

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

* * * * *

IN THE MATTER OF ADVICE LETTER)	
NO. 1857-ELECTRIC OF PUBLIC)	
SERVICE COMPANY OF COLORADO)	
TO REVISE ITS COLORADO PUC NO.)	
8-ELECTRIC TARIFF TO REVISE)	
JURISDICTIONAL BASE RATE)	PROCEEDING NO. 21AL-____E
REVENUES, IMPLEMENT NEW BASE)	
RATES FOR ALL ELECTRIC RATE)	
SCHEDULES, AND MAKE OTHER)	
PROPOSED TARIFF CHANGES)	
EFFECTIVE AUGUST 2, 2021)	

DIRECT TESTIMONY AND ATTACHMENTS OF ADAM R. DIETENBERGER

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

July 2, 2021

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
2019 Electric Phase I	Proceeding No. 19AL-0268E
A&G	Administrative & General
CECL	Current Expected Credit Losses
CEO	Chief Executive Officer
Commission	Colorado Public Utilities Commission
FERC	Federal Energy Regulatory Commission
FTY	Future Test Year
HVAC	Heating, Ventilation, and Air Conditioning
O&M	Operations & Maintenance
OT	Operations Technology
PHEVs	Plug-in Hybrid Electric Vehicles
Public Service or Company	Public Service Company of Colorado
Shared Corporate Services	Shared Corporate Business Areas
XES	Xcel Energy Services Inc.
Xcel Energy	Xcel Energy Inc.

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

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Adam R. Dietenberger. My business address is 401 Nicollet Mall,
5 Minneapolis, Minnesota 55401.

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

7 A. I am employed by Xcel Energy Services Inc. ("XES") as Director, Business Area
8 Finance. XES is a wholly-owned subsidiary of Xcel Energy Inc. ("Xcel Energy"),
9 and provides an array of support services to Public Service Company of Colorado
10 ("Public Service" or the "Company") and the other utility operating company
11 subsidiaries of Xcel Energy on a coordinated basis.

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

13 A. I am testifying on behalf of Public Service.

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

2 A. As Director, Business Area Finance, I am responsible for supporting the financial
3 aspects of Xcel Energy's Shared Corporate Business Areas (also known as
4 "Shared Corporate Services" organizations), including the coordination of the
5 Shared Corporate Services organizations' five-year operations and maintenance
6 ("O&M") expense budgets, the five-year capital expenditure budgets, the monthly
7 forecast updates of these five-year plans, and analyzing actual results against
8 these budgets and forecasts. A description of my qualifications, duties, and
9 responsibilities is set forth after the conclusion of my Direct Testimony in my
10 Statement of Qualifications.

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

12 A. The purpose of my Direct Testimony is to discuss Xcel Energy's rigorous budget
13 processes and explain how the processes ensure that the overall capital budget
14 presented in this case is a reasonable forecast of the capital additions that will be
15 placed in service by the end of the 2022 Future Test Year ("FTY").

16 In addition, I support Shared Corporate Services' capital additions and O&M
17 expenses, not including Business Systems, that are allocated to Public Service's
18 retail electric jurisdiction and included in the 2022 FTY cost of service that is
19 presented by Ms. Deborah A. Blair. Company witness Mr. Michael O. Remington
20 supports the capital additions and O&M for Business Systems.

21 The Company's last phase I electric rate case was Proceeding No. 19AL-
22 0268E (the "2019 Electric Phase I"), in which a Current Test Year ending August
23 31, 2019 was approved for capital additions. I provide support for the \$43.4

1 million in Shared Corporate Services' actual capital additions placed into service
2 from September 1, 2019 through December 31, 2020, as well as the \$109.9
3 million in Shared Corporate Services' planned capital additions forecasted for the
4 2021 and 2022 calendar years. These capital additions are discussed in Sections
5 VI of my Direct Testimony. Company witness Ms. Laurie J. Wold has calculated
6 the monthly plant balances to develop the plant-related roll forward, which in turn
7 is used by Ms. Blair to incorporate the 13-month average plant in service balances
8 in the 2022 FTY cost of service.

9 I also support the \$123.6 million in 2020 O&M expenses that are included
10 in the 2022 FTY cost of service, as well as supporting the level of bad debt expense
11 included in the cost of service. Company witnesses Mr. Steven P. Berman and
12 Ms. Blair support the Company's overall FTY development.

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

15 A. Yes, I am sponsoring Attachments ARD-1 through ARD-5, which were prepared
16 by me or under my direct supervision. The attachments are as follows:

- 17 • Attachment ARD-1: Shared Corporate Services Capital Additions from
18 September 1, 2019-December 31, 2020;
- 19 • Attachment ARD-2: Shared Corporate Services Capital Additions from
20 January 1, 2021 to December 31, 2022;
- 21 • Attachment ARD-3: Shared Corporate Services 2020 O&M Expenses
22 by Cost Element;
- 23 • Attachment ARD-4: Shared Corporate Services 2020 O&M Expenses
24 by Federal Energy Regulatory Commission ("FERC") Account; and

- 1 • Attachment ARD-5: Comparison of Budgeted Capital Expenditures to
2 Actual Capital Expenditures for 2018, 2019, and 2020.

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

5 A. As part of approving the revenue requirement developed by Ms. Blair, I
6 recommend that the Colorado Public Utilities Commission (“Commission”) approve
7 the September 1, 2019 to December 31, 2022 Shared Corporate Services’ capital
8 additions and the Shared Corporate Services’ O&M expenses as adjusted for the
9 12 months ending December 31, 2020, including the level of bad debt expense.

1 **II. XCEL ENERGY'S FINANCIAL BUDGETING AND FORECASTING PROCESS**

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

3 A. In this section of my Direct Testimony, I explain Xcel Energy's enterprise-wide
4 budgeting processes. I also explain why this robust budgeting process and Xcel
5 Energy's cost management processes support Public Service's 2022 FTY.

6 **A. Overview of Xcel Energy's Budget Process**

7 **Q. WHAT IS THE PURPOSE OF XCEL ENERGY'S BUDGETING PROCESS?**

8 A. Xcel Energy's budget processes are designed to ensure that the costs of providing
9 service to customers are accurately forecasted and recorded to the appropriate
10 entities. This process begins with a careful review of our budget year plans,
11 including an evaluation of necessary and appropriate changes in the scope of work
12 and the resources required to perform that work. These budgets are subject to
13 significant and regular review through a rigorous governance process that
14 facilitates business area accountability and executive involvement and oversight.

15 Xcel Energy's budget process emphasizes the importance of accuracy, as
16 demonstrated by its:

- 17 • rigor, from the centralized development of spending guidelines and
18 analysis to ensure budgeted costs reflect the most efficient level of
19 costs, to the governance of major capital expenditures and executive
20 reporting and oversight;
- 21 • recognition of changes, such as the loss of a major customer, and
22 changing trends, such as the economy and customer usage, in our
23 budgeting and forecast processes; and
- 24 • regular and consistent monitoring, analysis and response to budget
25 variances stemming from necessary changes in our plans, as well as
26 unforeseen or unknowable events.

1 **Q. WHAT ARE THE PRIMARY OUTCOMES OF THE FINANCIAL BUDGET**
2 **PROCESS?**

3 A. The financial budget process:

- 4 • Establishes and manages the overall corporate project plan and
5 governance for creating the budget.
- 6 • Facilitates establishment of the corporate guidelines for the annual
7 financial budget process for each of Xcel Energy's operating utility
8 subsidiaries, including Public Service.
- 9 • Ensures that the corporate O&M and capital expenditure budgets and
10 the budgets for each of the operating utility subsidiaries reflect as
11 accurate a forecast as possible of the costs the Company will incur to
12 deliver utility service during the next year.
- 13 • Ensures that the O&M and capital expenditure budgets reflect an
14 efficient level of cost consistent with the Company's obligations to deliver
15 reliable utility service to its customers now and in the future.
- 16 • Engages the budget managers within business areas as they develop
17 their budgets.

18 **Q. PLEASE PROVIDE AN OVERVIEW OF XCEL ENERGY'S FINANCIAL BUDGET**
19 **PROCESS.**

20 A. Every year Xcel Energy prepares and utilizes O&M and capital expenditures
21 budgets for each of Xcel Energy's operating utility subsidiaries, including Public
22 Service, which becomes part of Xcel Energy's overall rolling five-year financial
23 budget. The five-year financial information is used by executive management to
24 anticipate and support each of the operating utilities' financial needs and to make
25 major strategic decisions. The financial budget is a key component of the overall
26 framework used by Xcel Energy to develop supportable and attainable financial
27 plans for each operating utility.

1 **Q. WHAT ARE THE MAJOR STEPS OF THE ANNUAL FINANCIAL BUDGET**
2 **PROCESS FOR PUBLIC SERVICE?**

3 A. There are four primary steps in developing the annual financial budget for all Xcel
4 Energy operating companies, including Public Service, with each of these steps
5 encompassing multiple activities to ensure accurate budget levels.

6 First, spending guidelines are established for each of the next five years.
7 Strong emphasis is placed on establishing guidelines that are prudent from both
8 an operational and financial perspective. In any budget process, there is typically
9 more demand for O&M and capital budget dollars than there is financial capacity
10 to fund. Therefore, Xcel Energy provides financial guidance to the business areas
11 to set expectations for that area, making it clear that they will be expected to justify
12 and explain any significant deviations from the guidance as part of the review and
13 approval process. This financial guidance is based on the most recent financial
14 forecast, a review of five-year capital additions, and any new legislation or
15 regulatory requirements that may impact spending in the upcoming years.

16 Second, budget plans are developed. Budget managers within each
17 business area develop the bottoms-up budgets¹ for each of the next five years. To
18 conduct this exercise, each business area assesses its operating needs and
19 identifies potential capital projects. The scope, cost, and timing of these projects
20 are evaluated and prioritized within the business area by operating company,
21 resulting in an aggregate projection of recommended capital expenditures for each

¹ By “bottoms up,” we mean that each business area starts with the specific projects and work they believe need to be accomplished in the relevant years, building to business area, and then to the overall Xcel Energy budgets.

1 of the next five years. At the same time, the business areas forecast their labor,
2 material, equipment and other needs to build a projection of the O&M levels
3 needed to support their area over the next five years. The business area's O&M
4 and capital budgets are then consolidated by the corporate finance team along
5 with preliminary information necessary to estimate the overall financial forecast
6 and all information is presented for internal review prior to the presentation to the
7 Financial Council.

8 Third, five-year detailed budgets are reviewed and approved at the
9 executive management level by the Financial Council, which is comprised of the
10 Chief Executive Officer of Xcel Energy, the Operating Company presidents, and
11 the leaders of each of the business areas. The review also includes a discussion
12 of the cost pressures and emergent issues faced by the business areas, as well
13 as any key strategic decisions that need to be made in the near future.

14 Fourth, the five-year capital forecast is presented to the Board of Directors
15 after Financial Council review and approval. This review is focused around the
16 upcoming year, as well as major changes to the five-year budget. The Board also
17 specifically reviews and approves any new major projects with total project spend
18 in excess of \$50 million, and any previously approved major project that is seeking
19 re-approval because of significant changes to overall spend.

20 **Q. HOW DO INDIVIDUAL BUSINESS AREA BUDGET REVIEW PROCESSES**
21 **RELATE TO THE OVERALL BUDGETING PROCESS?**

22 A. Business area management reviews the developing budgets several times during
23 the budget cycle. These reviews may consider:

- 1 • the analysis of long-term trends;
- 2 • discussion of what costs should be reduced based on process
- 3 efficiencies or changing business requirements;
- 4 • identification of cost pressures and business risks;
- 5 • emerging regulatory requirements; and
- 6 • alignment with strategic objectives.

7 Each business area completes iterative reviews of its budget prior to finalizing the
8 budget that is submitted to the Financial Council for approval. These reviews are
9 intended to ensure that the budget is a reasonable and representative forecast of
10 costs for the budget period and that cost components are well understood in
11 preparation for the review meetings with the Financial Council. During this process,
12 the business area meets on an as-needed basis with the operating company
13 presidents, senior financial executives, and senior operations leadership to
14 discuss the preliminary budgets. The purpose of these meetings is to help
15 prioritize projects within the area, as well as across the Company, and to
16 understand how these preliminary budgets compare to the financial and spending
17 guidance I previously discussed. Emergent cost pressures are discussed, along
18 with how these preliminary budgets align with the regulatory priorities of each
19 operating company and the Company's ability to finance the work. This process
20 is designed to be iterative, giving each group ample opportunity to provide input
21 into the budgets that are proposed.

1 **Q. DOES THE PUBLIC SERVICE BOARD ALSO HAVE A ROLE IN APPROVING**
2 **PUBLIC SERVICE'S BUDGETS?**

3 A. Yes. All of Public Service's board members are also on the Financial Council, they
4 also review and approve the full five-year capital forecast as part of that separate
5 process. Thus, the Public Service Board has multiple opportunities to review,
6 question (if needed), and ultimately approve the Public Service budget.

7 **Q. HOW DOES THIS BUDGET PROCESS PROVIDE SUPPORT FOR THE USE OF**
8 **AN FTY?**

9 A. The Company's robust budgeting process provides support for the use of an FTY
10 that relies on those budgets.

11 **B. Applying Budgeting and Forecasting Principles to the FTY**

12 **Q. PLEASE EXPLAIN WHY IT IS APPROPRIATE FOR PUBLIC SERVICE TO USE**
13 **FORECASTED CAPITAL AMOUNTS FOR THE FTY.**

14 A. Regardless of whether a business is looking backward and developing
15 adjustments to historical capital spending or looking forward to future overall
16 spending, the business must make estimates and exercise prudent judgment to
17 arrive at a reasonably accurate reflection of future budgets. The advantage of a
18 forward-looking budget process is that it is a more robust, top-to-bottom look at all
19 future projects and planned expenditures. While project implementation can and
20 does change from the time of original budget development through updated
21 forecasts, a forward-looking process tends to be timelier than a historical process
22 with adjustments.

1 **Q. IS IT POSSIBLE FOR ANY BUSINESS TO DEVELOP A BUDGET (BASED ON**
2 **EITHER HISTORICAL OR FUTURE SPENDING EXPECTATIONS) THAT WILL**
3 **PRECISELY REFLECT A COMPANY'S ACTUAL DOLLAR-BY-DOLLAR**
4 **SPENDING?**

5 A. No. It is important to recognize that no business can ensure that every budgeted
6 dollar is spent in exactly the same way that it was initially forecasted to be spent.
7 Nor would this be a reasonable expectation, as it would preclude a company from
8 being flexible or responding to emergencies, unexpected changes in the business,
9 in customers' needs, or in the marketplace as a whole. What is important is that
10 overall, the Company's budgets reflect a reasonable level of costs and are
11 reasonably representative of the costs the Company will incur to deliver electric
12 utility services to its customers during each year of the budget periods.

13 To provide more detail regarding this concept, Public Service's experience
14 providing electric service informs the Company that circumstances often arise that
15 result in both increases and decreases in spending compared to the budget. For
16 example, it is not uncommon for a budgeted capital expenditure to be delayed or
17 cancelled due to project issues prompted by siting, permitting, or changes in
18 customer needs. The list of potential investments that need to be made at any
19 given time always outpaces the Company's funding and labor resource capacities.
20 For that reason, when a project is delayed or cancelled, the Company typically will
21 re-prioritize and substitute a different project or focus area in its place.

22 Conversely, if a project needs to be accelerated or if spending estimates on
23 a specific project prove to be too low, the Company may delay a different project

1 in order to not exceed the level of spending the Company has the financial capacity
2 to fund. While spending on a project-by-project basis never matches up exactly
3 with the Company's original budgets, Public Service's actual overall budget
4 spending tends to be accurate, as demonstrated by the comparison of actual to
5 budget performance for 2018 to 2020 capital expenditures provided in Attachment
6 ARD-5. Thus, the Company's budgeting and forecasting processes serve as tools
7 for both estimating capital expenditures and imposing financial discipline on behalf
8 of its customers and investors.

9 **Q. ARE THERE INSTANCES IN WHICH IT IS NECESSARY TO PLAN FOR**
10 **FUTURE WORK THAT MIGHT BE UNSPECIFIED AT THE TIME THE TEST**
11 **YEAR BUDGET IS DEVELOPED?**

12 A. Yes. It is necessary to recognize in the Company's budgets and forecasts that the
13 Company will experience events – such as an unexpected infrastructure repair or
14 new cyber security attacks that threaten Public Service's computer systems – that
15 cannot be fully predicted ahead of time. The Company therefore maintains certain
16 capital construction budget orders to account for this type of emergent work.

17 These emergent work budget orders represent the Company's expected
18 level of work that is likely to be required in a given year. These emergent work
19 budgets vary by business area and the business area witnesses explain their
20 processes for developing these budgets in their individual testimony. It is important
21 to note, however, that these amounts do not represent a "cushion" over and above
22 what the Company expects to actually incur during the year. Nor does it come as
23 a surprise that the Company will have to address such issues. Rather, these

1 amounts are based on the level of work and current cost of the work the Company
2 has completed historically to address expected emerging work in these areas.

3 **Q. HOW DOES PUBLIC SERVICE PLAN FOR POTENTIAL VARIANCES IN ITS**
4 **ESTIMATES FOR INDIVIDUAL CAPITAL PROJECTS?**

5 A. Public Service's capital project budgets and forecasts reflect the Company's best
6 estimate of the actual cost that will be incurred to complete a particular project at
7 a particular point in time. These estimates are developed using the best
8 information that Public Service has available. In many cases, they are developed
9 with very specific information (vendor quotes, engineering estimates, resource
10 plans, etc.). When less information is available, estimates are frequently
11 developed using historical information about how much it cost to complete
12 comparable projects in the past.

13 Given the nature of Public Service's business, the Company must estimate
14 the costs of certain very large projects, expected to span multiple years that
15 contain a number of large, unknown variables. Generally, these are long-term
16 construction projects with scope, timing or price risk considerations. The process
17 for developing the budgets for these projects typically involves contracting third
18 party engineering firms to develop estimates. The Company then runs its own
19 estimating model as a check. In other instances, the business unit develops
20 estimates in less formal consultation with contractors, based on the Company's
21 own prior experience, or some combination of these processes.

22 Due to the size and complexity of such projects, prudent business practice
23 requires that the Company use initial scoping estimates to account for some of the

1 variability of large, very early-phase projects between the results produced by the
2 different estimating models. Because large projects typically go into service
3 several years in the future, there are frequently many unknown variables that need
4 to be accounted for with contingencies in the applicable project estimates early in
5 the budgeting process. However, as time progresses and more information is
6 known, these initial scoping estimates are replaced with more refined estimates in
7 later versions of the budget. The Company's forecasted capital additions for the
8 FTY typically represent refined estimates commensurate with the status of the
9 project.

10 The most important point to consider is that while the Company employs a
11 variety of methods to build its capital project budgets, its overall capital budgets
12 and forecasts do closely track with actual spend, as shown in Attachment ARD-5.
13 This is due, in part, to the fact that while some projects may come in over budget
14 and some projects may come in under budget, over the entire Company these
15 variances tend to cancel each other out.

16 **Q. DOES THE ABILITY TO REVISE BUDGETS FOR FUTURE YEARS INDICATE**
17 **THAT THE INITIAL BUDGETS ARE TOO HIGH OR UNRELIABLE?**

18 A. No. Current budgets for future years are based on currently projected operational
19 needs, circumstances, requirements, and available funding, making them accurate
20 and reasonably representative based on currently known information.

1 **Q. IF BUDGETS FOR FUTURE YEARS CAN CHANGE, WHAT IS THE VALUE OF**
2 **THE FIVE-YEAR BUDGETING PROCESS?**

3 A. Long-term financial projections and planning are necessary to continue to provide
4 reliable service to customers in the future. Public Service operates a capital-
5 intensive business, and many of the Company's projects have long lead times,
6 have long construction phases, or require financing. Developing a five-year budget
7 provides the necessary information for out-year planning and financial projections.
8 The iterative nature of the Company's budgeting process, where Public Service
9 revises the five-year budget each year, allows the Company to manage necessary
10 work and investments given funds available and as circumstances change over
11 time. This is a balanced process that allows the Company to be forward-looking
12 and strategic, but also adaptable in allowing for reprioritization as circumstances
13 and business requirements change.

14 **Q. DO YOU BELIEVE THE CAPITAL FORECAST IN THE FTY IS AN**
15 **APPROPRIATE BASIS ON WHICH TO SET RATES FOR PUBLIC SERVICE?**

16 A. Yes. As I discussed, Public Service employs a rigorous budgeting process that
17 enables our capital forecast to reflect, as accurately as possible based on current
18 information, the capital costs the Company will incur to deliver utility service during
19 the forecast period.

1 **III. SHARED CORPORATE SERVICES FUNCTIONS AND ACTIVITIES**

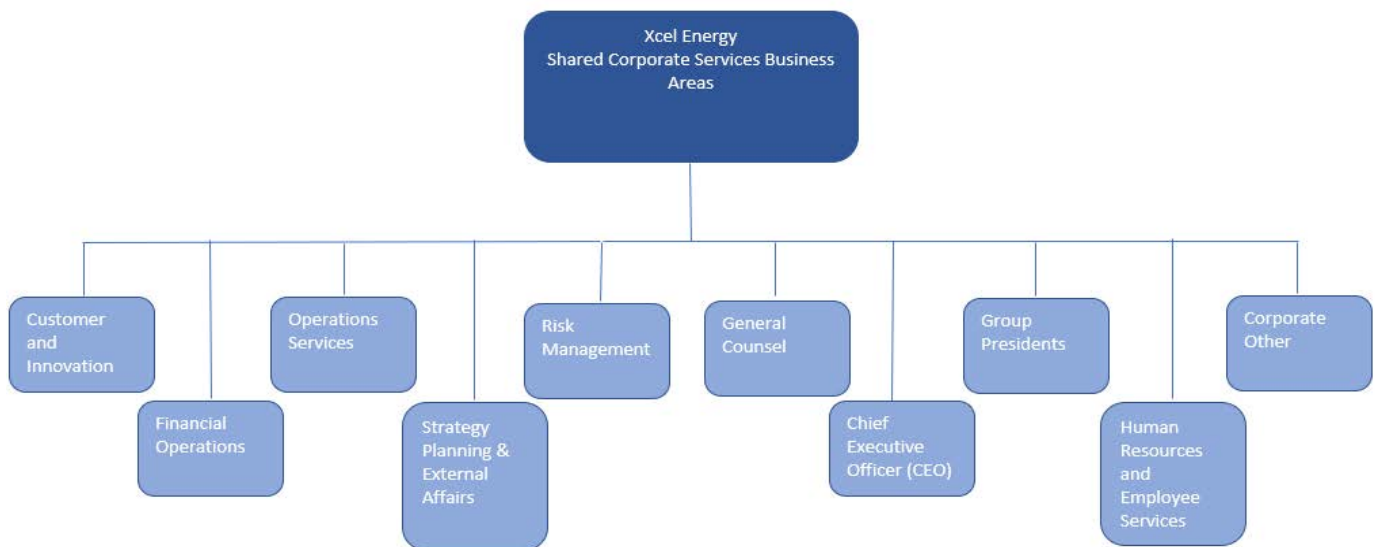
2 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR DIRECT TESTIMONY?**

3 A. In this section of my Direct Testimony, I provide an overview of the functions and
4 the types of work completed by Shared Corporate Services.

5 **Q. PLEASE DESCRIBE THE KEY FUNCTIONS AND SERVICES OF XCEL**
6 **ENERGY’S SHARED CORPORATE SERVICES.**

7 A. The Shared Corporate Services Business Areas conduct a variety of activities on
8 behalf of Xcel Energy and its operating companies, including Public Service.
9 Figure ARD-D-1 illustrates the 10 Business Areas that comprise Shared Corporate
10 Services within XES, which I describe in more detail below:

11 **FIGURE ARD-D-1: Shared Corporate Services Within XES**



- 12 • *Customer and Innovation:* Provides services to meet the technology
13 needs of energy customers of the Xcel Energy operating companies,
14 including those of Public Service. Customer and Innovation includes
15 several functional groups, including the Chief Customer and Innovation
16 Office, Customer Care, Customer and Brand, and Enterprise Security.
17 The Business Systems, Customer Solutions and Innovation areas also
18 fall within Customer and Innovation. Business Systems is addressed

1 separately by Mr. Remington, and Mr. Emmett R. Romine provides
2 additional information about Customer Innovation in his Direct
3 Testimony.

- 4 • *Financial Operations*: Leads financial governance for Xcel Energy and
5 its operating companies, including Public Service, and delivers financial
6 services. Financial Operations consists of several functional groups,
7 including Audit Services, the Controller's organization, Investor
8 Relations, Business Development, Tax Services, Financial Planning and
9 Analysis, Risk Management, Revenue Requirements, and the
10 Treasurer's Organization.
- 11 • *Operations Services*: Provides a single centralized Operations support
12 organization that includes Supply Chain, Commercial Operations, Fuel
13 Supply, and Fleet services with a goal of using standardized processes,
14 shared best practices, and efficiencies of scale to ensure productivity
15 and control operating costs. Operations Services provides support to
16 the Energy Supply, Transmission, and Distribution Business Areas.
- 17 • *General Counsel*: Provides strategic services to Xcel Energy, its
18 operating companies and its subsidiaries, in addition to legal and claims
19 services.
- 20 • *Risk Management*: Helps to ensure the integrity of company finances
21 and operations through robust risk analytics, audit services and
22 compliance with corporate ethics and other policies.
- 23 • *Strategy, Planning, and External Affairs*: Provides Xcel Energy's
24 business strategy development, communications and federal regulatory
25 and legislative initiatives.
- 26 • *Chief Executive Officer ("CEO")*: The CEO group includes the CEO and
27 support staff, and the budget for the Chairman's Fund. This group
28 oversees the vision, mission, and values of Xcel Energy, to fulfill
29 customer demands for reliable, affordable energy while advancing Xcel
30 Energy's (and, in turn, Public Service's) goal of creating a clean energy
31 future.
- 32 • *Human Resources and Employee Services*: Provides services to meet
33 the needs of employees of Xcel Energy and its operating companies,
34 including Public Service. Human Resources and Employee Services
35 includes several functional groups including Human Resources,
36 Property Services, Aviation, Workforce Relations, and Corporate Giving.

- 1 • *Group Presidents:* The Group Presidents organization includes the
2 Operating Company Presidents Area for Xcel Energy’s four operating
3 companies, providing leadership to the individual utility companies as
4 well as customer and community outreach support.
- 5 • *Corporate Other:* Corporate Other includes costs that are not directly
6 attributable to a specific Shared Corporate Services group. Corporate
7 Other contains the following types of costs, credits, and charges:
8 Company use credits, overhead charges to affiliates, shared assets,
9 Administrative & General (“A&G”) charges to capital, non-regulated
10 overheads, and permanent income tax differences.

11 **Q. HOW ARE SHARED CORPORATE SERVICES CAPITAL ADDITIONS AND**
12 **O&M ALLOCATED BETWEEN OPERATING COMPANIES?**

13 A. When certain projects, such as the Lipan Distribution Center Transportation
14 Garage Project, described later in my Direct Testimony, are developed and
15 implemented solely for Public Service or other individual operating companies, the
16 costs are directly assigned to that utility. In other cases, common projects are
17 allocated across Xcel Energy’s operating companies. Company witness Mr. Ross
18 L. Baumgarten explains Xcel Energy’s cost allocation and assignment process for
19 appropriately allocating Shared Corporate Services costs to the Public Service
20 electric utility.

21 **Q. HAVE ALL OF THE SHARED CORPORATE SERVICES BUSINESS AREAS**
22 **HAD CAPITAL ADDITIONS BETWEEN SEPTEMBER 1, 2019 AND DECEMBER**
23 **31, 2021?**

24 A. No, the only Shared Corporate Services Business Areas to have capital additions
25 were Customer and Innovation (specifically the Enterprise Security functional
26 group), Human Resources and Employee Services (specifically the Property
27 Services functional group), and Operations Services (specifically the Fleet

1 functional group). Mr. Remington addresses the Business Systems related capital
2 additions, which are also part of the Customer and Innovation Business Area, in
3 his Direct Testimony. Capital additions for all three groups are discussed below.

4 **Q. PLEASE DESCRIBE THE ENTERPRISE SECURITY, PROPERTY SERVICES,**
5 **AND FLEET SERVICES GROUPS.**

6 A. The Enterprise Security group, which is part of the Customer and Innovation
7 Business Area, implements various security projects related to both cyber and
8 physical security. The Property Services group, which is part of the Human
9 Resources and Employee Services Business Area, implements building security
10 features, manages leases, and provides interior and exterior building maintenance
11 for office buildings, service centers, and regional and customer offices. The Fleet
12 group, which is part of the Operations Services Business Area, supports vehicle
13 and equipment needs of the Energy Supply, Transmission, and Distribution
14 Business Areas with a variety of services. As a result, these three groups
15 undertake the majority of capital projects within the Shared Corporate Services
16 Business Areas, apart from the Business Systems capital additions discussed by
17 Mr. Remington.

- 1 • *Miscellaneous Building Projects:* Includes routine non-customer
2 electrical projects, several garage door replacements, and other
3 mechanical projects.

- 4 • *Roads and Gates:* Includes work related to constructing, improving, and
5 maintaining roads and gates throughout Public Service's service
6 territory.

7 **Q. WHAT TYPES OF CAPITAL INVESTMENTS ARE MADE BY FLEET?**

8 A. The Fleet group has one capital budget area: Fleet. Fleet capital additions include
9 the replacement of vehicles, trailers, and construction equipment. Fleet asset
10 replacements are by far the largest portion of capital additions in this category but
11 this category also includes investments to repair existing fleet assets to extend
12 their useful life, investments in garage tools to inspect and repair fleet assets, and
13 investments in Xcel Energy-owned fueling depots.

14 **Q. WHAT TYPES OF CAPITAL INVESTMENTS ARE MADE BY ENTERPRISE
15 SECURITY?**

16 A. Enterprise Security was a group created in late 2016 to consolidate the various
17 security operations of Xcel Energy and is a new budget owning group as of 2020.
18 Prior to 2020 the associated capital investments were included in the Business
19 Systems and Property Services business areas. As the Enterprise Security group
20 matured and the capital needs have increased, a discreet capital budget was
21 created within the area for physical and OT Security related investments. The
22 Cyber Security investments remain as part of Business Systems. Enterprise
23 Security has one budget category: Security. Security projects are projects to
24 monitor, detect, prevent, and remediate unauthorized access to Xcel Energy's
25 physical infrastructure, such as installing card readers to control access to Xcel

1 Energy buildings; and monitoring assets, such as cameras and sensors and
2 internal intercom systems. Other Security projects include assets to improve Xcel
3 Energy's operational monitoring and software assets to gather and analyze data
4 for cyber security purposes.

5 **Q. PLEASE DESCRIBE THE PROCESS FOR RANKING AND FUNDING CAPITAL**
6 **PROJECTS FOR PROPERTY SERVICES.**

7 A. Early each year, corporate facilities are evaluated to identify projects for inclusion
8 in the capital budget for the following year. New items identified are categorized
9 and prioritized along with existing multi-year capital projects. Projects that are
10 related to safety are the highest priority. Other projects are reviewed with relevant
11 staff to verify need and priority. Projects that are needed to comply with safety,
12 code, or regulatory requirements (e.g., Environmental Protection Agency, and
13 Occupational Safety and Health Act regulations) are prioritized for funding. The
14 balance of projects is based on priority in consideration of overall Xcel Energy
15 capital guidelines.

16 For instance, projects such as new or replacement fire alarm systems,
17 uninterruptible power supply, fire suppressing sprinkler systems, and building
18 code-related projects are all funded to assure safety and compliance with local
19 government jurisdictions.

20 Projects such as office consolidations, mechanical equipment
21 replacements, and structural projects that are not safety-related are prioritized
22 based on business needs. Projects that are more aesthetics-related—such as

1 office furniture, landscaping, and improvements to common building areas—are
2 funded based on comparison to existing building standards.

3 **Q. PLEASE DESCRIBE THE BUDGETING PROCESS FOR RANKING AND**
4 **FUNDING CAPITAL PROJECTS FOR FLEET.**

5 A. Each year an analysis is performed during the planning process to identify which
6 fleet units will be replaced. The primary tool used is the total cost ownership model,
7 which takes into account the following inputs: age, the number of miles, total hours,
8 repair costs, maintenance costs, the costs of repair parts, and labor costs for
9 repairs of each fleet unit. These inputs track all costs associated with owning,
10 operating, repairing, and maintaining our fleet vehicles during their entire life span.

11 **Q. HOW IS THE TOTAL COST OF OWNERSHIP MODEL USED TO DEVELOP THE**
12 **BUDGET FOR FLEET ASSET REPLACEMENTS?**

13 A. Each year, the Xcel Energy examines the total cost of ownership for each of our
14 existing fleet assets to determine which fleet needs to be replaced in that year. In
15 particular, a fleet unit is identified for replacement when the costs of owning,
16 operating, repairing, and maintaining a fleet unit exceed the average cost of
17 replacing that unit or when customer service is negatively impacted due to
18 increased instances of breakdowns. This condition-based assessment process
19 means that in one year, the most need for replacing fleet assets may be within one
20 operational company or within one business area. As a result, the annual budget
21 for fleet asset replacements for an Xcel Energy jurisdiction may fluctuate year over
22 year.

1 **Q. WHY IS IT IMPORTANT TO REPLACE AGING FLEET ASSETS WHEN THESE**
2 **CRITERIA ARE MET?**

3 A. Replacing our fleet in accordance with these criteria both reduces the total overall
4 cost to operate and maintain the Xcel Energy's fleet as well as maintaining the
5 reliability and safety of our fleet assets. Age is the single biggest driver of
6 maintenance and repair costs for fleet assets. The cost to repair and maintain
7 older fleet assets is much higher than newer assets as they tend to require more
8 frequent and more extensive maintenance and repairs. As a result, it is important
9 to track the maintenance and repair costs of aging fleet assets to make sure that
10 we replace fleet when the costs of these repairs exceed replacement costs.

11 Older fleet assets are also not as reliable as newer fleet assets, and this
12 can impact customer service since our crews rely on these vehicles and equipment
13 to perform their work. Further, older fleet assets are not as safe as newer assets
14 as they are not equipped with the latest safety technology and have a higher risk
15 of catastrophic component failures. Newer fleet assets also have improved fuel
16 economy as compared to older vehicles, thus providing fuel savings.

17 **Q. PLEASE DESCRIBE THE PROCESS FOR RANKING AND FUNDING CAPITAL**
18 **PROJECTS FOR ENTERPRISE SECURITY.**

19 A. Each year, the Enterprise Security group evaluates the need for future capital
20 investment to maintain and improve both our physical and cyber security
21 environments. This evaluation results in a list of prioritized projects for inclusion in
22 the upcoming capital budget. New items identified are categorized and prioritized
23 along with existing multi-year capital projects. Projects are reviewed against

1 industry standards, internal and external assessment results and overall business
2 need. The final list of projects is also reviewed in consideration of overall Xcel
3 Energy capital guidelines.

4 **Q. WHAT PROCESS DOES THE COMPANY FOLLOW TO MANAGE AND**
5 **CONTAIN ITS CAPITAL COSTS FOR SHARED CORPORATE SERVICES?**

6 A. The Company uses multiple processes to manage and contain capital costs for
7 Shared Corporate Services. As previously discussed, the budget targets are
8 established and reviewed early in the budgeting process to allow Shared
9 Corporate Services to develop plans to meet those targets. The resulting plans
10 are then reviewed by multiple levels within the Company. Last, the Financial
11 Operations organization continually reviews actual spend versus the budget to
12 determine if costs are exceeding targets and why.

1 **V. OVERVIEW OF SHARED CORPORATE SERVICES 2019-2022 CAPITAL**
2 **ADDITIONS**

3 **Q. PLEASE PROVIDE AN OVERVIEW OF SHARED CORPORATE SERVICES’**
4 **CAPITAL ADDITIONS SINCE THE 2019 ELECTRIC PHASE I.**

5 A. Table ARD-D-1 summarizes Shared Corporate Services’ capital additions (i.e.,
6 plant in service) from September 1, 2019 to December 31, 2022. As reflected
7 below, the only capital additions in the Shared Corporate Services’ Business Areas
8 between September 1, 2019 and December 31, 2022 are in the Property Services,
9 Enterprise Security, and Operations Services Business Areas. Ms. Wold uses
10 these capital additions to develop the plant-related roll forward, which in turn is
11 used by Ms. Blair to develop the 13-month average plant in service balances used
12 in the 2022 FTY cost of service.

13 Throughout my testimony, capital additions data from 2019 and 2020
14 represent actual costs, while 2021 capital additions include actual plant in service
15 for January 2021 and forecasted data for the remainder of 2021 and all of 2022.
16 As I stated earlier, Enterprise Security was a new capital area in 2020 so this area
17 does not have any capital additions prior to 2020. I provide descriptions of the
18 Company’s major capital additions for September 1, 2019 to December 31, 2022,
19 in Section VI of my Direct Testimony.

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**TABLE ARD-D-1:
 Capital Additions: Shared Corporate Services 2019–2022
 Public Service (Total Company)
 (Dollars in Millions)**

	9/1/2019 through 12/31/2019 Actual	2020 Actual	2021 (January Actual + Forecast)	2022 Forecast	Total
Total Property Services	\$20.4	\$2.8	\$8.7	\$38.8	\$70.7
Total Fleet	\$3.1	\$16.7	\$17.2	\$21.7	\$58.7
Total Enterprise Security	--	--	\$2.7	\$20.9	\$23.6
Other	--	\$0.5	--	--	\$0.5
Total	\$23.5	\$20.0	\$28.6	\$81.4	\$153.5

5 **Q. WHY ARE CAPITAL ADDITIONS FOR PROPERTY SERVICES LOWER IN 2020**
 6 **AND 2021 AS COMPARED TO 2019 AND 2021?**

7 A. Capital additions in 2020 and 2021 are lower as compared to 2019 and 2022
 8 primarily due to the timing of the in-service dates for several larger building
 9 renovation projects. For example, in 2019 the Lookout Reliability project,
 10 described below, was placed in service and there were no other renovation
 11 projects of a similar size or scope completed in 2020 or 2021 for Property Services.
 12 The 2022 FTY has three large building renovation projects: Lipan Distribution
 13 Center Transportation Garage, Golden Service Center, and the Gateway Land
 14 Purchase. These projects are discussed in Section VI.

1 **Q. WHAT IS DRIVING THE INCREASE IN FLEET SERVICES CAPITAL**
2 **ADDITIONS FROM 2019 TO 2022?**

3 A. The increase in capital investments from 2019 to 2022 is driven by increased
4 replacement of aging fleet assets to decrease maintenance costs and to improve
5 performance. As I discussed above, the total ownership model guides Public
6 Service's fleet investments. The total cost of ownership model determines the
7 optimal financial age to replace aged fleet assets before they catastrophically fail
8 or cause unnecessary repairs to a fleet unit that is past its ideal replacement age.
9 The current average age of all of our fleet is 7.5 years. Based on the total cost of
10 ownership model and industry benchmarking, Public Service determined that the
11 optimum average age of our fleet assets should be 5.7 years. In order to lower the
12 average age of our fleet, Public Service is making increased investments in fleet
13 asset replacements starting in 2020 and continuing through 2022.

14 **Q. WHAT IS DRIVING THE INCREASE IN ENTERPRISE SECURITY CAPITAL**
15 **ADDITIONS FROM 2019 TO 2022?**

16 A. The increase in the Enterprise Security capital additions is primarily due to the
17 implementation of the Operations Technology Cyber Security Program which will
18 assess and develop new cyber security measures for our operational assets. I
19 discuss this program later on in my testimony.

1 VI. **SHARED CORPORATE SERVICES CAPITAL ADDITIONS FROM**
2 **SEPTEMBER 1, 2019 TO DECEMBER 31, 2022**

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

4 A. This section of my Direct Testimony discusses the Shared Corporate Services
5 Business Areas' capital additions for the period September 1, 2019 to December
6 31, 2022 and provide descriptions of the major capital projects. As the Shared
7 Corporate Services Business Areas support the operations of the entire company,
8 including all operating companies, many of the projects are designated as a
9 common plant asset and the electric utility receives an allocated portion of the
10 asset as explained by Mr. Baumgarten.

11 **Q. PLEASE DESCRIBE THE KEY CAPITAL PROJECTS FOR PROPERTY**
12 **SERVICES BETWEEN SEPTEMBER 1, 2019 AND DECEMBER 31, 2022.**

13 A. As shown in Attachments ARD-1 and ARD-2, the major capital projects Public
14 Service has or will place in service between September 1, 2019 and December 31,
15 2022 include, by budget group:

- 16 • *Building Renovations and Improvements:* Total capital additions from
17 September 1, 2019 and December 31, 2022 will total approximately
18 \$59.2 million. I will discuss the major building renovation projects later
19 in my testimony.
- 20 • *Office Furniture and Equipment:* Office Furniture and Equipment
21 additions from September 1, 2019 and December 31, 2022 are \$3.9
22 million for furniture replacements, workstations, audio/visual equipment
23 purchases, and general tools and equipment. The remaining additions
24 include a placeholder for emergent work due to emergencies based on
25 historical expense amounts.
- 26 • *Miscellaneous Building Projects:* The primary projects included in this
27 category are routine electrical, mechanical, and structural projects.
28 Total capital additions from September 1, 2019 and December 31, 2022
29 for Miscellaneous Building projects will be \$5.5 million.

1 **Q. PLEASE DESCRIBE THE MAJOR PROJECTS WITHIN THE BUILDING**
2 **RENOVATIONS AND IMPROVEMENTS CATEGORY FOR SEPTEMBER 1,**
3 **2019 TO DECEMBER 31, 2022.**

4 A. The major projects in this category include the following:

- 5 • *Lookout Center Reliability Project:* This project involved renovating and
6 upgrading the electrical, mechanical, and life safety functions of this
7 facility to address reliability and operational issues and to bring it up to
8 standards as a mission critical facility. The Lookout Center houses one
9 of our main data centers and our operations rely heavily this data center
10 in order to quickly access electronic data. One of the reliability issues
11 with the Lookout Center's electric system was the lack of redundant
12 generators. Although there were two generators that were configured to
13 provide back-up power, one of the generators was not adequately sized
14 to support the Lookout Center's critical load. Further, the other back-up
15 generator was well past its useful life and in need of replacement. As a
16 result of this project, the Lookout Data Center now has N+1 back-up
17 generators to support the data center's critical load in the event of a
18 power outage. This project was placed in-service in 2019 with \$16.5
19 million in capital additions.
- 20 • *Kipling Service Center Renovation:* This project involves a complete
21 building renovation at the Kipling Service Center in Denver including
22 building code required upgrades and space modifications. Specifically,
23 this renovation includes upgrades to the building's current elevator
24 system to be compliant with current with building code requirements.
25 This project also involves updating the building equipment to allow a
26 more efficient use of the space and updated fixtures and furniture. This
27 project will be placed in-service in 2021 with \$3.1 million in capital
28 additions.
- 29 • *South Network Control Center Switch Gear Upgrade and Generator*
30 *Replacement Project:* This project will replace old breakers, generators,
31 and diesel fuel systems to improve the reliability and performance of the
32 electric system at the South Network Control Center. The project will be
33 completed in 2021 with \$1.7 million of capital additions.
- 34 • *Lipan Distribution Center Transportation Garage Project.* This is the
35 primary fleet garage for Public Service and serves Public Service's
36 largest service center. This project involves renovating the existing fleet
37 garage by demolishing the interior of the garage, originally constructed
38 in 1918, and constructing a new modern interior. A new interior is

1 needed to accommodate the size and space requirements to make
2 repairs on larger trucks and construction equipment in Public Service's
3 current fleet. This renovation will also enable more fleet assets to
4 repaired at the same time inside the garage. This project will be
5 completed in 2022 with total plant additions of \$14.7 million.

- 6 • *Golden Service Center Project*: This project involves the construction of
7 a new service center facility on existing Company property adjacent to
8 the existing Lookout Service Center to replace the Golden and Table
9 Mountain Service Centers. Due to recent addition of street roundabouts
10 near the service center entrance, the site can no longer be accessed by
11 certain trucks and other equipment as this larger equipment cannot
12 make the turn radiuses required for these roundabouts. Also, the site
13 has the potential for redevelopment due to its location. This project will
14 be completed in 2022 with total plant additions of \$13.4 million.

- 15 • *Gateway Land Purchase Project*: This project involves the purchase of
16 land in Aurora, Colorado that will be used to construct a new service
17 center in 2022 as the lease at the existing service center facility in the
18 east Denver metro area will not be renewed because the existing
19 building and site do not meet our operational needs. For example,
20 certain areas of the existing building are not insulated limiting their
21 usefulness during cold weather periods. The existing site also has
22 limited laydown and yard space and poor drainage. Significant
23 investment would be needed to renovate and upgrade the current
24 building and site. The new Gateway Service Center will support the
25 Denver International Airport and surrounding Denver industrial corridor.
26 This project will be completed in 2022 with total plant additions of \$8.0
27 million.

- 28 • *Roads and Gates*: These capital additions from September 1, 2019 to
29 December 31, 2022 total approximately \$2.1 million. The two largest
30 projects, the Evergreen and Pueblo Service Center parking lot
31 replacements, accounted for \$1.3 million of the \$2.1 million capital
32 additions. Other projects included paving and parking lot projects at
33 multiple sites, gate replacements and other miscellaneous projects.
34 These parking lot and paving projects can vary in size and cost
35 depending on the condition of the parking lot and asphalt and are
36 undertaken to ensure safe and usable parking areas at our Company
37 sites.

1 **Q. PLEASE DESCRIBE THE CAPITAL PROJECTS WITHIN THE**
2 **MISCELLANEOUS BUILDING PROJECTS CATEGORY FOR SEPTEMBER 1,**
3 **2019 TO DECEMBER 31, 2022.**

4 A. Projects in this category include smaller heating, ventilation, and air conditioning
5 (“HVAC”) projects, asbestos abatement activities, battery replacements, and
6 energy efficient lighting replacements and upgrades. The Company will also be
7 completing roof replacements at the Kipling and Salida service centers in 2022.
8 All of these projects are needed to ensure that Company locations are properly
9 maintained and operational.

10 **Q. PLEASE DESCRIBE THE CAPITAL INVESTMENTS FOR FLEET BETWEEN**
11 **SEPTEMBER 1, 2019 AND DECEMBER 31, 2021.**

12 A. Fleet capital additions from September 1, 2019 and December 31, 2022 total
13 approximately \$58.5 million. These costs represent the necessary replacement of
14 fleet vehicles and construction equipment that have become less reliable and
15 costlier to maintain. Public Service utilizes fleet vehicles and equipment to travel
16 to work sites, perform construction work, and to quickly respond to emergencies.

17 **Q. CAN YOU PROVIDE A FURTHER BREAKDOWN OF THESE FLEET**
18 **REPLACEMENTS?**

19 A. Yes. The \$58.5 million in Fleet investments includes replacement of 110
20 passenger cars, 96 light-duty trucks, 234 medium and heavy-duty trucks, 98
21 trailers, and 64 pieces of construction equipment.

1 **Q. WERE ANY OF THESE FLEET VEHICLES REPLACED WITH ELECTRIC**
2 **VEHICLES?**

3 A. Yes. All 1,010 passenger vehicles that are or will be replaced from September 1,
4 2019 to December 31, 2022 will be replaced with plug-in hybrid electric vehicles
5 (“PHEVs”).

6 **Q. PLEASE DESCRIBE THE MAJOR CAPITAL PROJECTS FOR ENTERPRISE**
7 **SECURITY BETWEEN SEPTEMBER 1, 2019 AND DECEMBER 31, 2022.**

8 A. Enterprise Security capital additions from September 1, 2019 to December 31,
9 2022 will total approximately \$24.1 million. Projects in this category primarily
10 include physical security investments such as card reader panel replacements and
11 upgrades and the installation of additional security cameras for monitoring of the
12 Company’s sites. In 2020, Enterprise Security also implemented a new risk
13 dashboard software which will be used to monitor Xcel Energy’s risk exposure and
14 enable the management of the overall security program in a more holistic manner.
15 In 2022, Public Service will also be making investments in its Operations
16 Technology (“OT”) Cyber Security Program.

17 **Q. PLEASE DESCRIBE THE OT CYBER SECURITY PROGRAM.**

18 A. The OT Cyber Security Program is designed to enhance the cyber security
19 capabilities in the operations environment. The program consists of six areas of
20 emphasis: Governance, Information Protection, Asset Management, Security
21 Logging and Monitoring, Vulnerability and Patch Management, and Response
22 Planning. For each of these six areas, the Enterprise Security team will partner
23 with operations leaders to implement solutions to enhance the current cyber

1 security environment, as well as implement new solutions to address areas of
2 opportunity. Examples of these solutions includes the deployment of DAGOS
3 monitoring sensors at various sites across Gas, Transmission, and Energy Supply
4 to detect intrusions on our systems, firewall upgrades and additions at our wind
5 facilities, the expansion of various cybersecurity software platforms currently in
6 limited use, setting up a test lab for vulnerability scanning, standardizing the patch
7 management program across operations, enhanced testing, training and
8 continuous improvement of incident response plans. The program is projected to
9 have \$18.7 million of capital additions in 2022.

10 **Q. HOW CAN THE COMMISSION BE CONFIDENT THE COMPANY WILL**
11 **MANAGE ITS SHARED CORPORATE SERVICES-RELATED CAPITAL**
12 **PROJECTS INCLUDED IN THE COST OF SERVICE TO ENSURE THE FINAL,**
13 **ACTUAL COSTS ARE REASONABLE AND PRUDENT?**

14 A. As discussed, the Shared Corporate Services capital additions presented in
15 Attachment ARD-1 and ARD-2 have been, or will be, prudently incurred,
16 reasonable in cost, and used and useful in supporting Public Service's ability to
17 provide safe and reliable electric service to its customers. These capital additions
18 were carefully planned and necessary to make building repairs and renovations,
19 provide fleet assets for our employees to perform their job duties or travel to work
20 sites, and to install security measures to protect our physical facilities. As I
21 discussed these projects were evaluated and selected through a rigorous
22 budgeting process and we will monitor the execution and implementation of

1 projects to ensure that the capital costs are prudently incurred to provide safe and
2 reliable service to Public Service's customers.

1 **VII. SHARED CORPORATE SERVICES O&M**

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

3 A. This section of my Direct Testimony discusses Shared Corporate Services 2020
4 O&M expenses, which the Company proposes to utilize as the basis for
5 establishing Shared Corporate Services O&M levels included in the 2022 FTY. I
6 also describe the drivers of O&M cost increases since the 2019 Electric Phase I,
7 which was based off a 2018 HTY for O&M purposes.

8 **Q. WHAT ARE THE TYPES OF COSTS THAT SHARED CORPORATE SERVICES**
9 **INCURS FOR O&M?**

10 A. As noted earlier in my Direct Testimony, Shared Corporate Services consist of
11 functions largely performed by Xcel Energy Services on behalf of each operating
12 company, with costs allocated to Public Service as also discussed by Mr.
13 Baumgarten. These functions include the following types of O&M activities:

- 14 • *Financial Operations:* Includes functional costs, consisting of primarily
15 labor and contractor / consulting costs (such as auditors), and insurance
16 costs;
- 17 • *Operations Services:* Includes supply chain and commercial operations
18 related costs, primarily labor and consulting;
- 19 • *General Counsel:* Primary costs include labor and legal consulting costs;
- 20 • *Risk Management:* Primary costs include labor and consulting costs;
- 21 • *Strategy Planning and External Affairs:* Primary costs include labor and
22 consulting;
- 23 • *Chief Executive Officer:* Includes primarily labor and consulting costs;
- 24 • *Corporate Secretary and Executive Services:* Includes labor and
25 consulting;

- 1 • *Customer and Innovation (not including Business Systems)*: Includes
2 customer care (consisting primarily of labor and contractor costs for the
3 call center), bad debt expense, marketing costs, brand advertising (not
4 recovered from customers), and labor and consulting costs for
5 enterprise security;
- 6 • *Human Resources and Employee Services*: Includes costs related to
7 property services (consisting primarily of lease costs, maintenance and
8 janitorial services, snow removal, utility costs for facilities, and labor for
9 the facilities department), human resources, and employee services
10 costs;
- 11 • *Group Presidents*: Includes labor and consulting for the Public Service
12 Company president, regulatory fees, and labor and consulting costs for
13 the policy and federal affairs and regulatory and resource planning
14 areas; and
- 15 • *Corporate Other*: Includes company use credits, overhead charges to
16 affiliates, shared assets, A&G charges to capital, non-regulated
17 overheads, and permanent income tax differences.
- 18 • *Revenue*: Includes miscellaneous revenue that is collected by the
19 Company primarily for interconnection studies related to the
20 Transmission and Distribution business areas, damage claims revenue,
21 and revenue from facility attachment agreements. These revenues are
22 included in my testimony as an offset to O&M.

23 **Q. WHAT WERE SHARED CORPORATE SERVICES' ACTUAL 2020 O&M**
24 **COSTS?**

25 A. Shared Corporate Services' actual O&M expenses for 2020 totaled \$124.9 million.
26 Table ARD-D-2 below breaks down the amount of overall O&M costs by the
27 categories I discussed above. Attachments ARD-3 and ARD-4 provide an
28 accounting of these expenses by Cost Element and FERC account, respectively.

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TABLE ARD-D-2
Shared Corporate Services 2020 O&M
Public Service Electric

Business Areas and Misc. Revenue	2020 O&M \$ Millions
Financial Operations	\$24.4
Operations Services	\$6.0
General Counsel	\$8.6
Risk Management	\$1.7
Strategy Planning and External Affairs	\$4.2
Chief Executive Officer	\$2.5
Customer and Innovation (excluding Business Systems)	\$51.6
Human Resources and Employee Services	\$23.6
Group Presidents	\$14.1
Corporate Other	(\$3.8)
Revenue	(\$7.9)
Total	\$124.9

- 4 **Q. ARE THE \$124.9 MILLION IN 2020 O&M COSTS FOR SHARED CORPORATE**
5 **SERVICES YOU DESCRIBE ABOVE REFLECTED IN THE COST OF SERVICE**
6 **PRESENTED BY COMPANY WITNESS MS. BLAIR?**
- 7 **A. Yes.**

1 **Q. PLEASE PROVIDE AN OVERVIEW OF PUBLIC SERVICE'S SHARED**
2 **CORPORATE SERVICES O&M EXPENSES SINCE ITS LAST ELECTRIC RATE**
3 **CASE.**

4 A. As shown in Table ARD-D-3, the O&M expenses Shared Corporate Services
5 incurred in the 2018 HTY are generally consistent with those expenses included in
6 the 2022 Test Year (2020 O&M), both with respect to the overall level of expenses
7 and the types of expenses incurred. Total O&M expenses have increased by \$4.1
8 million, and I provide further detail regarding shifts in O&M expenses since the
9 2019 Electric Phase I below and in Table ARD-D-4.

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TABLE ARD-D-3
Shared Corporate Services O&M
Public Service Electric

Business Area	2018 O&M \$ Millions	2020 O&M \$ Millions	Variance \$ Millions
Financial Operations**	\$24.9	\$24.4	(\$0.5)
Operations Services	\$6.7	\$6.0	(\$0.7)
General Counsel	\$8.1	\$8.6	\$0.5
Risk Management	\$1.6	\$1.7	\$0.1
Strategy Planning and External Affairs	\$4.3	\$4.2	(\$0.1)
Chief Executive Officer	\$1.9	\$2.5	\$0.6
Customer and Innovation (excluding Business Systems)	\$45.6	\$51.6	\$6.0
Human Resources and Employee Services	\$24.2	\$23.6	(\$0.6)
Group Presidents	\$13.0	\$14.1	\$1.1
Corporate Other	(\$3.5)	(\$3.8)	(\$0.3)
Revenue	(\$5.9)	(\$7.9)	(\$2.0)
Total*	\$120.8	\$124.9	\$4.1

*There may be differences between the sum of the individual category amounts and Total amounts due to rounding.

**In Attachment ARD-3, Financial Operations, Injuries and Damages A&G, and Insurance comprise the Financial Operations category reflected in this table.

1 **Q. WHAT ARE THE MAJOR DIFFERENCES BETWEEN SHARED CORPORATE**
2 **SERVICES O&M EXPENSES INCLUDED IN THE 2019 ELECTRIC PHASE I**
3 **AND THE 2020 O&M EXPENSES AS SHOWN IN TABLE ARD-D-4 BELOW?**

4 A. O&M expense for Public Service Electric's allocation of Shared Corporate Services
5 Business Areas increased by \$4.1 million, or just above two percent, between 2018
6 and 2020. Table ARD-D-4 shows the major drivers of this increase:

7 **TABLE ARD-D-4:**
8 **Shared Corporate Services Business Area's O&M Public Service Electric**
9 **(\$ in millions)**

	2018 HTY	Driver Amount	2020 Actuals
Total O&M (Adjusted)	\$120.8		
Revenues		(\$2.0)	
Operations Services		(\$0.7)	
Enterprise Security		\$2.6	
Other		\$4.2	
Total*	\$120.8	\$4.1	\$124.9
*There may be differences between the sum of the individual category amounts and Total amounts due to rounding.			

10 **Q. FIRST, CAN YOU DESCRIBE ANY DECREASES IN O&M EXPENSES**
11 **BETWEEN THE 2018 HTY AND 2020?**

12 A. Yes. There were decreases in costs in the following areas:

- 13
- 14 • *Revenues:* These include damage claim revenues, non-gratuitous
15 revenues, and Transmission and Distribution interconnection studies.
16 These revenues used to be reflected in Revenues from a GAAP
17 accounting perspective but are now considered an offset to O&M from a
18 FERC accounting perspective in the SAP system. Previously these
19 revenues were not included as O&M and therefore represent an overall
20 decrease in the O&M for the Shared Corporate Services Business
Areas. These revenues were approximately \$5.9 million in 2018 and

1 have increased due primarily to higher damage claim recoveries and
2 higher interconnection study-related revenue.

- 3 • *Operations Services*: Reduction to Operations Services O&M of \$0.7
4 million is primarily due to reduced consulting costs.

5 **Q. WERE THESE DECREASES IN O&M EXPENSES BETWEEN 2018 AND 2020**
6 **OFFSET BY ANY INCREASES?**

7 A. Yes. These decreases were partially offset by increases in Enterprise Security.
8 The costs in this area have increased by \$2.6 million between the 2018 HTY and
9 2020 due to the Company's heightened focus on cyber security, and increased
10 spending to secure critical infrastructure. In 2016, a new Security Organization
11 was formed that combined physical security, cyber security, and enterprise
12 continuity and data protection functions into one group. The goal of this
13 organization is to expand capabilities to protect the Company, its employees, and
14 its assets against a range of threats in today's cyber environment. This group has
15 continued to grow and evolve to address the ever-changing threat environment
16 and as a result of various assessments.

17 **Q. WHAT LEVEL OF BAD DEBT EXPENSE IS PUBLIC SERVICE INCLUDING IN**
18 **THE COST OF SERVICE FOR THIS CASE?**

19 A. The amount of bad debt expense that is included in the cost of service in this case
20 is \$10.9 million which is Public Service's three-year average of the amount
21 recorded in FERC account 904 in Public Service's 2017, 2018, and 2019 annual

1 Appendix A filings.² This three-year average of bad debt expense was determined
2 in Proceeding No. 20V-0159EG to be an appropriate baseline amount for purposes
3 of tracking and deferring incremental bad debt expense associated with the
4 COVID-19 pandemic. As such, this three-year average is a reasonable
5 representation of the typical amount of bad debt expense incurred by the
6 Company. Utilizing this three-year average for bad debt expense reduces the
7 Company's 2020 test year O&M by \$0.5 million. As discussed by Mr. Berman,
8 Public Service is requesting permission to continue the bad debt expense deferral
9 until December 31, 2022.

10 **Q. IS THE 2020 SHARED CORPORATE SERVICES O&M DESCRIBED ABOVE A**
11 **REASONABLE BASIS ON WHICH TO ESTABLISH O&M COSTS FOR THE**
12 **2022 FTY?**

13 A. Yes. Shared Corporate Services' 2020 O&M costs are reasonably representative
14 of the Company's forecasted O&M costs for establishing the 2022 FTY. The 2020
15 O&M expense reflects the previously-approved 2018 O&M expense and includes
16 reasonable, moderate increases for cyber security and security for other critical
17 infrastructure.

2. This amount is set forth in Attachment 1 to the Settlement Agreement in Proceeding No. 20V-0159EG. The difference between the amount presented and the COVID deferral baseline for electric is Current Expected Credit Losses ("CECL") expenses that were not eligible for COVID deferrals and were not considered within the baseline. Calendar year 2020 is the first year in which CECL expenses are booked in FERC account 904.

- 1 **Q. ARE THE O&M EXPENSES YOU SUPPORT REASONABLE AND NECESSARY**
2 **TO CARRY OUT SHARED CORPORATE SERVICES KEY FUNCTIONS**
3 **DESCRIBED ABOVE?**
- 4 **A. Yes.**

Statement of Qualifications

Adam R. Dietenberger

I received a Bachelor of Science degree, with majors in accounting and finance, from the University of Minnesota in 2004. I also hold an Inactive CPA certificate from the State of Minnesota.

My current position with XES is Director, Business Area Finance, Shared Corporate Services. In this role, my responsibilities include supporting the financial aspects of the shared service organizations including the coordination of the shared service organizations' five-year O&M expense budgets and the five-year capital expenditure budgets, the monthly forecast updates of these five-year plans, and analysis of actual results against these budgets and forecasts. Prior to my current role, I was employed as the Senior Manager, Service Company Accounting and Cash Processes. I was responsible for the general administration of XES, including accounting, billing, allocations, policies and procedures, service agreements, internal audits, external audits and external reporting to state and federal regulatory agencies. Additionally, I managed Xcel Energy's Cash Processes group, which is responsible for monitoring and reconciling the cash activity, long term debt and other related items for all Xcel Energy affiliates and subsidiaries.

I have been employed by XES since May 2008, first as a Senior Accountant, then as a Corporate Accounting Consultant, then as Manager, Corporate Accounting.

Prior to joining XES, I was employed by Deloitte LLP, where I performed financial statement audits for companies in various industries, including energy and utilities, healthcare, and manufacturing.

I have filed testimony previously before the Colorado Public Utilities Commission on behalf of Public Service Company of Colorado in Proceeding Nos. 20AL-0049G, 19AL-0268E, 17AL-0649E, and 17A-0363G as part of my role as Senior Manager, Service Company Accounting and Cash Processes. I have also filed testimony before the Public Utility Commission of Texas in Docket Nos. 51802, 49831, and 45524, the New Mexico Public Regulation Commission in Case Nos. 15-00139-UT, 15-00296-UT, and 16-00269-UT; and the Minnesota Public Utilities Commission on behalf of Northern States Power Company, a Minnesota corporation, in Docket No. E002/GR-15-826.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * * *

IN THE MATTER OF ADVICE LETTER)
NO. 1857-ELECTRIC OF PUBLIC)
SERVICE COMPANY OF COLORADO)
TO REVISE ITS COLORADO PUC NO.)
8-ELECTRIC TARIFF TO REVISE)
JURISDICTIONAL BASE RATE) PROCEEDING NO. 21AL-____E
REVENUES, IMPLEMENT NEW BASE)
RATES FOR ALL ELECTRIC RATE)
SCHEDULES, AND MAKE OTHER)
PROPOSED TARIFF CHANGES)
EFFECTIVE AUGUST 2, 2021)

AFFIDAVIT OF ADAM R. DIETENBERGER
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

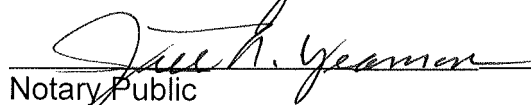
I, Adam R. Dietenberger being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Direct Testimony and attachments are true and correct to the best of my information, knowledge and belief; and that I would give the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

Dated in Minneapolis, Minnesota, this 25th day of June 2021.



Adam R. Dietenberger
Director, Business Area Finance
Shared Corporate Services

Subscribed and sworn to before me this 25th day of June, 2021.



Notary Public

My Commission expires Jan. 31, 2026

