2 A. Yes. I am a member of the American Bar Association, the Minnesota Bar
3 Association, and the Wisconsin Bar Association.

4 **Q. Have you previously testified or filed testimony at any regulatory**
5 **commission?**

6 A. Yes. I testified before the Public Utility Commission of Texas (“Commission”) in
7 SPS’s most recently litigated base rate case, Docket No. 43695, in support of the
8 costs for the General Counsel business area including explanations of services
9 provided, reasonableness and necessity of the services, and charges to SPS for the
10 services. I have also submitted testimony to the Commission in SPS’s prior base
11 rate cases, Dockets No. 32766, 40824, 42004, 45524, and 47527 covering these
12 same topics.

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)¹ operation
5 and maintenance (“O&M”) expenses and the administrative and general expenses
6 for the following three classes of affiliate services:

- 7 1. GC Claims;
8 2. GC Legal Services; and
9 3. GC VP General Counsel.

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

- 11 • describe the services included in the class;
12 • explain that those services are reasonable and necessary for SPS’s
13 operation;
14 • explain that the costs for those services are reasonable and necessary;
15 • explain that these services do not duplicate services that SPS provides
16 to itself through its own employees or that are provided from any other
17 source; and
18 • explain that each charge from SPS’s affiliates for these services is
19 billed at cost, and is no higher than the charge by those affiliates to any
20 other entity for the same or similar service.

21 In addition, I address legal costs from outside law firms and third party legal
22 vendors that SPS incurred directly (“native SPS costs”), rather than through XES,
23 and explain why these costs are reasonable and necessary for SPS’s operation.

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

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

2 A. The estimated Updated Test Year costs that SPS seeks to recover for the services
3 of each of the three affiliate classes that I support are reasonable and necessary
4 because they support SPS's ability to provide electric service to its Texas retail
5 customers. SPS does not provide these services for itself, and the services do not
6 duplicate services provided by others. The costs for these services are reasonable
7 because they are shared with other affiliates, include reasonable personnel costs,
8 and are subjected to rigorous budgeting and cost control processes. Each charge
9 from SPS's affiliates for these services is no higher than the charge by those
10 affiliates to any other entity for the same or similar service.

11 In addition to charges for legal services provided through XES, during the
12 Updated Test Year SPS directly incurred costs associated with charges from
13 outside law firms and other third party legal vendors. These costs, which are
14 reflected on my Attachment JLA-RR-2, are reasonable and necessary to support
15 SPS's ability to provide service to its Texas retail customers.²

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

18 A. As explained by SPS witness William A. Grant, SPS will be using an Updated
19 Test Year in this case. SPS's initial filing presents actual expenses for the Test
20 Year (April 1, 2018 through March 31, 2019) and estimated information for the
21 time period of April 1, 2019 through June 30, 2019, which is the Update Period.

² As shown on Attachment JLA-RR-2, I sponsor only those amounts in FERC Account 923 that relate to expenses for outside law firms and other third party legal vendors.

1 Accordingly, the first nine months of SPS's Updated Test Year (i.e., July 2018
2 through March 2019) consist of actual cost information and the last three months
3 (i.e., April through June 2019) contain estimated cost information. For this
4 reason, certain SPS witnesses refer to the Updated Test Year in direct testimony
5 as the "estimated Updated Test Year."

6 Regarding the GC Claims, GC Legal Services, and GC VP General
7 Counsel affiliate costs I support, as explained by SPS witness Adam R.
8 Dietenberger, actual figures for April and May 2019 have been provided and June
9 2019 figures have been estimated based on the forecasted budget. However, these
10 expenses have not gone through the full pro forma adjustment review process.

11 Regarding the native SPS costs for legal services that I support, which are
12 provided in my Attachment JLA-RR-2, as explained by SPS witness Arthur P.
13 Freitas, actual figures for April and May 2019 have been provided and June 2019
14 figures have been estimated based on the forecasted budget.

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

17 A. Yes. Consistent with the Commission's Rate Filing Package requirements, SPS
18 will file an update 45 days after this application has been filed. The update will
19 provide actual costs to replace the estimates provided in the application for the
20 Update Period. As part of that process, my Attachments JLA-RR-A through D
21 will be updated to remove estimates of GC Claims, GC Legal Services, and GC
22 VP General Counsel affiliate O&M expenses incurred by SPS during the Updated
23 Test Year and estimated amounts will be replaced with actual expenses, which
24 will be used to establish SPS's base rates in this case. Additionally, my

1 Attachment JLA-RR-2 will be updated in SPS's 45-day update filing to replace
2 estimates of SPS's native costs relating to outside law firms and other third party
3 legal vendors with actuals.

4 **Q. Were Attachments JLA-RR-1 through JLA-RR-D prepared by you or under**
5 **your direct supervision and control?**

6 A. Yes, as to Attachment JLA-RR-1. Attachment JLA-RR-2 was prepared by Mr.
7 Freitas and his staff and is based on the cost of service study. My staff and I have
8 reviewed this attachment and believe it to be accurate. Attachments JLA-RR-A
9 through JLA-RR-D were prepared by SPS witness Melissa L. Schmidt and her
10 staff. My staff and I have reviewed these attachments and I believe them to be
11 accurate. My Attachments JLA-RR-A through JLA-RR-D present the same
12 information provided in Ms. Schmidt's Attachments MLS-RR-A through
13 MLS-RR-D. These documents are attached to my testimony for the convenience
14 of those reviewing my testimony.

15 **Q. In providing a summary of your testimony, you referred to "affiliate classes."**
16 **What do you mean by the terms "affiliate class" or "affiliate class of**
17 **services"?**

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

1 **III. AFFILIATE EXPENSES FOR THE GC CLAIMS**
2 **CLASS OF SERVICES**

3 **A. Overview of the GC Claims Class of Services**

4 **Q. Where does the GC Claims affiliate class fit into the overall affiliate**
5 **structure?**

6 A. Attachment MLS-RR-6 to Ms. Schmidt's direct testimony provides a list and a
7 pictorial display of all affiliate classes, dollar amounts for those classes, and
8 sponsoring witness for each class. As seen on that attachment, the GC Claims
9 affiliate class was part of the General Counsel business area during the Updated
10 Test Year. Attachment JLA-RR-1 to my testimony is an organization chart
11 showing the General Counsel organization.

12 **Q. What services are grouped into the GC Claims affiliate class?**

13 A. The services that are grouped into the GC Claims affiliate class include effective,
14 efficient, and professional claims services for Xcel Energy related to casualty,
15 public, and legal entity claims, ranging from simple liability claims to
16 investigations of catastrophic loss. The GC Claims affiliate class supports other
17 parts of the Legal Services organization and the Operating Companies in their
18 respective service territories. It also assists other subsidiaries upon request. The
19 GC Claims organization reports to the Managing Attorney – Litigation. The
20 Managing Attorney – Litigation reports to me as the Vice President and Deputy
21 General Counsel.

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

24 A. The following table summarizes the dollar amount of the estimated Updated Test
25 Year XES charges for the GC Claims affiliate class. I will update the table below

as part of SPS's 45-day case update filing to reflect the actual Updated Test Year costs for the GC Claims affiliate class.

Table JLA-RR-1

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
GC Claims	\$1,742,190	\$230,800	91.15%	8.85%

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 JLA-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 JLA-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.

Q. Please describe the attachments that support the information provided on Table JLA-RR-1.

A. There are four attachments to my testimony that present information about the requested SPS affiliate expenses for the GC Claims affiliate class.

Attachment JLA-RR-A: Provides a summary of the affiliate expenses for this class during the Updated Test Year. The portion of the summary specific

1 to billings to SPS starts with the total of the XES expenses to SPS for the services
2 provided by this affiliate class and ends with the requested dollar amount of XES
3 expenses to SPS (“total company”) for this affiliate class after exclusions and pro
4 forma adjustments. The columns on this attachment provide the following
5 information.

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	Billing Method (Cost Center)	Shows the billing method that XES uses to charge the expenses to the affiliates, and the billing method short title. In her direct testimony, Ms. Schmidt explains the billing methods and defines the codes.
Column D —	Allocation Method	Shows the allocation method applicable to the billing method (cost center).
Column E —	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	Shows XES billings to all legal entities for the affiliate class.
Column F —	XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	Shows XES billings to all legal entities except SPS for the affiliate class.
Column G —	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Shows XES billings to SPS (total company) for the affiliate class.
Column H —	Exclusions	Shows the total dollars to be excluded from Column G. Exclusions reflect expenses not requested, such as expenses not allowed or other expenses excluded from the cost of service.

Column I —	Per Book	Shows XES billings to SPS (total company), for the affiliate class, after the exclusions shown in Column H. The dollar amount in Column I is Column G plus Column H.
Column J —	Pro Formas	Shows the total dollar amount of pro forma adjustments to the dollar amount in Column I. Pro forma adjustments reflect revisions for known and measurable changes to the Updated Test Year expenses.
Column K —	Requested Amount (Total Company)	Shows the requested amount (total company) for the affiliate class. The dollar amount in Column K is Column I plus Column J.
Column L —	% of Class Charges	Shows the percentage of affiliate class charges billed using the cost center.

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

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

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Legal Entity Receiving XES Expense	Shows the legal entity (Xcel Energy or one of its subsidiaries) that received the XES expense.
Column C —	Affiliate Class	Lists the affiliate class.
Column D —	Cost Element	Provides the cost element number.
Column E —	Activity	Provides a short title for the activity.
Column F —	Billing Method (Cost Center)	Identifies the billing method and short title. In her direct testimony, Ms. Schmidt explains the billing methods and defines the codes.
Column G —	FERC Account	Shows the FERC Account in which the expense was recorded for the operating companies.
Column H —	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to all legal entities for the affiliate class.
Column I —	XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to all legal entities except SPS for the affiliate class.
Column J —	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to SPS for the affiliate class. Therefore, the sum of this column provides total billings to SPS and ties to the total dollar amount for the affiliate class in Column G of Attachment JLA-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 JLA-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 JLA-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 JLA-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 JLA-RR-A.

1 Ms. Schmidt also provides a consolidated summary of this information for
2 all affiliate classes during the Test Year and Updated Test Year.

3 **Attachment JLA-RR-C:** Both Attachments JLA-RR-A and
4 JLA-RR-B(CD) show exclusions to the XES expenses billed to SPS for the GC
5 Claims affiliate class (Attachment JLA-RR-A, Column H; Attachment
6 JLA-RR-B(CD), Column K). Attachment JLA-RR-C provides detail about those

1 exclusions listed on Attachments JLA-RR-A and JLA-RR-B(CD). The columns
2 on this Attachment JLA-RR-C provide the following information.

Column A —	Line Number	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.

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

5 **Attachment JLA-RR-D:** Both Attachments JLA-RR-A and
6 JLA-RR-B(CD) show pro forma adjustments to SPS's per book expenses for the
7 GC Claims affiliate class (Attachment JLA-RR-A, Column J; Attachment
8 JLA-RR-B(CD), Column M). Attachment JLA-RR-D provides information about
9 those pro forma adjustments shown on Attachments JLA-RR-A and
10 JLA-RR-B(CD). The columns on Attachment JLA-RR-D provide the following
11 information:

Column A —	Line Number	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	FERC Account	Identifies the FERC Account and FERC Account description affected by the pro forma adjustment.
Column D —	Explanations for Pro Formas	Provides a brief rationale for the pro forma adjustment.

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

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

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

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

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

8 A. Thus far, no. As I mentioned earlier, exclusions reflect expenses SPS is not
9 requesting to recover, such as expenses that are not permitted to be recovered
10 through rates or other below-the-line items.

11 **Q. Are there any pro forma adjustments to SPS's per book expenses for the GC**
12 **Claims affiliate class?**

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

1 JLA-RR-D that will contain data that has been subject to a the full pro forma
2 adjustment review process for the last three months of the Updated Test Year.

3 **Q. Attachment JLA-RR-D shows that you sponsor pro forma adjustments for**
4 **expenses for the GC Claims affiliate class during the first nine months of the**
5 **Updated Test Year that result in a net decrease for the GC Claims affiliate**
6 **class of \$2,285.56. Please explain the adjustments.**

7 A. The adjustments that I sponsor decrease the GC Claims costs to remove minor
8 expenses that were incorrectly charged.

9 **B. The GC Claims Class of Services are Necessary Services**

10 **Q. Are the services that are grouped in the GC Claims affiliate class necessary**
11 **for SPS's operations?**

12 A. Yes. The services grouped in the GC Claims affiliate class are necessary to
13 ensure that SPS receives service from personnel with experience and expertise to
14 evaluate claims involving losses. SPS may have major incidents related to its
15 facilities, such as electrocutions and serious company-owned vehicle accidents,
16 and public liability claims that may include property damage or losses. For
17 example, when a vehicle strikes company power poles or above ground facilities,
18 Claims will seek financial recovery for those damages. In addition, SPS may
19 have claims against contractors or other third parties who damage SPS facilities.
20 SPS has hundreds of employees and more than \$1 billion in assets that are
21 exposed to any of these events, which could cause millions of dollars worth of
22 damages. The GC Claims employees help SPS manage risk and quantify losses
23 when incidents occur. They are functions required by all utilities and without

1 which SPS would not be able to protect the assets used to provide electric service
2 to its customers.

3 **Q. What are the specific services the GC Claims group provides to SPS?**

4 A. The specific services that the GC Claims group provides to SPS involve
5 evaluating the extent of losses resulting from injuries to persons or damages to
6 property. As an example, if an ice storm were to topple distribution poles and
7 cause damage to a home or business owner's property, GC Claims personnel
8 would evaluate the extent of the damage and determine the likely cost of
9 replacement or repair. Conversely, if a wildfire damages SPS property, GC
10 Claims personnel would assist SPS in bringing a claim for damages against the
11 responsible third party or parties.

12 During the Updated Test Year, GC Claims personnel:

- 13 • Investigated two major incidents, including one aircraft strike and one
- 14 electrical contact;
- 15 • Investigated 269 SPS facility damages caused by third parties; and
- 16 • Investigated 97 public claims.

17 **Q. Are any of the GC Claims class of services that are provided to SPS**
18 **uplicated elsewhere in XES or in any other Xcel Energy subsidiary such as**
19 **SPS itself?**

20 A. No. Within XES, none of the services provided by the GC Claims affiliate class
21 are duplicated elsewhere. No other Xcel Energy subsidiary performs these
22 services for the Operating Companies. In addition, SPS does not perform these
23 services for itself.

1 **Q. Do SPS’s Texas retail customers benefit from the services that are part of the**
2 **GC Claims class of services?**

3 A. Yes. The services of the GC Claims affiliate class benefit SPS’s customers in
4 many ways. For example, the services of the GC Claims class help to control
5 costs and to obtain adequate compensation from third parties who are responsible
6 for SPS losses. When third parties assert claims against SPS, claims adjustors and
7 other GC Claims personnel provide an analysis of SPS’s likely exposure and
8 advise as to the appropriate amount of compensation. When SPS is entitled to
9 indemnity from insurers or other third parties for losses to SPS equipment or
10 facilities, GC Claims personnel help ensure that SPS recovers amounts sufficient
11 to compensate it for its losses.

12 As an example, in November 2018, an SPS Claims Investigator settled a
13 wildfire claim. The claim stated that the fire was started by an SPS pole, and SPS
14 was responsible for the damages. The claimant hired an attorney who filed a
15 claim for \$218,700 for an out building and all of the contents. This matter was
16 negotiated and resolved by the Claims Investigator; the amount paid to the
17 claimant was \$134,350. In addition, in-house Claims Investigators are more cost
18 effective than SPS utilizing a third-party administrator (“TPA”). TPAs have
19 generic knowledge of the utility industry but are not considered subject matter
20 expert (“SME”) . SPS does not have any control over the employees a TPA hires
21 or the training that they receive. In contrast, SPS hires and trains its investigators
22 so they are SMEs who specialize in utility claims and investigations. Having in-
23 house investigators with in-depth knowledge and expertise ensures that

1 investigations are complete and accurate and claims are resolved in a fair and
2 equitable manner.

3 **C. The GC Claims Class of Services are Provided at a Reasonable**
4 **Cost**

5 **Q. Are the costs of the GC Claims class of services reasonable?**

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

12 *1. Additional Evidence*

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

15 A. Yes. Of the requested costs for the GC Claims class, approximately 89.49%
16 consists of compensation and benefits costs for XES personnel. SPS witnesses
17 Michael T. Knoll and Richard R. Schrubbe establish that the level of Xcel
18 Energy's compensation and benefits is reasonable and necessary.

19 *2. Budget Planning*

20 **Q. Is a budget planning process applicable to the GC Claims class of affiliate**
21 **costs?**

22 A. Yes. Annual O&M budgets are created for the General Counsel organization,
23 which includes the GC Claims class of affiliate costs, using guidelines developed
24 at the corporate level. Each manager within the GC Claims organization carefully

1 reviews historical spend information, identifies changes that will be coming in the
2 future, and analyzes the costs associated with those changes prior to submitting a
3 proposed budget. General Counsel management then reviews the GC Claims
4 organization proposed budget. The budgeting process is discussed in more detail
5 by Mr. Dietenberger.

6 **Q. During the fiscal year, does the General Counsel organization monitor its**
7 **actual expenditures versus its budget?**

8 A. Yes. Actual versus expected expenditures are monitored on a monthly basis by
9 management in the General Counsel organization and managers within the GC
10 Claims class. Deviations are evaluated each month to ensure that costs are
11 appropriate. In addition, action plans are developed to mitigate variations in
12 actual compared to budgeted expenditures. These mitigation plans may either
13 reduce or delay other expenditures so that overall spending complies with the
14 authorized budget.

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

17 A. Yes. All senior management employees in the General Counsel organization have
18 specific budgetary oversight that is incorporated into their performance
19 evaluations. Budgetary performance is measured on a monthly basis to ensure
20 adherence to the budgets and to provide for any action plan that must be
21 developed to address variances. All General Counsel employees are required to
22 manage their expenses to support the budgetary objectives established by their
23 manager. Failure to meet these budgetary performance objectives will affect their

performance evaluation and overall compensation, if the employee is responsible for the failure.

3. Cost Trends

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

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

Table JLA-RR-2

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
GC Claims	\$148,375	\$165,667	\$269,436	\$235,554

Q. What are the reasons for this trend?

A. The increase in costs between 2016 and 2017 was primarily related to an increase in labor expenses incurred investigating more public claims in 2017 than in 2016. The increase in costs between 2017 and 2018 was due to labor and employee expenses incurred for supporting a major litigation trial that spanned several months and was located outside of our service territory, which required travel. Backup support was needed to cover ongoing work for employees allocating time

1 to the major litigation case. The decrease in costs between 2018 and the Updated
2 Test Year is primarily due to fewer public claims during the Updated Test Year.

3 *4. Staffing Trends*

4 **Q. Please provide the staffing levels for the GC Claims class of services for the**
5 **three fiscal years preceding the end of the Updated Test Year and the**
6 **Updated Test Year.**

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

10 **Table JLA-RR-3**

	Average End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
GC Claims	20	19	19	18

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

12 A. The decrease in average staffing levels from 2016 to 2017 was due to a team
13 reorganization that balanced resources across our operating companies and
14 resulting in a one headcount reduction. The decrease in average staffing levels
15 during Updated Test Year is due to staffing turnover.

16 *5. Cost Control and Process Improvement Initiatives*

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

19 A. Yes. As stated previously, each month actual spending is compared to budget to
20 identify deviations from budget, and adjustments are made to spending for the

1 remainder of the year to manage any monthly increases in costs. In addition, GC
2 Claims personnel deliver yearly hands-on training sessions with crews to address
3 how to prepare good documentation and photography associated with a claim.
4 This allows the GC Claims personnel to be more effective in their claims paid or
5 recovered process.

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

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

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

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

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

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

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

11 A. Approximately 91.15% of the requested XES charges to SPS for this class were
12 charged using the Direct Billing method.

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

15 A. For the cost centers that are assigned using the "Direct Billing" method, the costs
16 normally reflect work that was performed specifically for SPS only. In some
17 cases, however, the direct billing occurred after the application of an off-line
18 allocator that tracks the relevant cost drivers. In either situation, the cost centers
19 charged using the "Direct Billing" method are appropriate because the assignment
20 of costs is in accordance with the distribution of benefits for the services received.
21 For example, the labor costs related to an investigator handling an insurance claim
22 for SPS are assigned using the "Direct Billing" method. The cost of these
23 services benefitted SPS, the work was performed specifically for SPS alone, and

1 the cost driver is the labor required for the investigation and processing of claims
2 that need to be handled on SPS' behalf. Thus, the "Direct Billing" method is
3 appropriate because it assigns costs in accordance with cost causation and benefits
4 received. For the cost centers that assign costs using Direct Billing, the per unit
5 amounts charged by XES to SPS are no higher than the unit amounts billed by
6 XES to other affiliates for the same or similar services and represent the actual
7 costs of the services.

8 **Q. You have covered the allocation methods used to bill 91.15% of the costs**
9 **associated with this affiliate class. Why have you not specifically covered the**
10 **remaining 8.85% of the costs of this class?**

11 A. I have described the predominant allocation methods associated with this affiliate
12 class. The remaining costs are billed using an allocator used to bill no more than
13 8.85% of the costs. The cost center (billing method) used to charge the remaining
14 8.85% of the costs in this class is presented in my Attachment JLB-RR-B(CD),
15 discussed earlier. A reader may reference that attachment and then refer to the
16 specific cost center (billing method) summary provided in Ms. Schmidt's
17 Attachment MLS-RR-13 for an explanation of the particular allocators used and
18 the cost drivers for the activities reflected in that particular cost center.

19 **Q. Have you determined that the costs reflected in the remaining 8.85% of costs**
20 **associated with this class of services have been billed using an appropriate**
21 **billing method and allocation method?**

22 A. Yes. I have reviewed the cost center and the associated allocator used to bill the
23 remaining 8.85% of the costs of this class. The cost drivers reflected in the

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

1 **IV. AFFILIATE EXPENSES FOR THE GC LEGAL**
2 **SERVICES CLASS OF SERVICES**

3 **A. Overview of the GC Legal Services Class of Services**

4 **Q. Where does the GC Legal Services affiliate class fit into the overall affiliate**
5 **structure?**

6 A. As seen on Attachment MLS-RR-6 to Ms. Schmidt's direct testimony, the GC
7 Legal Services affiliate class was part of the General Counsel business area during
8 the Updated Test Year. Attachment JLA-RR-1 to my testimony is an
9 organization chart showing the GC Legal Services organization.

10 **Q. What services are grouped into the GC Legal Services affiliate class?**

11 A. The services that are grouped into the GC Legal Services affiliate class are legal
12 services for Xcel Energy, its Board of Directors, Officers, subsidiaries, Business
13 Areas, and Corporate Operations Areas. GC Legal Services personnel provide
14 services related to labor and employment law, litigation, contracts, rates and
15 regulation, environmental matters, real estate, and other legal matters. GC Legal
16 Services supports Xcel Energy and its subsidiaries in fulfilling Corporate and
17 Business Area strategies, ranging from maintaining and improving regulatory
18 relationships to continued leadership on environmental issues. The GC Legal
19 Services attorneys report to Managing Attorneys, Assistant General Counsel -
20 Leads, or the Vice President and Deputy General Counsel, depending on the
21 practice area. Paralegals report to two Assistant General Counsel-attorneys, and
22 administrative staff report to the Director, Strategy and Performance, who in turn
23 reports to the Vice President and Deputy General Counsel. The Vice President
24 and Deputy General Counsel and Managing Attorneys report to the Executive

1 Vice President and General Counsel, except the Managing Attorney – Litigation,
 2 who reports to the and Deputy General Counsel. Outside attorneys are engaged
 3 when the workload exceeds the capacity of the in-house attorneys or when a
 4 specialty expertise is required.

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

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

11 **Table JLA-RR-4**

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
GC Legal Services	\$17,469,341	\$2,134,707	39.19%	60.81%

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 JLA-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 JLA-RR-A.

% Direct Billed

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

% Allocated

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

1 **Q. Please describe the attachments that support the information provided on**
2 **Table JLA-RR-4.**

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

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

8 A. Yes. As discussed by Ms. Schmidt, XES uses the same method for billing and
9 allocating cost 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 GC Legal Services**
12 **affiliate class?**

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

- 1 **Q. Are there any pro forma adjustments to SPS’s per book expenses for the GC**
2 **Legal Services affiliate class?**
- 3 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
4 Year expenses for known and measurable changes. Pro forma adjustments are
5 shown on Attachment JLA-RR-A, Column J, and on Attachment JLA-RR-B(CD),
6 Column M. The details for the pro forma adjustments, including the witness or
7 witnesses who sponsor each pro forma adjustment, are provided in Attachment
8 JLA-RR-D. As I mentioned earlier, given the time of SPS’s initial filing, only the
9 first nine months of the Updated Test Year have completed the full pro forma
10 adjustment review process. In SPS’s 45-day case update, I will present an
11 updated Attachment JLA-RR-D that will complete the full pro forma adjustment
12 review process for the last three months of the Updated Test Year.
- 13 **Q. Attachment JLA-RR-D shows that you sponsor pro forma adjustments for**
14 **expenses for the GC Legal Services affiliate class during the first nine months**
15 **of the Updated Test Year that result in a net decrease for the GC Legal**
16 **Services affiliate class of \$7,704.32. Please explain the adjustments.**
- 17 A. The adjustments that I sponsor are for removing miscellaneous office supplies and
18 outside service-related expenses.
- 19 **B. The GC Legal Services Class of Services are Necessary Services**
- 20 **Q. Are the services that are grouped in the GC Legal Services affiliate class**
21 **necessary for SPS’s operations?**
- 22 A. Yes. The services grouped in the GC Legal Services affiliate class are necessary
23 to ensure that SPS can deal with a myriad of complex legal issues related to

1 corporate governance, business transactions, employment, and liability claims,
2 among other things. SPS must either use the XES attorneys or hire outside
3 attorneys to address those issues. Ignoring legal matters or assigning them to
4 non-attorneys is simply not a viable option. In addition, SPS is regulated by
5 multiple agencies including this Commission, the New Mexico Public Regulation
6 Commission, and the Federal Energy Regulatory Commission (“FERC”). GC
7 Legal Services personnel provide valuable assistance in ensuring compliance with
8 regulatory requirements and advocating on SPS’s behalf before those regulatory
9 bodies. They are functions required by all utilities and without which SPS would
10 not be able to provide electric service to its customers.

11 **Q. What are the specific services that are provided to SPS by the GC Legal**
12 **Services affiliate class?**

13 A. The specific services that are provided to SPS by the GC Legal Services affiliate
14 class are:

- 15 • helping negotiate and draft agreements such as purchased power
16 contracts, fuel supply contracts, and right-of-way easements;
- 17 • investigating and defending pending or threatened litigation against
18 SPS and managing or assisting outside counsel as necessary in this
19 task;
- 20 • prosecuting actions against third parties on SPS’s behalf and managing
21 or assisting outside counsel as necessary in this task;
- 22 • helping SPS comply with state and federal reporting requirements,
23 such as FERC and United States Securities and Exchange Commission
24 (“SEC”) filing requirements; and
- 25 • preparing regulatory pleadings, appearing before regulatory bodies,
26 and overseeing work by outside counsel on regulatory matters.

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

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

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

10 A. Yes. The services of the GC Legal Services affiliate class benefit SPS's
11 customers in many ways. For example, customers benefit because the services
12 performed by the GC Legal Services class help SPS to acquire the goods and
13 services it needs to ensure an adequate supply of power to customers. Customers
14 also benefit from the provision of legal services by XES because SPS has access
15 to lawyers with expertise in matters such as FERC filings and SEC compliance,
16 but SPS customers pay only a portion of those lawyers' costs. In addition, the
17 services provided by the GC Legal Services class aid SPS in protecting its assets
18 and recovering losses caused by others, thereby keeping costs lower.

19 **C. The GC Legal Services Class of Services are Provided at a**
20 **Reasonable Cost**

21 **Q. Are the costs of the GC Legal Services class of services reasonable?**

22 A. Yes. The costs of the GC Legal Services class of services are reasonable. XES
23 provides the services and functions in the GC Legal Services class on a
24 consolidated basis for multiple Xcel Energy legal entities. As a result, SPS
25 benefits from sophisticated services provided by a pool of talented professionals,

the consolidated costs of which are shared. The economies of scale inherent in this system result in reasonable costs for SPS for these services.

1. Additional Evidence

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

A. Yes. The costs for the GC Legal Services class compare favorably with participants in the 2018 HBR Law Department Spending Survey. The survey results indicate that Xcel Energy's performance is better than the median of survey participants. Specifically, when benchmarking Xcel Energy's GC Legal Services against 40 similarly sized legal departments, and when comparing ourselves against 30 participants having a "Utilities" primary industry designation, our performance is consistently better than median. The following table reflects six categories of GC Legal Services benchmarks and demonstrates how well GC Legal Services compares with All Participants in the survey and with the Industry Specific participants. In this survey, between first quartile and median results indicates that the performance is better than the median.

Table JLA-RR-5

Category	All Participants With Similar Department Size	Industry Specific – Utilities
Total Legal Spending	Between 1 st Quartile & Median	Between 1 st Quartile & Median
Total Legal Spending as a Percent of U.S. Revenues	1 st Quartile	1 st Quartile
Inside Legal Spending as a Percent of U.S. Revenues	Between 1 st Quartile & Median	Between 1 st Quartile & Median
Outside Counsel Spending	Between 1 st Quartile & Median	Between 1 st Quartile & Median
Outside Counsel Spending as a Percent of U.S. Revenues	Between 1 st Quartile & Median	Between 1 st Quartile & Median
# of Attorneys per \$B U.S. Revenue	Between 1 st Quartile & Median	Between 1 st Quartile & Median

1 In addition, of the estimated Updated Test Year costs for the GC Legal
2 Services class, approximately 83.73% are compensation and benefits costs for
3 XES personnel. Mr. Knoll and Mr. Schrubbe establish that the level of Xcel
4 Energy's compensation and benefits is reasonable and necessary.

5 *2. Budget Planning*

6 **Q. Is a budget planning process applicable to the GC Legal Services class of**
7 **affiliate costs?**

8 A. Yes. Annual O&M budgets are created for the General Counsel organization,
9 which includes the GC Legal Services class of affiliate costs, using guidelines
10 developed at the corporate level. Each manager within the General Counsel
11 organization carefully reviews historical spend information, identifies changes
12 that will be coming in the future, and analyzes the costs associated with those
13 changes prior to submitting a proposed budget. The budgeting process is
14 discussed in more detail by Mr. Dietenberger.

15 **Q. During the fiscal year, does the General Counsel organization monitor its**
16 **actual expenditures versus its budget?**

17 A. Yes. Actual versus expected expenditures are monitored on a monthly basis by
18 management in the General Counsel organization. Deviations are evaluated each
19 month to ensure that costs are appropriate. In addition, action plans are developed
20 to mitigate variations in actual compared to budgeted expenditures. These
21 mitigation plans may either reduce or delay other expenditures so that overall
22 spending complies with the authorized budget.

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

2 A. The decrease in costs between 2016 and 2017 is primarily the result of lower
3 outside counsel costs and labor. Xcel Energy had fewer legal matters in 2017
4 than it typically does. The slight increase in costs between 2017 and 2018 was
5 due to an increase in outside counsel costs driven by more legal matters in 2018
6 than the previous year, particularly in regulatory. Costs were slightly lower
7 between 2018 and the Updated Test Year due to fewer legal matters during the
8 Updated Test Year.

9 With respect to outside legal costs, throughout a given year, certain
10 decisions may be made about particular legal matters that would influence the
11 outside legal spending for a particular legal matter. For example, matters that
12 were expected to settle may be litigated, the start date for a particular matter may
13 be earlier or later in the year, or some legal work for certain business area projects
14 may be postponed until the following year. All of these factors influence actual
15 spending on outside legal counsel each year. Although the GC Legal Services
16 class has been able to decrease its need for outside counsel through systematic
17 internal hiring initiatives, the particular legal matters that arise in a given year
18 may result in fluctuations in outside legal costs due to the complexity, potential
19 risk exposure, and duration of the specific matter.

20 4. *Staffing Trends*

21 **Q. Please provide the staffing levels for the GC Legal Services class of services**
22 **for the three fiscal years preceding the end of the Updated Test Year and the**
23 **Updated Test Year.**

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

Table JLA-RR-7

	Average End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
GC Legal Services	75	72	70	70

Q. What are the reasons for this trend?

A. The average staffing levels declined between 2016 and 2017 due to ongoing department efforts to hold off on replacing open positions until we could determine if those positions were needed or if that resource should be replaced in another area within Legal Services that had greater needs. Staffing levels decreased in 2017 to 2018 due to staff turnover and our ongoing efforts to make sure we fill positions in areas where staffing resources were needed most. Staffing levels remained consistent during 2018 and the Updated Test Year.

5. Cost Control and Process Improvement Initiatives

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

A. Yes. The GC Legal Services organization has, over the years, implemented several practices to control costs. For example, in 2018, the Executive Vice President and General Counsel, which oversees the GC Legal Services organization, sponsored continuous improvement efforts focused on cost savings and driving greater efficiencies. This plan includes a strategic internal hiring initiative that identified specific areas of law and the cost savings that could be gained by having internal resources provide the legal services instead of outside legal firms. GC Legal Services is also changing work streams within the

1 department for invoice review and outside counsel procurement, in an effort to
2 ensure consistent law firm hiring practices and enforcement of our billing
3 requirements with outside counsel. GC Legal Services is also “gatekeeping” new
4 matters, and only taking on new matters that fit certain criteria that includes senior
5 leadership approval. In addition, GC Legal Services continues to conduct formal
6 reviews with outside counsel, scoring them on their performance against key
7 performance indicators that focus on appropriate use of resources,
8 communications, cost containment and outcomes. These efforts are on top of
9 various alternative fee arrangements for certain legal work sent to outside counsel.
10 Those arrangements have included fixed or flat fees, discounted rates, or a
11 combination of several fee structures for various phases of a particular legal
12 matter.

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

15 **Q. For those costs that XES charges (either directly or through use of an**
16 **allocation) to SPS for the GC Legal Services class of services, does SPS pay**
17 **any 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
24 method). In her direct testimony, Ms. Schmidt discusses the selection of billing
25 methods and XES’s method of charging for services in more detail.

1 **Q. How are the costs of the GC Legal Services affiliate class billed to SPS?**

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

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

14 **Q. What are the predominant allocation methods used for billing the costs that**
15 **SPS seeks to recover for the GC Legal Services affiliate class of services?**

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

- 18 • Assets, Revenue, and Number of Employees – 60.81% of XES charges
19 to SPS – \$1,298,139.87; and
- 20 • Direct Billing – 39.19% of XES charges to SPS – \$836,566.89.

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

24 A. The three factor billing method using assets, revenue, and number of employees
25 produces an allocation of costs that recognizes the complexity, risk, and overall

1 business activity levels that drive the costs included in the cost centers and
2 measures the benefits received from those activities. For the cost centers billed
3 using this allocator, there is no one specific cost driver for the support tasks and
4 services provided, and the services benefit multiple Xcel Energy affiliates. For
5 example, the costs associated with certain outside legal services for data security
6 and data protection that benefit all of Xcel Energy, which are collected in Cost
7 Center 102450 are allocated using this method. Within the Xcel Energy holding
8 company group, those legal entities that have proportionately more assets,
9 revenues, and employees will have more focus placed on their operations due to
10 those subsidiaries' relative influence on the consolidated business balance sheet,
11 income statement and statement of cash flow, and the subsidiaries will benefit
12 accordingly from the services provided. Thus, allocating these costs based upon
13 the average of the total asset ratio, revenue ratio, and the employee ratio is
14 appropriate because it allocates costs in accordance with cost causation and
15 benefits received. Ms. Schmidt discusses this allocation method in more detail in
16 her testimony. For the cost centers that assign costs based upon this allocation
17 method, the per unit amounts charged by XES to SPS as a result of the application
18 of this allocation method are no higher than the unit amounts billed by XES to
19 other affiliates for the same or similar services and represent the actual costs of
20 the services.

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

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

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

V. AFFILIATE EXPENSES FOR THE GC VP GENERAL COUNSEL CLASS OF SERVICES

A. Overview of the GC VP General Counsel Class of Services

Q. Where does the GC VP General Counsel affiliate class fit into the overall affiliate structure?

A. As shown on Attachment MLS-RR-6 to Ms. Schmidt's direct testimony, the GC VP General Counsel affiliate class was part of the General Counsel business area during the Updated Test Year. Attachment JLA-RR-1 to my testimony is an organization chart showing the General Counsel organization.

Q. What services are grouped into the GC VP General Counsel affiliate class?

A. The services that are grouped into the GC VP General Counsel affiliate class are those of the office of the Executive Vice President and General Counsel. The personnel whose costs are collected in this class are the Executive Vice President and General Counsel and his executive assistant. The Executive Vice President and General Counsel is a member of the executive leadership team and reports directly to the Chairman. The Executive Vice President and General Counsel provides legal advice and support to the Xcel Energy Chief Executive Officer, Senior Management, and Board of Directors. The Executive Vice President and General Counsel also provides oversight of the work performed by the GC Claims, GC Policy & Strategy, and GC Legal Services classes, and cost management for the entire General Counsel business area.

1 **Q. Please describe the attachments that support the information provided on**
2 **Table JLA-RR-8.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the GC VP General Counsel affiliate class.
5 I explained these attachments in detail previously in Section III.A of my
6 testimony.

7 **Q. Does XES bill its expenses for the GC VP General Counsel affiliate class to**
8 **SPS in the same manner as it bills other affiliates for those expenses?**

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

12 **Q. Are there any exclusions to the XES billings to SPS for the GC VP General**
13 **Counsel affiliate class?**

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

1 **Q. Are there any pro forma adjustments to SPS's per book expenses for the GC**
2 **VP General Counsel affiliate class?**

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

13 **Q. Attachment JLA-RR-D shows that you sponsor pro forma adjustments for**
14 **expenses for the GC VP General Counsel affiliate class during the first nine**
15 **months of the Updated Test Year that result in a net decrease for the GC VP**
16 **General Counsel affiliate class of \$935.68. Please explain the adjustments.**

17 A. The adjustments that I sponsor decrease the GC VP General Counsel costs to
18 remove minimal costs associated with miscellaneous expenses that are not
19 recoverable through rates.

20 **B. The GC VP General Counsel Class of Services are Necessary**
21 **Services**

22 **Q. Are the services that are grouped in the GC VP General Counsel affiliate**
23 **class necessary for SPS's operations?**

24 A. Yes. The services grouped in the GC VP General Counsel affiliate class are
25 necessary to provide assistance to corporate management and to ensure that the

1 appropriate level of oversight is given to the legal affairs of SPS, the other
2 Operating Companies, and Xcel Energy in total. These services ensure that SPS
3 and Xcel Energy remain in compliance with governmental and regulatory
4 requirements, that SPS and Xcel Energy remain financially healthy, and that SPS
5 and Xcel Energy maximize operational and regulatory performance. They are
6 functions required by all utilities and without which SPS would not be able to
7 provide electric service to its customers.

8 **Q. What are the specific services that are provided to SPS by the GC VP**
9 **General Counsel affiliate class?**

10 A. The specific services that are provided to SPS by the GC VP General Counsel
11 affiliate class include:

- 12 • advising corporate management on how to comply with reporting
13 requirements such as Sarbanes-Oxley;
- 14 • formulating corporate strategy by deciding what issues to pursue in the
15 various state and federal venues that have regulatory jurisdiction over
16 the Xcel Energy Operating Companies; and
- 17 • helping manage the services and functions of the other classes in the
18 GC organization described earlier and the budgets for such services to
19 ensure that customers pay no more than is necessary for the provision
20 of these services.

21 **Q. Are any of the GC VP General Counsel class of services that are provided to**
22 **SPS duplicated elsewhere in XES or in any other Xcel Energy subsidiary**
23 **such as SPS itself?**

24 A. No. Within XES, none of the services grouped in the GC VP General Counsel
25 affiliate class are duplicated elsewhere. No other Xcel Energy subsidiary
26 performs these services for the Operating Companies. In addition, SPS does not
27 perform these services for itself.

1 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
2 **GC VP General Counsel class of services?**

3 A. Yes. The services of the GC VP General Counsel affiliate class benefit SPS's
4 customers in many ways. For example, customers benefit when executives and
5 directors understand and comply with applicable laws and reporting requirements.
6 SPS customers also benefit from the Executive Vice President and General
7 Counsel's attention to issues that affect customers, such as management of the
8 legal services budget.

9 **C. The GC VP General Counsel Class of Services are Provided at a**
10 **Reasonable Cost**

11 **Q. Are the costs of the GC VP General Counsel class of services reasonable?**

12 A. Yes. The costs of the GC VP General Counsel class of services are reasonable.
13 XES provides the services and functions in the GC VP General Counsel class on a
14 consolidated basis for multiple Xcel Energy legal entities. As a result, SPS
15 benefits from sophisticated services, the consolidated costs of which are shared.
16 The economies of scale inherent in this system result in reasonable costs for SPS
17 for these services.

18 1. *Additional Evidence*

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

21 A. Yes. Of the estimated Updated Test Year costs for the GC VP General Counsel
22 class, approximately 95.31% consists of compensation and benefits costs for XES
23 personnel. Mr. Knoll and Mr. Schubbe establish that the level of Xcel Energy's
24 compensation and benefits is reasonable and necessary.

2. *Budget Planning*

Q. Is a budget planning process applicable to the GC VP General Counsel class of affiliate costs?

A. Yes. Annual O&M budgets are created for the General Counsel organization, which includes the GC VP General Counsel class of affiliate costs, using guidelines developed at the corporate level. The Executive Vice President and General Counsel and his executive assistant carefully review historical spend information, identify changes that will be coming in the future, and analyze the costs associated with those changes prior to submitting a proposed budget. The budgeting process is discussed in more detail by Mr. Gray.

Q. During the fiscal year, does the GC VP General Counsel class monitor actual expenditures versus its budget?

A. Yes. Actual versus expected expenditures are monitored on a monthly basis by management in the General Counsel organization. Deviations are evaluated each month to ensure that costs are appropriate. In addition, action plans are developed to mitigate variations in actual compared to budgeted expenditures. These mitigation plans may either reduce or delay other expenditures so that overall spending complies with the authorized budget.

Q. Are employees within the GC VP General Counsel class held accountable for any deviations from the budget?

A. Yes. All senior management employees in the General Counsel organization have specific budgetary oversight that are incorporated into their performance evaluations. Budgetary performance is measured on a monthly basis to ensure adherence to the goals and provide for action plan development to address

variances. All General Counsel organization employees are required to manage their expenses to support the financial objectives established by their manager. Failure to meet these performance objectives may affect their performance evaluation and overall compensation.

3. Cost Trends

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

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

Table JLA-RR-9

	(Per Book) Charges Over Time			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
GC VP General Counsel	\$119,088	\$129,295	\$128,575	\$123,102

Q. What are the reasons for this trend?

A. The increase in costs between 2016 and 2017 was primarily related to labor costs associated with merit increases. Costs between 2017 and 2018 were relatively flat. The slight decrease in costs between 2018 and the Updated Test Year was due to lower employee expenses related to the executive assistant position

charging labor expenses to GC Legal Services and fewer travel-related expenses for the General Counsel.

4. Staffing Trends

Q. Please provide the staffing levels for the GC VP General Counsel class of services for the three fiscal years preceding the end of the Updated Test Year and the Updated Test Year.

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

Table JLA-RR-10

	Average End of Month # of Staff			
Class of Services	2016	2017	2018	Updated Test Year (Estimated)
GC VP General Counsel	2	2	1	1

Q. What are the reasons for this trend?

A. The staffing level has remained relatively constant. The decrease in staffing between 2017 and 2018 is due to the Executive Assistant to the General Counsel billing her time to the Legal Services Cost Center. Average staffing levels between 2018 and the Updated Test Year were unchanged. In addition, Xcel Energy is moving towards consolidating the Legal Services and the GC VP General Counsel affiliate classes, which should not result in any changes to the costs or headcount numbers presented above.

1 5. *Cost Control and Process Improvement Initiatives*

2 **Q. Separate from the budget planning process, does the GC VP General**
3 **Counsel affiliate class take any steps to control its costs or to improve its**
4 **services?**

5 A. Yes. The Executive Vice President and General Counsel continually reviews
6 plans, initiatives, and staffing to ensure they are appropriate and to identify and
7 implement improvements. For example, in August 2018, the team was seeing an
8 historical trend of high volume legal demand in our contract review, federal
9 regulatory, and real estate teams. Rather than utilizing outside counsel to handle
10 the additional workload, the GC VP General Counsel approved hiring new, junior
11 attorneys to provide the legal services at a lower cost. The GC VP General
12 Counsel also oversees a monthly governance meeting with direct reports, looking
13 at monthly spend and performance metrics that show how the organization is
14 performing against its targets.

15 **D. The Costs for the GC VP General Counsel Class of Services are**
16 **Priced in a Fair Manner**

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

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

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

4 **Q. How are the costs of the GC VP General Counsel affiliate class billed to SPS?**

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

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

18 **Q. What are the predominant allocation methods used for billing the costs that**
19 **SPS seeks to recover for the GC VP General Counsel affiliate class of**
20 **services?**

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

- 23 • Assets, Revenue, and Number of Employees – 96.02% of XES charges
24 to SPS – \$115,731.02; and

- 1 • Direct Billing – 3.98% of XES charges to SPS – \$4,796.14.

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

5 A. As I noted previously, the three factor allocation method using assets, revenue,
6 and number of employees produces an allocation of costs that recognizes the
7 complexity, risk, and overall business activity levels that drives the costs included
8 in the cost centers and measures the benefits received from those activities. For
9 the cost centers billed using this allocator, there is no one specific cost driver for
10 the support tasks and services provided, and the services benefit multiple Xcel
11 Energy affiliates. For example, the costs associated with providing corporate
12 governance advice on legal issues, which are collected in Cost Center 102449 are
13 allocated using this method. Within the Xcel Energy holding company group,
14 those legal entities that have proportionately more assets, revenues, and
15 employees will have more focus placed on their operations due to those
16 subsidiaries’ relative influence on the consolidated business balance sheet, income
17 statement and statement of cash flow, and the subsidiaries will benefit accordingly
18 from the services provided. Thus, allocating these costs based upon the average
19 of the total asset ratio, revenue ratio, and the employee ratio is appropriate
20 because it allocates costs in accordance with cost causation and benefits received.
21 Ms. Schmidt discusses this allocation method in more detail in her testimony. For
22 the cost centers that assign costs based upon this billing method, the per unit
23 amounts charged by XES to SPS as a result of the application of this allocation

1 method are no higher than the unit amounts billed by XES to other affiliates for
2 the same or similar services and represent the actual costs of the services.

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

5 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
6 normally reflect work that was performed specifically for SPS only. In some
7 cases, however, the direct billing occurred after the application of an off-line
8 allocator that tracks the relevant cost drivers. In either situation, the cost centers
9 charged using the “Direct Billing” method are appropriate because the assignment
10 of costs is in accordance with the distribution of benefits for the services received.
11 For example, the costs related to the Executive Vice President and General
12 Counsel’s direct involvement in a legal matter involving SPS are assigned using
13 the “Direct Billing” method. The cost of these services benefitted SPS, the work
14 was performed specifically for SPS alone, and the cost driver is labor incurred to
15 work on the specific matter. Thus, the “Direct Billing” method is appropriate
16 because it assigns costs in accordance with cost causation and benefits received.
17 For the cost centers that assign costs using Direct Billing, the per unit amounts
18 charged by XES to SPS are no higher than the unit amounts billed by XES to
19 other affiliates for the same or similar services and represent the actual costs of
20 the services.

1 **VI. NATIVE SPS OUTSIDE LEGAL COSTS**

2 **Q. Does SPS incur legal expenses directly from third parties apart from the XES**
3 **charges you have discussed?**

4 A. Yes. SPS incurs some legal expenses directly, rather than through XES. As such,
5 these expenses are native costs. The charges from outside law firms and other
6 third party legal vendors that SPS incurred directly and for which SPS seeks
7 recovery in its base rates are reflected on my Attachment JLA-RR-2. These costs
8 are recorded in FERC Account 923.³ My Attachment JLA-RR-2 contains actual
9 figures for the first 11 months of the Updated Test Year and the last month (June
10 2019) contains estimates based on the forecasted budget. As noted previously in
11 my testimony, my Attachment JLA-RR-2 will be updated in SPS's 45-day update
12 filing to replace estimates of SPS's native costs relating to outside law firms and
13 other third party legal vendors with actuals.

14 **Q. For what services did SPS incur these costs?**

15 A. The matters generally involved were labor and employment, litigation, contracts,
16 rates and regulation, environmental, real estate, and general corporate matters.

17 **Q. Were these directly-incurred legal costs reviewed for reasonableness by XES**
18 **Legal Services employees?**

19 A. Yes. GC Legal Services attorneys determine the work to be performed by outside
20 counsel and other third-party legal vendors as well as selecting the appropriate
21 outside counsel or third-party legal vendor to perform such work. Legal Services
22 attorneys monitor the work performed and review detailed invoices associated

³ Mr. Grant addresses SPS native costs relating to other outside services, which are also recorded in FERC Account 923.

1 with each specific legal matter against GC Legal Services' Outside Counsel
2 Requirements and the expected scope of work related to the legal matter.

3 **Q. Were the charges from outside law firms and other third party legal vendors**
4 **that SPS directly incurred reasonable?**

5 A. Yes. All of the charges from outside law firms and other third-party legal vendors
6 set forth on Attachment JLA-RR-2 were reasonable and prudently incurred.
7 Outside attorneys were engaged when the workload exceeded the capacity of the
8 in-house attorneys or when a specialty expertise was required. As such, the
9 services were necessary and the cost review process discussed previously in my
10 testimony ensured that the costs for outside law firms and other third-party legal
11 vendors to render these services were reasonable and prudently incurred.

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


13 A. Yes.

AFFIDAVIT

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN)

JAMES L. ALTMAN, first being sworn on his oath, states:

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



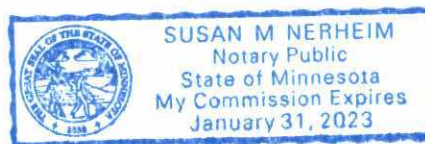
JAMES L. ALTMAN

Subscribed and sworn to before me this 29th day of July, 2019 by JAMES L. ALTMAN

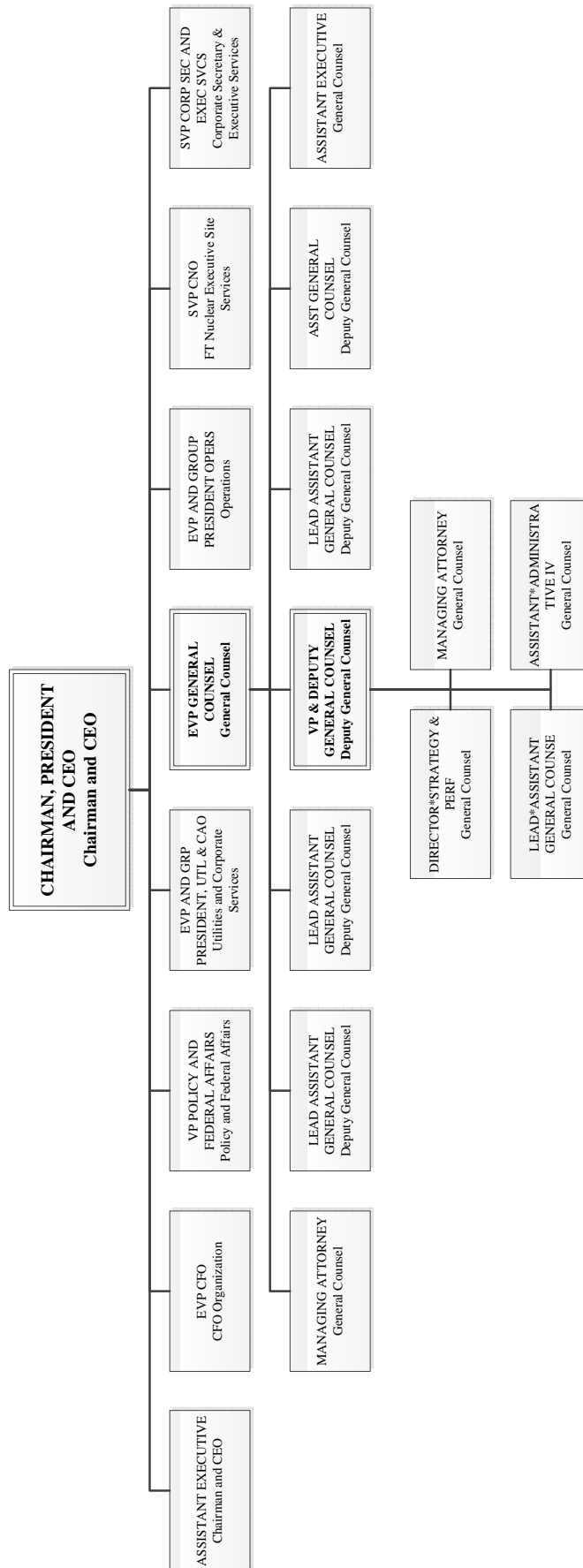


Notary Public, State of Minnesota

My Commission Expires: January 31, 2023



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



Southwestern Public Service Company

Native SPS Costs for Outside Law Firms and
Third Party Legal Vendors

Total Company SPS Operation and Maintenance Expenses

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jul '18-Jun '19)	Test Year Affiliate O&M Expense (Jul '18-Jun '19)	Total Company Requested O&M
Production					
1	500	Operation Supervision and Engineering	\$ 1,432,129	\$ 742,754	\$ 2,174,883
2	501.35*	Coal Non-Mine; Non-Freight	34,515,666	-	34,515,666
3	507.70	Coal Ash Sales	(1,970,658)	1,329,592	(641,065)
4	502	Steam Expenses	10,433,079	(16,011)	10,417,068
5	505	Electric Expenses	9,674,863	214	9,675,077
6	506	Miscellaneous Steam Power Expenses	7,064,766	5,374,135	12,438,901
7	507	Rents	1,391,316	4,419,144	5,810,460
8	509	Steam Operation SO2 Allowance Expense	124,830	-	124,830
9	509.02	Allowances - NM Nox Expense Amortz	(2,340)	-	(2,340)
10	510	Maintenance Supervision and Engineering	1,452,197	4,910	1,457,107
11	511	Maintenance of Structures	4,825,180	1,534	4,826,713
12	512	Maintenance of Boiler Plant	16,817,025	1,019,257	17,836,282
13	513	Maintenance of Electric Plant	12,885,934	449,147	13,335,081
14	514	Maintenance of Miscellaneous Steam Plant	9,671,362	1,499,169	11,170,531
15	546	Operation Supervision and Engineering	2,084	36,052	38,136
16	548	Generation Expenses	311,697	-	311,697
17	549	Misc Other Power Generation Expenses	644,946	169,466	814,412
18	549W	Misc Other Power Generation Expenses Wind	5,755,120	-	5,755,120
19	550	Rents	246,516	413,266	659,782
20	551	Maintenance Supervision and Engineering	179,727	301	180,028
21	552	Maintenance of Structures	335,622	481	336,104
22	553	Maintenance of Generating and Electric Equipment	1,572,028	33,713	1,605,740
23	553W	Maintenance of Generating and Electric Equipment Wind	3,843,120	-	3,843,120
24	554	Maintenance of Misc Other Power Generation Plant	143,369	163,309	306,679
25	556	System Control and Load Dispatching	(2,686)	1,061,033	1,058,347
26	557	Purchased Power Other	(381,078)	1,742,113	1,361,034
27	557.9*	REC Costs	2,543,109	-	2,543,109
28	Total Production O&M Expense		\$ 123,508,923	\$ 18,443,580	\$ 141,952,503

Southwestern Public Service Company

Native SPS Costs for Outside Law Firms and
Third Party Legal Vendors

Total Company SPS Operation and Maintenance Expenses

			Native SPS O&M		Test Year	
			Expense through the		Affiliate O&M	Total Company
Line	FERC		Update Period		Expense	Requested O&M
No.	Acct	Account Description	(Jul '18-Jun '19)		(Jul '18-Jun '19)	
Transmission						
29	560	Operation Supervision and Engineering	\$ (545,350)	\$	10,121,801	\$ 9,576,451
30	561.1	Load Dispatch - Reliability	211,475		-	211,475
31	561.2	Load Dispatch - Monitor and Operate Trans. System	1,723,643		1,375,714	3,099,357
32	561.4	Scheduling, System Control and Dispatching Services	3,079,020		-	3,079,020
33	561.4W	Scheduling, System Control and Dispatching Services - Wholesale	964,243		-	964,243
34	561.5	Reliability, Planning and Standards Development	-		3,608	3,608
35	561.6	Transmission Service Studies	64,465		27,835	92,300
36	561.7	Generation Interconnection Studies	(49,954)		-	(49,954)
37	561.8	Reliability Planning and Standards Development Services	2,724,405		-	2,724,405
38	561.8W	Reliability Planning and Standards Development Services - Wholesale	465,778		-	465,778
39	562	Station Expenses	1,618,771		291	1,619,062
40	563	Overhead Line Expenses	969,905		12,027	981,932
41	565	Wheeling Lamar DC Tie	(420)		-	(420)
42	565	Wheeling Meter Charges	910,542		-	910,542
43	565	Wheeling Miscellaneous	(160,568)		-	(160,568)
44	565	Wheeling Schedule 11	97,414,450		-	97,414,450
45	565	Wheeling Schedule 11 - Wholesale	36,648,282		-	36,648,282
46	565	Wheeling Schedule 12	2,027,287		-	2,027,287
47	565	Wheeling Schedule 12 - Wholesale	544,137		-	544,137
48	565	Wheeling Schedule 1 - Wholesale	718,162		-	718,162
49	565	Wheeling Schedule 2	87,728		-	87,728
50	565	W-Wheeling Schedule 2 - Wholesale	(38,596)		-	(38,596)
51	565	Wheeling Schedule 9	6,012,320		-	6,012,320
52	565	Wheeling Schedule 9 - Wholesale	24,630,445		-	24,630,445
53	565	Z2 Direct Assigned Upgrade Charge	81,490		-	81,490
54	565	Z2 Direct Assigned Upgrade Charge - Wholesale	16,962		-	16,962
55	565	Z2 Schedule 11 Charges	(182,512)		-	(182,512)
56	565	Z2 Schedule 11 Charges - Wholesale	(4,093)		-	(4,093)
57	566	Misc Transmission Expenses	2,758,831		771,036	3,529,868
58	567	Rents	248,554		1,443,247	1,691,801
59	568	Maintenance Supervision and Engineering	(4,514)		8,197	3,683
60	570	Maintenance of Station Equipment	1,881,327		3,286	1,884,613
61	571	Maintenance of Overhead Lines	3,279,359		40,513	3,319,872
62	Sub-Total Transmission O&M Expenses		\$ 188,095,571	\$	13,807,556	\$ 201,903,127
Regional Market Expenses						
63	575.1	Operation Supervision	\$ 0	\$	144,493	\$ 144,493
64	575.2	Day-Ahead and Real-Time Market Administration	-		319,247	319,247
65	575.5	Ancillary Services Market Administration	-		45,199	45,199
66	575.6	Market Monitoring and Compliance	-		52,834	52,834
67	575.7	Market Admin, Monitoring, and Compliance Services	5,493,541		-	5,493,541
68	575.7W	Market Admin, Monitoring, and Compliance Services - Wholesale	1,955,333		-	1,955,333
69	575.8	Regional Market Rents	16,697		46,542	63,239
70	Total Regional Market Expenses		\$ 7,465,572	\$	608,316	\$ 8,073,887
71	Total Transmission O&M Expenses		\$ 195,561,142	\$	14,415,872	\$ 209,977,014

Southwestern Public Service Company

Native SPS Costs for Outside Law Firms and
Third Party Legal Vendors

Total Company SPS Operation and Maintenance Expenses

			Native SPS O&M Expense through the Update Period (Jul '18-Jun '19)		Test Year Affiliate O&M Expense (Jul '18-Jun '19)		Total Company Requested O&M	
Line No.	FERC Acct	Account Description						
Distribution								
72	580	Operation Supervision and Engineering	\$	3,405,755	\$	1,112,909	\$	4,518,665
73	581	Load Dispatching		102,311		248,335		350,646
74	582	Station Expenses		1,435,464		(14,170)		1,421,293
75	583	Overhead Line Expenses		3,334,194		105,570		3,439,764
76	584	Underground Line Expenses		156,919		-		156,919
77	585	Street Lighting and Signal Systems Expenses		287,435		415		287,850
78	586	Meter Expenses		2,797,646		179,701		2,977,347
79	587	Customer Installations Expenses		919,216		1,495		920,712
80	588	Misc Distribution Expense		10,390,098		1,143,464		11,533,563
81	589	Rents		989,709		1,543,961		2,533,670
82	590	Maintenance Supervision and Engineering		16,017		28,724		44,741
83	591	Maintenance of Structures		815		-		815
84	592	Maintenance of Station Equipment		912,565		1,149		913,714
85	593	Maintenance of Overhead Lines		9,126,107		191,724		9,317,831
86	594	Maintenance of Underground Lines		180,525		(0)		180,525
87	595	Maintenance of Line Transformers		618		-		618
88	596	Maintenance of Street Lighting and Signal Systems		584,448		2,020		586,468
89	597	Maintenance of Meters		20,218		-		20,218
90	598	Maintenance of Misc Distribution Plant		(390,387)		769		(389,618)
91	Total Distribution O&M Expenses		\$	34,269,676	\$	4,546,065	\$	38,815,741
Customer Accounts								
92	901	Supervision	\$	-	\$	30,503	\$	30,503
93	902	Meter Reading Expenses		4,380,976		460,573		4,841,549
94	903	Customer Records and Collection Expenses		3,232,359		3,722,097		6,954,456
95	904.0*	Uncollectible Expenses		4,736,858		-		4,736,858
96	904.1*	Uncollectible Expenses		762,650		-		762,650
97	DEPINT Customer Deposit Interest Expense			151,110		-		151,110
98	Total Customer Accounts Expense		\$	13,263,953	\$	4,213,172	\$	17,477,125
Customer Service								
99	908.00	Customer Assistance Expense	\$	911,114	\$	130,975	\$	1,042,089
100	908.00	Historical EE Amortization		(30,099)	\$	-	\$	(30,099)
101	908.01	EE Amortization - Texas		-		-		-
102	908.03	EE Amortization - New Mexico		-		-		-
103	908.04	SaversSwitch		775,839		-		775,839
104	909.10	Informational and Instructional Advertising Expense		-		-		-
105	910.00	Miscellaneous Customer Service Expense		44,957		21,107		66,063
106	Total Customer Service Expense		\$	1,701,811	\$	152,081	\$	1,853,892
Sales								
107	912.00	Demonstration and Selling Expense-Economic Development	\$	273,509	\$	105	\$	273,614
108	Total Sales Expense		\$	273,509	\$	105	\$	273,614

Southwestern Public Service Company

Native SPS Costs for Outside Law Firms and
Third Party Legal Vendors

Total Company SPS Operation and Maintenance Expenses

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jul '18-Jun '19)	Test Year Affiliate O&M Expense (Jul '18-Jun '19)	Total Company Requested O&M
Administrative and General Expenses					
109	920*	Administrative and General Salaries	\$ 4,833,384	\$ 24,142,782	\$ 28,976,166
110	921	Office Supplies and Expenses	1,269,421	17,962,307	19,231,728
111	922*	Administrative Expenses Transferred-Credit	(14,611,279)	(228,870)	(14,840,149)
112	923	Outside Services Employed¹	2,916,830	9,095,481	12,012,311
113	924	Property Insurance	3,180,864	1,633	3,182,497
114	925*	Injuries and Damages	4,475,740	2,106,862	6,582,602
115	926.01*	Employee Pensions and Benefits	20,587,923	13,238,622	33,826,545
116	926.03*	Deferred Pension Expense	1,574,975	-	1,574,975
117	928	Regulatory Commission Expense - TX	8,781,003	-	8,781,003
118	928.01	Regulatory Commission Expense - NM	4,701,597	-	4,701,597
119	928.02	Regulatory Commission Expense - Wholesale	748,078	-	748,078
120	928.04	Regulatory Commission Expense - Misc	93,393	1,040	94,433
121	929	Duplicate Charges-Credit	(1,367,138)	-	(1,367,138)
122	930.11	General Advertising Expenses	-	-	-
123	930.20	Misc General Expenses	16,227	468,159	484,386
124	931	Rents	(959,185)	12,711,133	11,751,948
125	935	Maintenance of General Plant	482	107,643	108,125
126		Recoverable Contributions, Dues, and Donations	2,556,746	-	2,556,746
127	Total Administrative and General Expenses		\$ 38,799,063	\$ 79,606,791	\$ 118,405,854
128	Total Operations and Maintenance Expense		\$ 407,378,077	\$ 121,377,667	\$ 528,755,744

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

¹Mr. Altman sponsors only those amounts recorded in FERC Account 923 that are incurred for Outside Legal Services.

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Act. 400-935)	XES Billings for Class to all Legal Entities Except for SPS (FERC Act. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Act. 400-935)	Exclusions	Per Book	Proformas	Requested Amount (Total Company)	% of Class Charges
1	GC Claims	200071 - Legal - Corporate Governance	Assets/Revenue/No. of employees	\$ 159,971.29	\$ 139,339.39	\$ 20,631.90	\$ -	\$ 20,631.90	\$ (210.89)	\$ 20,421.01	8.85%
2	GC Claims	Direct	Direct	1,582,218.89	1,367,296.72	214,922.17	-	214,922.17	(4,543.46)	210,378.71	91.15%
3	GC Claims Total			\$ 1,742,190.18	\$ 1,506,636.11	\$ 235,554.07	\$ -	\$ 235,554.07	\$ (4,754.35)	\$ 230,799.72	100.00%
4	GC Legal Services	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 406.44	\$ 354.05	\$ 52.39	\$ -	\$ 52.39	\$ (52.39)	\$ -	0.00%
5	GC Legal Services	200071 - Legal - Corporate Governance	Assets/Revenue/No. of employees	9,175,285.20	7,991,800.38	1,183,484.82	(6,046.42)	1,177,438.40	(14,258.51)	1,163,179.89	54.49%
6	GC Legal Services	200086 - Legal	Assets/Revenue/No. of employees	29,691.46	25,378.04	4,313.42	-	4,313.42	(271.11)	4,042.31	0.19%
7	GC Legal Services	200093 - Legal - OpCos	Assets/Revenue/No. of employees	913,217.84	781,168.04	132,049.80	-	132,049.80	(1,132.13)	130,917.67	6.13%
8	GC Legal Services	200101 - Legal - Opco's - Gas	Assets/Revenue/No. of employees	16,055.88	16,055.88	-	-	-	-	-	0.00%
9	GC Legal Services	200107 - Legal - NSPM & NSPW	Assets/Revenue/No. of employees	240,866.68	240,866.68	-	-	-	-	-	0.00%
10	GC Legal Services	200153 - Customer Safety Advertising/Information Costs	Number of Customers	1,380.59	1,284.08	96.51	-	96.51	(96.51)	-	0.00%
11	GC Legal Services	200166 - Human Resources (Diversity/Safety/Emp Relations)	Number of Employees	306.14	262.08	44.06	-	44.06	(44.06)	-	0.00%
12	GC Legal Services	Direct	Direct	7,092,130.72	6,244,162.77	847,967.95	-	847,967.95	(11,401.06)	836,566.89	39.19%
13	GC Legal Services Total			\$ 17,469,340.95	\$ 15,301,332.00	\$ 2,168,008.95	\$ (6,046.42)	\$ 2,161,962.53	\$ (27,255.77)	\$ 2,134,706.76	100.00%
14	GC VP General Counsel	200071 - Legal - Corporate Governance	Assets/Revenue/No. of employees	\$ 92,117.59	\$ 802,354.41	\$ 118,819.18	\$ (585.13)	\$ 118,234.05	\$ (2,503.03)	\$ 115,731.02	96.02%
15	GC VP General Counsel	200093 - Legal - OpCos	Assets/Revenue/No. of employees	92.19	78.71	13.48	-	13.48	(13.48)	-	0.00%
16	GC VP General Counsel	200107 - Legal - NSPM & NSPW	Assets/Revenue/No. of employees	1,475.12	1,475.12	-	-	-	-	-	0.00%
17	GC VP General Counsel	Direct	Direct	89,910.36	85,056.19	4,854.17	-	4,854.17	(58.03)	4,796.14	3.98%
18	GC VP General Counsel Total			\$ 1,012,651.26	\$ 888,964.43	\$ 123,686.83	\$ (585.13)	\$ 123,101.70	\$ (2,574.54)	\$ 120,527.16	100.00%
19	Total - Witness James Altman			\$ 20,224,182.39	\$ 17,696,932.54	\$ 2,527,249.85	\$ (6,631.55)	\$ 2,520,618.30	\$ (34,584.66)	\$ 2,486,033.64	
	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

James L. Altman

2019 TX Rate Case

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

JLA-RR-B(CD)

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Exclusions	(E) Exclusions (Total Company)
1	GC Legal Services	426.1 - Donations	Below the line	\$ (4,294.65)
2	GC Legal Services	426.4 - Life Insurance	Below the line	(92.03)
3	GC Legal Services	426.5 - Other Deductions	Below the line	(1,659.74)
4	GC Legal Services Total			\$ (6,046.42)
5	GC VP General Counsel	426.1 - Donations	Below the line	\$ (8.66)
6	GC VP General Counsel	426.5 - Other Deductions	Below the line	(576.47)
7	GC VP General Counsel Total			\$ (585.13)
8		Total - Witness James Altman		\$ (6,631.55)
	Amounts may not add or tie to other schedules due to rounding.			

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