

NOTICE OF CONFIDENTIALITY

***A PORTION OF THIS TESTIMONY OR TESTIMONY AND ATTACHMENTS
HAS/HAVE BEEN FILED UNDER SEAL.***

**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 ROSS L. BAUMGARTEN

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

NOTICE OF CONFIDENTIALITY

ATTACHMENT TO THIS TESTIMONY HAVE BEEN FILED UNDER SEAL

Confidential: Confidential Attachment RLB-4

July 2, 2021

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LIST OF ATTACHMENTS

Attachment RLB-1	Public Service Company's Cost Assignment and Allocation Manual ("CAAM") dated April 2021
Attachment RLB-2	Comparison Document that identifies all modifications to the CAAM since it was last filed in Proceeding No. 19AL-0268E
Attachment RLB-3	Public Service Company's Fully Distributed Cost Study, page 1
Attachment RLB-4C	Public Service Company's Fully Distributed Cost Study, page 2 (Confidential Version)
Attachment RLB-4	Public Service Company's Fully Distributed Cost Study, page 2 (Public Version)
Attachment RLB-5	Indirect Allocating Cost Center Methods and Percentages
Attachment RLB-6	Comparison of XES Allocation Percentages for Public Service
Attachment RLB-7	Utility Allocation Methods and Percentages
Attachment RLB-8	Non-Regulated Activity Allocation Methods and Percentages

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
2020 HTY	The January 1, 2020 through December 31, 2020 Informational Historical Test Year Cost of Service
A&G	Administrative and General
AMI	Advanced Metering Infrastructure
CAAM	Cost Assignment and Allocation Manual
CEO	Chief Executive Officer
Commission	Colorado Public Utilities Commission
CWIP	Construction Work in Progress
FDC Study	Fully Distributed Cost Study
FERC	Federal Energy Regulatory Commission
FTY	Future Test Year
GAAP	Generally Accepted Accounting Principles
IT	Information Technology
NOPR	Notice of Proposed Rulemaking
NSPM	Northern States Power Company, a Minnesota corporation
NSPW	Northern States Power Company, a Wisconsin corporation
O&M	Operations and Maintenance
Operating Companies	Public Service, NSPM, NSPW, and SPS
Operating Company	One of the Operating Companies
Proceeding No. 02S-315EG	2002 Electric/Gas Phase I Rate Case

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Proceeding No. 06A-555EG	2006 Cost Assignment Allocation Model Proceeding
Proceeding No. 14AL-0660E	2014 Electric Phase I Rate Case
Proceeding No. 19AL-0268E	2019 Electric Phase I Rate Case
PUHCA 1935	The Public Utility Holding Company Act of 1935
PUHCA 2005	The Public Utility Holding Company Act of 2005, 18 Code of Federal Regulation Parts 365 and 366
Public Service or the Company	Public Service Company of Colorado, a Colorado corporation
RIS	Rate Information System
RWIP	Retirement Work in Progress
SEC	Securities and Exchange Commission
SKF	Statistical Key Figure
SPS	Southwestern Public Service Company, a New Mexico corporation
WBS	Work Breakdown Structures
Xcel Energy	Xcel Energy Inc.
XES or Service Company	Xcel Energy Services Inc.
XEST	Xcel Energy Southwest Transmission Company, LLC
XETD	Xcel Energy Transmission Development Company, LLC
XEWT	Xcel Energy West Transmission Company, LLC

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DIRECT TESTIMONY AND ATTACHMENTS OF ROSS L. BAUMGARTEN

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

3 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

4 A. My name is Ross L. Baumgarten. My business address is 1800 Larimer Street,
5 Denver, Colorado 80202.

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

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

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

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

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

4 A. As Manager of Service Company Accounting, I am responsible for the general
5 administration of XES, including accounting, billing, allocations, policies and
6 procedures, service agreements, internal audits, external audits and external
7 reporting to state and federal regulatory agencies. A description of my
8 qualifications, duties, and responsibilities is set forth in my Statement of
9 Qualifications at the conclusion of my testimony.

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

11 A. Rules 3500 et. seq. of the Colorado Public Utilities Commission (“Commission”)
12 address the topic of unregulated goods and services and the requirement to
13 establish cost assignment and allocation principles to assist the Commission in
14 setting just and reasonable rates and to ensure that utilities do not use ratepayer
15 funds to subsidize non-regulated activities, in accordance with Section 40-3-114
16 of the Colorado Revised Statutes. Consistent with these rules and statutes, the
17 purpose of my Direct Testimony is to sponsor the Company’s Cost Assignment
18 and Allocation Manual (“CAAM”) and Fully Distributed Cost Study (“FDC Study”)
19 in this proceeding. As a result, I provide the following information in my Direct
20 Testimony:

- 21 • In Section II – I provide a list of definitions of specific terms and
22 processes that I use throughout my Direct Testimony to support the
23 Company’s cost allocations and FDC Study;

- 1 • In Section III – I describe the Xcel Energy Holding Company structure
2 and organizational structure to provide the context necessary to
3 understand the flow of transactions within Xcel Energy companies
4 (primarily the Service Company) and Public Service;
- 5 • In Section IV – I provide an overview of the flow of costs in the general
6 ledger system including how the costs ultimately reside on Public
7 Service’s books and records;
- 8 • In Section V – I describe the Service Company, its history and
9 operations, and the administration of the Allocation Methods, Allocation
10 Statistics, Allocation Percentages or Ratios, and allocation pools;
- 11 • In Sections VI and VII – I explain the cost allocation rules and the history
12 of the cost allocation rules as they apply to Public Service’s CAAM and
13 the Company’s FDC Study, which we are filing in compliance with
14 Commission Rules 3500 et seq.
- 15 • In Section VIII – I sponsor Public Service’s CAAM dated April 2021, a
16 copy of which is included as Attachment RLB-1, as well as support the
17 cost assignment and Allocation Methods and the percentages used in
18 preparing the Future Test Year in this rate case, which is the calendar
19 year ending December 31, 2022 (“FTY”).¹ Additionally, I provide a
20 comparison document that identifies all significant modifications to the
21 CAAM since it was last filed in the 2019 Electric Phase I rate case
22 (Proceeding No. 19AL-0268E) (“2019 Electric Phase I”) as Attachment
23 RLB-2.
- 24 In Section IX – I sponsor the Company’s FDC Study applicable to the
25 FTY, a copy of which is included as Attachment RLB-3 and Confidential
26 Attachment RLB-4.

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

29 A. Yes, I am sponsoring Attachments RLB-1 through RLB-8 and Confidential
30 Attachment RLB-4, which were prepared by me or under my direct supervision.
31 The attachments are as follows:

¹ The FTY includes 2020 Test Year O&M with known and measurable adjustments as the basis for developing the FTY ending December 31, 2022.

- 1 • Attachment RLB-1 – Public Service’s CAAM, dated April 2021: A
2 complete copy of the CAAM as updated to reflect current processes and
3 cost assignment and allocation methodologies.
- 4 • Attachment RLB-2 – Comparison Document that identifies all significant
5 modifications to the CAAM since it was last filed in the 2019 Electric
6 Phase I: A red-lined copy of the April 2021 CAAM when compared to the
7 December 2018 CAAM.
- 8 • Attachment RLB-3 – Public Service’s FDC Study, page 1: The
9 attachment shows the split of Public Service’s costs between the
10 electric, gas, and steam utility divisions and the non-regulated activities
11 by Federal Energy Regulatory Commission (“FERC”) account.
- 12 • Confidential Attachment RLB-4 – Public Service’s FDC Study, page 2
13 (Confidential Version): Page 2 of the FDC Study lists the non-regulated
14 activities of Public Service and includes the amounts for each category
15 of costs, and is therefore confidential.
- 16 • Public Attachment RLB-4 – Redacted copy of Public Service’s FDC
17 Study, page 2 (Public Version): This version of page 2 is the same as
18 Confidential Attachment RLB-4, but redacts the amounts for each
19 category of costs.
- 20 • Attachment RLB-5 – Indirect Allocating Cost Center Methods and
21 Percentages: This attachment includes a list of the XES Allocating Cost
22 Centers used to allocate XES charges to the Operating Companies and
23 affiliates. It includes the allocation method, statistics, and percentages
24 to charge each Operating Company and affiliate.
- 25 • Attachment RLB-6 – Comparison of XES Allocation Percentages for
26 Public Service: This attachment contains a table showing the trend of
27 the XES percentages used to charge Public Service for each
28 indirect/allocated Cost Center.
- 29 • Attachment RLB-7 – Utility Allocation Methods and Percentages: This
30 attachment includes a list of the Utility Operations and Maintenance
31 (“O&M”) allocations and the Utility Non-O&M allocations, the Allocation
32 Methods, an explanation of the reasonableness of each allocation
33 method, and the percentages allocated to each utility division.
- 34 Attachment RLB-8 – Non-Regulated Activity Allocation Methods and
35 Percentages: This attachment includes a list of the non-regulated
36 activity allocations, the Allocation Methods, the reasonableness of each

1 allocation method, and the percentages applied to each non-regulated
2 activity.

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

5 A. I recommend that the Commission: (1) approve the Company's CAAM and FDC
6 Study as presented my Direct Testimony; and (2) find that Public Service's cost
7 assignment, Allocation Methods, and the percentages used in preparing the FTY
8 for this rate case are reasonable.

1 **II. DEFINITIONS**

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

3 A. In this section, I provide a set of definitions for special terms relevant to the
4 remainder of my Direct Testimony, for ease of reading and reference.

5 **Q. IN THE REMAINDER OF YOUR DIRECT TESTIMONY, WILL YOU BE USING**
6 **SPECIAL TERMS?**

7 A. Yes. The following capitalized terms used throughout my Direct Testimony will
8 have the following definitions:

- 9 • *Allocated Charges*: The terms Allocated Charges and Indirect Charges
10 are interchangeable when used in my Direct Testimony. These charges
11 occur when the costs for services cannot be directly assigned to a
12 specific Operating Company or affiliate and are therefore allocated to
13 the Operating Companies and affiliates that benefit from the services
14 based on the appropriate Allocation Methods by XES.
- 15 • *Allocating Cost Center*: An Allocating Cost Center is used to collect costs
16 that will be allocated to other cost centers, Internal Orders, or Work
17 Breakdown Structures (“WBS”).
- 18 • *Allocation Methods or Formulas*: Allocation Methods or Formulas are the
19 basis for assigning costs to an affiliate and result from using a single
20 Allocation Ratio or the average of two or more Allocation Ratios.
21 Examples of Allocation Methods or Formulas include: Number of
22 Customers, Number of Employees, Revenues, and Assets.
- 23 • *Allocation Percentages or Ratios*: Each set of Allocation Statistics is
24 used to calculate an Allocation Percentage or Ratio. For example, the
25 employee ratio uses the number of employees for each affiliate to the
26 total number of employees for all affiliates to determine the percentage
27 of services chargeable to each affiliate.
- 28 • *Allocation Statistics*: Allocation Statistics are the actual numerical inputs
29 used to derive the Allocation Ratios or Percentages. Examples of
30 statistics are: The dollar amount of assets, the count of employees, the
31 dollar amount of revenues, the number of customers, the number of
32 invoice transactions, megawatt hours of generation, and the number of
33 customer bills.

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- *Assessment Process*: The process used by the general ledger system to allocate costs from an Allocating Cost Center to the Receiving Cost Element (e.g., Final Cost Center, Internal Order, or WBS element).
 - *Business Area*: An operational segment of the Company with assigned employees. Examples include Gas Systems, Operations Services, and Customer and Innovation.
 - *Common Costs*: The term Common Costs in the context of this Direct Testimony means those costs that are applicable to the three utility divisions (e.g., electric, gas, or steam) and the non-regulated activities in Public Service.
 - Public Service Common Costs – For example, an invoice for general mail service charged to FERC account 921 on Public Service benefits all three utility divisions and the non-regulated activities. In order to make sure each utility division gets a share of the cost for ratemaking purposes, utility allocations are used to allocate a portion of the cost to each utility using the three-factor allocator defined in Section VI, Utility Allocations of the CAAM (see Attachment RLB-1). Because these costs were charged to FERC account 921 as Common Costs, they are also included in the calculation of the non-regulated activity Administrative and General (“A&G”) overhead as defined in Section VII, Non-regulated Activity Allocations of the CAAM.
 - Service Company Common Costs – If similar corporate general mail service charges were allocated from the Service Company to Public Service and charged to FERC account 921, they would be treated as Common Costs benefitting the three utility divisions (e.g., electric, gas, and steam) and the non-regulated activities. These charges would also go through the utility allocations and the non-regulated activity allocations described above.
 - *Cost Center*: A grouping of related costs within the general ledger. Cost Centers are primarily used for managerial reporting and analysis, and can serve several purposes. An Allocating Cost Center is used to collect costs that will be allocated to other Cost Centers, Internal Orders, or WBS. A Final Cost Center is used to collect costs defined by a Business Area, or Department within a Business Area, that is associated with an Operating Company or affiliate, and Profit Center. Unlike a Business Area, a Cost Center does not have assigned employees.

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- *Cost Element*: An organizational unit that is used to track costs in the accounting system as they move through the various processing steps.
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- *Department*: An operational segment of a Business Area. Business Areas can consist of multiple Departments (e.g., Corporate Accounting is a Department of the Other Shared Services Organizations Business Area).
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- *Direct Charges*: Direct Charges occur when an employee of any Operating Company or affiliate including XES can clearly identify that the service being rendered is for the benefit of a specific Operating Company or affiliate.
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- *Final Cost Center*: A cost center defined by Business Area, Operating Company or affiliate, and Profit Center.
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- *Indirect Charges*: The terms Indirect Charges and Allocated Charges are interchangeable when used in this document. These charges occur when the cost for services cannot be directly assigned to a specific Operating Company or affiliate and are therefore allocated to the Operating Companies and affiliates that benefit from the services based on the appropriate Allocation Methods.
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- *Internal Orders*: Internal Orders are required for all transactions that are booked to an income statement account. All Internal Orders have settlement rules assigned at the time they are created. The settlement rules determine how the costs will be treated during the month-end close process. For example, if the settlement rule states that the costs in a specific Internal Order are to settle to an Internal Order on an Operating Company or affiliate, the costs are direct charged to that Operating Company or affiliate. If the settlement rule states that the costs in a specific Internal Order are indirect or allocated Service Company charges, the Service Company Internal Order will settle to an Allocating Cost Center in the Service Company. The Allocating Cost Center will then go through the Assessment Process to charge the costs to the appropriate legal entities. Each Internal Order is associated with only one Operating Company or affiliate.
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- *Native Costs*: Charges that originate in Public Service, benefit Public Service, and remain on Public Service's books and records.
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- *Profit Center*: A data element that identifies the state (e.g., Colorado) and utility division (e.g., electric, gas, steam, or common) or Joint Venture Owner (e.g., Hayden Joint Venture).

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- *Receiving Cost Element*: A generic term for a cost element that receives costs when a Settlement Process or Assessment Process is run.
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- *Settlement Process*: All costs recorded in an Internal Order are processed through the Settlement Process to move them from the Internal Order to a cost element (Final Cost Center, Allocating Cost Center, Internal Order, etc.). The Settlement Process will move the costs both within an Operating Company or affiliate and between Operating Companies and affiliates depending on the settlement rule of the Internal Order. This process captures: (1) Native Costs within an Operating Company or affiliate; (2) XES direct and indirect billings to the Operating Companies and affiliates; (3) billings between an Operating Company and an affiliate other than XES (intercompany billings); and (4) billings between Business Areas within an Operating Company.
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- *Statistical Key Figure ("SKF")*: The method by which the Allocation Percentages or Ratios are organized in the accounting system and linked to Allocating Cost Centers to facilitate the performance of the Assessment Process to allocate or distribute costs.
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- 20
- *Work Breakdown Structures ("WBS")*: Hierarchical cost collectors representing work performed that includes various attributes to be used for the reporting of costs.

1 (e.g., organization, Business Area, and Department). Xcel Energy is currently
2 organized into the Business Areas and Cost Centers listed below.² A brief
3 description is included with each Business Area and Cost Center.

- 4 • *Energy Supply*: all generation and related operations;
- 5 • *Distribution Operations*: distribution and all related operations;
- 6 • *Gas Systems*: gas operations;
- 7 • *Transmission*: transmission and substation operations;
- 8 • *Operations Services*: fuels, commercial operations, and supply chain;
- 9 • *Customer and Innovation*: business systems, customer care, and
10 customer and innovation;
- 11 • *Nuclear*: all nuclear generation and related operations (not applicable to
12 Public Service);
- 13 • *Benefits Related*: corporate-managed employee benefits;
- 14 • *Human Resources and Employee Services*: human resources and
15 employee services, talent strategy and transformation, total rewards,
16 workforce strategy and consulting, human resources strategy and
17 performance, property services, and aviation; and
- 18 • *Other Shared Services Organizations*: Chief Executive Officer;
19 Corporate Secretary and Executive Services; Corporate Other;
20 Financial Operations; Group Presidents; and General Counsel.
- 21 • *Corporate Other*: corporate-managed costs, such as company use
22 credits and first set credits.

² Business Areas and Cost Centers can be used interchangeably when discussing the origination and ownership of costs within the general ledger; the difference is that Business Areas are generally defined operationally and have assigned employees, whereas Cost Centers are defined by ownership of costs and may not have any assigned employees. Both Business Areas and Cost Centers have budgeted and actual costs that are reviewed and managed. Through the rest of my Direct Testimony, a reference to “Business Area” is also applicable to Cost Centers.

1 All of the above are Business Areas with the exception of Benefits Related and
2 Corporate Other, which are Cost Centers. All employees belong to, or are
3 associated with, both an Operating Company or affiliate and a Business Area. For
4 example, an electric distribution lineman will be an employee of Public Service and
5 also be associated with the Distribution Operations Business Area. An accountant
6 will be an employee of XES and also be associated with the Other Shared Services
7 Organizations Business Area.

1 **IV. COST FLOW**

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

3 A. In this Section, I provide an overview of the flow of costs in the general ledger
4 system, including how the costs ultimately reside on Public Service's books and
5 records.

6 **Q. PLEASE EXPLAIN HOW XCEL ENERGY'S ORGANIZATIONAL STRUCTURE
7 AND GENERAL LEDGER SYSTEM AFFECT THE FLOW OF COSTS WITHIN
8 THE HOLDING COMPANY SYSTEM AND, MORE DIRECTLY, HOW IT
9 AFFECTS PUBLIC SERVICE.**

10 A. All charges originate in an Operating Company or affiliate within the Xcel Energy
11 holding company system. Most of Xcel Energy's costs originate in the Operating
12 Companies and the Service Company. To describe the flow of costs, this response
13 has been separated into four categories of costs, which are described in Parts A,
14 B, C, and D below.

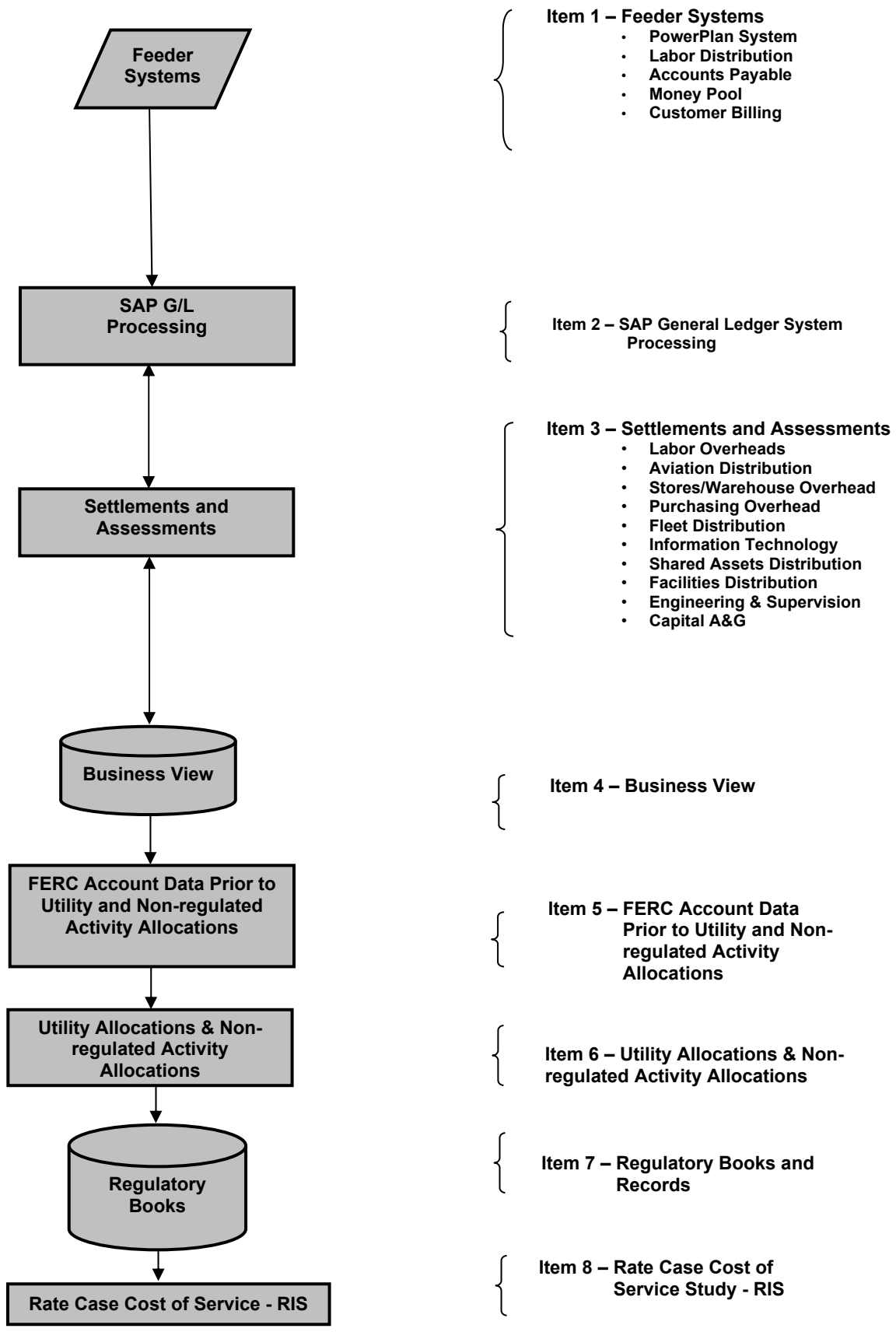
15 Public Service's costs include: (Part A) charges that originate in Public
16 Service and remain on Public Service's books, often referred to as Native Costs;
17 (Part B) charges that originate in the Service Company and are billed to Public
18 Service, as well as the other Operating Companies and affiliates; and (Part C)
19 charges that are the result of billings to and from Public Service and its affiliates.
20 Once all the costs are on Public Service's books, Public Service-specific
21 allocations may be necessary to further allocate the costs among the electric, gas,
22 and steam utility divisions as well as allocate a portion to Public Service's non-

1 regulated activities. The Public Service-specific allocations are explained in
2 Part D.

3 The high-level flowchart that is in the CAAM in Addendum A to Section V is
4 presented in the testimony below as Figure RLB-D-1 to provide a pictorial view of
5 the overall high-level accounting process.

1

FIGURE RLB-D-1



1 **Q. BASED ON THE FLOWCHART IN FIGURE RLB-D-1 ABOVE, WHERE DO**
2 **MOST MONTHLY ACCOUNTING TRANSACTIONS START?**

3 A. Most of the monthly accounting transactions start in either the feeder systems
4 (e.g., Labor Distribution) as listed in Item 1 on the flowchart or are entered directly
5 into SAP in Item 2. The feeder systems are explained in detail in Section V of the
6 CAAM (see Attachment RLB-1). Parts A, B, C, and D below explain the key
7 processes performed in Items 1-4 and Item 6. The remaining items will be
8 described after these processes are completed.

9 **A. Part A**

10 **Q. PLEASE DESCRIBE PUBLIC SERVICE'S NATIVE COSTS.**

11 A. Within Items 1 (Feeder Systems) and 2 (SAP General Ledger System), the
12 majority of costs incurred by Public Service are its Native Costs or costs that
13 originate on Public Service's books and are associated with Public Service's
14 provision of electric, gas, and steam service to its customers. These costs are not
15 billed from XES or any other affiliate. These costs consist of the plant investment,
16 labor, fuel, and other costs that Public Service incurs for its electric, gas, and steam
17 utility divisions and its non-regulated activities. Native Costs can be applicable to
18 only one utility division or can be common and applicable to all three utility divisions
19 (e.g., electric, gas, and steam). For example, the salaries of Public Service electric
20 distribution employees paid by Public Service are native electric utility division
21 costs, and the salaries of Public Service gas operations' employees that are paid
22 by Public Service are native gas utility division costs. The general mail services of

1 Public Service are also Native Costs. However, they are Common Costs to all
2 three utility divisions and the non-regulated activities.

3 In the case of costs that are directly attributable to the electric utility division,
4 no further allocations are required. The electric operations within Public Service
5 operate a physically separate supply and delivery system and have separate
6 equipment and operating personnel. As such, the costs Public Service incurs to
7 render these services are the Direct Charges associated with the provision of
8 electric service to its customers, and these transactions are recorded as Direct
9 Charges on Public Service's books in the electric utility division accounts.

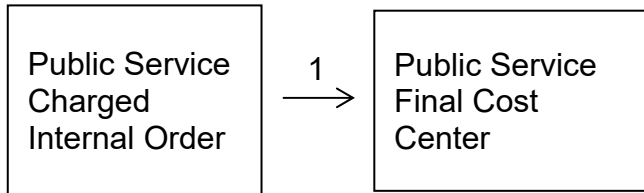
10 Specifically, the costs are recorded in a Public Service Internal Order. The
11 Internal Order has a settlement rule tied to it that identifies the costs in this Internal
12 Order as Public Service costs. The settlement rule has the costs settling to a Final
13 Cost Center on Public Service's books, the associated final Profit Center has been
14 defined as belonging to Public Service, and is only used for transactions related to
15 the electric utility division. As a result, these are Public Service native electric utility
16 division costs. The information on the settlement rule with each Internal Order will
17 also identify the costs as belonging to the electric, gas, or steam division, or the
18 non-regulated activities.

19 **Q. CAN YOU EXPLAIN THE COST FLOW OF PUBLIC SERVICE'S NATIVE**
20 **CHARGES?**

21 A. Yes. Figure RLB-D-2 below is a flowchart that shows the cost flow of Public
22 Service's Native Charges. Example 1 represents an O&M transaction and
23 Example 2 represents a capital transaction.

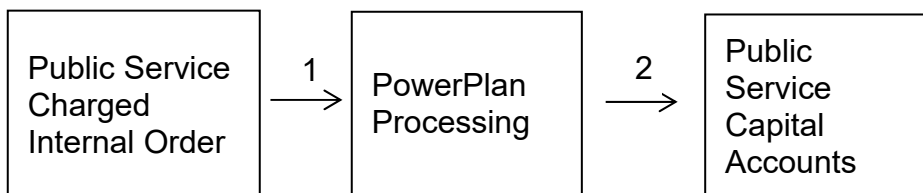
FIGURE RLB-D-2
Cost Flow of Native Charges

Example 1: Processing for Public Service Native O&M Transactions



1. Settlement from the Public Service Internal Order to the Final Cost Center
(Note: There may be further settlements from one Internal Order to another Internal Order or to an Allocating Cost Center.)

Example 2: Processing for Public Service Native Capital Transactions



1. Charges transferred to PowerPlan for processing
2. Charges posted back from PowerPlan to Construction Work in Progress (“CWIP”)/Retirement Work in Progress (“RWIP”)

Where Public Service Native Costs are identified as Common Costs that support multiple utility divisions (e.g., electric, gas, and steam) or support both regulated and non-regulated activities, it is necessary to allocate those costs among the electric, gas, and steam utility divisions and the non-regulated activities in accordance with cost Allocation Methods described in the CAAM (see Attachment RLB-1) and explained in Part D below. Examples of Public Service Native Costs that cannot be directly assigned to a particular utility division within Public Service include such expense items as external auditing fees, A&G expenses, and customer service expenses. Examples of costs billed from the

1 Service Company that cannot be directly assigned to a particular utility division
2 within Public Service include such expense items as executive management
3 service, corporate secretary services, etc. For a more detailed explanation of
4 Common Costs, see the Common Cost definition in Section II of my Direct
5 Testimony.

6 **B. Part B**

7 **Q. PLEASE DESCRIBE BILLINGS FROM XES.**

8 A. In Item 3 (Settlements and Assessments) in Figure RLB-D-1, XES bills the shared
9 or common administrative and management services to Xcel Energy and its
10 Operating Companies and affiliates. The services XES provides to Public Service
11 include, but are not limited to, executive management, accounting, financial
12 reporting, finance, treasury, corporate communications, property services, human
13 resources, information technology (“IT”), environmental, legal, regulatory,
14 customer services, engineering, generation resource planning, distribution and
15 transmission management and support, and energy supply management and
16 support. The purpose of the Service Company billings is to both charge the
17 appropriate Operating Company or affiliate and, if possible, charge a specific utility
18 division (e.g., electric, gas, or steam) or the non-regulated activities. However,
19 both the Direct Charges and the Allocated Charges from the Service Company can
20 be billed as Common Costs benefiting more than one utility division within Public
21 Service. When the Service Company Settlement Process is complete, as
22 described below, all the charges that were on the XES Internal Order would be on
23 the Internal Order of an Operating Company’s or affiliate’s books as defined by the

1 settlement rule. XES Direct Charges and XES Allocated Charges are discussed
2 separately below. Additional information about the Service Company is included
3 in Section V of my Direct Testimony.

4 **Q. PLEASE EXPLAIN HOW COSTS ARE DIRECTLY ASSIGNED FROM XES TO**
5 **PUBLIC SERVICE.**

6 A. If the charge can be clearly identified as related to a service rendered for the benefit
7 of Public Service alone, the costs from XES can be directly charged to Public
8 Service. The same applies to services benefiting only one of the other Operating
9 Companies or affiliates.

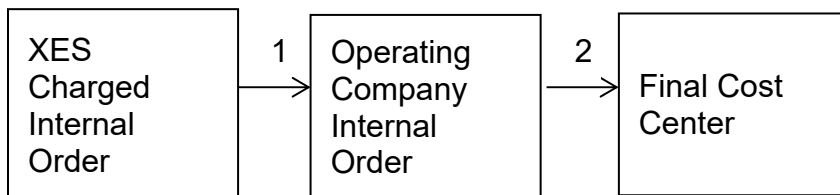
10 Charges are recorded to an Internal Order. The Internal Order has a
11 settlement rule directing those costs to a related Internal Order on a specific
12 Operating Company or affiliate.

13 **Q. CAN YOU EXPLAIN THE COST FLOW OF XES' DIRECT CHARGES?**

14 A. Yes. Figure RLB-D-3 below is a flowchart that shows the cost flow of XES Direct
15 Charges. Example 3 is an O&M transaction and Example 4 is a capital transaction.

16 **FIGURE RLB-D-3**
17 **Cost Flow of XES Direct Charges**

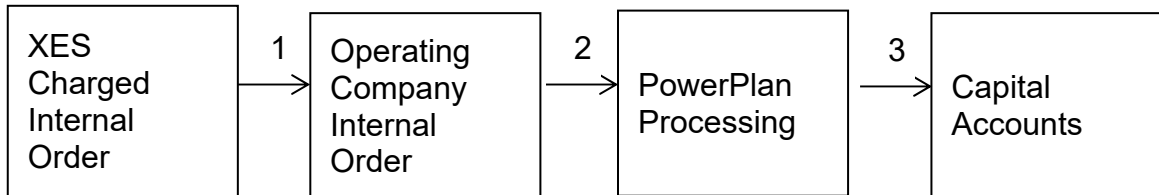
18 **Example 3: Processing for XES Direct Charge O&M Transaction**



19 1. Settlement of Direct Charges for a XES Internal Order to an Operating
20 Company Internal Order

- 1 2. Settlement from the Operating Company Internal Order to the Final Cost
2 Center (Note: There could be further settlements from an Internal Order to
3 another Internal Order or to an Allocating Cost Center.)

4 **Example 4: Processing XES Direct Charge Capital Transaction**



- 5 1. Settlement of Direct Charges for a XES Internal Order to an Operating
6 Company Internal Order
7 2. Charges transferred to PowerPlan for processing
8 3. Charges posted back from PowerPlan to CWIP/RWIP

9 **Q. PLEASE EXPLAIN HOW COSTS ARE ALLOCATED FROM XES TO PUBLIC**
10 **SERVICE.**

11 A. XES charges that benefit more than one Operating Company or affiliate, including
12 Public Service, do not follow the direct assignment process discussed above.
13 Rather, a portion of those charges will be allocated or indirectly charged to Public
14 Service, as defined by the Service Company (see Section VI of my Direct
15 Testimony).

16 The indirect or allocated costs are initially captured in a Service Company
17 Internal Order. Each Internal Order with indirect costs has a settlement rule, which
18 settles the costs to an Allocating Cost Center.

19 An Assessment Process then applies an Allocation Ratio to costs included
20 in the Allocating Cost Center to assign a portion of those total costs to the
21 appropriate Operating Companies and/or or affiliate specific WBS structures. An
22 Allocating Cost Center can receive costs from more than one Internal Order. Each

1 Allocating Cost Center has an assigned assessment that ties it to an SKF. The
2 SKF contains the Allocation Percentages or Ratios, which are developed
3 according to a defined Allocation Method and related statistics.

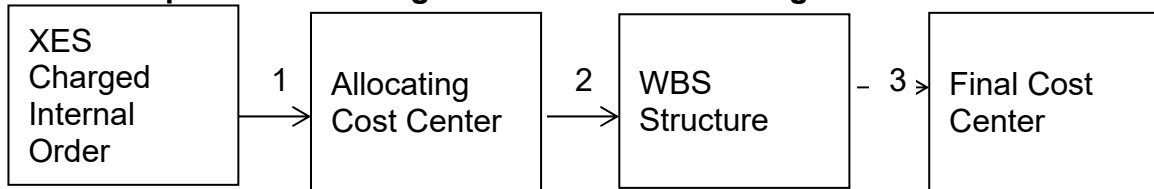
4 These allocated charges are then settled to the Final Cost Center as
5 discussed further below.

6 **Q. PLEASE EXPLAIN THE COST FLOW OF XES'S ALLOCATED CHARGES.**

7 A. Figure RLB-D-4 below is a flowchart that shows the cost flow of XES Allocated
8 Charges.

9 **FIGURE RLB-D-4**
10 **Cost Flow of Allocated Charges**

11 **Example 5: Processing for XES Allocated Charge O&M Transactions**



- 12 1. Settlement of Indirect Charges for a XES Internal Order to the Allocating Cost
13 Center
14 2. Assessment of charges using the SKF percentages to Operating Companies
15 or affiliate specific WBS structures
16 3. Settlement of charges to the Final Cost Center

17 **Q. ARE THERE ANY OTHER PROCESSES THAT ALLOCATE CHARGES FROM**
18 **XES TO THE OPERATING COMPANIES AND AFFILIATES?**

19 A. Yes, both capital and O&M costs for IT software projects are allocated from XES
20 to the Operating Companies and affiliates in the following manner.

21 An Internal Order collects and allocates IT software project costs among the
22 Xcel Energy Operating Companies and affiliates benefitting from the software.
23 This allocation occurs in one of two ways: (1) the Internal Order collects all costs

1 and applies an O&M/capital split to the charges or, (2) if the nature of the work is
2 identifiable, the respective costs are charged to an O&M Internal Order and to a
3 capital Internal Order.

4 If the respective costs are not charged directly to an O&M Internal Order
5 and to a capital Internal Order, then the first step in the process is to determine the
6 portion of costs that are O&M versus the portion of costs that are capital. Once
7 this is completed, the allocation of the O&M portion of the charges, along with the
8 charges recorded to O&M Internal Orders, are allocated based on the most cost
9 causative relationship between the services provided and the legal entities
10 benefiting from those services. The allocation relies on existing Allocating Cost
11 Centers that are used for all other indirect allocations, as shown in Figure RLB-D-
12 4 above.

13 The Capital Asset Accounting group determines which charges are
14 allocated as capital charges according to its capitalization policies. Those software
15 capital costs are then allocated to the appropriate Operating Company as Direct
16 Charges, following the cost flow shown in Figure RLB-D-3 above. Company
17 witness Ms. Laurie J. Wold further addresses the allocation of capital charges for
18 IT software projects in her Direct Testimony.

19 **Q. PLEASE EXPLAIN THE PROCESS THAT OCCURS ONCE CHARGES HAVE**
20 **BEEN DIRECTLY ASSIGNED OR ALLOCATED FROM XES.**

21 A. Once XES charges are directly charged or allocated to the Operating Companies
22 or affiliates, those charges are recorded on the appropriate Operating Company's
23 or affiliate's books, as defined by the settlement rule or Assessment Process. Final

1 settlement(s) are then performed to move the costs to a Final Cost Center on that
2 Operating Company or affiliate.

3 The costs are directly assigned to a Profit Center with a specific utility
4 division designation or to a Profit Center with a common designation. When those
5 XES charges billed to Public Service are identified as Common Costs – meaning
6 those that may support multiple utility divisions or both the regulated and non-
7 regulated activities within Public Service – they are recorded in a common utility
8 Profit Center. Those costs must be allocated among the utility divisions (electric,
9 gas, and steam) and to the non-regulated activities within the Operating Company,
10 all in accordance with cost Allocation Methods described in the CAAM (see
11 Attachment RLB-1) and explained in Part D below.

12 **C. Part C**

13 **Q. PLEASE DESCRIBE BILLINGS FROM AND TO OTHER AFFILIATES AND**
14 **INTERDEPARTMENTAL BILLINGS.**

15 A. In Item 3 (Settlement and Assessments) in Figure RLB-D-1, Public Service may
16 provide services to and bill affiliates other than Public Service and affiliates other
17 than XES may provide services and bill costs to Public Service. These charges,
18 which are often referred to as “intercompany charges,” are always Direct Charges
19 to the receiving affiliate. Such costs are first recorded on the books of the
20 Operating Company or affiliate providing the service and are then charged to the
21 Operating Company or affiliate receiving the service. For example, Public Service
22 employees may assist SPS with storm restoration work, or SPS employees may
23 help Public Service with storm restoration work. When Public Service is the

1 beneficiary of such work, affiliate costs directly billed to Public Service may be
2 billed directly to the electric, gas, or steam utility division, as appropriate.

3 Specifically, charges are recorded on an Internal Order that will designate
4 the Operating Company or affiliate receiving the service. Those costs will be
5 recorded on the receiving company's books through the Settlement Process.

6 In addition to intercompany charges, there are sometimes charges between
7 Business Areas or Departments within Public Service. These charges, which are
8 often referred to as "interdepartmental charges," are always Direct Charges to the
9 receiving Business Area or Department. For example, the Electric Distribution
10 Business Area may provide services to the Transmission Business Area, or within
11 the Electric Distribution Business Area, the Engineering Department may provide
12 services to the Operations Department.

13 Any Common Costs billed to Public Service as an intercompany charge may
14 be identified as Common Costs that support multiple utility divisions or both the
15 regulated and non-regulated activities within Public Service. Such costs are
16 recorded in a Profit Center that has been designated as common and must be
17 allocated among the utility divisions (electric, gas, and steam) and the non-
18 regulated activities in accordance with cost Allocation Methods described in the
19 CAAM and explained in Part D below.

1 **D. Part D**

2 **Q. PLEASE DESCRIBE THE ALLOCATIONS THAT OCCUR ONCE ALL**
3 **CHARGES ARE RECORDED ON PUBLIC SERVICE'S BOOKS.**

4 A. After all of Public Service's Native Costs have been recorded on its books (see
5 Part A); all appropriate charges from the Service Company have been recorded
6 on Public Service's books (see Part B); and all intercompany and
7 interdepartmental charges have been recorded on Public Service's books (see
8 Part C), any charges identified as Common Costs that support multiple utility
9 divisions (electric, gas, and steam) or support both regulated and non-regulated
10 activities are allocated (see Item 6 (Utility Allocations³) in Figure RLB-D-1 above).
11 These costs must be allocated among the utility divisions (electric, gas, and steam)
12 and the non-regulated activities within Public Service in accordance with the cost
13 Allocation Methods. These allocations are described further in Section VIII of my
14 Direct Testimony in the subsections titled Utility Allocations and Non-regulated
15 Activity Allocations and in Sections VI and VII of the CAAM (see Attachment RLB-
16 1).

17 Examples of Public Service common Native Costs that cannot be directly
18 assigned to an electric, gas, or steam utility division within Public Service include
19 certain expense items, including external auditing fees, A&G expenses, and
20 customer service expenses. Examples of expense items billed from the Service
21 Company that cannot be directly assigned to a particular utility division within

³ Utility Allocations refer to the allocation of costs among utility divisions (electric, gas, and steam).

1 Public Service include executive management services, corporate communication
2 services, and corporate secretary services.

3 These costs are recorded in a Public Service Internal Order. The Internal
4 Order has a settlement rule tied to it that identifies the costs in this Internal Order
5 as Public Service costs. The settlement rule settles these costs to a Final Cost
6 Center on Public Service's books which has a Profit Center defined as Public
7 Service and also designated as common. Accordingly, these costs are considered
8 Public Service common utility costs. The Common Costs are then allocated to the
9 electric, gas, and steam utility divisions per the CAAM rules.

10 The CAAM describes several methods that allocate Common Costs on
11 Public Service's books. For example, costs incurred by Public Service that are
12 common to the electric, gas, and steam utility divisions are allocated using Utility
13 Allocations. Customer Accounting and A&G costs associated with non-regulated
14 activities are allocated to the non-regulated activities using Non-regulated Activity
15 Allocations.

16 **Q. ARE THERE OTHER ITEMS ON FIGURE RLB-D-1 THAT YOU HAVE NOT**
17 **EXPLAINED?**

18 A. Yes. These items are described below:

- 19 • *Business View (Item 4)*: The business view of the general ledger
20 provides the Generally Accepted Accounting Principles ("GAAP") view
21 of the accounting transactions necessary to prepare the external
22 financial statements and the information necessary for the Business
23 Areas to manage the business.
- 24 • *FERC Account Data Prior to Utility and Non-regulated Allocations*
25 *(Item 5)*: The pre-allocated FERC view of the general ledger is available
26 at this stage. The utility allocations and non-regulated activity

1 allocations are necessary for Common Costs to be allocated to the
2 electric, gas, and steam utility divisions and, if appropriate, to be
3 allocated to the non-regulated activities.

4 • *Regulatory Books and Records (Item 7)*: Completion of the above
5 processes results in the FERC books and records of Public Service.

6 • *Rate Case Cost of Service – Regulatory Information Systems (“RIS”)*
7 *(Item 8)*: The FERC books and records are the starting point for the
8 preparation of a cost of service study to be used in an electric, gas, or
9 steam rate case filing.

1 XES provides the shared or common administrative, management, and support
2 services to Xcel Energy and its Operating Companies and affiliates.

3 **Q. PLEASE DESCRIBE THE OVERALL PHILOSOPHY FOR BILLING COSTS FOR**
4 **XES.**

5 A. XES' goal is to Direct Charge as much as possible to the Operating Companies
6 and affiliates who use XES' services. XES costs that cannot be directly charged
7 to a specific affiliate are allocated to Public Service and to the appropriate affiliates
8 in accordance with Public Service's Service Agreement with XES and in
9 accordance with the Allocation Methods reflected in XES' most-recently-filed
10 FERC Form 60, which is for the year ended December 31, 2020. As compared to
11 prior FERC Form 60 filings, the 2020 filing included only one additional Allocation
12 Method during the FTY: Number of AMI-Enabled Meters. This Allocation Method
13 is used to allocate costs associated with AMI meters and related infrastructure
14 costs.

15 **Q. PLEASE DESCRIBE THE PROCESS FOR BILLING COSTS WITHIN XES.**

16 A. Costs incurred within XES are either directly charged or allocated to the Operating
17 Companies and affiliates based on the actual services provided or the actual
18 expenses incurred. These services are billed, whether directly or through
19 allocations, in the month the services are provided. Please see the previous
20 section for a description of the Service Company billing process.

1 **Q. CAN DIRECT CHARGES AND ALLOCATED CHARGES BE RECORDED IN**
2 **THE SAME INTERNAL ORDER?**

3 A. No. When an Internal Order is established, a settlement rule is created and all
4 transactions charged to that Internal Order can only be direct charged or allocated
5 to either O&M or capital as determined by the settlement rule.

6 For example, an employee in Financial Operations within XES can charge
7 an Internal Order that settles specifically to an Internal Order on Public Service for
8 work that has been performed as a Direct Charge, but that same employee must
9 charge a different Internal Order for a charge that will be allocated. An allocated
10 charge would flow to an Allocating Cost Center and then be allocated in the
11 Assessment Process based on the SKF that contains the Allocation Percentages
12 that tie to that Allocating Cost Center. Please see Section IV.B, above.

13 **Q. HAVE YOU INCLUDED A LIST OF THE XES ALLOCATING COST CENTERS**
14 **THAT ALLOCATE COSTS TO THE OPERATING COMPANIES AND**
15 **AFFILIATES?**

16 A. Yes. Attachment RLB-5 provides the XES Allocating Cost Centers, including the
17 Allocation Methods, Allocation Statistics, and the Allocation Percentages for each
18 Allocating Cost Center used in the FTY.

19 **Q. PLEASE DESCRIBE THE PROCESS XES UNDERTAKES TO UPDATE ITS**
20 **ALLOCATIONS.**

21 A. The components of the allocations are as follows:

22 **Allocation Methods** – XES updates its Allocation Methods as necessary
23 to support the operations of the business. There is already an extensive list of

1 Allocation Methods, and XES has not needed to add many since the initial list was
2 developed when the SEC still regulated XES under PUHCA 1935. The current
3 Allocation Methods have been reported to the FERC under PUHCA 2005 since
4 2005. As Allocation Methods are added or deleted, the updated list is provided in
5 Table D of the CAAM (see Attachment RLB-1) in each rate case filing.

6 **Allocation Statistics and Allocation Percentages** – XES annually
7 updates all statistics and percentages for use starting with April business.⁴ These
8 updates are based on the prior calendar year statistics. With this update, new
9 percentages are calculated and loaded into the system in the SKF to be applied to
10 the designated Allocating Cost Centers. For example, the Allocation Statistics and
11 Allocation Percentages used for the first three months of 2020 are based on the
12 2018 calendar year statistics that were implemented in April of 2019, and the
13 Allocation Statistics and Allocation Percentages used for the last nine months of
14 2020 are based on the 2019 calendar year statistics that were implemented in April
15 of 2020. These Allocation Statistics and Allocation Percentages do not generally
16 change in any significant way year over year.

17 XES may also update the statistics used in the Allocation Percentages to
18 determine new Allocation Percentages throughout the year if there is a significant
19 change in the statistics. These updates would be driven by a significant event
20 impacting the allocation statistics such as the addition or deletion of a company in
21 the Xcel Energy holding company system, and Allocation Percentages would be

⁴ XES annually updates four Allocation Statistics and Allocation Percentages related to the Joint Operating Agreement and trading activities starting with January business. The statistics are based on the prior calendar year.

1 impacted only if the added or deleted company had statistics that would make it
2 eligible for allocations (employees, assets, revenues, etc.)

3 **Allocation Pools** – The Allocating Cost Centers used for actuals are
4 updated based on expenses incurred each month and are allocated using the
5 allocation statistics and methods discussed previously.

6 **Q. WHEN AND HOW ARE THE UPDATED ALLOCATION COMPONENTS**
7 **PRESENTED TO THE COMMISSION?**

8 A. As part of each rate case and as required by Commission rules, XES updates the
9 CAAM to ensure that it is representative of the allocations in use. Section VIII of
10 the CAAM includes an overview of the XES allocations. Table D in Section VIII of
11 the CAAM lists all XES Allocating Cost Centers and their associated Allocation
12 Methods, as well as a description of the services provided in each Allocating Cost
13 Center.

14 **Q. WHAT STEPS DOES XES TAKE TO ENSURE ITS COSTS ARE RECORDED**
15 **CORRECTLY?**

16 A. XES takes the following steps to ensure that its costs are recorded correctly:

- 17 • XES Policies and Procedures have been developed and implemented,
18 which are available on the Xcel Energy internal website for access by all
19 Xcel Energy personnel;
- 20 • Personnel within the Financial Performance and Controls organization
21 and the Service Company Accounting Department regularly review XES
22 actual and budgeted charges and may request adjustments where
23 necessary;
- 24 • Service Company employees must complete online training through
25 Xcel Energy's Learning Management System, an online training tool.
26 Training can also be provided either in a classroom setting, online via

1 Xcel Energy's internal website with computer-based training, or on an
2 individual basis;

3 • The FERC reviews XES' FERC Form No. 60 submissions and may
4 review allocations during audits; and

5 • Independent external auditor, Deloitte, annually audits the books and
6 records of Xcel Energy and its affiliates.

1 **VI. COST ALLOCATION RULES**

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

3 A. This section of my Direct Testimony identifies the cost allocation rules that Public
4 Service has applied in this filing in the preparation of its CAAM and its FDC Study.

5 **Q. WHAT IS THE STATED PURPOSE OF THE COMMISSION'S CURRENT COST**
6 **ALLOCATION RULES?**

7 A. Commission Rules 3500, *et. seq.*, are contained within the "Unregulated Goods
8 and Services" section of the rules. Under Rule 3500, the overview and purpose of
9 the cost allocation rules is further described as follows:

10 The purpose of these rules is to establish cost assignment and
11 allocation principles to assist the Commission in setting just and
12 reasonable rates and to ensure that utilities do not use ratepayer
13 funds to subsidize non-regulated activities, in accordance with § 40-
14 3-114, C.R.S. In order to promote these purposes, these rules also
15 specify information that utilities must provide to the Commission. In
16 providing for review of a utility's specific cost allocations in other
17 states and jurisdictions, the rules merely contemplate a methodology
18 to allow interested parties to obtain complete information regarding
19 cost allocations. These rules do not expressly or implicitly allow this
20 Commission to order a utility to revise its cost allocations in other
21 jurisdictions or states.

22 **Q. HAS THE COMPANY PREPARED ITS CAAM AND FDC STUDY IN**
23 **ACCORDANCE WITH THE COMMISSION'S CURRENT COST ALLOCATION**
24 **RULES?**

25 A. Yes. The CAAM and FDC Study that the Company is submitting in this proceeding
26 are consistent with the cost allocation rules of Commission Rule 3500, *et seq.*

1 **Q. HOW DO THE COST ALLOCATION RULES DEFINE A CAAM?**

2 A. According to Commission Rule 3501(d), the Cost Assignment and Allocation
3 Manual is defined as:

4 [T]he indexed document filed by a utility with the Commission that
5 describes and explains the cost assignment and allocation methods
6 the utility uses to segregate and account for revenues, expenses,
7 assets, liabilities, and rate base cost components assigned or
8 allocated to Colorado jurisdictional activities. It includes the cost
9 assignment and allocation methods to segregate and account for
10 costs between and among jurisdictions, between regulated and non-
11 regulated activities, and between and among utility divisions.

12 **Q. WHAT DO THE COMMISSION RULES REQUIRE SPECIFICALLY FOR A**
13 **CAAM?**

14 A. Under Commission Rule 3503(a), each utility must maintain on file an approved
15 CAAM that “describes and explains the calculation methods the utility uses to
16 segregate and account for revenues, expenses, assets, liabilities and rate base
17 cost components assigned or allocated to Colorado jurisdictional activities.” The
18 CAAM must include “calculation methods to segregate and account for costs
19 between and among jurisdictions, between regulated and non-regulated activities,
20 and between and among utility divisions.” I identify more specific requirements
21 included in Commission Rule 3503(b), and each section of the CAAM that
22 addresses those requirements, as follows:

23 • Parts (I) and (III) of Rule 3503(b) require a listing of all regulated or non-
24 regulated divisions of Public Service and the regulated or non-regulated
25 activities conducted by each division, and a listing and description in
26 sufficient detail (in accordance with the regulations) of each regulated
27 and non-regulated activity offered by Public Service. See Attachment
28 RLB-1 (CAAM, Section II, Regulated and Non-regulated Divisions and
29 Activities).

- 1 • Part (II) of Commission Rule 3503(b) requires a listing of all regulated or
2 non-regulated affiliates of Public Service and identification of the
3 affiliates that allocate or assign costs to and from the Company. See
4 Attachment RLB-1 (CAAM, Section III, Corporate Organization).
- 5 • Parts (IV) and (V) of Commission Rule 3503(b) require a listing of the
6 revenues, expenses, assets, liabilities, and rate base items by Uniform
7 System of Accounts that the Company proposes to include in its revenue
8 requirement for Colorado jurisdictional activities, including those items
9 that are partially or exclusively allocated or assigned to Colorado; and a
10 detailed description showing how the revenues, expenses, assets,
11 liabilities, and rate base items by account and sub-account are assigned
12 and/or allocated to Public Service's non-regulated activities, along with
13 a description of the methods used to perform the assignment and
14 allocations. See Attachment RLB-1 (CAAM, Section IV, Assignments
15 and Allocations by FERC Account; CAAM, Section V, Cost Assignment
16 and Allocation Process; CAAM, Section VI, Utility Allocations; and
17 CAAM, Section VII, Non-regulated Activity Allocations).
- 18 • Parts (VI) and (VII) of Commission Rule 3503(b) require a description of
19 each transaction between Public Service and a non-regulated activity
20 which occurred since Public Service's prior CAAM was filed and, for
21 each transaction, a statement as to whether, for this Commission's
22 jurisdictional cost assignment and allocation purposes, the value of the
23 transaction is at cost or market as applicable; and a description of the
24 basis for how the assignment or allocation is made. See Attachment
25 RLB-1 (CAAM, Section IV, Assignments and Allocations by FERC
26 Account; CAAM, Section V, Cost Assignment and Allocation Process;
27 CAAM, Section VI, Utility Allocations; CAAM, Section VII, Non-regulated
28 Activity Allocations); Attachment RLB-3 (FDC Study); Confidential
29 Attachment RLB-4 (FDC Study).
- 30 • Part (VIII) of Commission Rule 3503(b) requires specific cost
31 assignments or allocations that are under the jurisdiction of another
32 authority, with a written description of the prescribed methods. See
33 Attachment RLB-1 (CAAM, Section VIII, Service Company Assignments
34 and Allocations).

35 **Q. WHAT IS A FULLY DISTRIBUTED COST STUDY?**

36 A. According to Commission Rule 3501(g), a "Fully-Distributed Cost Study" ("FDC
37 Study") is defined as:

1 [A] cost study that reflects the result of the fully distributed revenues,
2 expenses, assets, liabilities and rate base amounts for the Colorado
3 utility to and from the different activities, jurisdictions, divisions, and
4 affiliates using cost accounting, engineering, and economic
5 concepts, methods, and standards.

6 **Q. WHAT DO THE COMMISSION RULES REQUIRE FOR AN FDC STUDY?**

7 A. Pursuant to Commission Rule 3504(a), Public Service must submit its FDC Study
8 when filing its CAAM. Under Commission Rule 3504(d), when filed with a rate
9 case, the FDC Study must be based on the same test year used in the utility's rate
10 case filing. The FDC Study must identify all non-regulated activities provided by
11 each division in Colorado, showing the revenues, expenses, assets, liabilities, and
12 rate base items assigned and allocated to each non-regulated activity
13 (Commission Rule 3504(b)). In addition, Commission Rule 3504(b) requires that
14 for each division of Public Service (electric, gas, and steam), the FDC Study must
15 include a summary of the assigned and allocated costs. The FDC Study identifies
16 non-regulated costs by account number, sub-account number, and account
17 description.

**VII. THE HISTORY OF PUBLIC SERVICE'S COST ASSIGNMENT AND ALLOCATION
MANUAL AND FDC STUDY**

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

2 A. In this section of my testimony, I provide a brief history of Public Service's CAAM
3 and FDC Study.

4 **Q. CAN YOU EXPLAIN THE GENESIS OF THE CURRENT VERSION OF THE
5 CAAM AND FDC STUDY?**

6 A. Yes. As a result of Public Service's 2002 Phase I Rate Case ("Proceeding No.
7 02S-315EG"), the Company and interested parties agreed to engage in workshops
8 on cost allocation and assignment. These workshops were intended to educate
9 interested parties on the Company's cost allocation processes in order to
10 demonstrate that all allocations resulted in a fair and reasonable sharing of costs
11 between Xcel Energy Operating Companies and affiliates and between regulated
12 and non-regulated operations within Public Service.

13 Through these collaborative workshops, there were some changes made in
14 the Company's then-current allocation methods. At the conclusion, all parties agreed
15 that the processes outlined in the CAAM resulted in a fair and reasonable allocation
16 and/or assignment of costs to Public Service, each of its utility divisions and to Public
17 Service's non-regulated activities. Parties further agreed that there was no cross-
18 subsidization occurring between regulated and non-regulated operations within
19 Public Service.

1 On April 15, 2005, the Company filed an updated CAAM in Proceeding
2 No. 05I-188E. The April 15, 2005 CAAM update is very similar to the CAAM still in
3 effect today.

4 **Q. WERE THERE ANY FURTHER MEETINGS AROUND COST ALLOCATION**
5 **AFTER THE APRIL 15, 2005 UPDATED CAAM WAS FILED?**

6 A. Yes. Shortly after the workshops concluded, the parties began discussing the new
7 Notice of Proposed Rulemaking (“NOPR”) related to cost allocation in an effort to
8 come to an agreement on the requirements desired in the new electric and gas rules
9 prior to each party drafting comments on the NOPR. As a result of these discussions,
10 each party submitted fairly consistent comments that were eventually considered and
11 incorporated into the 2006 Cost Allocation Rules. After these rules became
12 effective, the first version of the Company’s CAAM and FDC Study was approved
13 on November 21, 2006, in the 2006 Cost Assignment Allocation Model Proceeding
14 (“Proceeding No. 06A-555EG”), Decision No. C06-1358. While the Company has
15 continued to make normal updates to the CAAM, the CAAM filed in this
16 proceeding, as Attachment RLB-1, nonetheless uses generally the same methods
17 of cost assignment and allocation in developing its regulated revenue requirement
18 as it utilized in 2006.

19 Through the workshop process noted above, the Company worked with
20 Trial Staff of the Commission, the Colorado Business Alliance, and the Office of
21 Consumer Counsel to provide these entities with an understanding of the
22 processes the Company used to separate its non-regulated activities/divisions
23 from its regulated activities/divisions to ensure no cross subsidization occurred.

1 Because the workshop process was comprehensive, it provided the foundation for
2 the cost allocation section of the gas and electric rules. Specifically, the
3 development of the cost allocation rules found in 4 CCR 723-3-3500, et. seq.
4 included the input of other utility companies as well as the previously-noted
5 stakeholders.

6 **Q. HOW DOES THE COMPANY ENSURE COMPLIANCE WITH COST**
7 **ALLOCATION RULES FOR NON-REGULATED ACTIVITIES?**

8 A. The Company specifically segregates its non-regulated activities to ensure
9 compliance with cost allocation rules. To that end, the cost allocation rules include
10 two key definitions to address how the Company's non-regulated activities operate.
11 The two key definitions, as found in Rule 3501, are "Activity" and "Division."

12 More specifically, "Activity" is defined as "a business activity, product, or
13 service whether offered by a Colorado utility, a division of a Colorado utility, or an
14 affiliate of a Colorado utility." "Division" is defined as "an activity conducted by a
15 Colorado utility but not through a legal entity separate from a Colorado utility. It
16 includes the electric, gas, or thermal activities of a Colorado utility and any non-
17 regulated activities provided by the Colorado utility." These are key definitions
18 because the non-regulated activities the Company offers are provided as divisions
19 within Public Service.

20 To illustrate, the Company's largest non-regulated activity – the HomeSmart
21 program – is separated from the regulated operations of the Company through the
22 use of Cost Centers and account numbers that charge the revenues and expenses
23 to FERC accounts 417, Nonutility Revenues, and 417.1, Nonutility Expenses.

1 These processes provide the division separation of the non-regulated activities of
2 HomeSmart. Using divisions allows the activities to be performed within the legal
3 entity of Public Service without requiring separation into a separate legal entity, but
4 still requires the activities to be clearly separated from the electric, gas, or steam
5 regulated activities within Public Service.

6 The steps within the cost allocation rules further define the assignment or
7 allocation processes for charges to the non-regulated activities. The Company
8 has implemented the assignment and allocation processes in its day-to-day
9 operations and detailed the assignment and allocation processes it uses in its
10 CAAM. Various departments within the Company work with personnel associated
11 with non-regulated activities to set up processes to ensure that revenues and
12 expenses are recorded properly and are separated as clearly as possible from
13 regulated operations. For example, the following bullets explain the processes for
14 three different types of charges for HomeSmart:

- 15 • HomeSmart operates out of a separate building/facility for which rent is
16 billed directly from the vendor and paid by the HomeSmart division,
17 charged to the HomeSmart Cost Center, and recorded in FERC account
18 417.1.
- 19 • Public Service employees who work for HomeSmart charge their time
20 directly to the HomeSmart Cost Centers, which is recorded in FERC
21 account 417.1.
- 22 • The accounting and information systems within the Company charge the
23 labor overheads to follow labor, so that those overhead costs would also
24 be charged to the HomeSmart Cost Centers and recorded in FERC
25 account 417.1.

1 **VIII. THE COST ASSIGNMENT AND ALLOCATION MANUAL (CAAM)**

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

3 A. In this section, I sponsor and provide specific information regarding Public
4 Service's CAAM, dated April 2021, a copy of which is included with this Direct
5 Testimony as Attachment RLB-1, as well as the cost assignment, Allocation
6 Methods, and percentages used to develop the FTY.

7 **Q. HOW HAVE YOU ADDRESSED THE COST ALLOCATION METHODS USED IN**
8 **THE FTY THROUGHOUT YOUR DIRECT TESTIMONY?**

9 A. Public Service has prepared its April 2021 CAAM based on cost Allocation
10 Methods used for January 1, 2020, to December 31, 2020, which form the basis
11 for O&M in the Company's FTY. These Allocation Methods also reflect current and
12 expected future cost assignment and allocation practices for the FTY. This is the
13 same practice the Company uses to prepare its budget and the same practice used
14 in the Company's 2019 Electric Phase I and the Company's 2020 Combined Gas
15 Phase I and II.

16 **Q. HAS THE COMPANY UPDATED ITS CAAM SINCE IT WAS APPROVED IN THE**
17 **2019 ELECTRIC PHASE I?**

18 A. Yes. The CAAM filed in this proceeding, dated April 2021, has been updated and
19 is applicable to the FTY. The modifications do not propose a significant change to
20 the Company's cost assignment and allocation process. Attachment RLB-2 to my
21 Direct Testimony is a comparison document that identifies all significant
22 modifications to the CAAM since it was last filed in the Company's 2019 Electric
23 Phase I.

1 **Q. ARE THERE ANY ALLOCATION METHODS INCLUDED IN THE CAAM THAT**
2 **HAVE BEEN REVIEWED AND APPROVED FOR USE BY OTHER REGULATORY**
3 **AUTHORITIES?**

4 A. Yes. The Allocation Methods included in the CAAM for XES costs were initially
5 developed and approved by the SEC under PUHCA 1935. We have also reported
6 our Allocation Methods to FERC under PUHCA 2005 through the filing of the annual
7 XES FERC Form No. 60 report. Moreover, the Allocation Methods in the CAAM are
8 reviewed by other state regulatory commissions in rate cases filed by other Xcel
9 Energy Operating Companies. For example, the Minnesota Public Utilities
10 Commission reviews the CAAM and the allocation of XES costs to NSPM in NSPM
11 retail rate cases. Additionally, FERC periodically initiates audits in the normal course
12 of business that can include a review of XES cost allocations and intercompany
13 transactions.

14 **Q. HAS THE COMPANY GONE THROUGH AN AUDIT BY THE FERC IN WHICH**
15 **THE COST ASSIGNMENT AND ALLOCATION FRAMEWORK WAS**
16 **REVIEWED?**

17 A. Yes. The Xcel Energy holding company system recently completed a FERC audit
18 that covered the period of January 1, 2014, through December 31, 2018. The final
19 audit report was issued on August 29, 2019, in FERC Docket No. FA17-4-000.

20 **Q. WHAT FINDINGS OF THE FERC AUDIT HAVE AN IMPACT ON THE FTY?**

21 A. The FERC audit was favorable overall, and included only two audit findings that
22 impact the FTY. The first finding addressed the allocation of capital software to
23 Xcel Energy's non-utility entities. Historically, capital costs related to software

1 applications have been recorded to the Operating Companies, the primary users
2 of the applications. As other affiliate companies receive indirect benefits of certain
3 corporate software applications, the FERC finding required a retrospective
4 adjustment as well as a prospective change in how software capital costs are
5 recorded, ensuring that all Operating Companies and affiliates that receive direct
6 or indirect benefits pay a portion of the capital charges. Accordingly, the Company
7 corrected the allocation of capital software in prior years, in accordance with
8 FERC's recommendation.

9 The second finding addressed the allocation of income tax expense.
10 Historically, XES income tax expense has been allocated to Operating Companies,
11 which comprise the majority of XES activities that generate income tax expense.
12 FERC found that XES should have allocated income tax expense to all Xcel
13 Energy companies that benefit from XES' activities that cause XES to incur income
14 tax expense. As of January 1, 2020, XES income tax expense is being allocated
15 to all Operating Companies and affiliates benefiting from XES's activities that
16 cause XES to incur income tax expense. There were no other findings identified
17 in the FERC audit report that impact the FTY.

18 **Q. PLEASE PROVIDE A HIGH-LEVEL OVERVIEW OF THE CONTENTS OF THE**
19 **COMPANY'S APRIL 2021 CAAM.**

20 A. The following is a description of the sections included in Public Service's April 2021
21 CAAM:

- 22 • Section I – Introduction: Provides an introduction to the CAAM, as well as
23 definitions for abbreviations, acronyms, or terms used in the document.

- 1 • Section II – Regulated and Non-regulated Divisions and Activities:
2 Describes Public Service’s regulated electric, gas, and steam utility
3 divisions and activities, incidental services, and non-regulated activities.
- 4 • Section III – Corporate Organization: Provides an overview of Public
5 Service and lists the regulated and non-regulated affiliates in the Xcel
6 Energy holding company system, including Public Service’s
7 subsidiaries, and identifies the affiliates with whom Public Service has
8 transactions.
- 9 • Section IV – Assignments and Allocations by FERC Account: Lists the
10 accounts Public Service includes in its revenue requirement for
11 Colorado jurisdictional activities and specifies how those FERC
12 accounts and sub-accounts are assigned and/or allocated to Public
13 Service’s non-regulated activities, along with a description of the
14 methods used to perform the assignments or allocations.
- 15 • Section V – Cost Assignment and Allocation Process: Provides an
16 overview of the cost assignment and allocation principles Public Service
17 uses and the accounting processes within monthly close, including
18 system-generated processes and manual processes used to assign and
19 allocate costs between the regulated utility divisions and non-regulated
20 activities of Public Service.
- 21 • Section VI – Utility Allocations: Explains the utility allocations and the
22 Allocation Methods used within Public Service to allocate common or
23 shared costs among electric, gas, and steam utility divisions and non-
24 regulated activities.
- 25 • Section VII – Non-regulated Activity Allocations: Explains the Allocation
26 Methods used to allocate A&G and Customer Accounting costs to the
27 non-regulated activities.
- 28 • Section VIII – Service Company Assignments and Allocations: Lists the
29 Allocation Methods used by XES to allocate costs among the Xcel
30 Energy holding company system of companies.

31 For each allocation referenced, the CAAM describes the allocation method or the
32 development of internal billing rates, whichever is applicable.

1 **Q. PLEASE EXPLAIN THE REMAINING PUBLIC SERVICE ALLOCATIONS**
2 **DETAILED IN THE CAAM.**

3 A. In addition to the XES allocations described above, the CAAM includes detailed
4 sections on the Utility Allocations (O&M and Non-O&M), and the Non-regulated
5 Activity Allocations. The following sections explain each type of allocation.

6 **A. Utility Allocations**

7 **Q. WHAT IS THE PURPOSE OF COMMON O&M UTILITY ALLOCATIONS?**

8 A. Common O&M utility allocations within Public Service are developed to allocate
9 common (electric, gas, and steam) costs that are recorded in A&G FERC accounts
10 920 to 935 to the electric, gas, and steam utility divisions and to allocate common
11 (electric, gas, and steam) costs that are recorded in FERC accounts 901 to 917
12 for customer accounting, customer information, and sales costs to the electric, gas,
13 and steam utility divisions.

14 **Q. WHEN AND HOW ARE COMMON O&M UTILITY ALLOCATIONS APPLIED?**

15 A. Common O&M utility allocations are performed on a monthly basis after all
16 transactions have been recorded. Any records with a “common” designator for
17 Public Service within the general ledger are allocated based on the allocation
18 method developed for each specific pool of costs. The common utility cost pools
19 are programmed into the system based on a specific FERC account or a
20 combination of FERC accounts. For example, Common Costs in FERC account
21 925, Injuries and Damages, and FERC account 926, Pensions and Benefits, are
22 allocated to the electric, gas, and steam utility divisions based on the labor
23 allocation method, because the costs in the pool have a cost causative relationship

1 with labor. Section VI of the CAAM (see Attachment RLB-1) explains the allocation
2 method used for each of the allocation pools for Common Costs recorded in FERC
3 accounts 901 to 935.

4 **Q. HAVE THE FTY O&M UTILITY ALLOCATION METHODS AND ALLOCATION**
5 **PERCENTAGES BEEN PROVIDED?**

6 A. Yes. The FTY O&M utility Allocation Methods are explained in Section VI of the
7 CAAM. In addition, the FTY O&M utility Allocation Methods and percentages are
8 provided in Attachment RLB-7.

9 **Q. HAVE THE FTY UTILITY RATE BASE AND NON-O&M ALLOCATION**
10 **METHODS AND ALLOCATION PERCENTAGES BEEN PROVIDED?**

11 A. Yes. The utility rate base and non-O&M Allocation Methods used for the FTY are
12 explained in Section VI of the CAAM (see Attachment RLB-1). Ms. Blair discusses
13 the common plant Allocation Percentages used to develop the FTY in her Direct
14 Testimony.

15 **B. Non-regulated Activity Allocations**

16 **Q. WHAT IS THE PURPOSE OF NON-REGULATED ACTIVITY ALLOCATIONS?**

17 A. Non-regulated activity allocations ensure that the billed costs for services provided
18 to non-regulated activities represent a fully distributed cost and that electric, gas,
19 and steam utility divisions are not subsidizing the non-regulated activities.

20 **Q. PLEASE DESCRIBE PUBLIC SERVICE'S NON-REGULATED ACTIVITIES.**

21 A. A complete list of Public Service's non-regulated activities is included in Section II
22 of the CAAM (see Attachment RLB-1).

1 **Q. HOW ARE PUBLIC SERVICE'S NON-REGULATED ACTIVITIES SEPARATED**
2 **FROM ITS REGULATED UTILITY ACTIVITIES TO ENSURE THEIR COSTS ARE**
3 **NOT INCLUDED IN THE UTILITY REVENUE REQUIREMENTS**
4 **CALCULATION?**

5 A. The costs of Public Service's non-regulated activities are separated through the
6 use of specific Final Cost Centers. The specific Final Cost Centers are identified
7 as non-regulated and have a non-utility FERC account assignment that ensures
8 costs are recorded appropriately. As a result, these costs are excluded from
9 revenue requirements calculations.

10 **Q. WHAT TYPES OF COSTS ARE BILLED TO THE NON-REGULATED**
11 **ACTIVITIES?**

12 A. Non-regulated activities are directly charged to FERC accounts 417, Revenues
13 from Nonutility Operations, and 417.1, Nonutility Expenses, whenever possible, for
14 services performed for their benefit by Public Service and XES. Non-regulated
15 activities incur a majority of their costs through direct assignment. For example,
16 XES employees working on Public Service's non-regulated activities will charge
17 their labor costs through labor distribution each month directly to each non-
18 regulated activity. In addition, a portion of their non-labor expenses will follow their
19 labor. All expenses recorded in each non-regulated activity account are linked to
20 FERC account 417.1, Nonutility Expenses. These costs are not recorded in Public
21 Service's utility division O&M accounts and are, therefore, not included in the cost
22 of service.

1 Public Service employees working on Public Service's non-regulated
2 activities also charge their labor costs through labor distribution to the non-
3 regulated activity account. These expenses are also linked to FERC
4 account 417.1, Nonutility Expenses, and are not recorded in Public Service's utility
5 division O&M accounts.

6 Labor-related overheads (e.g., pensions, benefits, non-productive time, and
7 workers' compensation) and facilities costs are programmed to follow labor costs
8 and will also be recorded in the non-regulated activity accounts that are linked to
9 FERC account 417.1, Nonutility Expenses. The labor-related overheads are
10 described in more detail in Section V of the CAAM, along with other overheads.

11 **Q. WHAT METHOD HAS BEEN APPROVED BY THIS COMMISSION FOR**
12 **ALLOCATING A&G COSTS TO THE NON-REGULATED ACTIVITIES?**

13 A. The Commission approved the use of an A&G allocator based on the ratio of
14 Common Costs (i.e., costs not directly assigned to electric, gas, or steam utility
15 divisions) in FERC accounts 920 to 935 to total Public Service labor in Proceeding
16 No. 06A-555EG, Decision No. C06-1358. The allocation percentage is then
17 applied to labor charged to each non-regulated activity to determine the A&G
18 overhead to be allocated to that activity.

19 **Q. IS THE COMPANY PROPOSING ANY REVISIONS TO ITS A&G OVERHEAD**
20 **CALCULATION?**

21 A. No.

1 **Q. WHAT METHOD HAS THIS COMMISSION APPROVED FOR ALLOCATING**
2 **CUSTOMER ACCOUNTING COSTS TO THE NON-REGULATED ACTIVITIES?**

3 A. In Proceeding No. 06A-555EG, Decision No. C06-1358, the Commission approved
4 use of a customer accounting allocator based on the ratio of Common Costs in
5 FERC accounts 901 to 917, excluding the amounts recorded in FERC accounts:
6 902, Meter Reading Expenses; 904, Uncollectible Accounts; and Demand-Side
7 Management costs included in account 908, to total revenues, excluding trading
8 revenues. The specific exclusions include accounts that are unrelated to the
9 Company's non-regulated activities.

10 **Q. IS THE COMPANY PROPOSING ANY REVISIONS TO ITS CUSTOMER**
11 **ACCOUNTING OVERHEAD CALCULATION?**

12 A. No.

13 **Q. HAVE THE FTY NON-REGULATED ACTIVITY ALLOCATION METHODS AND**
14 **ALLOCATION PERCENTAGES BEEN SUPPLIED?**

15 A. Yes. The FTY non-regulated Allocation Methods are explained in Section VI of the
16 CAAM. In addition, the Allocation Percentages used for purposes of the FTY are
17 provided in the schedule included as Attachment RLB-8.

18 **Q. DOES THE CAAM DEMONSTRATE THAT PUBLIC SERVICE HAS NOT USED**
19 **RATEPAYER FUNDS TO SUBSIDIZE NON-REGULATED ACTIVITIES?**

20 A. Yes. The CAAM demonstrates that the Company has not used customer funds to
21 subsidize non-regulated activities.

1 **IX. THE FULLY DISTRIBUTED COST STUDY IN THIS PROCEEDING**

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

3 A. In this section, I sponsor and provide specific information regarding the Company's
4 FDC Study applicable to the FTY, a copy of which is included as Attachment RLB-
5 3 and the Confidential and Public versions of Attachment RLB-4.

6 **Q. HAS THE COMPANY PERFORMED AN FDC STUDY FOR PURPOSES OF THIS**
7 **CASE?**

8 A. Yes.

9 **Q. PLEASE DESCRIBE THE COMPANY'S FDC STUDY.**

10 A. The FDC Study performed for this proceeding is attached to my Direct Testimony
11 as Attachment RLB-3 and Confidential Attachment RLB-4. The FDC Study
12 summarizes the results of applying the methods set forth in the CAAM in order to
13 segregate all revenues, expenses, and investments associated with the
14 Company's non-regulated activities from the Company's regulated cost of service.
15 This is the same format for the FDC Study that was agreed to as part of the 2002
16 Phase I Rate Case Settlement in Proceeding No. 02S-315EG, referenced earlier.
17 This format was reviewed by the parties who participated in the workshop process,
18 and it was agreed in that context that the format should remain the same.

19 Attachment RLB-3 is in the form of an income statement and balance sheet
20 and shows the results of the Company's assignment and allocation of the major
21 categories of revenues, expenses, and investment among the electric, gas, and
22 steam utility divisions, and the nonutility divisions. Confidential Attachment RLB-4
23 shows the detailed breakdown of revenues, expenses, and investment assigned

1 and allocated to the Company's non-regulated activities. The non-regulated
2 products and services are identified across the top of the report, starting in the
3 second column. Each product or service has one or more Final Cost Center that
4 identifies where costs are recorded for that non-regulated product or service. The
5 first column on the page provides the line item information by description of the
6 type of cost incurred. The A&G and Customer Accounting overhead loadings are
7 included in Administrative and General and Other Operating Expense line items
8 shown near the bottom of the report.

9 **Q. DOES THE FDC STUDY COMPLY WITH COMMISSION RULE 3504?**

10 A. Yes. In accordance with Commission Rule 3504(d), Public Service has prepared
11 its FDC Study based on the cost allocation methods to be used for the FTY
12 (January 1, 2022, through December 31, 2022). Similar to the CAAM methodology
13 discussed above, the FDC Study relies on actual costs and cost Allocation
14 Methods used for the period from January 1, 2020, to December 31, 2020, which
15 also reflect current and expected future cost assignment and allocation practices
16 for the FTY. Put differently, the Company uses historical data to calculate its
17 allocations for budget and forecasting purposes, and is basing its FTY O&M on
18 2020 actuals, such that the FDC also aligns with the FTY in this proceeding.

19 Additionally, the Company's historical experience and annual reviews
20 performed during updates have shown that there is minimal change in the
21 allocation percentages on a year-to-year basis. In addition, this is the same
22 practice the Company uses in preparing its budget and the same practice used in
23 the Company's electric case filed in its 2019 Electric Phase I. As a result, the

1 Company has determined that the Informational HTY cost allocations appropriately
2 align with the FTY.

3 **Q. DOES THE FDC STUDY ALSO DEMONSTRATE THAT PUBLIC SERVICE HAS**
4 **COMPLIED WITH COMMISSION RULE 3502?**

5 A. Yes. The FDC Study demonstrates that all appropriate revenues, expenses,
6 assets, liabilities, and rate base items for the FTY have been appropriately
7 assigned and allocated and that the Company has complied with the cost
8 allocation principles established in Commission Rule 3502.

1

X. CONCLUSION

2

Q. IN CONCLUSION, PLEASE RESTATE YOUR RECOMMENDATIONS TO THE

3

COMMISSION.

4

A. I recommend that the Commission: (1) approve the Company's CAAM and FDC

5

Study as presented in my Direct Testimony; and (2) find that Public Service's cost

6

assignment, Allocation Methods, and the percentages used in preparing the FTY

7

for this rate case are reasonable.

8

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

9

A. Yes, it does.

Statement of Qualifications

Ross L. Baumgarten

I received a Bachelor of Arts in Business Administration, with a major in accounting, from University of St. Thomas, St. Paul, Minnesota, in 2008. I also received and have held an active CPA license issued by the Minnesota Board of Accountancy since 2008.

My current position with XES is Manager of Service Company Accounting. I am 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

I have been employed by XES since December 2013, holding positions in Service Company Accounting, Transmission Accounting, and External Reporting. Prior to joining XES, I was employed by Grant Thornton LLP as a senior financial and operational auditor where I performed financial statement audits, operational and system control audits, and benefit plan audits for companies in various industries including manufacturing, hospitality, medical devices, services, and technology.

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.) PROCEEDING NO. 21AL-___E
8-ELECTRIC TARIFF TO REVISE)
JURISDICTIONAL BASE RATE)
REVENUES, IMPLEMENT NEW BASE)
RATES FOR ALL ELECTRIC RATE)
SCHEDULES, AND MAKE OTHER)
PROPOSED TARIFF CHANGES)
EFFECTIVE AUGUST 2, 2021)

AFFIDAVIT OF ROSS L. BAUMGARTEN
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

I, Ross L. Baumgarten, 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.

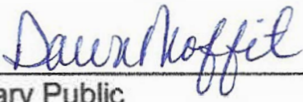
Dated at Denver, Colorado, this 1st day of July, 2021.



Ross L. Baumgarten
Manager, Service Company Accounting

Subscribed and sworn to before me this 1st day of July, 2021.

DAWN MOFFIT
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20084013859
MY COMMISSION EXPIRES APRIL 22, 2024



Notary Public
My Commission expires 4.22.2024