BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF ADVICE NO. 961-GAS OF PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO PUC NO. 6-GAS TARIFF TO INCREASE JURISDICTIONAL BASE RATE REVENUES, IMPLEMENT NEW BASE RATES FOR ALL GAS RATE SCHEDULES, AND MAKE OTHER PROPOSED TARIFF CHANGES EFFECTIVE MARCH 7, 2020	**)**	**PROCEEDING NO. 20AL-_____G**

DIRECT TESTIMONY AND ATTACHMENTS OF LAURIE J. WOLD

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

February 5, 2020

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym/Defined Term	Meaning
2017 Phase I Gas Rate Case	Proceeding No. 17AL-0363G
2019 Depreciation Study	Public Service Company of Colorado Gas Book Depreciation Accrual Rate Study at June 30, 2019
ADIT	Accumulated Deferred Income Taxes
AFUDC	Allowance for Funds Used During Construction
Alliance	Alliance Consulting Group Inc.
Commission	Colorado Public Utilities Commission
CWIP	Construction Work in Progress
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
Operating Companies	Northern States Power Company – Minnesota, Northern States Power Company – Wisconsin, Public Service Company of Colorado, and Southwestern Public Service Company
PSIA	Pipeline Safety Integrity Adjustment
Public Service or Company	Public Service Company of Colorado
Software	Software projects classified as Intangible Plant
Test Year	Twelve months ending September 30, 2020
USofA	Uniform System of Accounts
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF ADVICE NO. 961-GAS OF PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO PUC NO. 6-GAS TARIFF TO INCREASE JURISDICTIONAL BASE RATE REVENUES, IMPLEMENT NEW BASE RATES FOR ALL GAS RATE SCHEDULES, AND MAKE OTHER PROPOSED TARIFF CHANGES EFFECTIVE MARCH 7, 2020	)	**PROCEEDING NO. 20AL-_____G**

DIRECT TESTIMONY AND ATTACHMENTS OF LAURIE J. WOLD

I. INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY, AND RECOMMENDATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Laurie J. Wold. My business address is 401 Nicollet Mall, Minneapolis, Minnesota 55401.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am employed by Xcel Energy Services Inc. ("XES") as a Senior Manager of Capital Asset Accounting. XES, which is a wholly-owned subsidiary of Xcel Energy Inc. ("Xcel Energy"), provides an array of support services to Public Service Company of Colorado ("Public Service" or the "Company") and the other utility operating company subsidiaries of Xcel Energy on a coordinated basis.[1]

[1] In addition to Public Service, the Xcel Energy Operating Companies are Northern States Power Company - Minnesota, Northern States Power Company - Wisconsin, and Southwestern Public Service Company (collectively, the "Operating Companies").

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THE PROCEEDING?

A. I am testifying on behalf of Public Service.

Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND QUALIFICATIONS.

A. As a Senior Manager of Capital Asset Accounting, I am responsible for various aspects of asset accounting, primarily dealing with book depreciation, tax depreciation, and deferred taxes for capital assets, as well as the related reporting and regulatory requirements for Xcel Energy and its subsidiaries. A description of my qualifications, duties, and responsibilities is set forth after the conclusion of my Direct Testimony in my Statement of Qualifications.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. My Direct Testimony addresses the following topics:

- I quantify and support the plant balances for the period from January 1, 2017 through September 30, 2020;
- I present proposed depreciation and amortization expense for gas utility accounts related to production, storage, transmission, and distribution based on the Public Service Company of Colorado Gas Depreciation Rate Study at June 30, 2019, ("2019 Depreciation Study"), which was performed by Alliance Consulting Group Inc. ("Alliance"); and
- I support maintaining the depreciation rates that were approved for gas general plant accounts, common general plant accounts, gas intangible plant accounts, and common intangible plant accounts approved in

Proceeding No. 17AL-0363G, which I refer to in this testimony as the "2017 Phase I Gas Rate Case."[2]

Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR DIRECT TESTIMONY?

A. Yes, I am sponsoring the following attachments:

- Attachment LJW-1, which contains plant-related roll-forwards for the period from January 1, 2017 through September 30, 2020 by functional class;[3]
- Attachment LJW-2, which is a schedule linking data from my Attachment LJW-1 to the cost of service study provided as Attachment DAB-1 to the Direct Testimony of Company witness Ms. Deborah A. Blair; and
- Attachment LJW-3, which lists the gas and common plant additions for the period from January 1, 2017 through September 30, 2020.

Q. WHAT RECOMMENDATIONS ARE YOU MAKING IN YOUR DIRECT TESTIMONY?

A. I recommend that the Colorado Public Utilities Commission ("Commission"):

- Approve the net plant balances that are discussed in the next section of my Direct Testimony and supported by the various business area witnesses;

[2] In the Matter of Advice No. 912-Gas Filed by Public Service Company of Colorado to Roll the Pipeline System Integrity Adjustment ("PSIA") Costs into Base Rates Beginning in 2019 and Increase Rates for All Natural Gas Sales and Transportation Services by Implementing a General Rate Schedule Adjustment ("GRSA") in the Company's Colorado P.U.C. No. 6 – Gas Tariff, to Become Effective July 3, 2017, Proceeding No. 17AL-0363G, Decision No. R18-0318-I at 65-66 (Mailed May 11, 2018).

[3] The Test Year in this proceeding consists of the twelve-month period ending September 30, 2020.

- Establish depreciation rates for gas utility production, storage, transmission, and distribution plant accounts based on the 2019 Depreciation Study; and
- Maintain the depreciation rates previously approved in the 2017 Phase I Gas Rate Case for gas general plant accounts, common general plant accounts, and intangible plant accounts.

II. NET PLANT AND PLANT-RELATED BALANCES

Q. WHAT TOPICS DO YOU DISCUSS IN THIS SECTION OF YOUR DIRECT TESTIMONY?

A. In this section of my Direct Testimony, I address three broad topics. First, I describe the components of the net plant and plant-related balances, and I explain how those components interact. As part of that discussion, I explain at a conceptual level how the net plant balance is affected by the accumulated depreciation reserve, construction work in progress ("CWIP"), and the Allowance for Funds Used During Construction ("AFUDC"), among other things.

Second, I describe the process the Company used to develop the net plant balances in this rate case, and I present roll-forwards showing the changes to the net plant balances between December 31, 2016, which was the end of the test year in the 2017 Phase I Gas Rate Case, and September 30, 2019. I also discuss the capital additions that the Company plans to place in service by September 30, 2020, which will be classified as plant in service by the time the rates set in this rate case take effect.[4] As part of that discussion, I introduce the Company witnesses who will support the capital additions reflected in the net plant balances.

Third, I discuss the affiliate charges that are associated with the plant additions.

[4] This timeline assumes the Commission suspends the Company's advice letter, as discussed by Company witness Ms. Brooke A. Trammell.

A. Development of Net Plant Balance

Q. WHAT STANDARDS DOES PUBLIC SERVICE USE TO ESTABLISH ITS NET PLANT BALANCE?

A. To establish the net plant balance, the Company follows the applicable accounting rules established by Generally Accepted Accounting Principles ("GAAP"), the Uniform System of Accounts ("USofA") established by the Federal Energy Regulatory Commission ("FERC") for public utilities, and the policies and guidelines established by the Company's Capital Asset Accounting department, such as the Capitalization Policy. The Commission requires that the Company maintain its books and records in compliance with the USofA.

Q. WHAT ARE THE MAIN COMPONENTS OF THE NET PLANT BALANCE?

A. Generally speaking, the net plant balance represents the original cost of plant-in-service, offset by the accumulated reserve for depreciation. The net plant balance may also be affected by CWIP and AFUDC.

Q. PLEASE DEFINE WHAT YOU MEAN WHEN YOU REFER TO "PLANT-IN-SERVICE."

A. "Plant-in-service" refers to facilities that are used and useful in providing utility service, including facilities currently in service, capital projects completed but not classified for transfer to detailed gas plant accounts, and property held for future use. Plant additions represent plant that will become used and useful during the month.

Q. DOES THE NET PLANT BALANCE INCLUDE PLANT THAT SERVES MORE THAN ONE UTILITY?

A. Yes, common utility plant represents all of the property that is used in the general operations of the business that affects more than one utility, such as electric and gas operations. Assets that are owned by Public Service, but whose total cost is shared by all operating companies, are shown as plant assets on Public Service's books. Public Service receives a credit to offset the annual cost of these assets, which reduces the overall revenue requirement.

Q. WHAT IS THE ACCUMULATED DEPRECIATION RESERVE?

A. The accumulated reserve for depreciation, which is also known as the depreciation reserve, is the accumulation of depreciation expense taken on assets that are in service. The average monthly plant balance multiplied by the applicable depreciation accrual rate results in the depreciation expense, which is added to, and consequently results in an increase to, the depreciation reserve. Factored into the depreciation rate for particular plant assets is a net salvage rate component that accounts for the estimated cost of future removal of the plant less any gross salvage value. When an asset is retired, the depreciation reserve is reduced by the original cost of that asset based on the assumption that the asset is fully expensed (i.e., fully depreciated) at the time of retirement. Upon removal of an asset, the depreciation reserve is further decreased by actual removal expenditures when incurred, and increased by any salvage proceeds received.

Q. YOU TESTIFIED EARLIER THAT CWIP CAN ALSO AFFECT THE NET PLANT BALANCE. WHAT IS CWIP?

A. CWIP is an account that is used to gather all the construction-related costs together as they are being incurred during the construction of a project or facility. The costs incurred in the construction process to construct or install a fixed asset are themselves capital expenditures. The accumulation of the construction expenditures in CWIP continues until the asset becomes used and useful, which is typically when the asset is placed into service. The amount transferred from the accumulated CWIP balance to plant-in-service is known as the capital addition or plant addition.

Q. YOU ALSO STATED THAT AFUDC CAN AFFECT THE NET PLANT BALANCE. PLEASE DESCRIBE WHAT AFUDC IS.

A. AFUDC is used to assign to the asset the assumed cost of construction financing, which would otherwise be expensed on the income statement during construction. Because the AFUDC is recorded as part of the asset cost, after the construction is completed and the asset is placed into service, the total cost of the asset, including the AFUDC, is systematically allocated from the balance sheet to the income statement in the form of depreciation expense over the life of the asset. Public Service follows the FERC USofA in calculating the AFUDC rate and its application to construction projects. The AFUDC rate is a weighted-average cost of capital that first gives weight to short-term debt as a function of the CWIP balance and then factors in the costs of long-term debt and common equity.

Q. DOES THE CWIP BALANCE CHANGE FROM MONTH TO MONTH?

A. Yes. During the course of each month, the CWIP balance is increased by CWIP expenditures incurred during the month and the AFUDC recorded for that month, and it is reduced by the CWIP balances associated with projects that are placed in service during the month. Table LJW-D-1 summarizes the monthly transactions for CWIP:

Table LJW-D-1:
Construction Work in Progress

	CWIP Beginning Balance
+	CWIP Expenditures
+	AFUDC
-	CWIP Closings (equal to Additions to Plant In-service)
=	**CWIP Ending Balance**

Q. DOES THE NET PLANT BALANCE CHANGE FROM MONTH TO MONTH?

A. Yes. During the course of each month, the plant balance is increased to reflect plant additions and reduced to reflect plant retired from service. Table LJW-D-2 summarizes the monthly transactions for plant:

Table LJW-D-2:
Plant In-Service

	Plant Beginning Balance
+	Plant Additions (equal to CWIP Closings from Table LJW-D-1)
-	Plant Retirements
=	**Plant Ending Balance**

Q. PLEASE PROVIDE A SUMMARY OF DEPRECIATION RESERVE ACTIVITY IN A MONTH.

A. During the course of each month, the depreciation reserve is increased by depreciation expense and any salvage proceeds realized, and is reduced by the depreciation reserve attributable to retirements (equal to the gross plant cost of the retired assets) and removal costs.[5] Table LJW-D-3 summarizes the monthly transactions for depreciation reserve:

Table LJW-D-3:
Accumulated Reserve for Depreciation

	Depreciation Reserve Beginning Balance
+	Depreciation Expense
-	Plant Retirements
+/-	Adjustments (i.e. Reserve Reallocations)
+	Salvage Value Realized
-	Plant Removal Expenditures
=	**Depreciation Reserve Ending Balance**

B. <u>Historical Net Plant Balances</u>

Q. WHAT TOPICS DO YOU DISCUSS IN THIS SUBSECTION OF YOUR TESTIMONY?

A. I describe how I developed the net plant balances that I provided to Company witness Ms. Blair for her cost of service study. As discussed in her testimony, Ms. Blair has made certain adjustments to those cumulative net plant balances

[5] The depreciation reserve may also be adjusted one way or another for "Reserve Reallocations." These adjustments occur infrequently and generally under the recommendation of particular third-party studies.

as necessary (e.g., removing amounts eligible for recovery through the PSIA rider) to arrive at the appropriate rate base amount.

Q. WHAT WAS THE STARTING POINT FOR YOUR DETERMINATION OF THE NET PLANT BALANCES IN THIS RATE CASE?

A. I started with the net plant balances as of December 31, 2016, which was the end of the test year in the 2017 Phase I Gas Rate Case. From that starting point, I developed the net plant balances as of September 30, 2019 by reflecting the following components for the period from January 1, 2017 through September 30, 2019:

- Capital additions, including the associated CWIP and AFUDC, as applicable;
- Plant retirements; and
- Changes in accumulated depreciation reserve balances.

Q. PLEASE DESCRIBE THE ROLL-FORWARD INFORMATION PROVIDED IN ATTACHMENT LJW-1.

A. Plant balances for any given time period are influenced by the activity in the preceding time periods. To account for these periods, the plant information is rolled forward month-by-month (known as a “monthly roll-forward”) from the prior month’s actuals. Attachment LJW-1 provides this roll-forward calculation for gas and common utility plant by functional class. It also includes the roll-forward of the CWIP and accumulated reserve for depreciation for the same time period. Specifically, the information in Attachment LJW-1, which is extracted from the Company’s accounting records as of September 30, 2019, contains roll-forwards

showing the amounts recorded for capital additions, plant retirements, and changes in accumulated depreciation reserve balances during the period from January 1, 2017 through September 30, 2019.

Q. IS THE COMPANY SEEKING TO INCLUDE IN RATE BASE ANY PLANT THAT WAS NOT IN SERVICE AS OF SEPTEMBER 30, 2019?

A. Yes. As explained in the Direct Testimony of Ms. Trammell, the Company is asking for approval to include in rate base the capital costs that are forecasted to be in service by September 30, 2020, which is prior to the effective date of rates resulting from this proceeding.

Q. DID YOU CALCULATE THE PLANT ADDITIONS THAT ARE FORECASTED TO BE PLACED IN SERVICE BY SEPTEMBER 30, 2020 ?

A. Yes. The total amount of forecasted plant additions expected to be in service at September 30, 2020 is $406,033,365, as provided in Attachment LJW-1.

Q. HOW DID YOU DECIDE HOW MUCH OF THE CAPITAL FORECAST WILL BE IN SERVICE BY SEPTEMBER 30, 2020?

A. I relied upon the Company forecast to identify the CWIP closings that will be placed in service by September 30, 2020. I also deducted the forecasted retirements from October 1, 2019 through September 30, 2020 to arrive at the monthly ending plant balances. The reserve balance was increased by the estimated October 1, 2019 through September 30, 2020 depreciation expense, while retirements and removal costs decreased the balance to roll forward the reserve balance monthly by functional class.

Q. DOES ATTACHMENT LJW-1 CONTAIN ROLL-FORWARD INFORMATION FOR THE PERIOD AFTER SEPTEMBER 30, 2019?

A. Yes. As discussed in more detail by the Company's business area witnesses listed below in Table LJW-D-5, Public Service is asking the Commission to approve a rate base that includes capital additions the Company expects to place in service by September 30, 2020. Thus, Attachment LJW-1 contains a roll-forward of the Company's forecast of plant additions for the 12 months ending September 30, 2020. Similar to the period before October 1, 2019, the forecasted portion of Attachment LJW-1 represents monthly roll-forwards through September 30, 2020 for gas and common utility plant by functional class. It also includes the roll-forward of the forecasted CWIP and accumulated reserve for depreciation for the same time period.

Q. HOW IS THE ROLL-FORWARD INFORMATION PRESENTED?

A. All roll-forwards are shown at the applicable functional class (production, transmission, distribution, general plant, and intangibles) for both gas and common plant. The direct testimonies of the business area witnesses listed below in Table LJW-D-5 further subdivide the CWIP roll-forward into Capital Groupings, which are the major categories of work performed within a particular business area.

Q. HAS THE COMPANY PREPARED ANY DOCUMENTATION SHOWING HOW THE NET PLANT BALANCES TIE TO THE RATE BASE AMOUNTS IN MS. BLAIR'S COST OF SERVICE STUDY?

A. Yes. Attachment LJW-2 links the net plant data from Attachment LJW-1 to Ms. Blair's attachments. In particular, the September 30, 2019 ended balances from the roll-forwards serve as the basis for the balances used by Ms. Blair to determine the rate base in Attachment DAB-1. In addition, Table LJW-D-4 shows the comparison between the plant assets shown in Attachment DAB-1 and the plant assets as of September 30, 2019 included in the FERC Form 3:

Table LJW-D-4
Plant Comparison to FERC Form 3

	Plant Balance 9/30/2019
Gas and Common Plant for DAB-1	4,748,579,749
Total Utility Plant FERC Form 3, Pages 200 & 201	6,353,567,237
Gas Stored Underground Non Current (117), FERC Form 3, Page 110	9,174,894
Total FERC Form 3, Pages 110, 200 & 201	6,362,742,131
Variance from FERC Form 3	1,614,162,382
Plant Not in Rate Case	
Gas Asset Retirement Cost	176,215,603
Common Asset Retirement Cost	369,412
Property Under Capital Lease	734,856,505
Common Asset Assigned to Electric/Thermal Utility	702,720,862
Total Variance Explained	1,614,162,382

Q. ARE YOU SUPPORTING THE CAPITAL ADDITIONS THAT THE COMPANY HAS PLACED IN SERVICE SINCE THE END OF 2016?

A. Yes, I support the plant balances as reflected in Attachment LJW-3. Other Company witnesses provide more detailed testimony to support the

reasonableness of the capital additions associated with their organizations within the Company. Table LJW-D-5 identifies those witnesses and the types of capital additions they support:

Table LJW-D-5
Capital Additions – Supporting Witnesses

Luke A. Litteken	—	Gas Systems
Sridhar (Sri) Koneru	—	Business Systems & Customer Initiatives
Adam R. Dietenberger	—	Shared Corporate Services (Buildings and General)

Each of the business areas represented by these witnesses is responsible for the actual planning and decision-making regarding the capital expenditures and the in-service dates related to their construction, which together result in the capital additions. Ms. Blair includes the net plant balances in her cost of service study.

Q. WHAT DO THE IN-SERVICE DATES IN LJW-3 REPRESENT?

A. Capital project plans include specific in-service dates. However, some of our larger projects can consist of multiple phases placed in-service at different times. As a result, a single project may have in-service phases that span several different years. In addition, routine projects (such as for new business meters and mains) either utilize a defined closing pattern to set in-service dates, or may utilize a future in-service date to reflect that the work is small and ongoing over time. The projects included in the Public Service test year are all expected to be in service prior to September 30, 2020.

C. Affiliate Charges in Capital Additions

Q. PLEASE DESCRIBE THE AFFILIATE COSTS INCLUDED IN CAPITAL ADDITIONS

A. Affiliate costs included in capital additions are those costs charged either by XES or another Xcel Energy Operating Company to a Public-Service-specific capital work order for construction of an asset owned and used solely by Public Service.

Q. HOW ARE THESE AFFILIATE COST COMPONENTS BILLED TO PUBLIC SERVICE?

A. The construction affiliate charges were assigned in two ways: (1) costs are charged directly to a Public Service work order; or (2) costs are charged directly to a work order that is further allocated to Public Service. Such costs that are allocated to Public Service from a work order relate only to certain software projects ("Software").

Q. HOW ARE COSTS ALLOCATED TO PUBLIC SERVICE FOR SOFTWARE PROJECTS?

A. Software is an intangible asset and does not have a physical location that allows it to be directly assignable to the entities that utilize it. Software is the only asset that is broken down into each operating company owner's fractional share in the construction process. This is accomplished through a systematic process. Xcel Energy has historically assessed FERC-approved allocation factors to determine the best fit for allocating software costs between all entities that benefit from the use of the software. These factors are then used as the basis for allocating software costs to legal entities during the construction period. For the vast

majority of software projects, affiliate costs are allocated each month from a special allocating work order to each of the four Xcel Energy Operating Companies, including Public Service. Charges recognized each month are allocated to the Operating Company's construction work order based on predetermined percentages reflecting the purpose and function of the Software as well as the number of users in each Operating Company. A similar process is followed to develop the forecasted plant additions. Allocation percentages are applied to the total forecasted software project costs to calculate the total software addition to include in the forecast for Public Service.

Q. HAVE THERE BEEN ANY CHANGES TO THE SOFTWARE ALLOCATION METHODOLOGY?

A. Yes, as part of an XES FERC Audit finding covering the period of January 1, 2014 through December 31, 2018, it was determined that some of the software costs should be reallocated from the four Operating Companies to the other subsidiary companies of Xcel Energy. As discussed in the Direct Testimony of Company witness Melissa L. Schmidt, indirect benefits to other affiliate companies from some of the software applications are being realized. An adjustment to the Test Year was calculated for this additional allocation.

Q. HOW WAS THE ADDITIONAL ALLOCATION CALCULATED?

A. The XES Capital Asset Accounting group reviewed all active software applications with Business Systems to determine which applications were used by the various subsidiary companies. Then, working with the Service Company Accounting group, the Capital Asset Accounting group applied the appropriate

allocation to each individual work order. These allocators apply costs to both the Operating Companies and subsidiaries, as opposed to the previous methodology, which applied costs only to the four Operating Companies. The difference between these methods was calculated and adjusted out of the Operating Company software.

Q. WHAT IS THE FINANCIAL IMPACT OF THIS ADDITIONAL ALLOCATION?

A. As of June 2019, approximately $2.7 million of common software at a total company level was identified as needing to be removed from the case. This has an estimated annual depreciation impact of $255,000 per year at a total company level. The financial impact to this case is calculated in the revenue requirement.

III. DEPRECIATION AND AMORTIZATION EXPENSE

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR DIRECT TESTIMONY?

A. I present the expense calculation resulting from the proposed depreciation rates for gas utility production, storage, transmission and distribution assets. These depreciation rate changes are supported by the 2019 Depreciation Study.

Q. DID PUBLIC SERVICE PERFORM A DEPRECIATION STUDY?

A. The Company engaged Alliance to perform a depreciation study for gas utility production, storage, transmission, and distribution assets. The current depreciation rates for these accounts were approved in Proceedings No. 12AL-1268G and No. 17AL-0363G. A copy of the 2019 Depreciation Study provided by Alliance is Attachment DAW-1 to the Direct Testimony of Mr. Watson.

Q. WHAT IS THE OVERALL IMPACT TO DEPRECIATION EXPENSE OF THE DEPRECIATION RATES BEING PROPOSED IN THE DEPRECIATION STUDY?

A. The overall impact to depreciation expense as a result of the proposed depreciation rate changes is an increase in annual depreciation expense of $8,472,743. Table LJW-D-6 summarizes the depreciation expense impacts for the Test Year.

Table LJW-D-6
Change in Depreciation Expense

Functional Class	Current Annual Accrual	Proposed Annual Accrual	Proposed Less Current Annual Accrual
GAS			
Intangible	$ 5,015,632	$ 5,015,632	$ -
Production and Gathering	33,883	43,795	9,912
Production Extraction	240,923	256,181	15,258
Underground Storage	533,111	760,783	227,672
Transmission	19,955,633	23,801,160	3,845,527
Distribution	87,081,254	91,542,079	4,460,825
Customer Advances	(1,693,980)	(1,780,431)	(86,451)
General	7,876,704	7,876,704	0
Total Gas	$ 119,043,160	$ 127,515,903	$ 8,472,743
COMMON			
Intangible	$ 35,582,245	$ 35,582,245	$ -
General	35,453,335	35,453,335	0
Total Common	$ 71,035,580	$ 71,035,580	$ -
Total Gas and Common	$ 190,078,740	$ 198,551,483	$ 8,472,743

Q. DOES THAT MEAN THE DEPRECIATION EXPENSE INCLUDED IN BASE RATES IS INCREASING BY APPROXIMATELY $8.5 MILLION AS A RESULT OF THE DEPRECIATION RATES BEING PROPOSED IN THIS RATE CASE?

A. No, the cost of service excludes PSIA projects that will continue to be recovered through the PSIA rider, and $3,254,428 of the incremental depreciation expense will be recovered through that rider. Thus, the overall base rate impact to depreciation expense from the proposed depreciation rate changes in this rate case is an increase in annual depreciation expense of $5,218,315.

Public Service is proposing that the depreciation rates for gas general plant accounts and common general and intangible plant accounts remain the same as the currently approved rates.

Q. IS THE COMPANY PROPOSING ANY CHANGES IN HOW SOFTWARE IS BEING AMORTIZED IN THIS PROCEEDING?

A. No. Public Service is not proposing to change the methodology that was approved in the 2017 Phase I Gas Rate Case for amortizing software.[6]

[6] Proceeding No. 17AL-0363G, Decision No. R18-0318-I at 65-66 (Mailed May 11, 2018).

IV. BONUS DEPRECIATION AND DEFERRED TAXES

Q. PLEASE EXPLAIN THE BONUS DEPRECIATION GUIDANCE PROVIDED BY THE TAX CUTS AND JOBS ACT ("TCJA")?

A. Based on the guidance available at the time Public Service filed its last gas rate case, utilities were no longer eligible to use bonus depreciation for assets placed in service after December 31, 2017.

Q. HAS THAT INTERPRETATION CHANGED?

A. Yes. On September 13, 2019, the IRS issued guidance stating that projects that had incurred at least 10 percent of the costs by September 2017 were eligible for bonus depreciation, regardless of when the projects were placed in service. Company witness Naomi Koch discusses the new IRS guidance in more detail in her Direct Testimony.

Q. DID THE COMPANY HAVE PROJECTS THAT QUALIFIED FOR BONUS DEPRECIATION UNDER THE NEW IRS GUIDANCE?

A. Yes. There were several projects that met the criteria to be eligible for bonus tax depreciation.

Q. HOW MUCH ADDITIONAL DEPRECIATION IS THE COMPANY ELIGIBLE TO TAKE UNDER THE NEW IRS GUIDANCE?

A. The net increase in tax depreciation is $15.9 million.

Q. DOES RECORDING ADDITIONAL DEPRECIATION AFFECT THE COST OF SERVICE IN THIS CASE?

A. Yes. It increases the ADIT balance, which in turn reduces the rate base on which the Company earns a return.

Q. HAVE YOU PROVIDED AN UPDATED ADIT AMOUNT FOR THE COMPANY TO INCLUDE IN THE COST OF SERVICE?

A. Yes. The updated total Company ADIT balance, which reduces rate base, has been increased by $3.9 million.

V. CONCLUSION

Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.

A. My Direct Testimony provides recommendations for the plant and plant-related balances to be included in the cost of service. I also recommend that the Commission apply the depreciation rates resulting from the 2019 Depreciation Study to the net plant balances for gas utility production, storage, transmission, and distribution assets to quantify the Company's depreciation expense. Finally, I support the continuation of the current depreciation rates related to the gas utilty general, common, and intangible general assets.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Statement of Qualifications

Laurie J. Wold

I received a Bachelor of Arts in Business Administration, with a major in accounting, from Metropolitan University in 2011.

My current position with XES is Sr. Manager, Capital Asset Accounting. I am responsible for:

- Managing the capital investment cost recovery process, which includes the development of detailed actuarial analysis, regulatory filings with the various state and federal rate regulatory commissions, and expert testimony to support recovery levels in rate proceedings;
- Accounting for and reporting on the nuclear plant decommissioning funding process, which includes the development of detailed engineering cost studies combined with a complete financial and economic analysis to develop detailed regulatory filings to establish the ratepayer funding levels necessary to accumulate the total future decommissioning cost requirement;
- Assisting with the plant asset-related ratemaking process, which supports the rate filings for all of the Xcel Energy Operating Companies' retail and wholesale jurisdictions; and
- Overseeing capital asset reporting and information processing necessary to disseminate capital asset information as required by various regulatory authorities (the Federal Energy Regulatory Commission, the Securities and Exchange Commission, and state commissions) as well as meeting all internal information requirements necessary to sustain efficient and effective business operations.

I first worked for XES as a contract Accountant starting in October 2011, until I took a permanent role in Transmission Finance in April 2012. I held various positions in

Transmission Finance until 2017, when I assumed in my current position in Capital Asset Accounting.

Prior to joining XES, I was employed by USA Today as an Accounting Supervisor. Prior to USA Today, I was employed in various industries in a financial capacity.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * *

IN THE MATTER OF ADVICE NO. 961-GAS OF PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO PUC NO. 6-GAS TARIFF TO INCREASE JURISDICTIONAL BASE RATE REVENUES, IMPLEMENT NEW BASE RATES FOR ALL GAS RATE SCHEDULES, AND MAKE OTHER PROPOSED TARIFF CHANGES EFFECTIVE MARCH 7, 2020.	**PROCEEDING NO. 20AL-_____G**

AFFIDAVIT OF LAURIE J.WOLD
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

I, Laurie J. Wold, being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Direct Testimony and attachments are true and correct to the best of my information, knowledge and belief; and that I would give the same testimony orally and would present the same attachments if asked under oath.

Dated at Minneapolis, Minnesota, this 29th day of January, 2020.

Laurie J. Wold
Senior Manager, Capital Asset Accounting

Subscribed and sworn to before me this 29 day of January, 2020.

Notary Public

ZENIA NEVINSKI
Notary Public
State of Minnesota
My Commission Expires
January 31, 2020

My Commission expires 1/31/2020