

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

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

**DIRECT TESTIMONY  
of  
JEFFREY A. BUTLER**

*on behalf of*

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

*(Filename: ButlerRRDirect.doc)*

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

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
FERC	Federal Energy Regulatory Commission
JOA	Joint Operating Agreement
MW	Megawatt
MWh or MWH	megawatt hours
NERC	North American Electric Reliability Corporation
Operating Companies	Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation, PSCo; and SPS
Operating Company	One of the Operating Companies
O&M	Operation and maintenance
OS	Operations Services
PSCo	Public Service Company of Colorado, a Colorado corporation
RFP	Rate Filing Package
SIP	Supplemental Incentive Plan
SPP	Southwest Power Pool, Inc.
SPS	Southwestern Public Service Company, a New Mexico corporation
TCR	Transmission Congestion Right
Test Year	April 1, 2018 through March 31, 2019
Total Company or total company	Total SPS (before jurisdictional allocation)
Update Period	April 1, 2019 through June 30, 2019
Updated Test Year	July 1, 2019 through June 30, 2019

<u>Acronym/Defined Term</u>	<u>Meaning</u>
VP	Vice President
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

## LIST OF ATTACHMENTS

<b><u>Attachment</u></b>	<b><u>Description</u></b>
JAB-RR-1	Operations Services Organization Chart ( <i>Non-native format</i> )
JAB-RR-2(CONF)	Calculation of Transmission Congestion Rights Fees for Letter of Credit
JAB-RR-A (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Billing Method ( <i>Filename: JAB-RR-ABCD.xlsx</i> )
JAB-RR-B(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method and FERC Account ( <i>Filename: JAB-RR-ABCD.xlsx</i> )
JAB-RR-C (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account ( <i>Filename: JAB-RR-ABCD.xlsx</i> )
JAB-RR-D (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account ( <i>Filename: JAB-RR-ABCD.xlsx</i> )

**DIRECT TESTIMONY  
OF  
JEFFREY A. BUTLER**

1           **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3   A. My name is Jeffrey A. Butler. My business address is 1800 Larimer Street, Suite  
4       1000, Denver, Colorado 80202.

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

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

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

10   A. I am employed by Xcel Energy Services Inc. (“XES”), the service company  
11       subsidiary of Xcel Energy, as a Regulatory Consultant.

12   **Q. Please briefly outline your responsibilities as Regulatory Consultant.**

13   A. I advise the members of the business unit on regulatory matters and  
14       developments; provide support to the members of my business unit on regulatory  
15       matters such as drafting testimony, responding to discovery requests and  
16       preparing for regulatory hearings; and providing training to personnel on business  
17       roles within the unit.

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

19   A. I received a Bachelor of Science degree in Business Administration from the  
20       University of Phoenix in 1989 and Masters in Business Administration degree  
21       from the University of Phoenix in 1997.

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

2    A.    I served in the U.S. Navy as a Reactor Operator on the USS Nathanael Greene  
3           (SSBN-636). I began my employment with Public Service Company of  
4           Colorado, a Colorado corporation (“PSCo”) in 1985 as an Instrument Technician  
5           at PSCo’s Ft. St. Vrain nuclear generating facility, where I also later worked as an  
6           Instrumentation and Control Instructor. After obtaining my bachelor’s degree, I  
7           was hired as a Rate Accountant in the Rates and Regulatory Affairs business unit  
8           of PSCo and later as a Case Manager within that same business unit after the  
9           PSCo merger with SPS that created New Century Energies, Inc. In these roles I  
10          developed revenue requirements and managed regulatory cases including witness  
11          support. After the merger that created Xcel Energy, I joined the Policy  
12          Development business unit as a Senior Policy Analyst in 2001 where I focused on  
13          both regulatory policy analysis and the development and administration of  
14          regulatory policy cases. I then worked as a Regulatory Consultant in the  
15          Resource Planning and Acquisition, Resource Planning, and currently, the  
16          Commercial Operations business units. As a Regulatory Consultant in the  
17          Commercial Operations business unit, I am familiar with the operational and  
18          regulatory characteristics of SPS’s retail jurisdictions.

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

20    A.    Yes. I testified before the Colorado Public Utilities Commission on the issue of  
21          decoupling electric utility revenues from sales in Docket No. 93I-199EG. I filed  
22          written testimony in SPS’s last two Texas rate cases, Docket Nos. 45524 and  
23          47527 on the Operations Services (“OS”) Senior Vice President (“VP”) -

1 Commercial Operations - Enterprise Transformation Office class of affiliate  
2 services, as well as fees associated with SPS's posted letter of credit in the  
3 Southwest Power Pool, Inc. ("SPP") Integrated Marketplace.

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

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

4   A.     I support the Updated Test Year (July 1, 2018 through June 30, 2019)<sup>1</sup> operation  
5           and maintenance (“O&M”) expenses and administrative and general expenses for  
6           the OS Senior VP - Commercial Operations class of affiliate services. In regard  
7           to this affiliate class, my testimony will:

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

17         I also support the recovery of the fees associated with the SPP credit collateral  
18         requirements. In addition, I sponsor Rate Filing Package (“RFP”) Schedules  
19         H-14.1a, H-14.1b, Q-8.1, Q-8.2, Q-8.3, and Q-8.4, and co-sponsor Schedule I-20.

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

21   A.     The estimated Updated Test Year (July 1, 2018 through June 30, 2019) costs for  
22           the services of the OS Senior VP - Commercial Operations class are reasonable

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



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

- 3 • SPS seeks to recover \$4,118,328 (total SPS before jurisdictional  
4 allocation, or "Total Company" or "total company") for the services of  
5 the OS Senior VP - Commercial Operations affiliate class.<sup>2</sup>
- 6 • The costs are for services of the: Executive VP and Group President,  
7 Operations; and Commercial Operations. The Executive VP and  
8 Group President, Operations provides senior executive level oversight  
9 and leadership of operations functions. The Commercial Operations  
10 organization provides the services of: dispatching of generation;  
11 origination; long-term power and transmission purchases; wholesale  
12 customer management (not assigned to retail); fuel procurement  
13 activities including gas supply, gas resource planning, coal purchasing,  
14 and the transportation of fuel to the Operating Companies' generating  
15 facilities; representing the Operating Companies at various industry  
16 forums and centralized markets; and trading of energy.
- 17 • The costs are for services that are necessary to ensure sufficient fuel is  
18 available to operate generating facilities, to reliably operate SPS's  
19 electric system, to provide low-cost electric energy supplies for SPS  
20 customers, to dispatch the SPS power generation facilities and other  
21 contracted resources in the SPS control area appropriately, to operate  
22 as a member of SPP, and to provide senior executive level oversight  
23 and leadership for operations functions.
- 24 • The costs are reasonable because they are shared with other affiliates,  
25 consist primarily of reasonable personnel costs, and are subjected to  
26 rigorous budgeting and cost control processes.
- 27 • SPS does not provide these services for itself, and the services do not  
28 duplicate services provided by others.
- 29 • Each charge from SPS's affiliates for these services is no higher than  
30 the charge by those affiliates to any other entity for the same or similar  
31 service.

32 SPS also seeks to recover \$28,632 in letter of credit fees associated with  
33 its participation in the Transmission Congestion Right ("TCR") auction process  
34 under the SPP Integrated Marketplace. Participation in the auction is a financial

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<sup>2</sup> This dollar amount reflects nine months of actual costs and three months of estimated costs.

1 tool used as part of the management of transmission congestion costs on the SPP  
2 transmission system to help control the costs that SPS must pay for the power  
3 used to serve customers. I describe SPS's TCR auction process and the fees in  
4 more detail in Section IV of my testimony.

5 **Q. Please describe Schedules H-14.1a and H-14.1b.**

6 A. Schedules H-14.1a and H-14.1b both pertain to Transmission Wheeling Data.  
7 Schedule H-14.1a presents transmission wheeling data for the Test Year and  
8 Updated Test Year for Qualifying Facilities with firm transmission service.  
9 Schedule H-14.1b addresses planned capacity wheeling.

10 **Q. Please describe Schedules Q-8.1, Q-8.2, Q-8.3, and Q-8.4.**

11 A. Schedule Q-8.1 provides the marginal and average cost energy schedules for  
12 representative weekdays for each of the four seasons for 2019 and 2020.  
13 Schedule Q-8.2 provides the expected annual load duration curve. Schedule  
14 Q-8.3 provides representative marginal and average energy costs. Schedule Q-8.4  
15 provides the associated diurnal load for the schedules in Schedule Q-8.3, both in  
16 graphical and tabular form.

17 **Q. Please describe Schedule I-20.**

18 A. Schedule I-20 pertains to Fuel Management Travel and presents certain kinds of  
19 travel expenses incurred by personnel involved in acquiring fuels. I sponsor the  
20 schedule as it pertains to expenses incurred by personnel other than those  
21 involved with coal supply. I co-sponsor this schedule with SPS witness H. Craig  
22 Romer.

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

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

13               Regarding the OS Senior VP – Commercial Operations affiliate costs I  
14      support, as explained by SPS witness Melissa L. Schmidt, actual figures for April  
15      and May 2019 have been provided and June figures have been estimated based on  
16      the forecasted budget. However, these expenses have not gone through the full  
17      pro forma adjustment review process.

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

20   A.   Yes. SPS will file an update 45 days after SPS files this application. The update  
21       will provide actual costs to replace the estimates provided in the application for  
22       the Update Period. As part of that process, my Attachments JAB-RR-A through  
23       JAB-RR-D will be updated to remove estimates of OS Senior VP – Commercial

1           Operations affiliate O&M expenses incurred by SPS during the Updated Test  
2           Year and then replace those estimates with actual expenses, which will be used to  
3           establish SPS's base rates in this case.

4   **Q.   Were Attachments JAB-RR-1 and JAB-RR-2(CONF), and JAB-RR-A**  
5           **through JAB-RR-D prepared by you or under your direct supervision and**  
6           **control?**

7   A.   Yes, as to Attachments JAB-RR-1 and JAB-RR-2(CONF).   Attachments  
8           JAB-RR-A through JAB-RR-D were prepared by Ms. Schmidt and her staff. My  
9           staff and I have reviewed these attachments and I believe them to be accurate.  
10          Although the same information provided in Attachments JAB-RR-A through  
11          JAB-RR-D is presented in Ms. Schmidt's Attachments ARD-RR-A through  
12          ARD-RR-D, I have presented this information in my testimony for the  
13          convenience of those reviewing my testimony.

14   **Q.   Were the RFP schedules that you sponsor or co-sponsor prepared by you or**  
15           **under your direct supervision?**

16   A.   Yes.

17   **Q.   Do you incorporate the RFP schedules that you sponsor or co-sponsor into**  
18           **this testimony?**

19   A.   Yes.

1     **III.   AFFILIATE EXPENSES FOR THE OS SENIOR VP - COMMERCIAL**  
2                               **OPERATIONS CLASS OF SERVICES**

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

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

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

13    A.     I sponsor the OS Senior VP - Commercial Operations class of affiliate services.

14    **A.     Summary of Affiliate Expenses for the OS Senior VP -**  
15               **Commercial Operations Class of Services**

16    **Q.     Where does the OS Senior VP - Commercial Operations affiliate class fit into**  
17               **the overall affiliate structure?**

18    A.     Attachment MLS-RR-6 to Ms. Schmidt’s direct testimony provides a list and a  
19               pictorial display of all affiliate classes, dollar amounts for those classes, and  
20               sponsoring witness for each class. As seen on that attachment, the OS Senior VP  
21               - Commercial Operations affiliate class was part of the Operations Services  
22               business area during the Updated Test Year. Attachment JAB-RR-1 to my  
23               testimony is an organization chart showing the Operations Services business area,  
24               which includes the affiliate services that comprise the OS Senior VP -  
25               Commercial Operations affiliate class.

1   **Q.     What services are grouped into the OS Senior VP - Commercial Operations**  
2       **affiliate class?**

3   A.     The services that are grouped into the OS Senior VP - Commercial Operations  
4       affiliate class are those of the Executive VP and Group President, Operations  
5       which provides senior executive level oversight and leadership of operations  
6       functions, those of the Commercial Operations organization, which are:  
7       dispatching of generation; origination; long-term power and transmission  
8       purchases; wholesale customer management (costs not assigned to retail); fuel  
9       procurement activities including gas supply, gas resource planning, coal  
10      purchasing, and the transportation of fuel to the Operating Companies' generating  
11      facilities; representing the Operating Companies at various industry forums and  
12      centralized markets; and trading of energy.

13   **Q.     What is the dollar amount of the Updated Test Year XES charges that SPS**  
14       **requests, on a total company basis, for the OS Senior VP - Commercial**  
15       **Operations affiliate class?**

16   A.     The following table summarizes the dollar amount of the estimated Updated Test  
17       Year XES charges for the OS Senior VP - Commercial Operations affiliate class.  
18       I will update the table below as part of SPS's 45-day case update filing to reflect  
19       the actual Updated Test Year costs for the OS Senior VP - Commercial  
20       Operations affiliate class.

**Table JAB-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
OS Senior VP - Commercial Operations	\$20,107,406	\$4,118,328	75.03%	24.97%

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 JAB-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 JAB-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 JAB-RR-1.**

3    **A.**    There are four attachments to my testimony that present information about the  
4           requested SPS affiliate expenses for the OS Senior VP - Commercial Operations  
5           affiliate class.

1                   **Attachment JAB-RR-A:** Provides a summary of the affiliate expenses  
2 for this class during the Updated Test Year. The portion of the summary specific  
3 to billings to SPS starts with the total of the XES expenses to SPS for the services  
4 provided by this affiliate class and ends with the requested dollar amount of XES  
5 expenses to SPS (total company) for this affiliate class after exclusions and pro  
6 forma adjustments. The columns on this attachment provide the following  
7 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 below-the-line items.
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 JAB-RR-B(CD):** Provides the detail of the XES expenses  
5 for the OS Senior VP - Commercial Operations affiliate class that are summarized  
6 on Attachment JAB-RR-A. The detail shows the XES expenses billed to SPS for  
7 the OS Senior VP - Commercial Operations affiliate class, itemized by the  
8 amount, with each expense listed by individual activity, and billing method (cost  
9 center). When summed, these amounts tie to the amounts shown on Attachment

1 JAB-RR-A, and the detail regarding the expenses is organized to support that  
2 attachment. Specifically, the columns on this attachment provide the following  
3 information.

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

1 provides detail about those exclusions listed on Attachments JAB-RR-A and  
2 JAB-RR-B(CD). The columns on Attachment JAB-RR-C provide the following  
3 information.

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

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

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

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	FERC Account	Identifies the FERC Account and FERC Account description affected by the pro forma adjustment.

Column D —	Explanations for Pro Formas	Provides a brief rationale for the pro forma adjustment.
Column E —	Sponsor	Identifies the witness or witnesses who sponsor the pro forma adjustment.
Column F —	Pro Formas (Total Company)	Shows the dollar amount of the pro forma adjustment.

1    **Q.    Does XES bill its expenses for the OS Senior VP - Commercial Operations**  
2       **affiliate class to SPS in the same manner as it bills other affiliates for those**  
3       **expenses?**

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

7    **Q.    Are there any exclusions to the XES billings to SPS for the OS Senior VP -**  
8       **Commercial Operations affiliate class?**

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

- 1   **Q.    Are there any pro forma adjustments to SPS’s per book expenses for the OS**  
2       **Senior VP - Commercial Operations 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 JAB-RR-A, Column J, and on Attachment JAB-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       JAB-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      JAB-RR-D that will complete the full pro forma adjustment review process for  
12      the last three months of the Updated Test Year.
- 13   **Q.    Attachment JAB-RR-D shows that you are a sponsor for pro forma**  
14       **adjustments for expenses for the OS Senior VP - Commercial Operations**  
15       **affiliate class during the first nine months of the Update Test Year that result**  
16       **in a net decrease of \$22,451. Please explain the adjustments.**
- 17   A.    The adjustments that I sponsor: remove the costs not benefiting SPS (a decrease  
18       of \$21,004); remove costs for alcoholic beverage purchases (a decrease of  
19       \$1,214); and remove costs for life events (a decrease of \$233).
- 20   **B.    The OS Senior VP - Commercial Operations Class of Services are**  
21       **Necessary Services**
- 22   **Q.    Are the services that are grouped in the OS Senior VP - Commercial**  
23       **Operations affiliate class necessary for SPS’s operations?**
- 24   A.    Yes. The services grouped in the OS Senior VP - Commercial Operations  
25       affiliate class are necessary to ensure sufficient fuel is available to operate

1 generating facilities; to reliably operate SPS's electric system; to provide low-cost  
2 electric energy supplies for the SPS customers; to dispatch the SPS power  
3 generation facilities and other contracted resources in the SPS control area  
4 appropriately; to operate as a member of SPP, and to provide senior executive  
5 level oversight and leadership for operations functions (electric generation,  
6 electric and gas transmission, electric and gas distribution, customer care,  
7 commercial operations, and supply chain). They are functions required by all  
8 utilities and without which SPS would not be able to provide electric service to its  
9 customers.

10 **Q. What are the specific services that are provided to SPS by the OS Senior VP**  
11 **- Commercial Operations affiliate class?**

12 A. The services that are provided to SPS by the OS Senior VP - Commercial  
13 Operations affiliate class are provided by the two following organizations within  
14 the Operations organization: Executive VP and Group President, Operations; and  
15 Commercial Operations.

16 The Executive VP and Group President, Operations, provides leadership,  
17 oversight, and overall direction of the services provided to SPS by the following  
18 seven operational areas: Commercial Operations, Customer Care, Gas  
19 Engineering and Operations, Energy Supply, (Electric) Distribution Operations,  
20 Supply Chain, and (Electric) Transmission Operations.

21 The Commercial Operations organization provides the following specific  
22 services:

- 23 • Managing SPS's portfolio of generation and long-term purchased power  
24 contracts while managing supply risk to minimize energy costs to  
25 customers. The OS Senior VP - Commercial Operations class also  
26 includes the costs of the Supplemental Incentive Plan ("SIP") which is

1 part of the total cash compensation of the energy traders. As explained by  
2 SPS witness Michael T. Knoll, SPS is not seeking recovery of SIP  
3 expenses in this rate case;

- 4 • Dispatching SPS's electric generation resources;
- 5 • Implementing market changes required by the SPP and reliability  
6 standards and compliance obligations of the North American Electric  
7 Reliability Corporation ("NERC");
- 8 • Buying and selling wholesale physical electric capacity and energy for  
9 long-term transactions for both system and non-system sales;
- 10 • Maintaining customer relations and managing existing contracts, including  
11 billing support;
- 12 • Managing the interruptible service provisions of participating end users to  
13 increase system reliability;
- 14 • Acquiring transmission service to support the buying and selling of  
15 wholesale physical electric capacity and energy and associated activity to  
16 mitigate transmission congestion costs;
- 17 • Planning and procuring the coal and solid fuel supplies, coal storage, and  
18 coal transportation required for SPS's coal plants;
- 19 • Planning and procuring the natural gas supplies, gas storage, and gas  
20 transportation required for SPS's gas-fired plants; and
- 21 • Managing communication with the SPP market monitor and guiding the  
22 Operating Companies, including SPS, as a stakeholder in the development  
23 and operation of regional transmission organizations; and interacting with  
24 state and federal regulatory agencies, as well as independent market  
25 monitors, regarding market operations and related activities.

26 **Q. Are any of the OS Senior VP - Commercial Operations class of services that**  
27 **are provided to SPS duplicated elsewhere in XES or in any other Xcel**  
28 **Energy subsidiary such as SPS itself?**

29 A. No. Within XES, none of the services grouped in the OS Senior VP -  
30 Commercial Operations affiliate class are duplicated elsewhere. No other Xcel  
31 Energy subsidiary performs these services for the Operating Companies. In  
32 addition, SPS does not perform these services for itself.



1    **Q.     Do SPS's Texas retail customers benefit from the services that are part of the**  
2           **OS Senior VP - Commercial Operations class of services?**

3    A.    Yes. The services of the OS Senior VP - Commercial Operations affiliate class  
4           benefit SPS's customers in many ways. For example, OS Senior VP -  
5           Commercial Operations ensures that the SPS electric system operates in a reliable  
6           manner by adhering to the standards set by NERC and minimizes the SPS system  
7           energy costs through cost-effective offering of, and delivery from, the SPS  
8           generation resources into the SPP Integrated Marketplace and wholesale energy  
9           trading activities. OS Senior VP - Commercial Operations was also successful in  
10          reducing system energy costs by sharing with customers the margins it produced  
11          from both the system and non-system based energy trading activities.

12   **C.     The OS Senior VP - Commercial Operations Affiliate Class of**  
13           **Services are Provided at a Reasonable Cost**

14   **Q.     Are the costs of the OS Senior VP - Commercial Operations affiliate class of**  
15           **services reasonable?**

16   A.    Yes. The costs of the OS Senior VP - Commercial Operations affiliate class of  
17           services are reasonable. These services are provided through a centralized  
18           organizational approach that reduces costs and enables the Operating Companies  
19           to benefit from economies of scale, resource sharing during peak workloads, and  
20           historical knowledge that enables the affiliate class employees to respond quickly  
21           and with better insights to ensure that the best overall work product is delivered.  
22           The centralized organization allows each of the Operating Companies to benefit  
23           from the direct experience of the others, leading to improved skills and work  
24           practices.

1                   1.       *Additional Evidence*

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

4   A.    Yes.   Of the estimated Updated Test Year costs for the OS Senior VP -  
5       Commercial Operations affiliate class, 91.82% are compensation and benefits  
6       costs for XES personnel.   Mr. Knoll and SPS witness Richard R. Schrubbe  
7       establish that the level of Xcel Energy's compensation and benefits is reasonable  
8       and necessary.

9                   2.       *Budget Planning*

10  **Q.    Is a budget planning process applicable to the OS Senior VP - Commercial**  
11       **Operations class of affiliate costs?**

12  A.    Yes.   Annual O&M budgets are created using guidelines developed at the  
13       corporate level.   Each manager within the OS Senior VP - Commercial  
14       Operations organization carefully reviews historical spend information, identifies  
15       changes that will be coming in the future, and analyzes the costs associated with  
16       those changes prior to submitting a proposed budget.   The budgeting process is  
17       discussed in more detail by SPS witness Adam R. Dietenberger.

18  **Q.    During the fiscal year, does OS Senior VP - Commercial Operations monitor**  
19       **its actual expenditures versus its budget?**

20  A.    Yes.   Actual versus expected expenditures are monitored on a monthly basis by  
21       management in each department.   Deviations are evaluated each month to ensure  
22       that costs are appropriate.   In addition, action plans are developed to mitigate

1 variations in actual to budgeted expenditures when the size of the variations  
2 warrant. These mitigation plans may either reduce or delay other expenditures so  
3 that overall spending complies with the authorized budget.

4 **Q. Are management employees within the OS Senior VP - Commercial**  
5 **Operations organization held accountable for deviations from the budget?**

6 A. Yes. All management employees in the OS Senior VP - Commercial Operations  
7 organization have specific budgetary goals that are incorporated into their  
8 performance evaluations. Performance is measured on a monthly basis to ensure  
9 adherence to the goals and provide for action plan development to address  
10 variances. All OS Senior VP - Commercial Operations organization managers are  
11 required to manage their expenses to support the budgetary goals established by  
12 their manager.

13 3. *Cost Trends*

14 **Q. Please state the dollar amounts of the actual per book charges from XES to**  
15 **SPS for the OS Senior VP - Commercial Operations class of services for the**  
16 **three fiscal years preceding the end of the Updated Test Year and the**  
17 **estimated per book charges for the estimated Updated Test Year.**

18 A. The following table shows, for the fiscal years 2016, 2017, and 2018 (calendar  
19 years), the actual per book, and for the Updated Test Year, the estimated per book  
20 affiliate charges (Column I on Attachment JAB-RR-A) from XES to SPS for the  
21 services grouped in the OS Senior VP - Commercial Operations affiliate class:

1

**Table JAB-RR-2**

Class of Services	Actual (Per Book) Charges Over Time			
	2016	2017	2018	Updated Test Year (Estimated)
OS Senior VP - Commercial Operations	\$5,604,024	\$5,221,602	\$4,797,422	\$4,365,823

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

3 A. The OS Senior VP - Commercial Operations charges to SPS vary from year to  
 4 year as a function of SPP and SPS system conditions and the amount of labor that  
 5 is allocated to SPS commensurate with the level of SPS-related work which  
 6 impacts the variations in costs between each of the periods. In addition, the  
 7 charges to SPS have decreased due to elimination of four staff positions.

8 4. *Staffing Trends*

9 **Q. Please provide the staffing levels for the OS Senior VP - Commercial**  
 10 **Operations class of services for the three fiscal years preceding the end of the**  
 11 **Updated Test Year and the Updated Test Year.**

12 A. The following table (next page) shows, for the fiscal years 2016, 2017, and 2018  
 13 (calendar years) and for the Updated Test Year, the average of the end of month  
 14 staffing levels for the OS Senior VP - Commercial Operations class of services.

15

**Table JAB-RR-3**

Class of Services	Average of End of Month # of Staff			
	2016	2017	2018	Updated Test Year (Estimated)
OS Senior VP - Commercial Operations	116	113	112	112

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

2    A.    XES efficiently staffs the OS Senior VP - Commercial Operations group. Four  
3           staffing positions during the historical period were eliminated as a result of the  
4           Company's efforts to determine the right staffing level for the work being  
5           performed.

6    **Q.    Separate from the budget planning process, does the OS Senior VP -**  
7           **Commercial Operations affiliate class take any steps to control its costs or to**  
8           **improve its services?**

9    A.    Yes. The OS Senior VP - Commercial Operations affiliate class continually  
10          reviews its plans, initiatives, and staffing to ensure they are appropriate and to  
11          identify and implement improvements.

12   **D.    The Costs for the OS Senior VP - Commercial Operations Class**  
13          **of Services are Priced in a Fair Manner**

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

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

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

3 **Q. How are the costs of the OS Senior VP - Commercial Operations affiliate**  
4 **class billed to SPS?**

5 A. My Attachment JAB-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 JAB-RR-A, shows  
7 the billing method associated with each activity. My Attachment JAB-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 JAB-RR-A and JAB-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 OS Senior VP - Commercial Operations  
15 affiliate O&M expenses on my updated Attachments JAB-RR-A and  
16 JAB-RR-B(CD) differ from those discussed below, I will explain those  
17 differences in supplemental testimony 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 OS Senior VP - Commercial Operations affiliate**  
20 **class of services?**

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

- 23
  - Direct Billing – 75.03% of XES charges to SPS – \$3,089,780;

- 1                   • Joint Operating Agreement (“JOA”) – 12.39% of XES charges to SPS  
2                   – \$510,208;
- 3                   • Megawatt Hours (“MWh” or “MWH”) Hours Sold – 5.76% of XES  
4                   charges to SPS – \$237,159; and
- 5                   • Assets, Revenue, & Number of Employees – 4.67% of XES charges to  
6                   SPS – \$192,325; and
- 7                   • MWH Generation –2.16% of XES charges to SPS – \$88,856.

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

10   A.   For the cost centers that are assigned using the “Direct Billing” method, the costs  
11           normally reflect work that was performed specifically for SPS only. In some  
12           cases, however, the direct billing occurred after the application of an off-line  
13           allocator that tracks the relevant cost drivers. In either situation, the cost centers  
14           charged using the “Direct Billing” method are appropriate because the assignment  
15           of costs is in accordance with the distribution of benefits for the services received.  
16           For example, labor costs related to the offering of SPS’s generation and the  
17           bidding of SPS’s obligation load into the SPP Integrated Marketplace were  
18           assigned using the “Direct Billing” method. The cost of these services benefitted  
19           SPS, the work was performed specifically for SPS alone, and the cost driver was  
20           the work required to offer and bid for SPS. Thus, the “Direct Billing” method is  
21           appropriate because it assigns costs in accordance with cost causation and benefits  
22           received. For the cost centers that assign costs using Direct Billing, the per unit  
23           amounts charged by XES to SPS are no higher than the unit amounts billed by  
24           XES to other affiliates for the same or similar services and represent the actual  
25           costs of the services.

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

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

18   **Q.    Why is it appropriate to allocate costs based on the “MWH Hours Sold”**  
19       **method for the costs captured in the cost centers that use that allocation**  
20       **method?**

21    A.    Cost Center 200146, which uses the “MWH Hours Sold” method as the allocator,  
22       captures the costs associated with directing and providing electric system  
23       management services to the Operating Companies’ electric generating systems



1 including load management, system optimization, and origination. For example,  
2 some of the labor costs incurred by the VP of Commercial Operations for  
3 providing oversight of trading activities are assigned using this method. The costs  
4 are allocated based on the MWh or MWH sold by the Operating Companies (i.e.,  
5 the ratio of each Operating Company's MWh of electricity sold to the MWh sold  
6 by all of the Operating Companies) because there is a direct correlation between  
7 the generation sold and these activities. Thus, allocating costs based on the MWH  
8 Hours Sold method is appropriate for the allocation of costs to affiliates because it  
9 allocates costs for the services in accordance with cost causation and the  
10 distribution of the benefits of the services received. For the cost centers that  
11 assign costs based upon this allocation method, the per unit amounts charged by  
12 XES to SPS as a result of the application of this billing method are no higher than  
13 the unit amounts billed by XES to other affiliates for the same or similar services  
14 and represent the actual costs of the services.

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

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

1 example, the costs associated with labor and non-labor costs of providing  
2 management support to the Operations organization, which are collected in Cost  
3 Center 200063, are allocated using this method. Within the Xcel Energy holding  
4 company group, those legal entities that have proportionately more assets,  
5 revenues, and employees will generally have more focus placed on their  
6 operations due to those subsidiaries' relative influence on the consolidated  
7 business balance sheet, income statement, and statement of cash flow, and the  
8 subsidiaries will benefit accordingly from the services provided. Thus, allocating  
9 these costs based upon the average of the total asset ratio, revenue ratio, and the  
10 employee ratio is appropriate because it allocates costs in accordance with cost  
11 causation and benefits received. Ms. Schmidt discusses this allocation method in  
12 more detail in her testimony. For the cost centers that assign costs based upon  
13 this billing method, the per unit amounts charged by XES to SPS as a result of the  
14 application of this allocation method are no higher than the unit amounts billed by  
15 XES to other affiliates for the same or similar services and represent the actual  
16 costs of the services.

17 **Q. Why is it appropriate to allocate costs based upon the “MWH Generation”**  
18 **method for the costs captured in the cost centers that use that allocation**  
19 **method?**

20 A. Cost Center 200136, which uses the “MWH Generation” method as the allocator,  
21 captures the costs associated with providing services necessary to supplying the  
22 Operating Companies' electric systems with reliable fuel supplies. For example,  
23 the labor costs associated with managing the procurement of gas supplies are

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

1                    **IV.    TRANSMISSION CONGESTION RIGHTS CREDIT**  
2    **REQUIREMENT FEES**

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

4    A.    In this section of my testimony, I support the Updated Test Year level of expense  
5            for fees related to the letter of credit that SPS posts for participation in SPP's TCR  
6            auction. This letter of credit is posted by SPS to meet SPP's TCR credit collateral  
7            requirements, as outlined in SPP's credit policy, specifically Article 5A of  
8            Attachment X to SPP's Open Access Transmission Tariff.

9    **Q.    What is a TCR?**

10   A.    A TCR is a financial tool implemented by SPP as part of the Integrated  
11           Marketplace to assist market participants in managing the costs of transmission  
12           congestion on the SPP transmission system. TCRs allow transmission customers  
13           who are load-serving entities, such as SPS, to bring the price they pay for power  
14           at the point of withdrawal close to the same as the price at the point of injection  
15           (excluding losses), even when there is congestion on the grid. In effect, a TCR is  
16           an instrument that helps control the costs that a load-serving entity must pay for  
17           the power used to serve its customers.

18   **Q.    Does SPS's TCR portfolio affect the level of credit it must maintain with**  
19           **SPP?**

20   A.    Yes. The cost for the letter of credit is driven by the SPS TCR portfolio. SPS's  
21           strategy in the TCR auction is to minimize the potential impact of transmission  
22           congestion in the SPP Integrated Marketplace on its customers. The fees  
23           requested in this case are related to the level of credit SPS posts, which is based  
24           on credit coverage rules established under the SPP tariff and business protocols.

1    **Q.    Is there a cost associated with SPS's letter of credit?**

2    A.    Yes. A monthly fee is charged by the issuing bank based on the face value of the  
3       letter of credit.

4    **Q.    What was the total amount of letter of credit fees SPS incurred in the**  
5       **Updated Test Year?**

6    A.    The posted letter of credit amount shown in Attachment JAB-RR-2(CONF)<sup>3</sup>  
7       resulted in \$28,632 (total company) of associated fees incurred during the  
8       Updated Test Year.

9    **Q.    What is SPS asking the Commission to approve regarding the TCRs?**

10   A.    Because SPS is required to post a financial security according to SPP's credit  
11       policy, established under its tariff and business protocols, and SPS must post a  
12       letter of credit, SPS is asking the Commission to approve the costs incurred to  
13       maintain that letter of credit.

14   **Q.    Does SPS expect the current value of the letter of credit posted in the**  
15       **Updated Test Year to continue in the future?**

16   A.    Yes. Based upon the SPS TCR portfolio, the level of the letter of credit that SPS  
17       posted in the Updated Test Year was reasonable and representative of the TCR  
18       portfolio and associated letter of credit requirements that SPS will maintain in the  
19       future.

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<sup>3</sup> Attachment JAB-RR-2(CONF) is designated confidential because disclosure of the numbers underlying the requested amount would reveal a portion of SPS's strategy for mitigating congestion costs, which could affect the behavior of market participants. That disclosure would ultimately harm SPS's customers, who could be responsible for the higher fuel and purchased power costs resulting from congestion.

1   **Q.    Is it reasonable, necessary, and prudent for SPS to incur these letter of credit**  
2       **fees?**

3   A.    Yes. For the reasons discussed above, the letter of credit fees are a reasonable  
4       and necessary cost of operation. SPS requests that the Commission authorize SPS  
5       to recover the cost of the letter of credit, \$28,632 (total company), as detailed on  
6       Attachment JAB-RR-2(CONF).

7   **Q.    Has the Commission previously reviewed SPS's request for recovery of letter**  
8       **of credit fees?**

9   A.    Yes, in both of SPS's past two base rate cases, SPS has presented its letter of  
10       credit fees for recovery. No party has ever contested the reasonableness or  
11       necessity of that inclusion in SPS's cost of service.

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

13   A.    Yes.

**AFFIDAVIT**

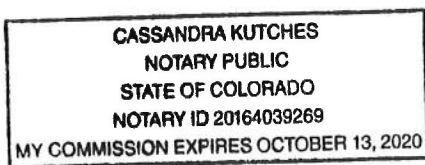
STATE OF COLORADO   )  
                                  )  
COUNTY OF DENVER   )

JEFFREY A. BUTLER, 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.

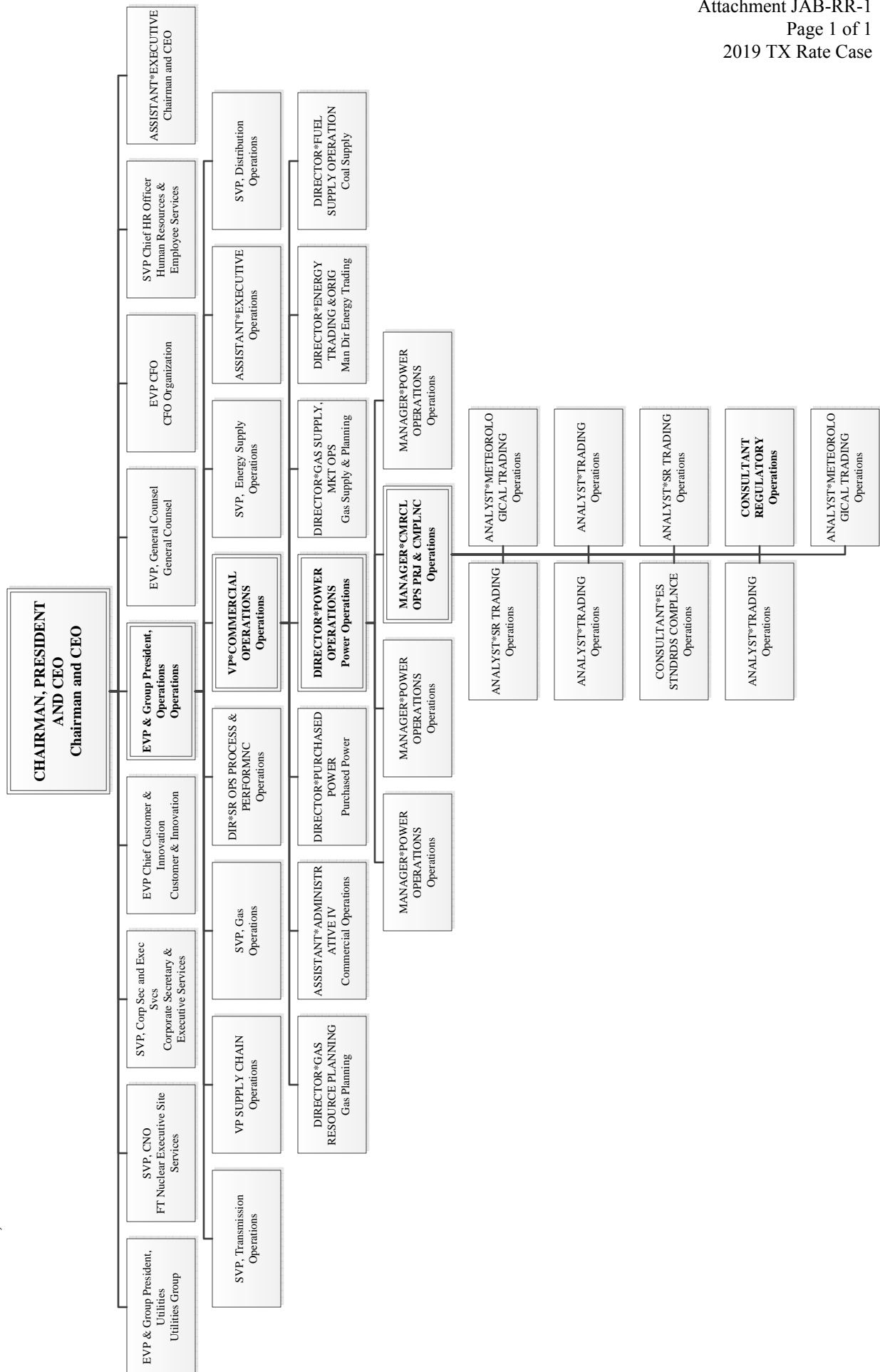
  
\_\_\_\_\_  
JEFFREY A. BUTLER

Subscribed and sworn to before me this 29 day of July, 2019 by JEFFREY A. BUTLER.



  
\_\_\_\_\_  
Notary Public, State of Colorado

My Commission Expires: 10/13/20





**Attachment JAB-RR-2(CONF)**

**Pages 1 through 1  
of  
Attachment JAB-RR-2(CONF)  
Letter of Credit Fee**

**Are  
Confidential Protected Information**

**CONFIDENTIAL PROTECTED MATERIALS  
PROVIDED PURSUANT TO PROTECTIVE ORDER**

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

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Proformas	(K) Requested Amount (Total Company)	(L) % of Class Charges
1	OS Senior VP - Commercial Operations	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 1,509,826.32	\$ 1,314,939.44	\$ 194,886.88	\$ (961.38)	\$ 193,925.50	\$ (1,600.30)	\$ 192,325.20	4.67%
2	OS Senior VP - Commercial Operations	200134 - Prop Trading - Frt/Mid Office	Joint Operating Agreement	2,305,705.10	1,784,936.85	520,768.25	(5,740.18)	515,028.07	(4,820.40)	510,207.67	0.12
3	OS Senior VP - Commercial Operations	200136 - Energy Markets - Fuel	MWH Generation	402,988.20	313,153.38	89,834.82	-	89,834.82	(979.11)	88,855.71	0.02
4	OS Senior VP - Commercial Operations	200146 - Energy Markets - Regulated Trading (Gen Book)	MWH Hours Sold	1,043,197.31	778,334.77	264,862.54	(4,037.03)	260,825.51	(23,666.12)	237,159.39	0.06
5	OS Senior VP - Commercial Operations	Direct	Direct	14,845,689.35	11,514,760.19	3,330,929.16	(24,720.09)	3,306,209.07	(216,429.41)	3,089,779.66	0.75
6	OS Senior VP - Commercial Operations	Commercial Operations Total		\$ 20,107,406.28	\$ 15,706,124.63	\$ 4,401,281.65	\$ (35,458.68)	\$ 4,365,822.97	\$ (247,495.34)	\$ 4,118,327.63	100.00%
7	Total - Witness Jeffrey Butler			\$ 20,107,406.28	\$ 15,706,124.63	\$ 4,401,281.65	\$ (35,458.68)	\$ 4,365,822.97	\$ (247,495.34)	\$ 4,118,327.63	
	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**

**Jeffrey A. Butler**

**2019 TX Rate Case**

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

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**JAB-RR-B(CD)**

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Exclusions	(E) Exclusions (Total Company)
1	OS Sr VP - Comm Ops	417.1 - Expenses of nonutility operations	Below the line	\$ (16,118.46)
2	OS Sr VP - Comm Ops	426.1 - Donations	Below the line	(38.31)
3	OS Sr VP - Comm Ops	426.5 - Other Deductions	Below the line	(19,301.91)
4	<b>OS Senior VP - Commercial Operations Total</b>			<b>\$ (35,458.68)</b>
5		<b>Total - Witness Jeffrey Butler</b>		<b>\$ (35,458.68)</b>
	Amounts may not add or tie to other schedules due to rounding.			

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
1	OS Sr VP - Comm Ops	408.1 - Tax Other Than Income Tax - Payroll	Business Area Adjustment	Jeffrey Butler	\$ 56,74
2	OS Sr VP - Comm Ops	408.1 - Tax Other Than Income Tax - Payroll	Wholesale	Arthur Freitas	(22,228.36)
3	OS Sr VP - Comm Ops	501 - Fuel	116.5% Incentive	Arthur Freitas/Michael Knoll	(8,896.17)
4	OS Sr VP - Comm Ops	501 - Fuel	3% Wage Adjustment	Arthur Freitas/Michael Knoll	2,468.92
5	OS Sr VP - Comm Ops	501 - Fuel	Business Area Adjustment	Jeffrey Butler	(8.20)
6	OS Sr VP - Comm Ops	549 - Miscellaneous other power generation expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(1,059.73)
7	OS Sr VP - Comm Ops	549 - Miscellaneous other power generation expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	1,385.74
8	OS Sr VP - Comm Ops	556 - System control and load dispatching	116.5% Incentive	Arthur Freitas/Michael Knoll	(16,247.90)
9	OS Sr VP - Comm Ops	556 - System control and load dispatching	3% Wage Adjustment	Arthur Freitas/Michael Knoll	21,973.22
10	OS Sr VP - Comm Ops	556 - System control and load dispatching	Business Area Adjustment	Jeffrey Butler	(6.11)
11	OS Sr VP - Comm Ops	557 - Other expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(11,475.00)
12	OS Sr VP - Comm Ops	557 - Other expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	19,105.16
13	OS Sr VP - Comm Ops	557 - Other expenses	Business Area Adjustment	Jeffrey Butler	(446.33)
14	OS Sr VP - Comm Ops	557 - Other expenses	Wholesale	Arthur Freitas	(48,194.57)
15	OS Sr VP - Comm Ops	566 - Miscellaneous transmission expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(1,738.82)
16	OS Sr VP - Comm Ops	566 - Miscellaneous transmission expenses	3% Wage Adjustment	Arthur Freitas/Michael Knoll	2,160.82

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
17	OS Sr VP - Comm Ops	566 - Miscellaneous transmission expenses	Business Area Adjustment	Jeffrey Butler	(47.40)
18	OS Sr VP - Comm Ops	575.1 - Operation Supervision	116.5% Incentive	Arthur Freitas/Michael Knoll	(1,939.25)
19	OS Sr VP - Comm Ops	575.1 - Operation Supervision	3% Wage Adjustment	Arthur Freitas/Michael Knoll	2,628.91
20	OS Sr VP - Comm Ops	575.1 - Operation Supervision	Business Area Adjustment	Jeffrey Butler	(50.67)
21	OS Sr VP - Comm Ops	575.2 - Day-ahead and real-time market administration	116.5% Incentive	Arthur Freitas/Michael Knoll	(5,116.05)
22	OS Sr VP - Comm Ops	575.2 - Day-ahead and real-time market administration	3% Wage Adjustment	Arthur Freitas/Michael Knoll	6,676.29
23	OS Sr VP - Comm Ops	575.5 - Ancillary services market administration	116.5% Incentive	Arthur Freitas/Michael Knoll	(714.81)
24	OS Sr VP - Comm Ops	575.5 - Ancillary services market administration	3% Wage Adjustment	Arthur Freitas/Michael Knoll	536.30
25	OS Sr VP - Comm Ops	575.6 - Market monitoring and compliance	116.5% Incentive	Arthur Freitas/Michael Knoll	(846.57)
26	OS Sr VP - Comm Ops	575.6 - Market monitoring and compliance	3% Wage Adjustment	Arthur Freitas/Michael Knoll	1,078.49
27	OS Sr VP - Comm Ops	908 - Customer assistance expenses	116.5% Incentive	Arthur Freitas/Michael Knoll	(79.63)
28	OS Sr VP - Comm Ops	908 - Customer assistance expenses	Business Area Adjustment	Jeffrey Butler	(33.30)
29	OS Sr VP - Comm Ops	908 - Customer assistance expenses	Wholesale	Arthur Freitas	(8,103.83)
30	OS Sr VP - Comm Ops	920 - Administrative and general salaries	116.5% Incentive	Arthur Freitas/Michael Knoll	(9,135.87)
31	OS Sr VP - Comm Ops	920 - Administrative and general salaries	3% Wage Adjustment	Arthur Freitas/Michael Knoll	12,520.24
32	OS Sr VP - Comm Ops	920 - Administrative and general salaries	Business Area Adjustment	Jeffrey Butler	853.31

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
33	OS Sr VP - Comm Ops	920 - Administrative and general salaries	Wholesale	Arthur Freitas	(1,614.72)
34	OS Sr VP - Comm Ops	921 - Office supplies and expenses	Business Area Adjustment	Jeffrey Butler	(23,030.06)
35	OS Sr VP - Comm Ops	921 - Office supplies and expenses	Wholesale	Arthur Freitas	(1,156.67)
36	OS Sr VP - Comm Ops	925 - Injuries & Damages	Business Area Adjustment	Jeffrey Butler	1.22
37	OS Sr VP - Comm Ops	925 - Injuries & Damages	Wholesale	Arthur Freitas	(433.48)
38	OS Sr VP - Comm Ops	926 - Employee pensions and benefits	Business Area Adjustment	Jeffrey Butler	259.80
39	OS Sr VP - Comm Ops	926 - Employee pensions and benefits	Pension & Benefits Adjustment	William Grant	(66,035.77)
40	OS Sr VP - Comm Ops	926 - Employee pensions and benefits	Wholesale	Arthur Freitas	(89,302.73)
41	OS Sr VP - Comm Ops	930.1 - General advertising expenses	Advertising	Arthur Freitas	(1,258.51)
42				<b>OS Sr VP - CommOps Total</b>	<b>\$ (247,495.34)</b>
43				<b>Total Witness - Jeffrey Butler</b>	<b>\$ (247,495.34)</b>
	Amounts may not add or tie to other schedules due to rounding				