

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

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IN THE MATTER OF ADVICE NO. 1835-)
ELECTRIC OF PUBLIC SERVICE)
COMPANY OF COLORADO TO REVISE ITS)
COLORADO P.U.C. NO. 8 – ELECTRIC)
TARIFF TO ELIMINATE THE CURRENTLY) PROCEEDING NO. 20AL-_____E
EFFECTIVE GENERAL RATE SCHEDULE)
ADJUSTMENTS TO PLACE INTO EFFECT)
REVISED BASE RATES AND OTHER)
PHASE II TARIFF PROPOSALS TO)
BECOME EFFECTIVE NOVEMBER 19, 2020)

DIRECT TESTIMONY AND ATTACHMENTS OF BROOKE A. TRAMMELL

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

October 19, 2020

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OF COLORADO TO REVISE ITS COLORADO)
P.U.C. NO. 8 – ELECTRIC TARIFF TO)
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GENERAL RATE SCHEDULE ADJUSTMENTS)
TO PLACE INTO EFFECT REVISED BASE)
RATES AND OTHER PHASE II TARIFF)
PROPOSALS TO BECOME EFFECTIVE)
NOVEMBER 19, 2020)

SUMMARY OF THE DIRECT TESTIMONY OF BROOKE A. TRAMMELL

Ms. Brooke A. Trammell is Regional Vice President, Rates and Regulatory Affairs for Xcel Energy Services Inc. In this position, she is responsible for providing leadership, direction, and technical expertise related to regulatory processes and functions for Public Service Company of Colorado (“Public Service” or the “Company”). Ms. Trammell serves as the Company’s policy and overview witness in this Phase II rate design proceeding.

In her Direct Testimony, Ms. Trammell presents the Company’s proposed cost allocation, class revenue distribution, and rate design following the Company’s most recent Phase I Electric Rate Case, Proceeding No. 19AL-0268E (“2019 Phase I Rate Case”), as well as other rate proposals and tariff changes. To support Public Service’s requests and inform the Commission’s decision in this proceeding, Ms. Trammell provides an overview of major aspects of the Company’s Phase II Rate Case, introduces the Company’s other witnesses, sets out the specific relief that the Company is requesting of

the Commission in this proceeding, and provides the relevant procedural history leading up to the filing of this case.

The purpose of this Phase II Rate Case is to allocate Public Service's Commission-authorized electric base rate revenue requirement among the Company's major customer classes and, based upon the resulting class revenue distribution as presented in the Company's class cost of service study, design rates to recover each class's revenue requirement. This process aligns class revenue responsibility with the cost of providing service to each class, which is consistent with the Colorado Supreme Court's statement that the primary matters for Commission rate case determinations of the public interest are: "(1) sufficiency of the rates to recompense the utility and maintain its operational viability for the purpose of serving the public; and (2) distribution of the revenue requirement between the various customer classes in a just and reasonable manner."¹

The Company's current base rates were developed from a calendar year 2013 test year matched with a calendar year 2013 test year revenue requirement. Since that time, various factors have contributed to a shift in cost responsibility among major customer classes, most notably to the Residential class. First, changes in class usage and load characteristics have impacted how each class uses the system and therefore how they cause costs to be incurred. Specifically, Public Service's peak hour has shifted from 3:00 p.m. to 4:00 p.m., reflective of a Residential class, which peaks later in the day, that has grown and now comprises more of the total system. Not only has the Residential customer class grown since 2013, but average Residential coincident and non-coincident

¹ *CF&I Steel, L.P. v. Public Utilities Comm'n*, 949 P.2d 577, 584 (Colo. 1997).

peaks have increased significantly as well. This is primarily driven by growth in Residential customer count and an increasing penetration of central air conditioning, which represents an approximate 240 mega-watt increase in average Residential peak demand. These changes in class characteristics account for almost 80 percent of the shift in cost responsibility to the Residential class. Finally, the composition of costs included in base rates in the 2019 Phase I Rate Case, as well as addressing the settled \$7,500,000 Residential mitigation adjustment in the Company's last Phase II rate case, Proceeding No. 16AL-0048E ("2016 Phase II Rate Case"), result in additional cost responsibility shifting to the Residential class from other customer classes.

Since these factors have driven changes in cost responsibility among customer classes, in order to align class revenue responsibility with cost responsibility, the revenue distribution among customer classes will change as a result of this Phase II Rate Case. The underlying load and usage characteristics from the test year ended August 31, 2019 established in the 2019 Phase I Rate Case also informs the design of Public Service's base rates, which have been developed to recover the fully allocated revenue requirement by class. This cost-based approach to cost-allocation and rate design aligns with the Company's strategic priorities to keep bills low by ensuring classes of customers are equitably and fairly assessed system costs. In order to start the dialogue on a level playing field for all customer classes, the Company is presenting a fully allocated class cost of service study based on actual costs and actual customer usage without changing cost allocation methodologies the Commission has approved for Public Service in the past. The Commission, and parties that participate in this case, may propose alternatives to this presentation, but such proposals need to be evaluated carefully and it is the

Company's position that this evaluation begins at full cost, with revenue responsibilities by class presented without moderation.

Other proposals in this Phase II Rate Case support the Company's other two strategic priorities, which are to lead the clean energy transition and enhance the customer experience. Consistent with the Commission's approval of the Residential Time-of-Use ("TOU") Settlement Agreement in Proceeding No. 19AL-0687E, the Company is advancing the modernization of its Residential rates, which can assist the Company and Colorado on its journey to a lower-carbon future. Time-differentiated rates improve price signals to customers, encouraging shifts in usage to times of the day and year in which energy costs less to deliver and is produced from increasingly clean resources. With careful alignment, this shift can reduce carbon emissions, reduce peak demand, result in more efficient use of the system, and provide opportunities for customers to lower their overall energy bills. The Residential class has grown and comprises a greater share of system investment. Therefore, the ability of customers to shift usage in response to TOU pricing can increase the likelihood of achieving peak demand reductions at the system and class level which, over time, can reduce both costs incurred on the system and costs allocated to the Residential class. An important part of the transition to TOU rates for the Company's Residential customers is eliminating the current tiered rate structure from Residential General Service (Schedule R) and replacing it with a seasonally differentiated flat rate. The Company's proposed flat rate more accurately reflects cost-based rates than the existing tiered rate structure, removes barriers to electrification that are present today, and will assist Residential customers' transition to default TOU rates.

To further enhance Residential customers' experience and provide customers solutions that they value, the Company is proposing to make Residential Demand-Time Differentiated Rates Service (Schedule RD-TDR) a permanent rate option. The Company also is introducing a new, voluntary Residential Flat Bill Payment Offering ("Flat Bill") for customers who desire to pay consistent amounts for their electric service over a 12-month period.

In order to continue the modernization of the Company's rate design for other customer classes, the Company is proposing to implement TOU rates as the default rate for the Company's Small Commercial customers. Establishing TOU rates for this customer class will encourage the emissions, system, class, and customer benefits of TOU pricing described above, and the Company's proposed transition plan, communications plan, and opt-out provisions will support a successful transition for Small Commercial customers while maintaining options for businesses that determine TOU pricing is not the best option for them at this time.

The Company's Direct Case in this proceeding is supported by six witnesses, and Ms. Trammell provides an overview of the topics covered by each witness.

Overall, the Company's base rate revenue proposal results in rates that are just, reasonable, and consistent with the Colorado Public Utilities Law. The Company has appropriately incorporated changes in class customer, load, and usage characteristics since its last Phase II Rate Case into the determination of class cost responsibilities, which are determined using methodologies approved in prior Phase II rate cases. The cost responsibilities guide the recommended revenue distribution, promoting equity among customers and the efficient use of resources. The Company's determination of

class cost responsibilities and resulting revenue allocation are reasonable and should be approved.

The Company's proposed revisions to Schedule R are consistent with the transition approved for Residential customers as part of the Residential TOU Settlement Agreement. Extending Schedule RD-TDR as a permanent rate option after the expiration of the current pilot and the Company's proposed Flat Bill both give Residential customers more options and control over their energy bills. The new Schedule C-TOU is reasonable, cost-based, supports the Company and Colorado's emissions reductions goals, and presents customer options that can support small business recovery in today's economic climate. In total, these and other Company rate design proposals result in just and reasonable rates that are in the public interest and should be approved by the Commission.

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Attachment BAT-1	Map of Service Territory
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Attachment BAT-3	Estimated Phase II Rate Case Expenses

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
2013 Test Year	Test Year ended December 31, 2013
2016 Phase II Rate Case	2016 Phase II Electric Rate Case, Proceeding No. 16AL-0048E
2019 Phase I Electric Rate Case	2019 Phase I Electric Rate Case, Proceeding No. 19AL-0268E
4CP	Four Coincident Peak
4CP-AED	4 Coincident Peak - Average and Excess Demand
AED	Average and Excess Demand
AGIS	Advanced Grid Intelligence and Security
ALJ	Administrative Law Judge
AMI	Advanced Meter Infrastructure
ARRR	Applications for Rehearing, Reargument, or Reconsideration
August 2019 Test Year	Test Year ended August 31, 2019
C&I	Commercial & Industrial
CCOSS	Class Cost of Service Study
C-TOU	Small Commercial - Time Differentiated Rate Service
EAP	Electric Affordability Program
FERC	Federal Energy Regulatory Commission
Flat Bill	Residential Flat Bill Payment Offering
GRSA	General Rate Schedule Adjustment
GRSA-E	Generate Rate Schedule Adjustment-Energy
GWh	Gigawatt-hour
Incremental C-TOU Expenses	Billing and Programming Costs to Implement Schedule C-TOU
kW	Kilowatt

<u>Acronym/Defined Term</u>	<u>Meaning</u>
kWh	Kilowatt-hour
Moss & Barnett	Moss & Barnett, P.A.
MW	Megawatt
NCP	Non-Coincident Peak
Public Service or Company	Public Service Company of Colorado
Residential TOU Settlement	
S&F	Services and Facilities
Schedule R	Residential General Service
Schedule RD-TDR	Residential Demand - Time Differentiated Rates Service
Schedule RE-TOU	Residential Time of Use
Schedule R-OO	Seasonally-Differentiated Rate for Residential Customers
SPS	Southwestern Public Service Company
TOU	Time-of-Use
TOU Decision	Recommended Decision No. R20-0642, Issued in Proceeding No. 19L-0687E
TOU Proceeding	Residential Time-of-Use Proceeding No. 19AL-0687E
TOU Settlement	Proceeding No. 19AL-0687E, Unanimous and Comprehensive Stipulation and Settlement Agreement
WBK	Wilkinson Barker Knauer LLP
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

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

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Brooke A. Trammell. My business address is 1800 Larimer Street,
Denver, Colorado 80202.

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

A. I am employed by Xcel Energy Services Inc. (“XES”) as Regional Vice President,
Rates and Regulatory Affairs. XES is a wholly owned subsidiary of Xcel Energy
Inc. (“Xcel Energy”) and 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.

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

A. I am testifying on behalf of Public Service.

1 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND QUALIFICATIONS.**

2 A. As Regional Vice President, Rates and Regulatory Affairs, I am responsible for
3 providing leadership, direction, and technical expertise related to regulatory
4 processes and functions for Public Service. My duties include the design and
5 implementation of Public Service's regulatory strategy and programs, as well as
6 the direction and supervision of Public Service's regulatory activities, including
7 oversight of rate filings, administration of regulatory tariffs, rules and forms,
8 regulatory case direction and administration, compliance reporting, and complaint
9 responses. I have previously testified as a policy witness on behalf of Public
10 Service in several proceedings before the Commission. A more detailed
11 description of my qualifications, duties, and responsibilities is set forth in my
12 Statement of Qualifications at the conclusion of my Direct Testimony.

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

15 A. Yes, I am sponsoring Attachments BAT-1 through BAT-3, which have been
16 prepared by me or under my direct supervision. The attachments are as follows:

- 17 • Attachment BAT-1: Map of Service Territory;
18 • Attachment BAT-2: Summary of Proposed Class Revenue Distribution; and
19 • Attachment BAT-3: Estimated Phase II Rate Case Expense Summary.

20 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

21 A. I am the Company's overview and policy witness in this Phase II Rate Case, which
22 presents the Company's proposed cost allocation, class revenue distribution, and
23 rate design following the Company's most recent Phase I Electric Rate Case,

1 Proceeding No. 19AL-0268E (“2019 Phase I Rate Case”), as well as other rate
2 proposals and tariff changes. To support our requests and inform the
3 Commission’s decision in this proceeding, I provide an overview of major aspects
4 of the Company’s Phase II Rate Case, introduce the Company’s other witnesses,
5 set out the specific relief that the Company is requesting of the Commission in this
6 proceeding, and provide the relevant procedural history leading up to the filing of
7 this case. Additionally, my Direct Testimony summarizes:

- 8 • the allocation of Public Service’s Commission-authorized electric base rate
9 revenue requirement among the Company’s major customer classes and
10 the resulting class revenue distribution, as presented in the Company’s
11 class cost of service study (“CCOSS”),² which aligns revenue responsibility
12 with the cost of providing service to each class;
- 13 • the changes in costs as well as class usage and load characteristics since
14 the 2013 Test Year (the test year in the Company’s last 2016 Phase II Rate
15 Case) that have impacted demand, energy, and customer allocation factors
16 and how those changing characteristics drive changes in cost responsibility
17 among customer classes;
- 18 • the Company’s rate design, which includes proposed changes to base rates
19 as a result of the Phase II cost allocation as well as:
 - 20 ○ elimination of the Residential tiered rate structure under Residential
21 General Service (“Schedule R”) pursuant to the recently approved
22 Residential Time-of-Use (“TOU”) Settlement;³

² The CCOSS is included as Attachment DRB-2 to Company witness Ms. Dolores R. Basquez’s Direct Testimony.

³ This proposal is consistent with the requirement that the Company “propose a replacement of the current Schedule R inverted block rate[s]” as part of this case, as reflected in the Unanimous and Comprehensive Stipulation and Settlement Agreement (“TOU Settlement”) approved by Recommended Decision No. R20-0642 issued in Proceeding No. 19AL-0687E (“TOU Decision”), the Company’s recent Residential Time-of-Use proceeding (“TOU Proceeding”). The TOU Decision became a decision of the Commission on October 1, 2020.

- making Residential Demand – Time Differentiated Rates Service (“Schedule RD-TDR”) a permanent offering after conclusion of the current pilot;
- introduction of a time-differentiated default rate for Small Commercial customers (“Schedule C-TOU”); and
- other specific rate and tariff proposals.
- estimated bill impacts reflective of the Company’s proposals; and
- the Company’s proposed new, voluntary Residential Flat Bill Payment Offering (“Flat Bill”) for customers who desire to pay consistent amounts for their electric service over a 12-month period.

I also provide the expenses we expect to incur in connection with this Phase II Rate Case, and lay out the Company’s proposal to defer recovery of these expenses until the next Phase I electric rate case through the use of a deferred accounting regulatory asset.

Q. DO THE COMPANY’S REQUESTS IN THIS PHASE II RATE CASE RESULT IN AN INCREASE TO PUBLIC SERVICE’S ELECTRIC BASE RATE REVENUE REQUIREMENT?

A. No. The Company’s 2019 Phase I Rate Case established the overall base rate revenue requirement and this proceeding does not change that total. Rather, this Phase II Rate Case proceeding allocates the overall Commission-authorized revenue requirement among customer classes based on how each customer class causes costs to be incurred on the system, a step that does not occur in a Phase I rate case.

1 **Q. WHAT IS THE TIMING ASSOCIATED WITH THE COMPANY'S REQUESTS IN**
2 **THIS PROCEEDING AND THE PROPOSED EFFECTIVE DATE OF NEW**
3 **RATES?**

4 A. Initially I would note that the Company is filing this Phase II Rate Case on October
5 19, 2020, as required by the Commission.⁴ Therefore, consistent with Commission
6 rules and Colorado Statutes, the effective date for the changed tariffs
7 accompanying this advice letter is November 19, 2020. The Company
8 understands the Commission is likely to suspend the tariffs to allow for a hearing
9 and associated processes. As a result, the Company affirmatively requests that
10 the Commission suspend the tariffs for the maximum suspension period, which
11 expires on July 27, 2021, and set a hearing on the proposed rates and tariff
12 changes.

13 **Q. PLEASE SUMMARIZE THE BASE RATE REVENUE INCREASE APPROVED IN**
14 **THE 2019 PHASE I RATE CASE.**

15 A. The 2019 Phase I Rate Case established an overall base rate revenue requirement
16 for the test year ended August 31, 2019 (the "August 2019 Test Year") of
17 \$1,828,985,415.⁵ Compared to the approved August 2019 Test Year present base
18 rate revenue of \$1,603,556,118, and considering the GRSA revenue of
19 \$(67,237,850) associated with returning benefits associated with the Tax Cuts and

⁴ Pursuant to Decision No. C20-0473 in Proceeding No. 19AL-0268E, at Ordering ¶ 2, the Company is required to file a Phase II rate case no later than 60 days from the date of implementation of the rates approved in the Company's 2019 Phase I Rate Case, which was August 19, 2020. Since the 60th day falls on a weekend, the deadline to file this case is October 19, 2020.

⁵ See Advice Letter No. 1832 Electric and supporting attachments, filed in Proceeding No. 19AL-0268E on August 14, 2020.

1 Jobs Act of 2017 to customers, the 2019 Phase I Rate Case resulted in an increase
2 in base rate revenue of \$292,657,077.⁶ The net base rate revenue increase after
3 transferring recovery of certain costs to base rates from rider recovery was
4 \$49,343,932.⁷ This Phase II Rate Case allocates the overall base rate revenue
5 requirement among customer classes. As discussed by Ms. Dolores R. Basquez
6 in her Direct Testimony, the Company has added to the approved revenue
7 requirement \$6,600,000 to account for the Electric Affordability Program (“EAP”)
8 amount approved through an advice letter filing made on March 5, 2020, in
9 Proceeding No. 20AL-0090E. However, the revenue distribution I discuss in my
10 Direct Testimony does not reflect the additional EAP amount.

11 **Q. HOW WAS THE PHASE I BASE RATE REVENUE INCREASE IMPLEMENTED?**

12 A. The increase in base rate revenue was implemented through a General Rate
13 Schedule Adjustment (“GRSA”) and Generate Rate Schedule Adjustment-Energy
14 (“GRSA-E”) that were effective August 19, 2020, after incorporating the
15 Commission’s changes to its prior decision after Applications for Rehearing,
16 Reargument, or Reconsideration (“ARRR”) on a going forward basis.⁸ Those
17 mechanisms will remain in place until base rates are revised in this proceeding.

⁶ See Advice Letter 1818 (filed Feb. 18, 2020), and Advice Letter No. 1832 (filed Aug 14, 2020). On August 13, 2020 Public Service filed its Petition for Writ of Certiorari with the Colorado District Court, which contests three aspects of the Commission’s decisions (Decision Nos. C20-0096 and C20-0505) issued in the 2019 Phase I Rate Case. The dollars associated with the issues raised in appeal are not included in the revenue requirement that has been used to develop the CCOS for this proceeding. Should any additional adjustments be warranted to the Company’s revenue requirement as part of the appellate process, the Company will address such issues through an appropriate separate filing.

⁷ The approved base rate increase was \$292,657,077, including rider roll-in amounts of \$120,976,813 from the Electric Commodity Adjustment related to the Rush Creek Wind Project, \$47,815,631 from the Transmission Cost Adjustment, and \$74,520,702 from the Clean Air - Clean Jobs Act Rider.

⁸ Decision No. C20-0505.

1 **Q. DOES THIS PROCEEDING PRESENT UPDATED BASE RATES THAT WOULD**
2 **REPLACE THE CURRENT GRSA AND GRSA-E?**

3 A. Yes. This Phase II Rate Case updates base rates reflective of a fully allocated
4 CCOSS in order to recover the Commission-approved overall revenue
5 requirement and resets the GRSA and GRSA-E. Data utilized in the CCOSS is
6 based on information from the test year decided in the 2019 Phase I Rate Case,
7 and therefore is representative of how various classes caused costs to be incurred
8 during the August 2019 Test Year, which differs from class characteristics from
9 2013 – the time period from which existing base rate allocations were developed.⁹
10 Accordingly, individual rate schedule base rate charges will change as a result of
11 this Phase II Rate Case, primarily as a result of changes in cost responsibilities
12 since 2013 and the resulting shift in revenue responsibility among customer
13 classes but also, to a lesser extent, due to changes to the structure of certain rate
14 schedules.

15 **Q. HAS THE COMPANY MADE ADJUSTMENTS TO TEST YEAR DATA TO**
16 **REFLECT IMPACTS OF COVID-19?**

17 A. No. The Commission decided Public Service's test year for purposes of this
18 proceeding in the 2019 Phase I Rate Case. As mentioned earlier in my Direct
19 Testimony, that test year was the twelve-month period ended August 31, 2019,
20 before impacts of COVID-19 were present in the United States and, in particular,

⁹ The Company's last Electric Phase II rate case was Proceeding No. 16AL-0048E ("2016 Phase II Rate Case"), which was based on a test year ended December 31, 2013 ("2013 Test Year").

1 Public Service's service territory. Accordingly, class data utilized in this proceeding
2 is from that Commission-authorized test year.

3 **Q. WHAT RELIEF IS PUBLIC SERVICE REQUESTING OF THE COMMISSION IN**
4 **THIS PROCEEDING?**

5 A. Public Service specifically requests that the Commission issue a decision with the
6 following approvals:

- 7 • Approve the Company's proposed cost allocation as presented in the
8 CCOS;
- 9 • Approve the resulting revenue distribution;
- 10 • Approve the Company's proposed rate design and authorize
11 implementation of the Company's proposed new base rates and other rates
12 and charges, including:
 - 13 ○ Elimination of Residential tiered rates under Schedule R, replacing
14 them with seasonally-differentiated flat rates
 - 15 ○ Making Schedule RD-TDR, as revised, a permanent service offering
16 for our Residential customers
 - 17 ○ Implementation of a new Schedule C-TOU as the default rate for our
18 Small Commercial customers, with such customers transitioning to
19 that rate schedule over time as they receive their Advanced Meters,
20 unless they opt out to Schedule C;¹⁰
- 21 • Approve the Company's proposed Flat Bill offering;
- 22 • Approve the Company's proposed rate and other changes to its Electric
23 Tariff, as described in Advice No. 1835 – Electric, and included as clean

¹⁰ An "Advanced Meter" as the term is used in my Direct Testimony includes Advanced Metering Infrastructure ("AMI") and interval data meters. A customer opting out of AMI would receive an interval data meter.

1 and redlined versions in attachments to the Direct Testimony of Company
2 witness Mr. Steven W. Wishart; and

- 3 • Authorize deferred accounting treatment for expenses that have been
4 incurred or are expected to be incurred as related to this Phase II Rate
5 Case, estimated at \$875,679, for potential recovery in the Company's next
6 Phase I electric rate case.

7 **Q. PLEASE INTRODUCE THE OTHER PUBLIC SERVICE WITNESSES**
8 **SUPPORTING THIS PHASE II RATE CASE FILING AND DESCRIBE THEIR**
9 **AREAS OF TESTIMONY.**

10 A. In addition to my Direct Testimony, five witnesses are providing Direct Testimony
11 and accompanying attachments in this proceeding on behalf of Public Service.
12 Table BAT-D-1 below lists the witnesses along with the topics they cover.

TABLE BAT-D-1: Introduction of Company Witnesses

<i>Witness</i>	<i>Summary of Testimony</i>
Mario G. Martinez	<ul style="list-style-type: none">• Describes the Company's load research and customer usage data collection processes;• Presents class load data that is used in the calculation of CCROSS allocation factors; and• Addresses changes in relative class demands from the 2013 Test Year.
Dolores R. Basquez	<ul style="list-style-type: none">• Sponsors and explains the Company's CCROSS developed to allocate the Commission-approved revenue requirement, including the cost functionalization, classification, and allocation process; calculation of CCROSS allocation factors; and changes to class cost responsibilities since the 2016 Phase II Rate Case; and• Summarizes CCROSS Stakeholder Meetings held in accordance with the Settlement Agreement approved in Proceeding No. 16AL-0048E.
Alexander G. Trowbridge	<ul style="list-style-type: none">• Presents the Company's rate development process and billing determinants;• Sponsors and explains the Company's proposed new electric base rates and updates to other charges;• Presents the Company's Revenue Proof analysis demonstrating proposed rates are designed to recover the Company's approved revenue requirement; and• Describes and supports the expected bill impacts from the Company's proposed rates, including the methodology used to derive bill impact estimates.
Daniel S. King	<ul style="list-style-type: none">• Describes and explains the Company's proposed new, voluntary Residential Flat Bill offering.
Steven W. Wishart	<ul style="list-style-type: none">• Supports the Company's rate design and proposed modifications to certain existing rate structures, including eliminating the summer tiered rate structure for standard Residential customers under Schedule R, making Schedule RD-TDR a permanent offering, and introducing a new time-differentiated rate (Schedule C-TOU) for Small Commercial customers;• Provides support for the Company's proposed Residential Flat Bill offering; and• Discusses additional proposed changes to the Company's Electric Tariff.

1 **II. GENERAL CONSTRUCT AND PURPOSE OF PHASE II RATE CASES**

2 **Q. WHAT IS THE PURPOSE OF A PHASE II RATE CASE?**

3 A. Mechanically, the purpose of a Phase II, or cost allocation and rate design, case
4 is to adjust base rates to recover the fully-allocated revenue requirement by
5 customer class utilizing customer, load, and usage characteristics from the test
6 year approved in the Company's most recent Phase I rate case, thus eliminating
7 the GRSAs. This is accomplished through cost allocation – or the development of
8 a CCOSS – to align class revenue responsibility with the costs incurred to serve
9 each class, distribution of the Commission-authorized base rate revenue
10 requirement among customer classes, and use of test year billing determinants to
11 design revised base rates in order to recover each class's revenue requirement.

12 From a policy perspective, a Phase II rate case is also an opportunity to
13 evaluate whether or not an alternative revenue distribution among customer
14 classes should be implemented, for gradualism, mitigation, or other policy reasons
15 that would justify a departure from cost-based class allocation. I am not an
16 attorney, but my understanding is that the Colorado Supreme Court has stated that
17 the primary matters for Commission rate case determinations of the public interest
18 are: "(1) sufficiency of the rates to recompense the utility and maintain its
19 operational viability for the purpose of serving the public; and (2) distribution of the
20 revenue requirement between the various customer classes in a just and
21 reasonable manner."¹¹ While ratemaking is not an exact science and involves

¹¹ *CF&I Steel, L.P. v. Public Utilities Comm'n*, 949 P.2d 577, 584 (Colo. 1997).

1 degrees of judgment, it is the Company's position that cost allocation should reflect
2 how customers cause costs to be incurred, and that rates should be designed to
3 recover each class's resulting allocated revenue requirement. Therefore, the
4 Company recommends establishing a revenue distribution in this proceeding that
5 aligns each class's revenue responsibility with their cost responsibility. Designing
6 rates to recover each class's full cost of service is consistent with the Commission's
7 duty to set rates that "protect both: (1) the right of the public utility company and its
8 investors to earn a return reasonably sufficient to maintain the utility's financial
9 integrity; and (2) the right of consumers to pay a rate which accurately reflects the
10 cost of service rendered."¹² Specifically in this proceeding, it is important and
11 informative to present the cost-based allocation of the Company's revenue
12 requirement and resulting revenue distribution without moderation due to the
13 changes in customer class use characteristics since our last Phase II Rate Case
14 proceeding, which I discuss in more detail later in my Direct Testimony.

15 **Q. PLEASE DESCRIBE THE COST ALLOCATION PROCESS IN MORE DETAIL.**

16 A. Cost allocation is one of the major steps in the traditional regulatory process for
17 setting utility rates. The goal of cost allocation is to equitably divide the cost of
18 providing utility service among customers, a process conducted in a CCOS. The
19 process of performing a CCOS entails developing allocation factors based upon
20 customer usage, load, and other data from the test year to attribute costs to the
21 various customer classes. Data used to inform cost allocation is often relevant to

¹² *Public Service Company of Colorado v. PUC*, 644 P.2d 933, 939 (Colo. 1982).

1 the design of base rates. For example, energy usage from the test year forms the
2 basis for the design of kilowatt-hour (“kWh”) energy, or volumetric, rates and load
3 data from the test year forms the basis for the design of applicable kilowatt (“kW”) demand, or capacity charges.

4
5 **Q. WHAT DO YOU MEAN WHEN YOU REFER TO A REVENUE DISTRIBUTION**
6 **BY CUSTOMER CLASS?**

7 A. The CCOSS allocates the authorized revenue requirement among customer
8 classes and the result is a class-specific revenue requirement. The sum of each
9 class’s revenue requirement equals the overall approved revenue requirement.
10 Therefore, the results of the CCOSS can be thought of as distributing the revenue
11 responsibility among the customer classes, producing a “revenue distribution.” As
12 discussed later in my Direct Testimony and by Ms. Basquez in her Direct
13 Testimony, the Company has presented the results of the CCOSS and is
14 proposing a revenue distribution that is unmitigated – in other words, the Company
15 is presenting the full, cost-allocated revenue responsibility for each class. In doing
16 so, the revenue distribution results in each customer class aligning with the system
17 average rate of return approved by the Commission in the 2019 Phase I Rate
18 Case.

19 **Q. WHAT DO YOU MEAN WHEN YOU REFER TO RATE DESIGN?**

20 A. Rate design refers to the manner in which the rate components of the Company’s
21 various rate schedules are structured and how each rate component is calculated
22 to collectively recover a class revenue requirement. For example, these rate
23 components include monthly fixed services and facilities (“S&F”) charges,

1 volumetric energy charges, and for certain rate schedules, demand charges or
2 prices based on metrics of kW power draw during the billing period. As discussed
3 in more detail by Mr. Wishart in his Direct Testimony, existing Commission
4 processes ensure that utility rates are designed to recover the Commission-
5 authorized revenue levels and that rates, as well as changes in rate design, are
6 revenue neutral.

7 **Q. ARE RATES DESIGNED FOR ALL CUSTOMER CLASSES THE SAME WAY?**

8 A. No. The rate design for a particular class is partly dependent on the resources
9 available to measure how the customer uses electricity and should reflect the costs
10 customers incur on the system. Most Residential customers, for example, do not
11 have demand meters, so they generally do not pay demand charges. Instead,
12 costs are recovered through S&F charges and energy charges. However, where
13 metering infrastructure is available, rate structures can be created to appropriately
14 reflect the costs certain customers impose on the system. In contrast, it is not
15 feasible to install a demand or energy meter on each street light, so rates for street
16 lights are based on a per-light charge.

1 **III. OVERVIEW OF THE COMPANY'S PHASE II RATE CASE**

2 **Q. IS THIS CASE PART OF THE COMPANY'S LONG-TERM VISION FOR RATE**
3 **DESIGN?**

4 A. Yes. In the Company's 2016 Phase II Rate Case, Company witness Ms. Alice K.
5 Jackson provided a strategic vision for the Company's longer-term rate design. In
6 general, that strategic vision is to provide better price signals to customers through
7 base rates that not only ensure customers are fairly assessed the costs of the
8 system, and that the Company can recover those costs, but also help customers
9 make more informed decisions regarding their energy usage. Some aspects of
10 the strategic vision were implemented in the 2016 Phase II Rate Case. Others
11 were left for subsequent proceedings. This Phase II Rate Case is an important
12 step in the process of modernizing our rate design, particularly with respect to
13 ensuring base rates reflect the costs that customers cause to be incurred on the
14 system and that appropriate price signals are provided to customers through the
15 design of rates. Further, modernizing our rate design is aligned with the
16 Company's strategic objectives to lead the clean energy transition, enhance the
17 customer experience, and keep bills low.

18 **Q. HOW DOES RATE MODERNIZATION ALIGN WITH THE COMPANY'S**
19 **STRATEGIC OBJECTIVES?**

20 A. Well-designed rates that establish more accurate and more appropriate price
21 signals can: 1) better reflect the costs of our transitioning generation fleet as the
22 Company continues to reduce carbon emissions; 2) utilize advanced metering
23 infrastructure that the Company is deploying to provide customers more insight

1 into how they consume electricity, including how distributed energy resources
2 interact with the system, and encourage customers to better utilize the system and
3 shift energy usage to lower cost time periods; and 3) create opportunities for
4 customers to lower their overall energy costs. In order to facilitate these results,
5 our rates should fairly reflect the fact that costs vary depending on when a
6 customer uses electricity (both time of day and seasonally) and that customers use
7 the electric grid in different ways.

8 **Q. HAS THE COMPANY RECENTLY COMPLETED AN IMPORTANT STEP IN THE**
9 **IMPLEMENTATION OF ITS STRATEGIC VISION FOR THE COMPANY'S RATE**
10 **DESIGN THAT REFLECTS THE FACT THAT COSTS VARY BY WHEN A**
11 **CUSTOMER USES ELECTRICITY?**

12 A. Yes. On June 12, 2020, parties to the TOU Proceeding reached a Unanimous and
13 Comprehensive Stipulation and Settlement Agreement¹³ regarding the
14 implementation of a time differentiated rate structure as the default rate for our
15 Residential class. Certain proposals in this proceeding are a direct result of the
16 TOU Settlement, most notably our proposal to eliminate tiered energy rates from
17 Schedule R and replace them with seasonally-differentiated flat energy rates.

18 **Q. WHAT PROPOSALS IN THIS PROCEEDING ALIGN WITH ENHANCING THE**
19 **CUSTOMER EXPERIENCE AND KEEPING BILLS LOW?**

20 A. Certain recommendations are driven by the goal to enhance the customer
21 experience by providing solutions via rate options and establishing better price

¹³ Previously defined as the TOU Settlement.

1 signals, including transitioning our Small Commercial customers to a time-
2 differentiated rate structure and proposing Schedule RD-TDR become a
3 permanent rate option for our Residential customers. Additionally, in the interest
4 of providing Residential customers with a billing option that provides greater
5 predictability and stability, we are proposing a Residential Flat Bill offering. As Mr.
6 Wishart and Company witness Dr. Daniel S. King explain, this voluntary offering
7 will allow customers to opt-in to pay a fixed bill based on their forecasted energy
8 usage over the course of a year, and models similar programs that have been
9 successful for other utilities.

10 Our cost allocation methodologies presented in the CCOSS reflect how
11 customers use causes costs to be incurred on the system, and therefore result in
12 distribution of the Company's overall revenue requirement among customer
13 classes in a fair manner, resulting in base rates that are cost-based and
14 reasonable. Other proposals, such as a slight increase to the S&F Charge for
15 Residential rate schedules, will help gradually revise the balance between S&F
16 and other charges while the Company completes the significant technological grid
17 advancements and investments as part of our Advanced Grid Intelligence and
18 Security ("AGIS") efforts.

19 **Q. HOW DOES THE COMPANY'S PROPOSED RESIDENTIAL S&F CHARGE**
20 **COMPARE TO THAT OF OTHER COLORADO ELECTRIC UTILITY**
21 **PROVIDERS?**

22 **A.** The following figure compares the Company's proposed Residential S&F charge
23 to that of nine other electric service providers in the State of Colorado.

Figure BAT-D-1: Colorado Residential S&F Charge Comparison



Q. WHAT ARE THE OVERALL BILL IMPACTS OF THIS PHASE II RATE CASE?

A. The overall bill impacts, by class, of the Company's proposals in this case are shown in the table below. After accounting for all proposals in this case, including the movement of costs from the GRSA and GRSA-E to base rates, some classes will see a bill increase and others will see a bill decrease.

TABLE BAT-D-2: Total Bill Impact on Annualized Rates

Schedule	Current	Proposed	Monthly \$ Change	Monthly % Change
Residential - R	\$72.92	\$77.77	\$4.85	6.65%
Commercial - C	\$108.87	\$109.03	\$0.16	0.15%
Secondary General - SG	\$2,308	\$2,214	-\$93	-4.05%
Primary General - PG	\$38,388	\$37,398	-\$990	-2.58%
Transmission General - TG	\$613,975	\$573,928	-\$40,047	-6.52%

Q. WILL ALL CUSTOMERS EXPERIENCE THE TOTAL BILL IMPACTS LISTED IN TABLE BAT-D-2?

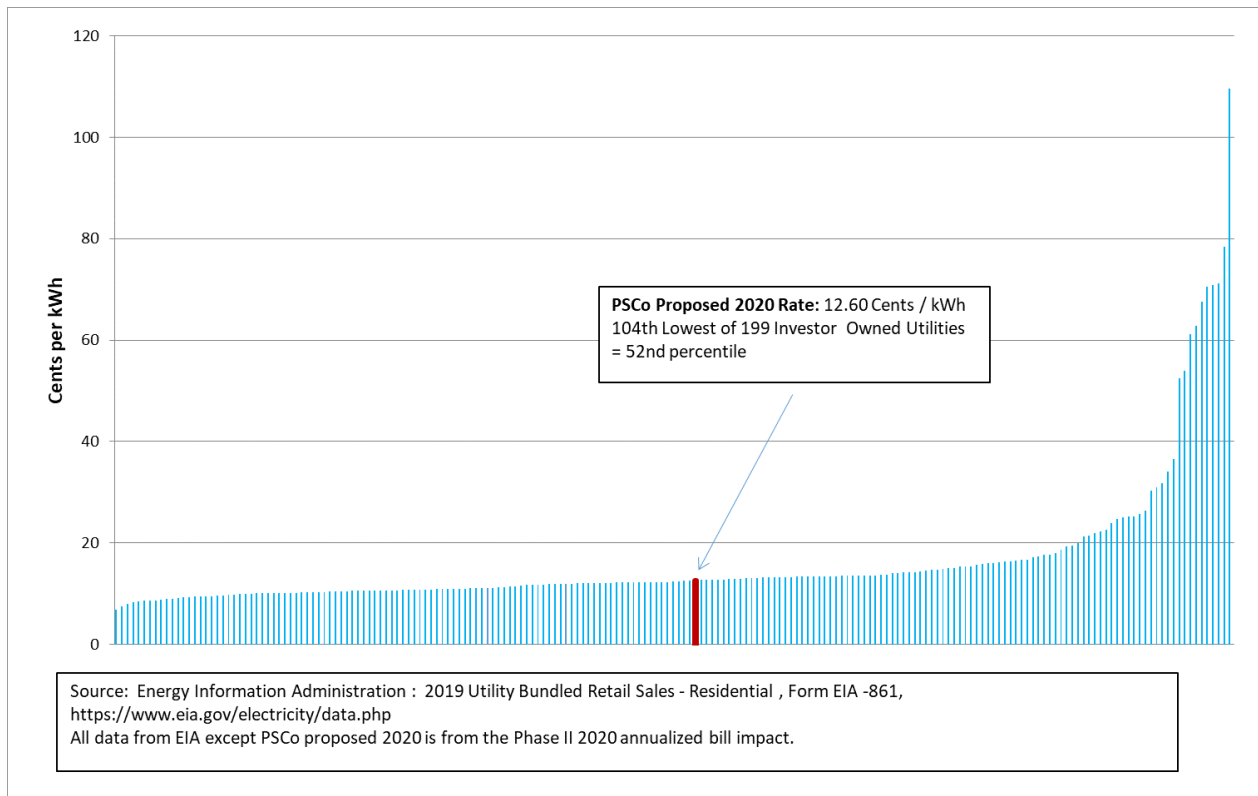
A. No. Bill impacts are calculated based on average usage. As discussed in more detail by Mr. Wishart in his Direct Testimony, because many customers deviate

1 from average usage in some way, actual impacts will vary. Additionally, for
2 Residential customers the elimination of tiered rates will result in changes to
3 monthly bills for virtually all customers. In general, with the elimination of tiered
4 rates, customers with higher than average summer usage will realize lower
5 average bills and customers with lower than average summer usage will realize
6 higher average bills. This is an inevitable result of moving to a flat rate structure.
7 TOU rates that the Residential class will be transitioning to do not have a tiered
8 structure, so if pricing tiers are not eliminated now, customers would experience
9 two changes to their bills at the time of the TOU conversion. One would be the
10 elimination of tiered rates as illustrated above, and one would be associated with
11 TOU pricing. As discussed by Mr. Wishart, staging these two impacts helps
12 customers identify and understand the unique impacts of each.

13 **Q. HOW DO THE COMPANY'S PROPOSED RESIDENTIAL RATES COMPARE TO**
14 **RESIDENTIAL RATES ACROSS THE COUNTRY?**

15 A. Under our recommendations, our proposed Residential rates remain competitive
16 when measured against the Residential electric rates of all investor owned utilities
17 in the United States. This further supports the reasonableness of our proposals in
18 this case.

1 **FIGURE BAT-D-2: Investor Owned Utilities' Residential Electric Rates**



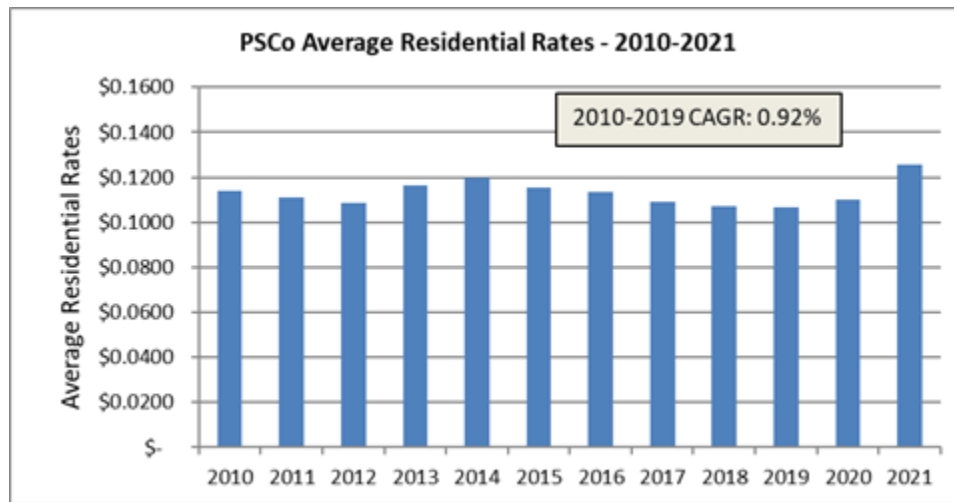
2 **Q. ARE THE COMPANY'S PROPOSED RESIDENTIAL RATES GENERALLY**
3 **CONSISTENT WITH RATES OVER THE LAST SEVERAL YEARS?**

4 **A.** Yes. As shown in the figure below, our Residential rates have remained very
5 consistent over the last 10 years, and below the rate of inflation.¹⁴ Our ability to
6 maintain consistent rates while investing significantly in order to provide our
7 customers with clean energy and an enhanced customer experience demonstrates
8 our ability to deliver on our strategic priorities, all to the benefit of customers.

¹⁴ See U.S. Bureau of Labor Statistics, CPI Inflation Calculator, which identifies \$1.00 in January 2010 has the same buying power as \$1.18, which results in an inflation rate of approximately 1.67% [$1.00 * (1+1.67\%)^{10}$].

1

FIGURE BAT-D-3: Average Residential Rates



2 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS REGARDING THE COMPANY'S**
3 **REQUESTS IN THIS PROCEEDING.**

4 A. Overall, the Company's proposals in this proceeding will result in just and
5 reasonable rates, developed consistent with cost causation principles, and the
6 Company's tariffs will be better aligned with Company operations, industry
7 practices, and customer needs for the future. This Phase II Rate Case does not
8 increase the Company's authorized base rate revenue requirement and, in total,
9 proposals for alternative class revenue distributions that may be considered in this
10 proceeding will be revenue neutral to the Company.

1 **IV. OVERVIEW OF THE COMPANY AND ITS ELECTRIC BUSINESS**

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

3 A. In this Section of my Direct Testimony, and in order to provide additional framework
4 for the requests in this case, I provide background information on the Company
5 and the transition in its electric business since its last Phase II Rate Case which,
6 as mentioned earlier, was premised on the 2013 Test Year.

7 **Q. WHAT ARE THE CHARACTERISTICS OF PUBLIC SERVICE'S RETAIL**
8 **ELECTRIC CUSTOMER BASE?**

9 A. Public Service is the largest electric utility in Colorado, providing electric service to
10 more than half of the Colorado population. Public Service provides almost all of
11 its electric service under five service schedules: Residential Service (Schedule R),
12 Small Commercial (Schedule C), Secondary General (Schedule SG), Primary
13 General (Schedule PG), and Transmission General (Schedule TG).

14 **Q. DOES PUBLIC SERVICE PROVIDE OTHER ELECTRIC SERVICES?**

15 A. Yes. Public Service also provides wholesale electric service to a number of
16 customers throughout the State of Colorado. This activity is subject to the
17 jurisdiction of the Federal Energy Regulatory Commission ("FERC").
18 Consequently, the Company's testimony and requests in this proceeding only
19 address the Public Service retail electric business, which is subject to this
20 Commission's jurisdiction.

1 **Q. PLEASE DISCUSS HOW PUBLIC SERVICE’S ELECTRIC CUSTOMER BASE**
2 **HAS CHANGED SINCE THE LAST PHASE II RATE CASE.**

3 A. The Residential class has grown significantly since the 2013 Test Year in the 2016
4 Phase II Rate Case. As shown in Table DRB-D-13 of Ms. Basquez’s Direct
5 Testimony, there are more Residential customers (approximately 90,000, or 8
6 percent), they use more energy (approximately 491 GWh, or 5.5 percent), their
7 maximum usage (Non-Coincident Peak (“NCP”) 392 MW, or 15.5 percent), and
8 usage during the peak summer months (Four Coincident Peaks (“4CP”) 381 MW,
9 or 20.9 percent) have all increased significantly. The growth in the Residential
10 class has outpaced growth in other customer classes, as shown in Table BAT-D-
11 3 below.

**Table BAT-D-3:
 Summary of Change in Customer Class Characteristics**

Class	Change from 2016 Phase II Rate Case							
	Sales		Non-Coincident Peak		4 Summer Coincident Peak		Change in Number of Customers	
	(MWh)	%	(MW)	%	(MW)	%		%
Residential	491,452	6%	392	15%	381	21%	93,768	8%
Small Commercial	-6,980	-1%	-9	-3%	16	7%	-6,780	-6%
C&I Secondary	303,695	3%	-11	0%	-38	-2%	2,982	8%
C&I Primary	221,569	6%	45	9%	41	9%	44	7%
C&I Transmission	-210,773	-8%	N/A	-9%	-29	0%	7	23%
Lighting*	-12,611	-6%	-1	-2%	-0.5	-14%	3,497	2%
Total	786,352	3%	416	7%	370.5	8%	93,518	6%

*Please note for lighting, the customer column is equal to the number of lights/intersections.

Q. HAS THE RESIDENTIAL CLASS GROWTH BEEN UNIFORM ACROSS ALL ASPECTS OF ITS USE OF THE SYSTEM?

A. No. Residential demand has grown more than the class's energy usage. As discussed in more detail by Company witness Mr. Mario G. Martinez, growth in the Residential class's demands have been driven by: (1) overall growth in the number of customers; and (2) increasing penetration of central air conditioning.

1 **Q. HOW DO THESE TWO FACTORS CONTRIBUTE TO THE GROWTH IN**
2 **RESIDENTIAL PEAK DEMANDS?**

3 A. The average Residential customer's 4CP is 1.73 kW.¹⁵ If all Residential customers
4 added since the 2016 Phase II Rate Case had average contributions to the 4CP,
5 it would result in an increase to the 4CP of approximately 162 MW, or
6 approximately 42.5 percent of the total increase in the Residential 4CP. But Mr.
7 Martinez explains that many of these new customers are located in new homes
8 that have air conditioning and that existing customers have also added air
9 conditioning since 2013. As discussed by Mr. Martinez, increased air conditioning
10 penetration represents a 240 MW increase in the Residential class 4CP since the
11 2013 Test Year.

12 **Q. HAS RESIDENTIAL USE PER CUSTOMER DECREASED SINCE THE LAST**
13 **PHASE II RATE CASE?**

14 A. Yes. Mr. Martinez explains that Residential weather-normalized energy use per
15 customer has decreased since 2013, but Mr. Martinez also explains that those
16 efficiency gains do not materially impact usage during peak hours.

17 **Q. PLEASE SUMMARIZE WHY LOWER RESIDENTIAL USE PER CUSTOMER**
18 **DOES NOT TRANSLATE TO LOWER USE DURING PEAK HOURS.**

19 A. Many conservation activities undertaken by Residential customers reduce energy
20 usage, but not necessarily during the hours when the system is at its peak. For
21 example, installing energy efficient light bulbs dramatically reduces energy usage

¹⁵ See Ms. Basquez's Direct Testimony at Table DRB-D-13.

1 (approximately 75 percent according to the Department of Energy),¹⁶ but if those
2 lights are on during peak hours, that usage still counts toward peak demand.
3 Further, air conditioners and other appliances that drive Residential usage are
4 often running during peak system hours. The Residential class now makes up a
5 larger share of the system demand during peak hours and therefore the class is
6 assigned more of the costs that are incurred to meet those system demands. Mr.
7 Martinez provides additional discussion of how Residential customer behavior
8 impacts class usage and peak demands in his Direct Testimony.

9 **Q. WHAT IS THE OVERALL EFFECT OF THE GROWTH IN THE RESIDENTIAL**
10 **CLASS?**

11 A. There are three effects. First, the Residential class makes up a larger portion of
12 our system and therefore causes, and is responsible for paying, a larger portion of
13 the Company's total cost of service. Second, because the Residential class has
14 grown more than other classes, its relative share of the system, and therefore
15 costs, has grown since the 2016 Phase II Rate Case. Third, the Residential class
16 uses proportionally more of the system during peak hours, and a significant portion
17 of the cost of service is incurred to meet needs during those peak hours, resulting
18 in a larger cost allocation. These factors are all discussed in more detail below.

¹⁶ <https://www.energy.gov/energysaver/save-electricity-and-fuel/lighting-choices-save-you-money/led-lighting#:~:text=Residential%20LEDs%20%2D%2D%20especially%20ENERGY,savings%20in%20the%20United%20States.>

V. COST ALLOCATION

A. Class Revenue Responsibilities and Class Cost of Service Study

Q. WHAT IS THE COMPANY'S CURRENTLY AUTHORIZED OVERALL BASE RATE REVENUE?

A. The 2019 Phase I Rate Case established authorized overall base rate revenue of \$1,829,985,415.

Q. ARE CUSTOMERS CURRENTLY PAYING RATES THAT YIELD THE REVENUES AUTHORIZED IN THE COMPANY'S 2019 PHASE I RATE CASE?

A. Yes, in the aggregate. The revenue increase authorized in the 2019 Phase I Rate Case is being collected through the GRSA and GRSA-E. One of the primary purposes of this Phase II Rate Case proceeding is to transfer the revenue increase authorized in the 2019 Phase I Rate Case from the GRSA and GRSA-E to the Company's base rates.

Q. HAVE YOU PREPARED AN ATTACHMENT THAT SUMMARIZES HOW THE COMPANY'S AUTHORIZED BASE RATE REVENUE CHANGED AS A RESULT OF THE PHASE I?

A. Yes. Attachment BAT-2 summarizes the present revenue by customer class in the August 2019 Test Year. It demonstrates the 2019 Phase I Rate Case authorized revenue requirement, the class increases that resulted from the GRSA's that were implemented, and the proposed revenue distribution resulting from the CCOS in this Phase II Rate Case.

Q. WHAT IS EACH CLASS'S CURRENT SHARE OF THE COMPANY'S TOTAL AUTHORIZED REVENUE?

A. Table BAT-D-4 below is based upon information shown in Columns [D] and [F] in Attachment BAT-2, which identifies each class's current share of the Company's total authorized revenues (prior to the EAP), as well as the rates of return for each class based on the August 2019 Test Year rate base authorized in the 2019 Phase I Rate Case proceeding.

**Table BAT-D-4:
Current Share of Authorized Base Rate Revenue & Rate of Return Summary**

Class	Current Share of Authorized Base Rate Revenue (\$ Millions)	Current Share of Authorized Base Rate Revenue (%)	Current Rate of Return (%)
Residential	\$731,876,356	40.0%	5.44%
Small Commercial	\$98,619,596	5.4%	6.93%
C&I Secondary	\$719,488,006	39.3%	8.10%
C&I Primary	\$156,817,568	8.6%	7.72%
C&I Transmission	\$75,705,662	4.1%	9.73%
Street and Area Lighting	\$44,800,089	2.4%	12.62%
Traffic Signal Lighting	\$1,194,658	0.1%	8.01%
Interconnection Charges	\$483,480	0.0%	6.97%
Total	\$1,828,985,415	100.0%	6.97%

Q. WHY DOES THE CURRENT RATE OF RETURN VARY BY CUSTOMER CLASS?

A. As the current rate of return summary shows, while the 2019 Phase I Rate Case authorized revenue requirement reflects the Commission-authorized rate of return of 6.97 percent, the rate of return by customer class varies compared to the system average. This is a result of the increases from the 2019 Phase I Rate Case currently being recovered through the GRSA and GRSA-E, which do not reflect a

1 full class cost of service study and resulting rate design.¹⁷ Classes with a current
2 rate of return that exceeds the authorized rate of return (6.97 percent) are paying
3 more than their fair share of the Company's cost of service, based on the CCOSS
4 presented in this proceeding. Conversely, classes with a current rate of return that
5 is below the authorized rate of return are not fully contributing to their cost of
6 service.

7 **Q. DOES A CCROSS ALLOCATE COSTS BASED ON EACH CLASS**
8 **CONTRIBUTING EQUALLY TO THE COMPANY'S AUTHORIZED RATE OF**
9 **RETURN?**

10 A. Yes. The CCROSS allocates costs based on how each customer class causes
11 costs to be incurred on the system. Based on the allocation of costs, a revenue
12 requirement is established for each customer class in accordance with the
13 Commission-authorized rate of return (which is a component of providing service)
14 established in the 2019 Phase I Rate Case. This allocation, or distribution, of the
15 overall revenue requirement among customer classes sets the revenue target for
16 which rates for each of the Company's rate schedules are designed to collect. The
17 Company's proposed revenue distribution among customer classes is based on
18 the results of the CCROSS and ensures that each class contributes equally to the
19 Company's authorized rate of return. This is often referred to as establishing a

¹⁷ See Decision No. C20-0096, ¶ 338 in Proceeding No. 19AL-0268E ("In Colorado, class cost allocations and rate design are traditionally the main subjects of a Phase II rate case. To bridge the Phase I and Phase II cases, the Commission typically authorizes a GRSA which causes an 'across-the-board' rate change where each component of the Company's base rates for all rate classes is adjusted by a uniform percentage amount.").

1 revenue distribution that produces “equalized” rates of return or a revenue
2 distribution that is reflective of each class’s full cost of service.

3 **Q. DOES THIS PHASE II RATE CASE CHANGE THE COMPANY’S AUTHORIZED**
4 **REVENUES?**

5 A. No. As demonstrated in Column [K] of Attachment BAT-2, on an overall basis,
6 there is no change to the Company’s authorized base rate revenue and rates are
7 designed in this proceeding to yield those authorized revenues. This Phase II Rate
8 Case changes each customer class’s share of the Company’s total base rate
9 revenue.

10 **Q. WHAT IS THE RESULTING COST RESPONSIBILITY AT EQUAL RATES OF**
11 **RETURN?**

12 A. Table BAT-D-5 below identifies each class’s cost responsibility under the CCROSS
13 (prior to the EAP), as well as the relative rates of return for each class based on
14 the August 2019 Test Year rate base authorized in the 2019 Phase I Rate Case
15 proceeding.

1

Table BAT-D-5: CCROSS-Based Cost Responsibility

Class	Cost Responsibility (\$ Millions)	Cost Responsibility (%)	Rate of Return (%)
Residential	\$803,692,037	43.9%	6.97%
Small Commercial	\$98,817,239	5.4%	6.97%
C&I Secondary	\$672,983,213	36.8%	6.97%
C&I Primary	\$149,913,713	8.2%	6.97%
C&I Transmission	\$65,523,594	3.6%	6.97%
Street and Area Lighting	\$36,441,788	2.0%	6.97%
Traffic Signal Lighting	\$1,130,351	0.1%	6.97%
Interconnection Charges	\$483,480	0.0%	6.97%
Total	\$1,828,985,415	100.0%	6.97%

2

Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED CLASS REVENUE RESPONSIBILITIES.

3

4

A. Table BAT-D-6 below summarizes each customer class's proposed share of the Company's base rate revenue, excluding the EAP.

5

6

Table BAT-D-6: Proposed Revenue Distribution

Class	Proposed Base Rate Revenue Responsibility (\$ Millions)	Share of Revenue Responsibility (%)
Residential	\$803,692,037	43.9%
Small Commercial	\$98,817,239	5.4%
C&I Secondary	\$672,983,213	36.8%
C&I Primary	\$149,913,713	8.2%
C&I Transmission	\$65,523,594	3.6%
Street and Area Lighting	\$36,441,788	2.0%
Traffic Signal Lighting	\$1,130,351	0.1%
Interconnection Charges	\$483,480	0.0%
Total	\$1,828,985,415	100.0%

1 **Q. IS THE COMPANY PROPOSING TO BASE CLASS REVENUE**
2 **RESPONSIBILITIES ON CLASS COST RESPONSIBILITIES?**

3 A. Yes. Dividing revenue responsibility among the classes informs rate design. We
4 therefore rely on our rate design principles when developing the proposed revenue
5 responsibilities. In this case, our recommendation is consistent with a variety of
6 rate design principles, which are discussed by Mr. Wishart in his Direct Testimony,
7 including having cost-based rates, fairness and equity, making sure rates
8 encourage the efficient use of resources, and designing rates that give the
9 Company a reasonable opportunity to recovery its authorized revenue
10 requirement.

11 **Q. WHY IS THE COMPANY'S CCOSS THE APPROPRIATE TOOL FOR**
12 **CALCULATING CLASS COST RESPONSIBILITIES IN THIS CASE?**

13 A. As discussed by Ms. Basquez, the proposed CCOSS was developed using the
14 same methodology approved in the Company's last two Phase II rate cases. That
15 methodology reflects principles of cost causation and remains appropriate for this
16 case.

17 **Q. HAVE CLASS COST RESPONSIBILITIES CHANGED SINCE THE COMPANY'S**
18 **LAST PHASE II RATE CASE?**

19 A. Yes. Table BAT-D-7 below compares class cost responsibilities between the
20 proposed CCOSS and the Company's 2016 Phase II Rate Case.

Table BAT-D-7: Class Cost Responsibility Comparison

Class	Current Class Cost Responsibility	2016 Phase II Class Cost Responsibility
Residential	43.9%	40.6%
Small Commercial	5.4%	5.3%
C&I Secondary	36.8%	39.2%
C&I Primary	8.2%	8.2%
C&I Transmission	3.6%	3.8%
Lighting	2.1%	2.7%

Q. WHAT IS DRIVING THE CHANGE TO CLASS COST RESPONSIBILITIES?

A. There are five main drivers to the change in cost responsibility between this Phase II Rate Case and the 2016 Phase II Rate Case. Table BAT-D-8 below summarizes the effect of each driver, and I discuss these five main drivers in the next subsection of my Direct Testimony.

Table BAT-D-8: Drivers of Residential Cost Shift

Key Drivers	Impact
Change in System Peak Hour	\$30,050,530
Increase in Residential Class Summer Coincident Peaks	\$19,382,230
Increase in Residential Non-Coincident Peaks	\$4,407,610
Changing Nature of Costs in Phase I	\$6,318,209
2016 Phase II Mitigation Adjustment	\$7,500,000

B. Changes to Class Cost Responsibilities

Q. WHAT IS THE FIRST DRIVER OF THE CHANGE IN CLASS COST RESPONSIBILITIES FROM THE 2016 PHASE II RATE CASE?

A. The first, and largest, driver for the change in cost responsibilities from the 2016 Phase II Rate Case is the Company's system peak moving to later in the day.

1 **Q. WHY DID THE SYSTEM PEAK MOVE TO BE LATER IN THE DAY?**

2 A. In his Direct Testimony, Mr. Martinez explains that the change is due to the
3 Residential class comprising a larger portion of the overall system. As noted by
4 Mr. Martinez, Residential customers' usage peaks later in the day, as people are
5 returning home from work. At the same time, many businesses are closing for the
6 day and their usage is declining. With the Residential class making up a larger
7 share of total usage (due to customer growth), the system load duration curve
8 (usage over the hours of the day) looks more like the load duration curve of the
9 Residential class and the maximum usage hour shifts to later in the day.

10 **Q. HOW DOES THE CHANGE IN THE SYSTEM PEAK IMPACT COST**
11 **ALLOCATION?**

12 A. The 4CP-AED allocation factor¹⁸ is calculated based on each class's usage during
13 the peak hour during the four summer months of June, July, August, and
14 September. As shown in the tables below, the Residential share of the 4CP is
15 larger during the 4:00 p.m. to 5:00 p.m. hour (the peak hour in the August 2019
16 Test Year) than during the 3:00 p.m. to 4:00 p.m. hour (the peak hour in the 2013
17 Test Year).

¹⁸ Ms. Basquez discusses the calculation of the 4CP-AED allocation factor in Section IV.E. of her Direct Testimony. To summarize, 4CP-AED stands for 4 Coincident Peak (CP) – Average and Excess Demand. The 4CP component measures class contributions to system peak loads during the four summer months of June, July, August, and September, while the AED component of the allocator allocates costs on the basis of both class energy requirements (the "Average Demand") and class contributions to system peak demand (the "Excess Demand").

Table BAT-D-9:
Comparison of August 2019 Test Year Residential 4CP At Hours Ending 4:00 p.m.
and 5:00 p.m.

Month	Hour Ending 4:00 p.m.	Hour Ending 5:00 p.m.
September 2018	1,808,459 kW	1,975,775 kW
June 2019	2,000,720 kW	2,124,483 kW
July 2019	2,260,323 kW	2,385,184 kW
August 2019	2,172,836 kW	2,322,743 kW
Four-Month Average	2,060,585 kW	2,202,046 kW

Table BAT-D-10:
Comparison of August 2019 Test Year Residential Percentage Share of Total 4CP
At Hours Ending 4:00 p.m. and 5:00 p.m.

Month	Hour Ending 4:00 p.m.	Hour Ending 5:00 p.m.
September 2018	36.4%	39.8%
June 2019	38.9%	41.4%
July 2019	40.2%	42.4%
August 2019	40.7%	43.5%
Four-Month Average	39.1%	41.8%

Q. HOW MUCH OF THE CHANGE IN RESIDENTIAL CLASS COST RESPONSIBILITY IS ATTRIBUTABLE TO THE CHANGE IN THE SYSTEM PEAK HOUR?

A. Approximately \$30 million (approximately 42 percent) of the total change in Residential cost responsibility is due to the change in the system peak hour.

Q. WHY DOES THE CHANGE IN THE SYSTEM PEAK HOUR HAVE SUCH A LARGE IMPACT ON COST RESPONSIBILITY?

A. As discussed by Ms. Basquez, approximately 75 percent of the Company's total revenue requirement relates to costs incurred to meet customer needs during system peaks. As the Residential class has become a larger part of our system, its usage is a larger factor of when that peak occurs and is a larger share of the peak.

Q. WHAT IS THE SECOND DRIVER OF THE CHANGE IN CLASS COST RESPONSIBILITIES FROM THE 2016 PHASE II RATE CASE?

A. The second driver is the increase in the Residential class 4CPs. The table below identifies the absolute growth in 4CPs between the 2013 Test Year and the August 2019 Test Year.

**Table BAT-D-11:
Comparison of Residential 4CPs**

Month	2016 Phase II (2013 TY)	2020 Phase II (Aug. 2019 TY)
September	1,459,212 kW	1,975,775 kW
June	1,830,308 kW	2,124,483 kW
July	2,025,105 kW	2,385,184 kW
August	1,968,137 kW	2,322,743 kW
Four-Month Average	1,820,691 kW	2,202,046 kW

Q. WHAT IS CAUSING THE INCREASE IN THE RESIDENTIAL CLASS 4CPS?

A. As discussed above and by Mr. Martinez, Residential class 4CPs are increasing because of the overall growth in the number of Residential customers and increased air conditioning penetration.

1 **Q. ARE RESIDENTIAL 4CPS ALSO A RELATIVELY LARGER SHARE OF THE**
2 **TOTAL 4CP?**

3 A. Yes. While the Residential 4CPs increased between the 2016 Phase II Rate Case
4 and this Phase II Rate Case, the 4CPs for the other major customer classes
5 decreased.¹⁹ This results in the Residential class making up a larger share of the
6 total 4CP, as shown in the table below, and of the 4CP-AED allocator, as shown
7 in Ms. Basquez's Table DRB-D-12.

8 **Table BAT-D-12**
9 **Comparison of Residential Share of Total 4CPs**

Month	2016 Phase II (2013 TY)	2020 Phase II (Aug. 2019 TY)
September	33.7%	39.8%
June	36.9%	41.4%
July	38.7%	42.4%
August	39.0%	43.5%
Four-Month Average	37.1%	41.8%

10 **Q. HOW MUCH OF THE CHANGE IN RESIDENTIAL CLASS COST**
11 **RESPONSIBILITY IS ATTRIBUTABLE TO THE INCREASE IN RESIDENTIAL**
12 **4CPS?**

13 A. Approximately \$19 million (approximately 27 percent) of the total change in
14 Residential cost responsibility is due to the change in Residential 4CPs.

¹⁹ See Tables DRB-D-13 through DRB-D-15 in Ms. Basquez's Direct Testimony.

Q. WHAT IS THE THIRD DRIVER OF THE CHANGE IN CLASS COST RESPONSIBILITIES FROM THE 2016 PHASE II RATE CASE?

A. The third driver is the increase in the Residential class NCP. The table below identifies the absolute growth in the Residential NCP between the 2013 Test Year and the August 2019 Test Year.

**Table BAT-D-13
Comparison of Residential NCP**

Month	2016 Phase II (2013 TY)	2020 Phase II (Aug. 2019TY)
NCP	2,539,849 kw	2,932,327 kw
Share of Total NCP	39.2%	42.9%

Q. WHAT IS CAUSING THE INCREASE IN THE RESIDENTIAL CLASS NCP?

A. As discussed above and by Mr. Martinez, Residential class NCPs are also increasing because of the overall growth in the number of Residential customers and increased air conditioning penetration.

Q. HOW MUCH OF THE CHANGE IN RESIDENTIAL CLASS COST RESPONSIBILITY IS ATTRIBUTABLE TO THE INCREASE IN RESIDENTIAL NCP?

A. Approximately \$4 million (approximately 6 percent) of the total change in Residential cost responsibility is due to the change in Residential NCP.

Q. WHAT IS THE FOURTH DRIVER OF THE CHANGE IN CLASS COST RESPONSIBILITIES FROM THE 2016 PHASE II RATE CASE?

A. The fourth driver is the change in the nature of the costs being allocated in this case. As discussed by Ms. Basquez, each class's cost responsibility varies for

1 each category of functionalized revenue requirements. The Company has
2 invested heavily in distribution plant (approximately \$78.4 million) since the 2013
3 Test Year. These investments directly benefit Residential customers and they pay
4 a relatively larger share of distribution costs.

5 **Q. HOW MUCH OF THE CHANGE IS DUE TO THE TYPE OF THE COSTS BEING**
6 **ALLOCATED IN THIS CASE?**

7 A. Approximately \$6 million (approximately 9 percent) of the total change in
8 Residential cost responsibility is due to the change in the type of the costs that
9 were included in base rates in the 2019 Phase I Rate Case and are now being
10 allocated in this case.

11 **Q. WHAT IS THE FIFTH DRIVER OF THE CHANGE IN CLASS COST**
12 **RESPONSIBILITIES FROM THE 2016 PHASE II RATE CASE?**

13 A. As part of the resolution of the 2016 Phase II Rate Case, Residential revenue
14 responsibility was adjusted downward from its cost responsibility by \$7.5 million.²⁰
15 Accordingly, the August 2019 Test Year present revenue for the residential class
16 remains deficient for this amount. Re-setting Residential revenue responsibility to
17 its cost responsibility increases the Residential class's cost responsibility by \$7.5
18 million.

²⁰ 2016 Phase II Rate Case, Decision No. C16-1075, ¶38.

1 **Q. WHAT ARE YOUR CONCLUSIONS REGARDING THE COMPANY'S**
2 **PROPOSED REVENUE RESPONSIBILITIES?**

3 A. The Company's proposed revenue responsibilities are based on cost causation
4 and should be adopted. Basing revenue responsibility on cost is fair, encourages
5 the efficient use of resources, and ensures that rates are designed to be cost
6 based.

VI. RATE DESIGN

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

A. The purpose of this Section of my Direct Testimony is to introduce the fundamental rate design principles that guide our recommendations in this case and summarize the Company's rate design proposals. Mr. Wishart provides detailed discussion of the Company's rate design principles, structural changes to the Company's rates, and proposed S&F Charges for each class. Company witness Mr. Alexander G. Trowbridge presents the remaining rate levels and revenue proof.

A. Rate Design Principles

Q. WHAT ARE THE COMPANY'S RATE DESIGN PRINCIPLES?

A. As discussed by Mr. Wishart, our rate design is guided by the following principles:

- send accurate price signals that encourage efficient use of energy;
- recover costs equitably from customer classes based on the costs they impose;
- afford the Company a reasonable opportunity to recover the Commission-approved revenue requirement;
- offer services and rates that are easy for customers to understand; and
- prevent unreasonably large rate impacts.

Mr. Wishart also explains that our rate design in this case is also informed by the principle of designing rates in a way that supports Xcel Energy's carbon reduction goals.

1 **Q. HOW DOES THE COMPANY APPLY THESE PRINCIPLES?**

2 A. We assess all of our rate design recommendations through the lens of each
3 principle. If possible, we aim to have each component of our rate design further
4 each principle, but we also recognize that some principles can be in conflict. The
5 most common example of where principles can conflict is the desire to send
6 accurate price signals with the interest in having easy to understand rates. We
7 therefore weigh and balance the principles when making our recommendations,
8 recognizing that some proposals may further some goals and not others.

9 **Q. IS THERE A PARTICULAR POLICY THAT IS FOUNDATIONAL TO MANY OF**
10 **THE COMPANY’S PRINCIPLES?**

11 A. Yes. A strong policy of aligning rates with cost promotes numerous principles,
12 including the efficient use of resources, customer equity, and affording the
13 Company a reasonable opportunity to earn its authorized revenue requirement.

14 **Q. HAS THE COMMISSION RECOGNIZED THE IMPORTANCE OF COST-BASED**
15 **RATES?**

16 A. Yes. For example, in Black Hills Energy’s 2019 Gas Rate Case, Proceeding No.
17 19AL-0075G, the Commission upheld the Administrative Law Judge’s (“ALJ”)
18 rejection of a proposed base rate area consolidation because the consolidation
19 “depart[ed] from the accepted ratemaking principle of cost causation[.]”²¹ As the
20 ALJ found in that proceeding: “Utility regulation strives to base recovery on cost

²¹ Proceeding No. 19AL-0075G, Decision No. C20-0372, at ¶ 45 (mailed May 19, 2020).

1 causation principles, assigning recovery to the individuals or entities that most
2 directly give rise to the cost incurred.”²²

3 **Q. RETURNING TO THE PRINCIPLE OF COST-BASED RATES SPECIFICALLY,**
4 **ARE THERE TIMES WHERE RATES MAY DEVIATE FROM COST?**

5 A. Yes, but such deviations should be deliberate and only after it is determined that it
6 is in the public interest to do so.²³ For example, the Company’s EAP is an offering
7 that does not strictly follow the cost of service, in that all customer classes are
8 responsible for paying into this program, which is solely for the benefit of low-
9 income Residential customers. Yet, this is an important program that has been
10 adopted after careful consideration of the benefits afforded through access to
11 electric service and the public policy of providing assistance to those in need.

12 Moderation of cost allocation, or alternative revenue distributions, may be
13 in the public interest when a utility’s investment mix changes or there are large
14 changes to underlying class dynamics (i.e. significant growth or contraction in one
15 or more customer classes). In that scenario, it may be reasonable to introduce the
16 underlying cost dynamics into rates gradually, rather than in a single case. This
17 concept of gradualism is inherent in the principle of preventing unreasonably large
18 rate impacts and evaluation of alternative revenue distributions is a tool the
19 Commission can consider to ensure rates are reasonable and in the public interest.

²² Proceeding No. 19AL-0075G, Decision No. R19-1033, at ¶ 361 (mailed Dec. 27, 2019) (affirmed in relevant part by Decision No. C20-0372).

²³ See, e.g., Decision No. R18-0054, at ¶ 26 (“Utility rates may deviate from cost causation principles *when it is in the public interest to do so.*”) (emphasis added); see also Decision No. R19-1033, at ¶ 361 (“Of course, this is an imperfect principle, and there are *certain circumstances* in which the Commission is willing to diverge from a rigorous application of the cost causation principle *if doing so is in the public interest.*”) (emphasis added).

1 Ultimately, it is the Company's position that the approved base rate revenue
2 distribution, and associated rates, should deviate from cost only after deliberate
3 consideration of all relevant factors. Most departures from cost-based rates should
4 be transitory, with incremental progress made over time. It may take more than
5 one rate case to re-align rates following significant underlying changes to cost
6 responsibility, but the determination of just and reasonable rates should follow a
7 cost-based allocation to classes to the greatest extent possible.

8 **B. Residential Rate Design**

9 **Q. IS THE COMPANY PROPOSING STRUCTURAL CHANGES TO RESIDENTIAL**
10 **RATES?**

11 A. As I discuss below, the Company is proposing structural changes to Schedule R,
12 which is currently the primary (but transitional) rate schedule for our Residential
13 customers. Importantly, parties and the Commission just completed the TOU
14 Proceeding, which established the structure of the bulk of the Company's
15 Residential rates going into the future. Consistent with the TOU Settlement, the
16 Company is proposing to update the rate elements, but not the rate structure, of
17 the newly approved Schedule RE-TOU and Schedule R-OO.

18 **Q. DID THE TOU SETTLEMENT REQUIRE THE COMPANY TO PROPOSE A**
19 **SCHEDULE R STRUCTURAL CHANGE IN THIS CASE?**

20 A. Yes. Paragraph 25 of the TOU Settlement requires the Company to propose a
21 replacement of Schedule R that includes a flat rate, either with or without
22 seasonable differentiation, as part of the transition to TOU rates. As a result, we
23 are proposing to eliminate tiered energy rates from Schedule R, replacing them

1 with flat, seasonal energy rates. Both Mr. Wishart and I discuss this proposal in
2 our Direct Testimonies.

3 **Q. IS THE COMPANY PROPOSING CHANGES TO RESIDENTIAL S&F**
4 **CHARGES?**

5 A. Yes. The Company is recommending modest increases to S&F charges for all
6 Residential rate schedules.²⁴ Mr. Wishart discusses this in his Direct Testimony.

7 **Q. WHY ELIMINATE TIERED ENERGY CHARGES FROM SCHEDULE R?**

8 A. As discussed by Mr. Wishart (and by Trial Staff of the Commission and by the
9 Company in the TOU Proceeding), the current Schedule R tiered energy charges
10 are not cost-based.²⁵ The present rate design also results in subsidization across
11 customers, with customers having higher-than-average usage paying more than
12 their fair share of the cost of service. Further, as mentioned above, the Company
13 committed to revising the structure of Schedule R in this case as part of the TOU
14 Settlement.

15 **Q. WAS THERE A RECOGNITION IN THE TOU PROCEEDING THAT THE**
16 **CURRENT SCHEDULE R TIERED RATES SEND A LESS ACCURATE PRICE**
17 **SIGNAL THAN SEASONALLY DIFFERENTIATED FLAT RATES?**

18 A. Yes. In the TOU Decision, which became a Decision of the Commission on
19 October 1, 2020, ALJ Farley stated: "Schedule R's summer two-tiered rates based
20 on volume of usage send a less accurate cost-based price signal [than Schedule

²⁴ The exception is the S&F Charge for Schedule RD, which is being adjusted downward to align with the other Residential S&F Charges.

²⁵ Wishart Rebuttal, p. 48. Answer Testimony of Fiona D. Sigalla at p. 9, lines 7-12 in Proceeding 19AL-0687E.

1 R-OO].”²⁶ Schedule R-OO is a seasonally-differentiated rate for Residential
2 customers that choose to opt out of new Schedule RE-TOU that is being
3 implemented as part of the TOU Settlement. The revised Schedule R mirrors
4 Schedule R-OO from the TOU Proceeding.

5 **Q. DOES THE REVISED SCHEDULE R MAINTAIN APPROPRIATE**
6 **CONSERVATION SIGNALS?**

7 A. Yes. The revised Schedule R has seasonal energy rates, with higher charges in
8 the summer than the winter. This structure reflects cost-causation because system
9 costs are primarily driven by peak summer loads. By including a higher summer
10 price, the revised Schedule R does incentivize customers to reduce usage in the
11 summer – the period that drives system costs. The revised Schedule R pricing
12 structure also removes the inaccurate price signal inherent to tiered rates: that
13 electricity is more expensive as a customer uses more. At certain times of the year
14 or at certain times of the day, that may be true but it is not true across the board.

15 **Q. DID THE COMPANY CONSIDER SENATE BILL (“SB”) 20-030 IN**
16 **FORMULATING THIS PROPOSAL FOR SCHEDULE R?**

17 A. Although I maintain that statutory changes enabled by SB 20-030 apply to
18 graduated rate schedules and therefore do not apply to the revised Schedule R,
19 the Company did consider impacts of the proposed residential rate changes to
20 customers, including income-qualified customers. In his Direct Testimony, Mr.
21 Wishart discusses the concept of revenue neutrality, and demonstrates that the

²⁶ Decision No. R20-0642, ¶153.

1 revised Schedule R does not disproportionately negatively impact the Company's
2 EAP-qualified customers. As demonstrated by Mr. Wishart's analysis, EAP-
3 qualified customers exhibited a wide range of usage levels, with energy usage
4 patterns just as diverse as the Residential class as a whole.

5 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE STRUCTURE OF**
6 **OTHER RESIDENTIAL RATE OPTIONS?**

7 A. Yes. As discussed in more detail by Mr. Wishart, the Company is proposing that
8 Schedule RD-TDR become a permanent offering after conclusion of the current
9 pilot.

10 **C. Small Commercial Rate Design**

11 **Q. PLEASE SUMMARIZE THE CHANGES TO SMALL COMMERCIAL RATE**
12 **DESIGN.**

13 A. As mentioned earlier in my Direct Testimony, we are proposing to introduce a new
14 time differentiated rate (Schedule C-TOU) for Small Commercial customers. Mr.
15 Wishart discusses this proposal in detail in his Direct Testimony. In summary, this
16 new rate would become the default rate for Small Commercial customers over time
17 once they receive their Advanced Meters, similar to the treatment of Residential
18 customers and new Schedule RE-TOU. The Company will incur educational and
19 communications-related costs to help our customers with this transition, as well as
20 billing and programming costs to implement the rate. Separately, with respect to
21 Schedule C, we are proposing an increase to the S&F Charge and an increase to
22 the winter/summer energy price ratio.

1 **Q. WHY SHOULD SCHEDULE C-TOU BECOME THE DEFAULT RATE FOR**
2 **SMALL COMMERCIAL CUSTOMERS?**

3 A. Consistent with the rationale for implementing TOU rates for our Residential
4 customers, we believe time-differentiated rates are a valuable tool to encourage
5 other customer classes to limit their usage during system peaks and can create
6 opportunities for such customers to reduce their energy bill. Further, with the TOU
7 Settlement going into effect, our two largest customer groups (Residential and
8 Commercial & Industrial (“C&I”)) are now poised to have default time-differentiated
9 rates. Moving Small Commercial in that direction allows us to align the vast
10 majority of our customers under a time-differentiated rate design, one of the
11 Company’s strategic priorities, as discussed above.

**VII. REQUEST FOR DEFERRED ACCOUNTING FOR PHASE II-RELATED
EXPENSES**

**Q. WILL PUBLIC SERVICE INCUR INCREMENTAL EXPENSES IN CONNECTION
WITH THIS PHASE II PROCEEDING?**

A. Yes. Public Service has already incurred rate case expenses to prepare the rate case filing and will continue to incur expenses to perform the other tasks attendant to filing and litigating a rate case before the Commission. Public Service expects to incur additional rate case expenses as the case progresses. In addition, the Company will incur incremental educational and communications-related costs to help our Small Commercial customers with the transition to Schedule C-TOU, as well as billing and programming costs to implement the rate ("Incremental C-TOU Expenses").

**Q. IS PUBLIC SERVICE PROPOSING TO RECOVER THESE EXPENSES IN THIS
CASE?**

A. No. The Company proposes the Commission defer the review, approval and recovery of these Phase II rate case and Incremental C-TOU expenses to the next Phase I electric rate case. Until that time, these expenses would be deferred into a deferred accounting asset without interest. If the Incremental C-TOU Expenses continue to be incurred after the test period utilized in the Company's next Phase I electric rate case, the Company requests that the deferral for that portion of the expenses continue and that review, approval, and recovery of those incremental costs be determined in a subsequent Phase I electric rate case proceeding.

1 **Q. WHY IS IT APPROPRIATE FOR PUBLIC SERVICE TO INCLUDE THE**
2 **REFERENCED EXPENSES AS A RECOVERABLE ITEM IN THE COMPANY'S**
3 **COST OF SERVICE?**

4 A. Most businesses have the flexibility to set their prices based on their assessment
5 of the market and the demand for their products. Utilities that are subject to cost
6 of service regulation do not have this same flexibility, but rather must make rate
7 filings and obtain public utility commission authorization to establish new rates.
8 Accordingly, it is my understanding that it has been the long-standing practice of
9 this Commission to treat reasonable rate case expenses as a necessary cost of
10 doing business and, after review, to allow recovery of rate case expenses through
11 mechanisms established in a rate case proceeding. Furthermore, the Incremental
12 C-TOU Expenses are directly related to the provision of electric service and are
13 reasonable costs of implementing the default Schedule C-TOU for Public Service's
14 Small Commercial customers. It is appropriate to defer the recovery of the
15 referenced expenses to the next Phase I electric rate case where the cost of
16 service or level of overall cost recovery is at issue.

17 **Q. WHAT AMOUNT OF RATE CASE AND INCREMENTAL C-TOU EXPENSE**
18 **DOES PUBLIC SERVICE EXPECT TO INCUR IN THIS PROCEEDING?**

19 A. The total cost for expenses associated with this rate case and Incremental C-TOU
20 Expense is estimated to be \$875,679, assuming a fully litigated case with a
21 hearing, post-hearing briefing, exceptions and replies to exceptions, motions for
22 rehearing and replies and approval of the Company's Schedule C-TOU proposal.
23 Please refer to Attachment BAT-3 for a summary of the Phase II related expenses

1 by major category of expenses, along with applicable detail. Below I will explain
2 the major expense categories.

3 **Q. PLEASE LIST AND GENERALLY DESCRIBE THE MAJOR EXPENSE**
4 **CATEGORIES YOU ARE PRESENTING FOR THIS CURRENT PHASE II.**

5 A. The major categories of rate case expenses included in Attachment BAT-3 include
6 the following:

7 Legal Counsel: The Company has an in-house legal department whose
8 regulatory team works on the matters that we have before the Commission.
9 However, we have more Commission-related work than can be handled by our in-
10 house department, so we also need to retain outside attorneys for this work. Due
11 to the volume of work before the Commission, we are in the process of growing
12 our in-house regulatory legal team; however, the Company still needs to utilize
13 outside counsel to handle the entire body of work before the Commission. Our
14 ability to rely on our inside counsel for rate cases is dependent upon other pending
15 matters. Thus, outside legal assistance is often necessary. Additionally, the
16 expertise to file a comprehensive rate case is not always in-house for all topics;
17 thus, outside legal assistance is necessary. Therefore, outside legal assistance in
18 developing, processing, and litigating a case is a valid rate case expense.

19 Incremental C-TOU Expenses: This category reflects the costs associated
20 with educating Small Commercial customers regarding the C-TOU rate, which I
21 discuss further below. This category also includes incremental billing and
22 programming costs associated with implementing C-TOU such as creating meter

1 programs in the billing system, developing transition of customers with advanced
2 meters to C-TOU, and testing the processes.

3 Customer Noticing: Pursuant to Rule 1207, the Company must provide a
4 notice to its customers regarding the proposed rate change and the impacts on
5 customers. Customer noticing includes costs to post legal notices in major area
6 newspapers for two consecutive weeks, as required by Commission rules, as well
7 as direct-mailed onserts printed on customer bills to notify customers of the rate
8 case.

9 Hearing Costs: During the course of the case, a court reporter may be
10 necessary to transcribe depositions and hearings before the Commission or
11 administrative law judge. There is a cost for the court reporters to record and then
12 transcribe these proceedings. This fee increases or decreases based upon the
13 length of the transcript and the timeframe in which the reporter must turn over the
14 transcript. This category also includes costs associated with Company employees
15 and outside legal counsel attending the hearing and other necessary meetings,
16 including travel expenses.

17 Miscellaneous Expenses: This category captures items, such as printing,
18 postage and office supplies related to filing and supporting the case.

19 **Q. WHAT LAW FIRMS ARE BEING USED BY THE COMPANY TO ASSIST IN THE**
20 **PROCESSING OF THIS CASE?**

21 A. The Company is using the Moss & Barnett, P.A. ("Moss & Barnett") and Wilkinson
22 Barker Knauer LLP ("WBK") law firms to aid in legal support of this proceeding.
23 The Moss & Barnett estimate for this proceeding is \$275,000, and the WBK

1 estimate for this proceeding is \$200,000. Both of these firms have the requisite
2 regulatory expertise, as well as experience providing legal services to Public
3 Service and its affiliates. Thus, they are very familiar with Company policy and
4 historical issues, as well as Company witnesses, processes, and expectations,
5 which ensure a smooth, efficient transition when bringing in external resources to
6 help support a regulatory proceeding. The firms assist in providing legal and
7 strategy advice, assembling testimony and attachments, preparing witnesses,
8 responding to discovery, and generally processing the case. And, again, the
9 Company's internal legal team works hard to ensure that duties are appropriately
10 assigned to outside legal counsel and to ensure that work efforts are not
11 duplicative. The internal and external legal teams work as a unit and are in
12 constant coordination to be as efficient as possible. These outside legal services
13 are an indispensable rate case expense.

14 **Q. WHAT ARE THE ESTIMATED INCREMENTAL COSTS OF IMPLEMENTING**
15 **THE C-TOU RATE?**

16 A. The customer education and communications plan for the C-TOU rate, estimated
17 at \$204,223, will be based upon the same methodologies in the Customer
18 education and outreach plan agreed to as part of the TOU Settlement. An
19 important part of a comprehensive communications plan is the use of multiple
20 channels in order to reach customers through the channels they use. Awareness
21 advertising will already be in market for the new Schedule RE-TOU rate, and the
22 Schedule C-TOU rate will take advantage of what is already in market. Estimated
23 costs for the C-TOU rate will be driven by direct communications with customers

prior to rolling onto the rate, which will include a welcome packet and e-mail communications. The incremental additional cost estimate for communicating the Schedule C-TOU rate to Small Commercial customers has been developed at a high level, and is in addition to the budget for the AGIS communications, and previously approved communications for the Residential Schedule RE-TOU.

Table BAT-D-14: Estimated Incremental C-TOU Expenses

Communication tactic	Cost per item including postage	Total cost per send to 116,102 Small Commercial customers
Welcome packet	\$1.75	\$203,179
E-mail (3 campaigns)	\$0.003	\$1,047
TOTAL		\$204,223

The Company is committed to developing and refining the C-TOU rate communications strategy as part of the communications stakeholder group process for Schedule RE-TOU.²⁷ Finally, as noted above there will also be billing and programming expenses of \$127,021 to implement C-TOU.

Q. HOW DO THESE COST CATEGORIES TRANSLATE INTO THE TOTAL ESTIMATED EXPENSES AS RELATED TO THIS PHASE II RATE CASE PROCEEDING?

A. Table BAT-D-15 below lists the categories of expenses described above and the total cost estimate for each category. Attachment BAT-3 provides a further breakdown of the costs.

²⁷ The first stakeholder meeting is scheduled for December 2020.

Table BAT-D-15: Rate Case and Incremental C-TOU Expenses by Category

Category	Expense Estimate
Legal Counsel	\$475,000
Incremental C-TOU Expenses	\$331,244
Customer Noticing	\$51,635
Hearing Costs	\$15,800
Miscellaneous Expenses	\$2,000
Total	\$875,679

Q. ARE THE COSTS DESCRIBED ABOVE REASONABLE?

A. Yes. Phase II rate cases such as this one are, in addition to Phase I rate cases, among the most significant proceedings we have before the Commission, and given the broad public interest standard that applies, there are a number of policy decisions that have to be made in any utility Phase II rate case.

External legal services for rate proceedings bring very specific knowledge, expertise and skill sets to our cases, and the availability of such resources is limited. The Company should continue to have the discretion to select the counsel it believes are best suited to advise the Company regarding its case, taking into account all appropriate factors, including, but not limited to, in-house workloads, expertise, and costs.

Q. WILL THE COMPANY'S REQUEST FOR EXPENSE RECOVERY IN THE NEXT PHASE I ELECTRIC RATE CASE EXACTLY MIRROR THE ESTIMATE PROVIDED IN THIS CASE?

A. That is unlikely as these numbers are estimates and the Company commits to presenting actual Phase II Rate Case expenses in its next Phase I electric rate

1 case filing to the extent actual costs are known at the time of that filing. I believe
2 the estimate presented is reasonable and accurate based on the information
3 available at this time. While the Company is committed to ensuring the rate case
4 and Incremental C-TOU Expense estimate is reasonable and the rate case is
5 managed efficiently to control costs, this is an estimate. A number of factors,
6 including, but not limited to, the number of intervening parties, an increase in the
7 number of issues raised, and the amount of discovery propounded upon the
8 Company, could cause actual expenses to deviate from the estimate. In addition,
9 these numbers anticipate a live hearing. Should we still be operating in a COVID
10 environment and the hearing is held virtually, some of the hearing costs will be
11 eliminated. Regardless, the actual expenses incurred in connection with this case,
12 not estimates, will be brought forward for recovery in our next Phase I electric rate
13 case filing.

VIII. CONCLUSION

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. I recommend the Commission authorize the Company's requests in this proceeding, which in total result in just and reasonable rates that are in the public interest. As supported in my Direct Testimony as well as the Direct Testimonies of the Company's various witnesses, our rate proposals are cost-based, promote equity among customers, the efficient use of resources, advance customers' options and control over their energy bills, and support the Company's and Colorado's emissions reductions goals. We respectfully request our proposals be approved by the Commission.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Statement of Qualifications

Brooke A. Trammell

As the Regional Vice President of Rates and Regulatory Affairs, I am responsible for providing leadership, direction, and technical expertise related to regulatory processes and functions for Public Service. My duties include the design and implementation of Public Service's regulatory strategy and programs, and directing and supervising Public Service's regulatory activities, including oversight of rate cases and other related filings. Those duties include: administration of regulatory tariffs, rules, and forms; regulatory case direction and administration; compliance reporting; complaint response; and working with regulatory staffs and agencies. Additionally, I oversee the rate implementation procedures for all of Xcel Energy's utility operating companies.²⁸

I accepted the RVP position with Public Service in June 2018 after holding the Director of Customer and Community Relations position in another Xcel Energy Inc. subsidiary, Southwestern Public Service Company, since June 2016. From January 2014 to June 2016, I was Manager, Rate Cases and was responsible for the strategic oversight of SPS's regulatory activity in Texas after being promoted from Case Specialist, the position in which I started with Xcel Energy in September 2012. As a Case Specialist, I supported SPS's proceedings before regulatory authorities in Texas and New Mexico as

²⁸ Xcel Energy Inc.'s operations include the activity of four wholly owned utility subsidiaries that serve electricity and natural gas customers in eight states. These utility subsidiaries, referred to as operating companies, are Northern States Power-Minnesota serving electric and natural gas customers in Minnesota, North Dakota, and South Dakota; Northern States Power-Wisconsin serving electric and natural gas customers in Wisconsin and Michigan; Southwestern Public Service Company serving electric customers in Texas and New Mexico; and Public Service serving electric and natural gas customers in Colorado.

well as the Federal Energy Regulatory Commission and led SPS's participation and policy analysis in administrative rulemaking proceedings in all jurisdictions.

Prior to Xcel Energy, I was employed with PNMR Services Company, a wholly-owned subsidiary of PNM Resources, Inc., the parent holding company of Public Service Company of New Mexico and Texas-New Mexico Power Company. I held various roles in the Pricing and Regulatory Services department including Rates Analyst II, Senior Rates Analyst and Project Manager, Federal Regulatory Affairs. In those positions, I provided cost of service, cost allocation, pricing, and rate design analysis to support general rate cases, audited rate calculations and filing packages, and managed regulatory filings and proceedings in the company's retail jurisdictions before managing PNM's regulatory proceedings before FERC and leading strategic regulatory and transmission policy initiatives.

I hold a Master of Business Administration degree from West Texas A&M University along with a Master of Arts degree in Economics with a specialization in Public Utility Regulation and a Bachelor of Science degree in Agricultural Economics and Agricultural Business from New Mexico State University.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

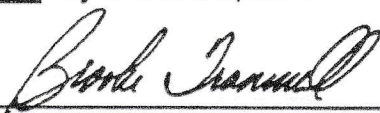
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IN THE MATTER OF ADVICE NO. 1835-)
ELECTRIC OF PUBLIC SERVICE)
COMPANY OF COLORADO TO REVISE ITS)
COLORADO P.U.C. NO. 8 - ELECTRIC)
TARIFF TO ELIMINATE THE CURRENTLY) PROCEEDING NO. 20AL-____E
EFFECTIVE GENERAL RATE SCHEDULE)
ADJUSTMENTS TO PLACE INTO EFFECT)
REVISED BASE RATES AND OTHER)
PHASE II TARIFF PROPOSALS TO)
BECOME EFFECTIVE NOVEMBER 19, 2020)

AFFIDAVIT OF BROOKE A. TRAMMELL
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

I, Brooke A. Trammell, 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 Denver, Colorado, this 16th day of October, 2020.



Brooke Trammell
Regional Vice President, Rates & Regulatory Affairs

Subscribed and sworn to before me this 16th day of October, 2020.

SCHUNA D WRIGHT Notary Public State of Colorado Notary ID # 19974007693 My Commission Expires 05-06-2021
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Notary Public
My Commission expires May 6, 2021