

DOCKET NO. _____

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

DIRECT TESTIMONY
of
ADAM R. DIETENBERGER

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: DietenbergerRRDirect.docx)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Budgets	O&M Budget and Capital Budget
Capital Budget	Capital Expenditure Budget
CDAD/TRC	Contract Development Approval and Delegation/Transaction Review Committee
CFO	Chief Financial Officer
Commission	Public Utility Commission of Texas
FERC	Federal Energy Regulatory Commission
Financial Forecast	Xcel Energy's overall rolling five-year financial forecast
GAAP	Generally Accepted Accounting Principles
IRC	Investment Review Committee
JOA	Joint Operating Agreement
MW	Megawatt
Native SPS costs	Expenses incurred directly by SPS
NMPRC	New Mexico Public Regulation Commission
NSPM	Northern States Power Company, a Minnesota corporation
O&M	Operation and maintenance
O&M Budget	O&M expense budget
Operating Company	One of the Operating Companies
Operating Companies	NSPM; Northern States Power Company, a Wisconsin corporation; PSCo; and SPS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
PSCo	Public Service Company of Colorado, a Colorado corporation
SEC	Securities and Exchange Commission
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	October 1, 2019 through September 30, 2020
Total Company or total company	Total SPS (before jurisdictional allocation)
Update Period	October 1, 2020 through December 31, 2020
Updated Test Year	January 1, 2020 through December 31, 2020
VEBA	Voluntary Employee Beneficiary's Association
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
ARD-RR-1	Property and Auto Liability Insurance Expenses (Filename: ARD-RR-1.xls)
ARD-RR-2	Organization Chart – Chief Executive Officer (Non-native format)
ARD-RR-3	Organization Chart – Customer and Innovation (Non-native format)
ARD-RR-4	Organization Chart – Financial Operations (Non-native format)
ARD-RR-5	Organization Chart – Risk Management and Audit Services (Non-native format)
ARD-RR-A (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Billing Method (Filename: ARD-RR-ABCD.xlsx)
ARD-RR-B(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method and FERC Account (Filename: ARD-RR-ABCD.xlsx)
ARD-RR-C (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account (Filename: ARD-RR-ABCD.xlsx)
ARD-RR-D (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account (Filename: ARD-RR-ABCD.xlsx)

**DIRECT TESTIMONY
OF
ADAM R. DIETENBERGER**

1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

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

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

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

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

10 A. I am employed by Xcel Energy Services Inc. (“XES”), the service company
11 subsidiary of Xcel Energy, as the Director, Business Area Finance, Shared Services.

12 **Q. Please briefly outline your responsibilities as Director, Business Area Finance,**
13 **Shared Services.**

14 A. As Director, Business Area Finance, Shared Services I am responsible for
15 supporting the financial aspects of Xcel Energy’s Shared Corporate Business Areas
16 (also known as “Shared Services” organizations), including the coordination of the
17 Shared Services organizations’ five-year operation and maintenance (“O&M”)
18 expense budgets, the five-year capital expenditure budgets, the monthly forecast
19 updates of these five-year plans, and analyzing actual results against these budgets
20 and forecasts.

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

2 A. I received a Bachelor of Science degree, with majors in accounting and finance,
3 from University of Minnesota in 2004.

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

5 A. From 2004 to 2008, I was employed by Deloitte LLP where I performed financial
6 statement audits for companies in various industries including energy and utilities,
7 healthcare, and manufacturing. In 2008, I joined XES as a Senior Accountant in
8 the Corporate Accounting group. I became Manager of Corporate Accounting in
9 2013. In 2014, I became Senior Manager of Service Company Accounting and
10 Cash Processes. In 2017, I was promoted to Director, Business Area Finance,
11 Shared Services and was assigned my responsibilities noted above.

12 **Q. Have you attended or taken any special courses or seminars relating to public**
13 **utilities?**

14 A. Yes. I have attended conferences and workshops sponsored by the Edison Electric
15 Institute and the North Central Electric Association covering accounting and
16 finance topics for public utilities. The topics covered included Securities and
17 Exchange Commission (“SEC”), Financial and Accounting Standards, and Federal
18 Energy Regulatory Commission (“FERC”) updates, information on ratemaking
19 issues, and general regulatory topics.

20 **Q. Have you submitted pre-filed testimony before any regulatory authorities?**

21 A. Yes. I have filed testimony before the Public Utility Commission of Texas
22 (“Commission”) in Docket Nos. 49831, 47527, and 45524, SPS’s most recent base
23 rate cases, addressing the issues of affiliate services and costs, recording, assigning,

1 and allocating XES and Operating Company costs. I have also filed testimony
2 before: the New Mexico Public Regulation Commission (“NMPRC”) on behalf of
3 SPS in Case No., 15-00296-UT; the Minnesota Public Utilities Commission on
4 behalf of Northern States Power Company, a Minnesota corporation, (“NSPM”) in
5 Docket No. E002/GR-15-826; and the Colorado Public Utilities Commission on
6 behalf of Public Service Company of Colorado, a Colorado corporation (“PSCo”) in
7 Docket No. 17A-0363G on these same topics. I have also filed testimony in
8 PSCo Docket No.19AL-0268E on similar topics that are discussed in this
9 testimony.

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A. I explain Xcel Energy's O&M Budget¹ and Capital Budget² processes. In addition, I support the Updated Test Year (January 1, 2020 through December 31, 2020)³ O&M expenses and the administrative and general expenses for the following classes of affiliate services: Chief Executive Officer; Chief Customer and Innovation Officer; Corporate Other; Risk Management and Audit Services; Chief Financial Officer ("CFO"); Controller; Finance & Corporate Development; Investor Relations; Tax Services; and Treasurer. In regard to the affiliate classes that I support, my testimony will:

- I also support property and auto liability insurance expenses that are directly
ed by SPS (also referred to herein as “native SPS costs”).

³ The Test Year in this case is October 1, 2019 through September 30, 2020, and the Update Period is October 1, 2020 through December 31, 2020. The Updated Test Year consists of the last nine months of the Test Year and the three months in the Update Period. In addition to supporting the Updated Test Year costs, I have also reviewed the costs for the first three months of the Test Year for the classes I support and find those costs to be reasonable.

1 **Q. Please summarize the recommendations and conclusions in your testimony**
2 **regarding the costs for the classes of affiliate services you support.**

3 A. The Xcel Energy budgeting process includes both an O&M Budget and a Capital
4 Budget. It is a rigorous process designed to create an accurate forecast of costs that
5 will be incurred in delivering service to customers. It is used to anticipate financial
6 needs, make major strategic decisions, and control spending. Business areas are
7 required to adhere to spending targets and significant deviations must be explained
8 and justified.

9 The estimated Updated Test Year (January 1, 2020 through December 31,
10 2020) costs for the services of each of the ten affiliate classes that I support are
11 reasonable and necessary because they support SPS's ability to provide electric
12 service to its Texas retail customers.

13 **Chief Executive Officer**

- 14 • SPS requests recovery of \$1,377,142⁴ (total company)⁵ for the services of
15 the Chief Executive Officer affiliate class;
- 16 • The costs are for services provided by the office of the Chief Executive
17 Officer and his administrative assistant, including overall leadership for
18 Xcel Energy and each of its subsidiaries, and for the payment of
19 compensation for the independent directors of the Xcel Energy Board of
20 Directors; and,
- 21 • These services are necessary to ensure that Xcel Energy and SPS are
22 effectively, efficiently, and ethically managed.

23 **Chief Customer and Innovation Officer**

- 24 • SPS requests recovery of \$3,615,663 (total company) for the services of the
25 Chief Customer and Innovation Officer affiliate class;

⁴ This dollar amount reflects nine months of actual costs and three months of estimated costs.

⁵ "Total Company" or "total company" means total SPS before jurisdictional allocations.

- The costs are for providing executive leadership to the Customer and Innovation business area within XES, including providing oversight, and management of business area strategy and finance; providing leadership to business area-wide and Xcel Energy-wide projects; creating roadmap designs and managing all major business cases and initiatives to drive efficiency, operational effectiveness and innovation, with a focus on ensuring Xcel Energy is providing a continually improving customer experience and is focused on customer care; and managing the overall brand strategy and placement of advertising and sponsorships; and,
- The services are necessary to provide the required leadership and oversight of operational areas necessary to provide electric service to SPS's customers; and to ensure strategic alignment across operational areas in connection with enterprise-wide process, people, and technology deployments.

Corporate Other

- SPS requests recovery of \$1,345,002 (total company) for the services of the Corporate Other affiliate class;
- The costs are related to the shared asset costs of network services, company owned facilities (company use), permanent income tax differences related to meals and the corporate accrual of purchases on the corporate credit card that are pending expense statement processing; and,
- The costs grouped in the Corporate Other affiliate class are for necessary business expenses.

Risk Management and Audit Services

- SPS requests recovery of \$995,640 (total company) for the services of the Risk Management and Audit Services affiliate class;
- The costs are for services provided to SPS that include internal auditing, evaluating and improving internal controls, corporate governance, ensuring ethical conduct, providing information on leading practices, commodity-related transactional governance, valuation and reporting, risk management activities, and cost and resource modeling; and,
- The services are necessary for the corporate governance of Xcel Energy and its subsidiaries including SPS, and to ensure that the SPS system is modeled accurately, fuel usage is forecasted accurately, energy commodity transactions are consummated prudently with financially viable counterparties, certain capital allocation is performed efficiently, and assurance functions are provided to the Xcel Energy Board of Directors and executive management.

1 **CFO**

- 2 • SPS requests recovery of \$177,599 (total company) for the services of the
- 3 CFO affiliate class;
- 4 • The costs are for providing financial services to all of Xcel Energy and its
- 5 subsidiaries including SPS and providing executive leadership to the
- 6 Financial Operations business area; and,
- 7 • The services are necessary to ensure that SPS’s financial objectives are
- 8 carried out and SPS’s financial integrity is maintained.

9 **Controller**

- 10 • SPS requests recovery of \$3,800,696 (total company) for the services of the
- 11 Controller affiliate class;
- 12 • The costs are for corporate accounting functions, financial reporting, and
- 13 financial-related initiatives; and,
- 14 • The services are necessary to ensure that finance records are accurate,
- 15 secure, and in line with Generally Accepted Accounting Principles
- 16 (“GAAP”), regulatory, and legislative requirements.

17 **Finance & Corporate Development**

- 18 • SPS requests recovery of \$3,122,246 (total company) for the services of the
- 19 Finance & Corporate Development affiliate class;
- 20 • The costs are for the oversight, governance, and consolidation of budgets
- 21 and forecasts at the business area and corporate levels; the financial
- 22 administration and management of Xcel Energy legal entities and the
- 23 reporting of financial results to senior leadership as well as to the Xcel
- 24 Energy Board of Directors; providing support to Operating Companies in
- 25 rate proceedings; providing services related to cost of service studies;
- 26 assisting in the development of the revenue component of the Operating
- 27 Company budgets; providing information on sales and load forecasting;
- 28 leading the evaluation and execution of new business investment
- 29 opportunities for Xcel Energy; providing analytical and transactional
- 30 support for generation resource plan development and implementation; and
- 31 providing distribution system evaluations and FERC-jurisdictional
- 32 transmission development and investment; and,
- 33 • The services are necessary to ensure that there is governance and monitoring
- 34 applied to budgeting, financial forecasting and reporting, and affiliate
- 35 transactions; that SPS has accurate and timely information regarding cost of
- 36 service, and fuel and purchased power issues; that SPS is able to provide

1 the Commission and FERC the information necessary for regulatory
2 oversight; that sales are forecasted accurately; and that Xcel Energy is
3 pursuing and entering into the appropriate business investment
4 opportunities for the benefit of Xcel Energy and its affiliates, including SPS.

5 **Investor Relations**

- 6 • SPS requests recovery of \$214,749 (total company) for the services of the
7 Investor Relations affiliate class;
- 8 • The costs are for support of investment analysis, investor relationships, and
9 communications with investors, as well as transaction costs for conducting
10 shareholder votes; and,
- 11 • The services are necessary to attract shareholder investments and obtain
12 financing, which in turn supports SPS's access to capital and its ability to
13 finance ongoing operations and fund new capital projects.

14 **Tax Services**

- 15 • SPS requests recovery of \$626,455 (total company) for the services of the
16 Tax Services affiliate class;
- 17 • The costs are for tax-related services provided to SPS including tax
18 accounting and compliance; and,
- 19 • The services are necessary to ensure compliance with local, state, and
20 federal tax obligations for Xcel Energy and its subsidiaries, including SPS.

21 **Treasurer**

- 22 • SPS requests recovery of \$2,888,256 (total company) for the services of the
23 Treasurer affiliate class;
- 24 • The costs are for services including financial planning and forecasting, debt
25 and equity issuance, insurance management, pension investment, cash
26 management, preparing financial compliance filings, and coordinating due
27 diligence for financing activity; and,
- 28 • The services are necessary to ensure that: SPS's finances and cash liquidity
29 are appropriately managed; financing plans are developed and executed;
30 bank loans, corporate guarantees, letters of credit, and long-term debt and
31 equity securities are in place as needed; SPS's assets are protected from
32 losses through hazard insurance contracts; property and liability insurance
33 settlements are negotiated; and loss control services are in place to minimize
34 property exposures for Xcel Energy and its subsidiaries, including SPS.

1 Additionally, for each of these affiliate classes:

- 2 • The costs are reasonable because they are shared with other affiliates,
3 include reasonable personnel costs, and are subjected to rigorous budgeting
4 and cost control processes,
- 5 • SPS does not provide these services for itself, and the services do not
6 duplicate services provided by others; and,
- 7 • Each charge from SPS's affiliates for these services is billed at cost and is
8 no higher than the charges by those affiliates to any other entity for the same
9 or similar service.

10 Thus, the affiliate classes' costs that I sponsor are reasonable and should be
11 included for recovery in SPS's base rates.

12 Additionally, the estimated Updated Test Year native costs for property and
13 auto liability insurance are reasonable and necessary to support SPS's ability to
14 provide electric service to its Texas retail customers. These costs, which are shown
15 on Attachment ARD-RR-1, are for the property and auto liability insurance policies
16 maintained by SPS.

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

19 A. As explained by SPS witness William A. Grant, SPS will be using an Updated Test
20 Year in this case. SPS's initial filing presents actual O&M expenses for the Test
21 Year (October 1, 2019 through September 30, 2020) and estimated information for
22 the time period of October 1, 2020 through December 31, 2020, which is the Update
23 Period. Accordingly, the first nine months of SPS's Updated Test Year (i.e.,
24 January 2020 through September 2020) consist of actual cost information and the
25 last three months (i.e., October through December 2020) contain estimated cost
26 information. For this reason, certain SPS witnesses refer to the Updated Test Year
27 in direct testimony as the "estimated Updated Test Year."

1 Regarding the affiliate costs I support, as explained by SPS witness Ross L.
2 Baumgarten, actual figures for October and November 2020 have been provided
3 and December 2020 figures have been estimated based on the forecasted
4 budget. However, these expenses have not gone through the full pro forma
5 adjustment review process. Regarding the native costs I support, actual figures for
6 October and November 2020 have been provided and December 2020 figures have
7 been estimated based on the forecasted budget.

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

10 A. Yes. SPS will file an update 45 days after this application has been filed. The
11 update will provide actual costs to replace the estimates provided in the application
12 for the Update Period. As part of that process, my Attachments ARD-RR-A
13 through D will be updated by removing estimates of affiliate O&M expenses
14 incurred by SPS during the Updated Test Year and then replacing those estimates
15 with actual expenses, which will be used to establish SPS's base rates in this case.
16 Additionally, my Attachment ARD-RR-1 will be updated in SPS's 45-day update
17 filing to replace estimates of SPS's native costs relating to Property and Auto
18 Liability Insurance Expenses.

19 **Q. Were Attachments ARD-RR-1 through ARD-RR-D prepared by you or under**
20 **your direct supervision and control?**

21 A. Yes, as to Attachments ARD-RR-2, ARD-RR-3, and ARD-RR-4. Attachment
22 ARD-RR-1 was prepared by SPS witness Stephanie N. Niemi and her staff and is
23 based on the cost of service study. Attachments ARD-RR-A through ARD-RR-D
24 were prepared by Mr. Baumgarten and his staff. My staff and I have reviewed these

1 attachments and I believe them to be accurate. Although the information I have
2 described also is present in these other witnesses' attachments, I have presented this
3 information in the attachments to my testimony for the convenience of those
4 reviewing my testimony.

1 **III. O&M AND CAPITAL BUDGETING**

2 **A. The Budgeting Process**

3 **Q. Please provide an overview of Xcel Energy’s budgeting process.**

4 A. Xcel Energy annually prepares five-year O&M and Capital Budgets (collectively,
5 “Budgets”) for each of the Operating Companies, including SPS, which become
6 part of Xcel Energy’s overall rolling five-year financial forecast (the “Financial
7 Forecast”). The Budgets and the five-year Financial Forecast are used by executive
8 management to prepare for and support each of the Operating Companies’ financial
9 needs and to make major strategic decisions. They are key components of the
10 overall framework used by Xcel Energy to develop supportable and attainable
11 financial plans for each Operating Company and Xcel Energy as a whole. In
12 addition, the Budgets are the foundation for the financial oversight process, which
13 is the continuous monitoring of spending and financial performance in comparison
14 to the Budgets.

15 **Q. What are the major steps in the annual budget process?**

16 A. The first step in the budget process is the establishment of spending guidelines. The
17 spending guidelines establish limits for O&M and capital expenditures for each
18 business area and, on a consolidated basis, for each Operating Company. The
19 demand for budget dollars typically exceeds financial capacity. Therefore, the
20 spending guidelines help to set expectations for the business areas by making it
21 clear that they will be expected to justify and explain any significant deviations
22 from the general budget guidance.

23 **Q. What are the next steps in the budgeting process?**

24 A. Each business area develops an internal budget. This is done by budget managers
25 within each business area and directors from within the CFO organization who are

1 appointed to work with the budget managers and oversee the budget process in each
2 business area. The business areas incorporate their strategic priorities and annual
3 plans into their budgets, reviewing their current five-year forecast, and re-
4 evaluating spending priorities. They must balance their strategic and operational
5 priorities, plans, and realities with the overall budget guidance to develop a realistic
6 and accurate forecast of expected costs.

7 Each business area has multiple internal reviews prior to finalizing the
8 budget, and business area management reviews the developed budget several times
9 during the budget cycle. These reviews include: the analysis of long-term trends;
10 discussion of what costs should be reduced based on process efficiencies or
11 changing business requirements; identification of cost pressures and business risks;
12 emerging regulatory requirements; and alignment with strategic objectives. The
13 process is intended to ensure that the budget includes a reasonable forecast of costs
14 and is as accurate as possible.

15 **Q. What occurs after the business areas have developed their internal budgets?**

16 A. Once the business area budgets are complete, corporate analysis and review begins.
17 The budgets are reviewed and approved at the executive management level by the
18 Financial Council, which is chaired by the CFO and consists of ten additional senior
19 officers of Xcel Energy. To prepare for the presentation to the Financial Council,
20 budget review sessions are held, and information necessary for Financial Council
21 review is gathered and summarized. Each business area presents its proposed
22 budget, explaining key strategic objectives, cost trends, cost pressures, and how
23 cost efficiencies or reductions were incorporated into the budget. At the conclusion
24 of the review sessions, the business areas make any resulting adjustments and the
25 budgets are considered final.

1 **B. The Capital Budgeting Process**

2 **Q. Are there any differences between the steps in the O&M budget process and**
3 **the Capital Budget process?**

4 A. Yes. Although both the O&M and Capital Budget processes generally follow the
5 steps I have described above, the Capital Budget process includes some additional
6 required corporate governance steps, including steps focusing on new capital
7 projects with \$10 million or more in expenditures.

8 **Q. Please describe the Capital Budget process in more detail.**

9 A. The first step is the same as that described above, which is initial development of
10 the Capital Budget for each functional area within the business areas. Each
11 business area identifies budget managers who, in conjunction with the finance
12 support team, are responsible for this task. In addition, the Energy Supply business
13 area develops separate budgets for each generating plant that serves SPS and,
14 therefore, each plant has a budget manager charged with the responsibility for initial
15 development of the Capital Budget for that plant.

16 **Q. Please describe the accounting approach used in the Capital Budgets prepared**
17 **by the business areas.**

18 A. The Capital Budget includes a comprehensive listing of projects, including
19 “routine” project construction work. Many of the large projects are planned and
20 completed over multiple calendar years. Accordingly, each business area develops
21 its Capital Budget from a starting construction work in progress balance, where
22 applicable, and forecasts future capital expenditures for the current bridge year (the
23 remainder of the current year in which the budget is prepared) and for the next five

1 years. In-service dates must be provided for all capital projects or, in the case of
2 routine projects, a closing pattern must be applied.

3 **Q. What is the next step after the business areas have completed their**
4 **recommended Capital Budgets?**

5 A. After the business areas review and approve their bottom-up Capital Budgets,
6 business area leadership meets with their Operating Company President to present
7 their recommendations. At this stage, each Operating Company President is
8 responsible for reviewing the Capital Budgets for his or her Operating Company
9 across all business areas. Since spending guidelines are also developed on an
10 Operating Company basis, the Operating Company President has a foundation on
11 which to evaluate business area Capital Budgets. Based on the needs within the
12 Operating Company, the Operating Company President may request changes either
13 within a business area Capital Budget or across the business areas. After
14 incorporating any modifications requested by the Operating Company President,
15 the Capital Budgets are presented for corporate-level review.

16 **Q. Please describe the corporate review steps that apply to Capital Budgets.**

17 A. The Financial Council reviews and approves the Capital Budgets using the same
18 iterative process as described above. Prior to review by the Financial Council,
19 however, any new major capital projects (above \$10 million) must be reviewed by
20 the Investment Review Committee (“IRC”). Adjustments are made as needed. The
21 IRC, which consists of three members, reviews each project to assess key modeling
22 and analysis assumptions before the projects are submitted to the Financial Council.
23 As is true at the other steps of the process, additional research and analysis may be
24 required and, adjustments are made as needed.

1 After the Financial Council has approved the Capital Budget in total, and
2 also approved new major projects within that budget, the Capital Budget for each
3 Operating Company is then presented to that Operating Company's Board of
4 Directors for its review and approval (e.g., the SPS Capital Budget is presented to
5 SPS's Board of Directors), and all of the Operating Companies' Capital Budgets
6 are presented to the Xcel Energy Board of Directors for its review and approval.
7 The review by the Xcel Energy Board of Directors is focused on the total Capital
8 Budget for the upcoming year, as well as on major changes to the five-year forecast.
9 The Board also specifically reviews and approves any new major projects with total
10 project spend in excess of \$50 million and any previously approved major project
11 that is seeking re-approval because of significant changes to overall spend.

12 **Q. To what extent does the Capital Budget accurately reflect the final cost of any**
13 **particular capital project?**

14 A. The overall Capital Budget is a reasonably accurate prediction of costs to be
15 incurred by each business area and Operating Company. It is important to
16 recognize, however, that "budgeting accuracy" does not mean that every budgeted
17 dollar is spent in exactly the same way that it was forecast to be spent. In fact, it is
18 common for actual capital expenditures on a particular capital project to deviate
19 from budgeted levels, either positively or negatively, because of changed
20 circumstances. For example, there may be delays in obtaining the necessary
21 permits to begin construction, a customer may withdraw a request for a particular
22 project, or the timing of a project may change based on a change in priority within
23 the overall project portfolio. There is an oversight process to identify, review, and

1 approve deviations as they occur, however, and business areas and the Operating
2 Companies are required to live within their overall budgets or within approved
3 forecasted changes. The regular comparison of actual expenditures to budgeted
4 levels maintains an appropriate focus on expenditure levels, encourages timely
5 identification of impacts associated with unforeseen circumstances, and allows
6 business plans to be adjusted on a continuing basis to be responsive to the dynamic
7 nature of the business, while also adhering to the overall Capital Budget.

1 **IV. AFFILIATE CLASSES SPONSORED AND HOW THOSE CLASSES**
2 **FIT INTO THE OVERALL AFFILIATE STRUCTURE**

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

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

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

13 A. I sponsor the Chief Executive Officer, Chief Customer and Innovation Officer,
14 Corporate Other, Risk Management and Audit Services, CFO, Controller, Finance
15 & Corporate Development, Investor Relations, Tax Services, and Treasurer affiliate
16 classes. These classes are within the Chief Executive Officer, Customer and
17 Innovation, and Financial Operations business areas, and the Corporate Other cost
18 center.

19 **Q. Please explain where each sponsored affiliate class fits into the overall affiliate**
20 **structure.**

21 A. Attachment RLB-RR-6 to Mr. Baumgarten’s direct testimony provides a list and a
22 pictorial display of all affiliate classes, dollar amounts for those classes, and
23 sponsoring witness for each class. As seen on that attachment, during the Update
24 Test Year:

- 1 • The Chief Executive Officer affiliate class was part of the Chief Executive
2 Officer business area.
- 3 • The Chief Customer and Innovation Officer affiliate class was part of the
4 Customer and Innovation business area.
- 5 • The Risk Management and Audit Services affiliate class was part of the
6 Risk Management business area.
- 7 • The following affiliate classes were part of the Financial Operations
8 business area:
 - 9 ○ CFO;
 - 10 ○ Controller;
 - 11 ○ Finance & Corporate Development;
 - 12 ○ Investor Relations;
 - 13 ○ Tax Services; and,
 - 14 ○ Treasurer.

15 The Corporate Other affiliate class is a different type of class that is not part
16 of a business area. It is a department level group of costs, which is managed at the
17 corporate level.

18 The organization charts for the business areas identified above are provided
19 in my Attachments ARD-RR-2 through ARD-RR-5 as follows:

- 20 • Attachment ARD-RR-2 - Chief Executive Officer business area;
- 21 • Attachment ARD-RR-3 - Customer and Innovation business area;
- 22 • Attachment ARD-RR-4 - Financial Operations business area; and
- 23 • Attachment ARD-RR-5 – Risk Management business area.

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		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Chief Executive Officer	\$11,710,230	\$857,794	0.00%	100.00%

1 **Q. Please describe the attachments that support the information provided on**
2 **Table ARD-RR-1.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the Chief Executive Officer affiliate class.

5 **Attachment ARD-RR-A:** Provides a summary of the affiliate expenses for
6 this class during the Updated Test Year. The summary starts with the total of the
7 XES expenses to SPS for the services provided by this affiliate class and ends with
8 the requested dollar amount of XES expenses to SPS (total company) for this
9 affiliate class after exclusions and pro forma adjustments. The columns on this
10 attachment provide the following information.

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	Billing Method (Cost Center)	Shows the billing method that XES uses to charge the expenses to the affiliates, and the billing method short title. In his direct testimony, Mr. Baumgarten explains the billing methods and defines the codes.
Column D —	Allocation Method	Shows the allocation method applicable to the billing method (cost center).
Column E —	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	Shows XES billings to all legal entities for the affiliate class.

Column F —	XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	Shows XES billings to all legal entities except SPS for the affiliate class.
Column G —	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Shows XES billings to SPS (total company) for the affiliate class.
Column H —	Exclusions	Shows the total dollars to be excluded from Column G. Exclusions reflect expenses not requested, such as expenses not allowed or other expenses excluded from the cost of service.
Column I —	Per Book	Shows XES billings to SPS (total company), for the affiliate class, after the exclusions shown in Column H. The dollar amount in Column I is Column G plus Column H.
Column J —	Pro Formas	Shows the total dollar amount of pro forma adjustments to the dollar amount in Column I. Pro forma adjustments reflect revisions for known and measurable changes to the Updated Test Year expenses.
Column K —	Requested Amount (Total Company)	Shows the requested amount (total company) for the affiliate class. The dollar amount in Column K is Column I plus Column J.
Column L —	% of Class Charges	Shows the percentage of affiliate class charges billed using the cost center.

1 In his direct testimony, Mr. Baumgarten provides a consolidated summary
2 of affiliate expenses billed to SPS for all classes during the Test Year and the
3 Updated Test Year.

4 **Attachment ARD-RR-B(CD):** Provides the detail of the XES expenses
5 for the Chief Executive Officer affiliate class that are summarized on Attachment
6 ARD-RR-A. The detail shows the XES expenses billed to SPS for the Chief
7 Executive Officer affiliate class, itemized by the amount, with each expense listed
8 by individual activity, and billing method (cost center). When summed, these
9 amounts tie to the amounts shown on Attachment ARD-RR-A, and the detail
10 regarding the expenses is organized to support that attachment. Specifically, the
11 columns on this attachment provide the following information.

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Legal Entity Receiving XES Expenses	Shows the legal entity (Xcel Energy or one of its subsidiaries) that received the XES expense.
Column C —	Affiliate Class	Lists the affiliate class.
Column D —	Cost Element	Provides the cost element number
Column E —	Activity	Provides a short title for the activity.
Column F —	Billing Method (Cost Center)	Identifies the billing method and short title. In his direct testimony, Mr. Baumgarten explains the billing methods and defines the codes.

Column G —	FERC Account	Shows the FERC Account in which the expense was recorded for the operating companies.
Column H —	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to all legal entities for the affiliate class.
Column I —	XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to all legal entities except SPS for the affiliate class.
Column J —	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to SPS for the affiliate class. Therefore, the sum of this column provides total billings to SPS and ties to the total dollar amount for the affiliate class in Column G of Attachment ARD-RR-A.
Column K —	Exclusions	Shows the total dollars excluded from Column J. The total dollar amount for the affiliate class in Column K ties to the total dollar amount for the affiliate class in Column H of Attachment ARD-RR-A.
Column L —	Per Book	Shows XES billings to SPS (total company) for the affiliate class after the exclusions shown in Column K. The dollar amount in Column L is Column J plus Column K. The total dollar amount for the affiliate class in Column L ties to the total dollar amount for the affiliate class in Column I of Attachment ARD-RR-A.

Column M —	Pro Formas	Shows the dollar amount of pro forma adjustments to the dollar amount in Column L. The total dollar amount for the affiliate class in Column M ties to the total dollar amount for the affiliate class in Column J of Attachment ARD-RR-A.
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Column N —	Requested Amount (Total Company)	Shows the requested amount (total company) for the affiliate class. The dollar amount in Column N is Column L plus Column M. The total dollar amount for the affiliate class in Column N ties to the total dollar amount for the affiliate class in Column K of Attachment ARD-RR-A.
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1 Mr. Baumgarten also provides a consolidated summary of this information
2 for all affiliate classes during the Test Year and Updated Test Year.

3 **Attachment ARD-RR-C:** Both Attachments ARD-RR-A and
4 ARD-RR-B(CD) show exclusions to the XES expenses billed to SPS for the Chief
5 Executive Officer affiliate class (Attachment ARD-RR-A, Column H; Attachment
6 ARD-RR-B(CD), Column K). Attachment ARD-RR-C provides detail about those
7 exclusions listed on Attachments ARD-RR-A and ARD-RR-B(CD). The columns
8 on Attachment ARD-RR-C provide the following information.

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

1 In his direct testimony, Mr. Baumgarten describes the calculations
2 underlying the exclusions.

3 **Attachment ARD-RR-D:** Both Attachments ARD-RR-A and
4 ARD-RR-B(CD) show pro forma adjustments to SPS's per book expenses for the
5 Chief Executive Officer affiliate class (Attachment ARD-RR-A, Column J;
6 Attachment ARD-RR-B(CD), Column M). Attachment ARD-RR-D provides
7 information about those pro forma adjustments shown on Attachments ARD-RR-A
8 and ARD-RR-B(CD). The columns on Attachment ARD-RR-D provide the
9 following information.

Column A—	Line No.	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	FERC Account	Identifies the FERC Account and FERC Account description affected by the pro forma adjustment.
Column D —	Explanations for Pro Formas	Provides a brief rationale for the pro forma adjustment.
Column E —	Sponsor	Identifies the witness or witnesses who sponsor the pro forma adjustment.
Column F —	Pro Formas (Total Company)	Shows the dollar amount of the pro forma adjustment.

1 **Q. Does XES bill its expenses for the Chief Executive Officer affiliate class to SPS**
2 **in the same manner as it bills other affiliates for those expenses?**

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

6 **Q. Are there any exclusions to the XES billings to SPS for the Chief Executive**
7 **Officer affiliate class?**

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

15 **Q. Are there any pro forma adjustments to SPS's per book expenses for the Chief**
16 **Executive Officer affiliate class?**

17 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
18 Year expenses for known and measurable changes. Pro forma adjustments are
19 shown on Attachment ARD-RR-A, Column J, and on Attachment ARD-RR-
20 B(CD), Column M. The details for the pro forma adjustments, including the
21 witness or witnesses who sponsor each pro forma adjustment, are provided in
22 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
23 months of the Updated Test Year have completed the full pro forma adjustment

1 review process. In SPS's 45-day case update, I will present an updated Attachment
2 ARD-RR-D that will complete the full pro forma adjustment review process for the
3 last three months of the Updated Test Year.

4 **B. The Chief Executive Officer Affiliate Class of Services are**
5 **Necessary Services**

6 **Q. Are the services that are grouped in the Chief Executive Officer affiliate class**
7 **necessary for SPS's operations?**

8 A. Yes. The services grouped in the Chief Executive Officer affiliate class are
9 performed on behalf of all Xcel Energy subsidiaries, including SPS. These services
10 are necessary to ensure that Xcel Energy and SPS are effectively, efficiently, and
11 ethically managed. They are functions required by all utilities and without which
12 SPS would not be able to provide electric service to its customers.

13 **Q. What are the specific services that are provided to SPS by the Chief Executive**
14 **Officer affiliate class?**

15 A. The specific services that are provided to SPS by the Chief Executive Officer
16 affiliate class include:

- 17 • Implementation of decisions adopted by the Xcel Energy Board of
18 Directors;
- 19 • Execution of business strategy;
- 20 • Execution of corporate governance;
- 21 • Oversight of the operations of the Operating Companies, including SPS;
- 22 • Preservation of financial integrity of the Operating Companies, including
23 SPS;
- 24 • Oversight of the corporate organizational structure and corporate staff that
25 is necessary to carrying out the Chief Executive Officer functions, and,
- 26 • Payment of compensation for the independent directors of the Xcel Energy
27 Board of Directors.

1 **Q. Are any of the Chief Executive Officer affiliate class of services that are**
2 **provided to SPS duplicated elsewhere in XES or in any other Xcel Energy**
3 **subsidiary such as SPS itself?**

4 A. No. Within XES, none of the services grouped in the Chief Executive Officer
5 affiliate class are duplicated elsewhere. No other Xcel Energy subsidiary performs
6 these services for the Operating Companies. In addition, SPS does not perform
7 these services for itself.

8 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
9 **Chief Executive Officer affiliate class of services?**

10 A. Yes. The services of the Chief Executive Officer affiliate class benefit SPS's
11 customers in many ways. For example, through the leadership of the Chief
12 Executive Officer, operations are put in place to optimize performance for
13 customers, employees, shareholders, and the environment; strategies are
14 implemented to assure the financial integrity of Xcel Energy and SPS; and ethical
15 business policies and practices are institutionalized. This leadership assures that
16 Xcel Energy and SPS are operated as successful business entities, that comply with
17 laws and standards required of publicly held corporations, and that succeed in
18 supplying electricity to customers.

19 **C. The Chief Executive Officer Affiliate Class of Services are**
20 **Provided at a Reasonable Cost**

21 **Q. Are the costs of the Chief Executive Officer affiliate class of services**
22 **reasonable?**

23 A. Yes. The costs of the Chief Executive Officer affiliate class of services are
24 reasonable. The Chief Executive Officer provides these functions and services on

1 a consolidated basis for multiple Xcel Energy legal entities. As a result, SPS
2 benefits from professional managerial services, the consolidated costs of which are
3 shared. The economies of scale inherent in this system result in reasonable costs to
4 SPS for these services.

5 *1. Additional Evidence*

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

8 A. Yes. Of the estimated Updated Test Year costs for the Chief Executive Officer,
9 approximately 39% consists of fees related to the Xcel Energy Board of Directors.
10 Please refer to SPS witness Carol C. Bouw for support of the purpose, make-up and
11 associated costs of the Board of Directors. Additionally, 46% consists of
12 compensation and benefits costs for XES personnel. SPS witnesses Michael P.
13 Deselich and Richard R. Schrubbe establish that the level of Xcel Energy's
14 compensation and benefits is reasonable and necessary.

15 *2. Budget Planning*

16 **Q. Is a budget planning process applicable to the Chief Executive Officer class of**
17 **affiliate costs?**

18 A. Yes. Annual O&M expense budgets are created for the Chief Executive Officer
19 business area, using guidelines developed at the corporate level. The organization
20 carefully reviews historical spend information, identifies changes that will be
21 coming in the future, and analyzes the costs associated with those changes prior to
22 submitting a proposed budget. The budgeting process is discussed in more detail
23 in Section III of my testimony.

1 **Q. During the fiscal year, does the Chief Executive Officer business area monitor**
2 **its actual expenditures versus its budget?**

3 A. Yes. Actual versus expected expenditures are monitored on a monthly basis by the
4 Chief Executive Officer organization. Deviations are evaluated each month to
5 ensure that costs are appropriate. In addition, action plans are developed to mitigate
6 variations in actual to budgeted expenditures. These mitigation plans may either
7 reduce or delay other expenditures so that the revised budget supports the
8 authorized budget. If authorized budget adjustments are required, they are
9 identified and initiated.

10 **Q. Are employees within the Chief Executive Officer organization held**
11 **accountable for deviations from the budget?**

12 A. Yes. The Chief Executive Officer has responsibility for corporate governance and
13 maintaining the financial integrity of Xcel Energy and its subsidiaries. He and his
14 administrative assistant follow the same procedures as he requires of other business
15 areas, which includes measuring results on a monthly basis to ensure adherence to
16 the goals and to discuss actions necessary to address variances.

17 3. *Cost Trends*

18 **Q. Please state the dollar amounts of the actual per book charges from XES to**
19 **SPS for the Chief Executive Officer affiliate class of services for the three fiscal**
20 **years preceding the end of the Updated Test Year and the estimated per book**
21 **charges for the estimated Updated Test Year.**

22 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
23 years), the actual per book and, for the Updated Test Year, the estimated per book
24 affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the
25 services grouped in the Chief Executive Officer affiliate class:

1

Table ARD-RR-2

	(Per Book) Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Chief Executive Officer	\$414,618	\$611,028	\$1,025,169	\$1,377,142

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

3 A. The increase in costs between 2017 and 2018 was due to increased consulting costs
 4 related to strategic and financial initiatives and industry dues. The increase in costs
 5 between 2018 and 2019 was due primarily to the fees for the Board of Directors
 6 moving from the Corporate Secretary and Executive Services class to the Chief
 7 Executive Officer class. The increase in costs between 2019 and the estimated
 8 Updated Test Year was primarily due to higher labor costs, Board of Directors fees
 9 and dues paid to utility associations.

10 *4. Staffing Trends*

11 **Q. Please provide the staffing levels for the Chief Executive Officer class of**
 12 **services for the three fiscal years preceding the end of the Updated Test Year**
 13 **and the Updated Test Year.**

14 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
 15 years) and for the Updated Test Year, the average of the end of month staffing
 16 levels for the Chief Executive Officer affiliate class of services. As shown below,
 17 the department has maintained the same level of average staffing over this period
 18 of time.

Table ARD-RR-3

Class of Services	Average of End of Month # of Staff			
	2017	2018	2019	Updated Test Year (Estimated)
Chief Executive Officer	2	2	2	2

5. Cost Control and Process Improvement Initiatives

Q. Separate from the budget planning process, does the Chief Executive Officer affiliate class take any steps to control its costs or to improve its services?

A. Yes. The Chief Executive Officer organization reviews its plans, initiatives, and staffing to ensure they are appropriate and to identify and implement improvements.

D. The Costs for the Chief Executive Officer Affiliate Class of Services are Priced in a Fair Manner

Q. For those costs that XES charges (either directly or through use of an allocation) to SPS for the Chief Executive Officer affiliate class of services, does SPS pay any more for the same or similar service than does any other Xcel Energy affiliate?

A. No. The XES charges to SPS for any particular service are no higher than the XES charges to any other Xcel Energy affiliate. The costs charged for particular services are the actual costs that XES incurred in providing those services to SPS. A single, specific allocation method, rationally related to the cost drivers associated with the service being provided, is used with each cost center (billing method). In his direct testimony, Mr. Baumgarten discusses the selection of billing methods and XES's method of charging for services in more detail.

1 **Q. How are the costs of the Chief Executive Officer affiliate class billed to SPS?**

2 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
3 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
4 the billing method associated with each activity. My Attachment ARD-RR-A
5 shows the allocation method (Column D) associated with each billing method
6 (Column C) used in the affiliate class.

7 In SPS's 45-day case update, I will present updated Attachments ARD-RR-
8 A and ARD-RR-B(CD) so that the entries for the last three months of the Updated
9 Test Year provide actual data and conform to the information provided for the first
10 nine months. In the event the predominant billing methods and associated
11 allocation methods for the Chief Executive Officer affiliate O&M expenses on my
12 updated Attachments ARD-RR-A and ARD-RR-B(CD) differ from those discussed
13 below, I will explain those differences in supplemental testimony in SPS's 45-day
14 case update filing.

15 **Q. What are the predominant allocation methods used for billing the Chief**
16 **Executive Officer affiliate class of services?**

17 A. All of the XES charges to SPS for this class were charged using the following
18 allocation method:

- 19 • Assets, Revenue, and Number of Employees: 100.0% of XES charges to
20 SPS or \$857,794.11.

21 **Q. Why is it appropriate to allocate costs based upon the "Assets, Revenue, and**
22 **Number of Employees" method for the costs captured in the cost centers that**
23 **use that allocation method?**

24 A. The three factor allocation method using assets, revenue, and employees produces
25 an allocation of costs that recognizes the complexity, risk, and overall business

1 activity levels that drive the costs included in the cost centers and measures the
2 benefits received from those activities. For the cost centers charged using this
3 allocator, there is no one specific cost driver for the support tasks and services
4 provided, and the services benefit multiple Xcel Energy affiliates. For example,
5 labor costs for the Chief Executive Officer are predominantly collected in Cost
6 Center 200063 and are assigned using this allocation method. Within the Xcel
7 Energy holding company group, those legal entities that have proportionately more
8 assets, revenues, and employees will have more focus placed on their operations
9 due to those subsidiaries' relative influence on the consolidated business balance
10 sheet, income statement and statement of cash flow, and the subsidiaries will
11 benefit accordingly from the services provided. Thus, allocating these costs based
12 upon the average of the total asset ratio, revenue ratio, and the employee ratio is
13 appropriate because it allocates costs in accordance with cost causation and benefits
14 received. Mr. Baumgarten discusses this billing method in more detail in his
15 testimony. For the cost centers that assign costs based upon this allocation method,
16 the per unit amounts charged by XES to SPS as a result of the application of this
17 allocation method are no higher than the unit amounts billed by XES to other
18 affiliates for the same or similar services and represent the actual costs of the
19 services.

1 **VI. AFFILIATE EXPENSES FOR THE CHIEF CUSTOMER AND**
2 **INNOVATION OFFICER CLASS OF SERVICES**

3 **A. Summary of Affiliate Expenses for the Chief**
4 **Customer and Innovation Officer Class of Services**

5 **Q. What services are grouped into the Chief Customer and Innovation Officer**
6 **affiliate class?**

7 A. The Customer and Innovation organization consists of multiple operational areas
8 that provide services to SPS. The services that are grouped into this class include
9 providing oversight and management of business area strategy and finance, and
10 providing leadership for projects impacting the Customer and Innovation business
11 area; providing leadership for Xcel Energy-wide projects; creating roadmap
12 designs; and managing all major business cases and initiatives to drive efficiency,
13 operational effectiveness and innovation, with a focus on ensuring Xcel Energy is
14 providing a continually improving customer experience. Further, the services
15 include producing and supervising the overall brand strategy and the placement of
16 advertising and sponsorships.

17 **Q. What is the dollar amount of the Updated Test Year XES charges that SPS**
18 **requests, on a Total Company basis, for Chief Customer and Innovation**
19 **Officer affiliate class?**

20 A. The following table summarizes the dollar amount of the estimated Updated Test
21 Year XES charges for the Chief Customer and Innovation Officer affiliate class. I
22 will update the table below as part of SPS's 45-day case update filing to reflect the
23 actual Updated Test Year costs for the Chief Customer and Innovation Officer

1 affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the
2 amounts below summarize information provided in Attachment ARD-RR-A.

3 **Table ARD-RR-4**

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Chief Customer and Innovation Officer	\$32,550,179	\$2,623,430	0.62%	99.38%

4 **Q. Please describe the attachments that support the information provided on**
5 **Table ARD-RR-4.**

6 A. There are four attachments to my testimony that present information about the
7 requested SPS affiliate expenses for the Chief Customer and Innovation Officer
8 affiliate class. I explained these attachments in detail previously in Section V.A. of
9 my testimony.

10 **Q. Does XES bill its expenses for the Chief Customer and Innovation Officer**
11 **affiliate class to SPS in the same manner as it bills other affiliates for those**
12 **expenses?**

13 A. Yes. As discussed by Mr. Baumgarten, XES uses the same method for billing and
14 allocating costs to affiliates other than SPS that it uses to bill and allocate those
15 costs to SPS.

16 **Q. Are there any exclusions to the XES billings to SPS for the Chief Customer**
17 **and Innovation Officer affiliate class?**

18 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
19 expenses not allowed or other below-the-line items. Exclusions are shown on

1 Attachment ARD-RR-A, Column H, and on Attachment ARD-RR-B(CD), Column
2 K. The details for the exclusions are provided in Attachment ARD-RR-C. As I
3 also mentioned earlier, Mr. Baumgarten describes how the exclusions were
4 calculated. In SPS's 45-day case update, I will present an updated Attachment
5 ARD-RR-C that will provide actual exclusions to replace any estimated exclusions
6 included in my original attachment.

7 **Q. Are there any pro forma adjustments to SPS's per book expenses for the Chief**
8 **Customer and Innovation Officer affiliate class?**

9 A. Yes. Pro forma adjustments are revisions to Updated Test Year expenses for known
10 and measurable changes. Pro forma adjustments are shown on Attachment
11 ARD-RR-A, Column J, and on Attachment ARD-RR-B(CD), Column M. The
12 details for the pro forma adjustments, including the witness or witnesses who
13 sponsor each pro forma adjustment, are provided in Attachment ARD-RR-D.
14 Given the time of SPS's initial filing, only the first nine months of the Updated Test
15 Year have completed the full pro forma adjustment review process. In SPS's 45-
16 day case update, I will present an updated Attachment ARD-RR-D that will
17 complete the full pro forma adjustment review process for the last three months of
18 the Updated Test Year.

19 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
20 **adjustments that result in a net decrease of \$375.04 for the Chief Customer**
21 **and Innovation Officer affiliate class. Please explain the adjustments.**

22 A. The adjustments that I sponsor were for: removal of charges for life events (a net
23 decrease of \$140.17); and removal of charges for alcoholic and other beverages (a
24 decrease of \$234.88).

1 **B. The Chief Customer and Innovation Officer Affiliate Class of**
2 **Services are Necessary Services**

3 **Q. Are the services that are grouped in the Chief Customer and Innovation**
4 **Officer affiliate class necessary for SPS's operations?**

5 A. Yes. The Customer and Innovation organization provides many essential services
6 that are necessary in order for SPS to provide electric service to its customers, and
7 leadership and oversight of the operational areas that provide those services is
8 required to ensure that service is provided and to ensure strategic alignment across
9 operational areas in connection with enterprise-wide process, people, and
10 technology deployments. This leadership is provided through the Chief Customer
11 and Innovation Officer affiliate class. These are functions required by all utilities
12 and without which SPS would not be able to provide electric service to its
13 customers.

14 **Q. What are the specific services that are provided to SPS by the Chief Customer**
15 **and Innovation Officer affiliate class?**

16 A. The specific services that are provided to SPS by the Chief Customer and
17 Innovation Officer affiliate class are leadership and oversight of the operational
18 areas within the Customer and Innovation organization. This includes
19 responsibility for the overall direction of the many services provided to SPS by the
20 Customer and Innovation business area, and providing leadership of business area-
21 wide projects, strategy, and finance. Other than Customer and Brand, and
22 Innovation and Transformation Office, additional affiliate classes included within
23 the Customer and Innovation organization are:

- 1 • Enterprise Security, which is responsible for both cyber and physical
2 security to employees, protecting assets, performing investigations and
3 incident response, and assisting in regulatory compliance. These services
4 allow SPS to operate securely and within regulatory requirements
5 governing the physical security of electrical facilities. This operational area
6 is discussed in detail by SPS witness Jamey Sample;
- 7 • Business Systems, which ensures that SPS has the information technology,
8 including networks, hardware, applications, and systems that are required
9 to provide service to its customers. This operational area is discussed in
10 detail by SPS witness Michael O. Remington;
- 11 • Customer Care, which operates the customer contact centers and provides
12 the billing and meter reading services to SPS' customers. This operational
13 area is discussed in detail by SPS witness Nora Lindgren;
- 14 • Marketing, which is responsible for developing customer choice options
15 such as load management programs for SPS; performing regulatory
16 compliance, and performing assessments for SPS's customer programs;
17 developing new methods of customer engagement; and, improving
18 customer satisfaction with interactions with SPS. This operational area is
19 discussed in detail by SPS witness Shawn M. White; and,
- 20 • Strategic Revenue Initiatives, which is involved in leading, coordinating,
21 collaborating, and engaging in multiple innovative electric service options
22 for the benefit of SPS and its customers. With advancements in technology
23 and increased focus on energy efficiency, the Strategic Revenue Initiatives
24 class works to meet customer desires for non-traditional services. This
25 operational area is discussed in detail by Mr. Grant.

26 **Q. Are any of the Chief Customer and Innovation Officer affiliate class of services**
27 **that are provided to SPS duplicated elsewhere in XES or in any other Xcel**
28 **Energy subsidiary such as SPS itself?**

29 A. No. Within XES, none of the services grouped in the Chief Customer and
30 Innovation Officer affiliate class are duplicated elsewhere. No other Xcel Energy
31 subsidiary performs these services for the Operating Companies. In addition, SPS
32 does not perform these services for itself.

1 **Q. Do SPS’s Texas retail customers benefit from the services that are part of the**
2 **Chief Customer and Innovation Officer affiliate class of services?**

3 A. Yes. The services of the Chief Customer and Innovation Officer affiliate class
4 benefit SPS’s customers in many ways. The oversight and coordination provided
5 by the Chief Customer and Innovation Officer class is instrumental in ensuring that
6 the services provided to SPS by the Customer and Innovation departments are
7 efficient, effective, and support SPS’s needs in providing electric service to
8 customers.

9 **C. The Chief Customer and Innovation Officer Affiliate Class of**
10 **Services are Provided at a Reasonable Cost**

11 **Q. Are the costs of the Chief Customer and Innovation Officer affiliate class of**
12 **services reasonable?**

13 A. Yes. The costs of the Chief Customer and Innovation Officer affiliate class of
14 services are reasonable. It is typical for a corporate organization, such as Xcel
15 Energy and its subsidiaries, to centralize executive management in a shared services
16 provider such as XES. Xcel Energy provides this centralized executive
17 management service through the office of the Chief Customer and Innovation
18 Officer. This centralized structure reduces overall management and administrative
19 costs by not having duplicate executive management in SPS and the other Xcel
20 Energy subsidiaries. This structure allows costs for the Chief Customer Service
21 and Innovation Office to be shared by and distributed across multiple Xcel Energy
22 legal entities.

1 *1. Additional Evidence*

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

4 A. Yes. Of the estimated Updated Test Year costs for the Chief Customer Service and
5 Innovation Officer class, approximately 35% are compensation and benefits costs
6 for XES personnel. Mr. Deselich and Mr. Schrubbe establish that the level of Xcel
7 Energy's compensation and benefits is reasonable and necessary. In addition,
8 approximately 71% of the costs for this class were for goods or services procured
9 by contract. Xcel Energy's Supply Chain organization is responsible for the
10 sourcing and purchasing of goods and services needed by SPS, as well as the review
11 and processing of payments by vendors. SPS witness Robert H. Kunze provides
12 testimony about these functions and demonstrates that the Supply Chain processes
13 and controls produce reasonable costs supporting SPS's operations.

14 *2. Budget Planning*

15 **Q. Is a budget planning process applicable to the Chief Customer Service and**
16 **Innovation Officer class of affiliate costs?**

17 A. Yes. Annual O&M budgets are created for the Chief Customer and Innovation
18 Officer class of affiliate costs, using guidelines developed at the corporate level.
19 The process includes the review of historical spend information, identification of
20 known changes for the coming years, and analysis of the costs associated with those
21 changes prior to submitting a proposed budget. The budgeting process is discussed
22 in more detail in Section III of my testimony.

Table ARD-RR-5

	(Per Book) Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Chief Customer and Innovation Officer	\$3,520,801	\$5,639,262	\$5,066,959	\$3,615,662

Q. What are the reasons for this trend?

A. The increase from 2017 to 2018 was due primarily to outside consulting costs related to a continuous improvement initiative undertaken by Xcel Energy. The initiative developed a framework and process for business areas to examine their work and identify efficiencies. The decreases in costs from 2018 to the estimated Updated Test Year was due to decreased consulting, partially offset by higher labor and IT costs as the continuous improvement work was transitioned to a steady state.

4. Staffing Trends

Q. Please provide the staffing levels for the Chief Customer and Innovation Officer affiliate class of services for the three fiscal years preceding the end of the Updated Test Year and the Updated Test Year.

A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar years) and for the Updated Test Year, the average of the end of month staffing levels for the Chief Customer and Innovation Officer affiliate class of services.

Table ARD-RR-6

	Average of End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Chief Customer and Innovation Officer	33	41	57	73

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

2 A. The increase from 2017 to 2018 was due to staffing open roles in our innovation
3 and continuous improvement teams. The increase from 2018 to the Updated Test
4 Year was due to additional resources added to support customer and employee
5 experiences, continued staffing of our continuous improvement teams and
6 additional resources around customer and brand strategy.

7 *5. Cost Control and Process Improvement Initiatives*

8 **Q. Separate from the budget planning process, does the Chief Customer and**
9 **Innovation Officer affiliate class take any steps to control its costs or to**
10 **improve its services?**

11 A. Yes. The Chief Customer and Innovation Officer continually reviews its plans and
12 initiatives and staffing to ensure they are appropriate and to identify and implement
13 improvements. Staffing levels are increased only when it becomes apparent that
14 there will be a long-term need for a specific type of expertise that is not currently
15 on staff, when work levels appear to have increased on a permanent basis, or when
16 systematic employee transfers result in the need to replace staff. Conversely, staff
17 is decreased when the opposite trends become apparent.

18 **D. The Costs for the Chief Customer and Innovation Officer Affiliate**
19 **Class of Services are Priced in a Fair Manner**

20 **Q. For those costs that XES charges (either directly or through use of an**
21 **allocation) to SPS for the Chief Customer and Innovation Officer affiliate class**
22 **of services, does SPS pay any more for the same or similar service than does**
23 **any other Xcel Energy affiliate?**

24 A. No. The XES charges to SPS for any particular service are no higher than the XES
25 charges to any other Xcel Energy affiliate. The costs charged for particular services

1 are the actual costs that XES incurred in providing those services to SPS. A single,
2 specific allocation method, rationally related to the cost drivers associated with the
3 service being provided, is used with each cost center (billing method). In his direct
4 testimony, Mr. Baumgarten discusses the selection of billing methods and XES's
5 method of charging for services in more detail.

6 **Q. How are the costs of the Chief Customer and Innovation Officer affiliate class**
7 **billed to SPS?**

8 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
9 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
10 the billing method associated with each activity. My Attachment ARD-RR-A,
11 shows the allocation method (Column D) associated with each billing method
12 (Column C) used in the affiliate class.

13 In SPS's 45-day case update, I will present updated Attachments ARD-RR-
14 A and ARD-RR-B(CD) so that the entries for the last three months of the Updated
15 Test Year provide actual data and conform to the information provided for the first
16 nine months. In the event the predominant billing methods and associated
17 allocation methods for the Chief Customer and Innovation Officer affiliate O&M
18 expenses on my updated Attachments ARD-RR-A and ARD-RR-B(CD) differ
19 from those discussed below, I will explain those differences in supplemental
20 testimony in SPS's 45-day case update filing.

21 **Q. What are the predominant allocation methods used for billing the costs that**
22 **SPS seeks to recover for the Chief Customer and Innovation Officer affiliate**
23 **class of services?**

24 A. The majority of the requested XES charges to SPS for this class were charged using
25 the following allocation method:

- 1 • Assets, Revenue, and Number of Employees: 52.16% of XES charges
2 to SPS or \$1,368,293.56.
- 3 • Number of Meters/Number of Contacts: 30.19% of XES charges to SPS
4 or \$792,092.92.
- 5 • Number of Customers: 15.26% of XES charges to SPS or \$400,248.90.

6 **Q. Why is it appropriate to allocate costs based upon the “Assets, Revenue, and**
7 **Number of Employees” method for the costs captured in the cost centers that**
8 **use that allocation method?**

9 A. The three factor billing method using assets, revenue, and employees produces an
10 allocation of costs that recognizes the complexity, risk, and overall business activity
11 levels that drive the costs included in the cost centers (billing methods) and
12 measures the benefits received from those activities. For the cost centers (billing
13 methods) charged using this allocator, there is no one specific cost driver for the
14 support tasks and services provided, and the services benefit multiple Xcel Energy
15 affiliates. For example, the costs associated with planning and conducting senior
16 leadership strategy meetings, which are collected in Cost Center 200063, are
17 assigned using this allocation method. Within the Xcel Energy holding company
18 group, those legal entities that have proportionately more assets, revenues, and
19 employees will have more focus placed on their operations due to those
20 subsidiaries’ relative influence on the consolidated business balance sheet, income
21 statement, and statement of cash flow, and the subsidiaries will benefit accordingly
22 from the services provided. Thus, allocating these costs based upon the average of
23 the total asset ratio, revenue ratio, and the employee ratio is appropriate because it
24 allocates costs in accordance with cost causation and benefits received. Mr.
25 Baumgarten discusses this billing method in more detail in his testimony. For the

1 cost centers (billing methods) that assign costs based upon this allocation method,
2 the per unit amounts charged by XES to SPS as a result of the application of this
3 allocation method are no higher than the unit amounts billed by XES to other
4 affiliates for the same or similar services and represent the actual costs of the
5 services.

6 **Q. Why is it appropriate to allocate costs based upon the “Number of**
7 **Meters/Number of Contacts” method for the costs captured in the cost centers**
8 **that use that allocation method?**

9 A. For the cost centers charged using the “Number of Meters/Number of Contacts”
10 method as the allocator, the costs are driven by the number of total meters and the
11 number of overall customer contacts at each Operating Company. They include
12 costs associated with the Chief Customer and Innovation Office organization
13 related to an initiative to enhance the customer experience. For example, Cost
14 Center 200171, which uses the “Number of Meters/Number of Contacts” method
15 as the allocator, includes consulting costs related to work to upgrade and improve
16 our customer facing portals such as MyAccount and XE.com which are used to
17 provide information and services to customers across Operating Companies.
18 Accordingly, this cost center allocates costs among the Operating Companies based
19 upon the proportionate share of meters and contacts for each Operating Company
20 (i.e., the number of customers of a particular Operating Company as a percentage
21 of the total number of customers of all of the Operating Companies). This
22 allocation reflects cost causation and the distribution of the benefits of the services
23 received. For the cost centers that assign costs based upon this allocation method,

1 the per unit amounts charged by XES to SPS as a result of the application of this
2 allocation method are no higher than the unit amounts billed by XES to other
3 affiliates for the same or similar services and represent the actual costs of the
4 services.

5 **Q. Why is it appropriate to allocate costs based upon the “Number of Customers”**
6 **method for the costs captured in the cost centers that use that allocation**
7 **method?**

8 A. For the cost centers charged using the “Number of Customers” method as the
9 allocator, the costs are driven by the needs of customers. They include costs
10 associated with the Chief Customer and Innovation Office organization related to
11 an initiative to enhance the customer experience. For example, Cost Center
12 200152, which uses the “Number of Customers” method as the allocator, includes
13 costs related to our overall customer strategy and how do we need to change and
14 upgrade the overall customer experience. Accordingly, this cost center allocates
15 costs among the Operating Companies based upon the proportionate share of
16 customers of each Operating Company (i.e., the number of customers of a particular
17 Operating Company as a percentage of the total number of customers of all of the
18 Operating Companies). This allocation reflects cost causation and the distribution
19 of the benefits of the services received. For the cost centers that assign costs based
20 upon this allocation method, the per unit amounts charged by XES to SPS as a result
21 of the application of this allocation method are no higher than the unit amounts
22 billed by XES to other affiliates for the same or similar services and represent the
23 actual costs of the services.

1 **Q. You have covered the allocation methods used to bill 97.61% of the costs**
2 **associated with this affiliate class. Why have you not specifically covered the**
3 **remaining 2.39% of the costs of this class?**

4 A. I have described the predominant allocation methods associated with this affiliate
5 class. The remaining costs are billed using three different allocators in addition to
6 the direct method. In light of the number of remaining allocators, cost centers
7 (billing methods), and relative dollar amounts, I have not gone into a detailed
8 discussion of these other allocation methods in order to keep the discussion to a
9 manageable level. The cost centers (billing methods) used to charge the remaining
10 2.39% of the costs in this class, however, are presented in my Attachment ARD-
11 RR-B(CD), discussed earlier. A reader may reference that attachment and then
12 refer to the specific cost center (billing method) summary provided in Mr.
13 Baumgarten's Attachment RLB-RR-11 for an explanation of the particular
14 allocators used and the cost drivers for the activities reflected in that particular cost
15 center.

16 **Q. Have you determined that the costs reflected in the remaining 2.39% of costs**
17 **associated with this class of services have been billed using an appropriate**
18 **allocation method?**

19 A. Yes. I, or one of my staff working at my direction, have reviewed each of the cost
20 centers and the associated allocators used to bill the remaining 2.39% of the costs
21 of this class. The cost drivers reflected in the allocation method used to bill the
22 costs of each cost center are consistent with and reflect the cost drivers of the
23 services captured in each particular cost center. Therefore, the billing methods are
24 appropriate because the allocation of costs is in accordance with the distribution of

- 1 the benefits received by SPS and are no higher than the per unit costs charged to
- 2 other affiliates for the same or similar types of services.

1 **VII. AFFILIATE EXPENSES FOR THE CORPORATE OTHER CLASS**
2 **OF SERVICES**

3 **A. Summary of Affiliate Expenses for the Corporate Other Class of**
4 **Services**

5 **Q. What expenses are reflected within the Corporate Other affiliate class?**

6 A. The Corporate Other affiliate class is a department level group of costs, which is
7 managed at the corporate level. The Corporate Other affiliate class expenses are
8 related to permanent income tax differences, and corporate accrual of purchases on
9 the corporate credit card that are pending expense statement process.

10 **Q. What is the dollar amount of the Updated Test Year XES charges that SPS**
11 **requests, on a total company basis, for the Corporate Other affiliate class?**

12 A. The following table summarizes the dollar amount of the estimated Updated Test
13 Year XES charges for the Corporate Other affiliate class. I will update the table
14 below as part of SPS's 45-day case update filing to reflect the actual Updated Test
15 Year costs for the Corporate Other affiliate class. As explained regarding Table
16 ARD-RR-1 in Section V.A., the amounts below summarize information provided
17 in Attachment ARD-RR-A.

18 **Table ARD-RR-7**

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Corporate Other	\$13,072,770	\$1,345,802	102.99%	(2.99%)

1 **Q. Please describe the attachments that support the information provided on**
2 **Table ARD-RR-7.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the Corporate Other affiliate class. I explained
5 these attachments in detail previously in Section V.A. of my testimony.

6 **Q. Does XES bill its expenses for the Corporate Other affiliate class to SPS in the**
7 **same manner as it bills other affiliates for those expenses?**

8 A. Yes. As discussed by Mr. Baumgarten, XES uses the same method for billing and
9 allocating costs to affiliates other than SPS that it uses to bill and allocate those
10 costs to SPS.

11 **Q. Are there any exclusions to the XES billings to SPS for the Corporate Other**
12 **affiliate class?**

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

21 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
22 **Corporate Other affiliate class?**

23 A. There are no pro forma adjustments that I sponsor for the Corporate Other affiliated
24 class. There is one pro forma adjustment, 3% wage adjustment, sponsored by Ms.
25 Niemi and Mr. Deselich.

1 **B. The Corporate Other Affiliate Class of Services are Necessary**
2 **Services**

3 **Q. Are the services that are grouped in the Corporate Other affiliate class**
4 **necessary for SPS's operations?**

5 A. Yes. The costs grouped in the Corporate Other affiliate class are for necessary
6 business expenses. They are related to functions required by all utilities and are
7 necessary for SPS to be able to provide electric service to its customers.

8 **Q. What costs are reflected in the Corporate Other affiliate class?**

9 A. The costs reflected in the Corporate Other class are primarily expenses relating to
10 the corporate accrual of purchases on the corporate credit card that are pending
11 expense statement processing and tax related transactions. In addition, the
12 Corporate Other affiliate class includes miscellaneous expenses, which are
13 corporate in nature, such as miscellaneous write-offs for balances in the retired
14 Accounts Payable system.

15 **Q. Are any of the Corporate Other affiliate class of services that are provided to**
16 **SPS duplicated elsewhere in XES or in any other Xcel Energy subsidiary such**
17 **as SPS itself?**

18 A. No. The billing of these services from XES is only included in the Corporate Other
19 department. No other Xcel Energy subsidiary performs these services for the
20 Operating Companies. In addition, SPS does not perform these services for itself.

21 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
22 **Corporate Other class of services?**

23 A. Yes. As noted above, the services provided by the Corporate Other class are
24 primarily related to the net accrual amount during the Updated Test Year of

expenses made on the corporate credit card, tax related transactions, as well as, other miscellaneous items required to serve SPS's customers.

C. The Corporate Other Affiliate Class of Services are Provided at a Reasonable Cost

Q. Are the costs of the Corporate Other affiliate class of services reasonable?

A. Yes. The corporate credit card transactions which are pending expense statement processing and the tax related transactions are associated with services provided by all Xcel Energy business areas and are incurred through the normal course of business.

Q. Please state the dollar amounts of the actual per book charges from XES to SPS for the Corporate Other class of services for the three fiscal years preceding the end of the Updated Test Year and the estimated per book charges for the estimated Updated Test Year.

A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar years), the actual per book and, for the Updated Test Year, the estimated per book affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the services grouped in the Corporate Other affiliate class:

Table ARD-RR-8

	(Per Book) Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Corporate Other	\$3,184,238	\$1,511,739	\$1,356,735	\$1,345,002

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

2 A. The decrease in costs from 2017 to 2018 is primarily due to the normalization of
3 the impact of tax reform, normal fluctuations of permanent tax items and the
4 corporate credit card accruals. The decrease from 2018 to 2019 was due to lower
5 taxes and corporate credit card accrual. The charges for unreconciled transactions
6 can fluctuate annually and within the months due to the activity on the corporate
7 credit card. There have been minimal changes in costs from 2019 to the Updated
8 Test Year.

9 **D. The Costs for the Corporate Other Affiliate Class of Services are**
10 **Priced in a Fair Manner**

11 **Q. For those costs that XES charges (either directly or through use of an**
12 **allocation) to SPS for the Corporate Other affiliate class of services, does SPS**
13 **pay any more for the same or similar service than does any other Xcel Energy**
14 **affiliate?**

15 A. No. The XES charges to SPS for any particular service are no higher than the XES
16 charges to any other Xcel Energy affiliate. The costs charged for particular services
17 are the actual costs that XES incurred in providing those services to SPS. A single,
18 specific allocation method, rationally related to the cost drivers associated with the
19 service being provided, is used with each cost center (billing method). In his direct
20 testimony, Mr. Baumgarten discusses the selection of billing methods and XES's
21 method of charging for services in more detail.

22 **Q. How are the costs of the Corporate Other affiliate class billed to SPS?**

23 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
24 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows

1 the billing method associated with each activity. My Attachment ARD-RR-A,
2 shows the allocation method (Column D) associated with each billing method
3 (Column C) used in the affiliate class.

4 In SPS's 45-day case update, I will present updated Attachments ARD-RR-
5 A and ARD-RR-B(CD) so that the entries for the last three months of the Updated
6 Test Year provide actual data and conform to the information provided for the first
7 nine months. In the event the predominant billing methods and associated
8 allocation methods for the Corporate Other affiliate O&M expenses on my updated
9 Attachments ARD-RR-A and ARD-RR-B(CD) differ from those discussed below,
10 I will explain those differences in supplemental testimony in SPS's 45-day case
11 update filing.

12 **Q. What is the predominant allocation method used for billing the Corporate**
13 **Other affiliate class of services?**

14 A. All of the requested XES charges to SPS for this class were charged using one of
15 the following two allocation methods:

- 16 • Direct Billing: 102.99% of XES charges to SPS or \$1,386,103.43;
- 17 • Assets, Revenue, and Number of Employees: (2.99%) of XES charges
18 to SPS or (\$40,301.13).

19 **Q. Why is the "Direct Billing" method appropriate for assigning the costs**
20 **captured in the cost centers that use that allocation method?**

21 A. For the cost centers that are assigned using the "Direct Billing" method, the costs
22 normally reflect work that was performed specifically for SPS only. In some cases,
23 however, the direct billing occurred after the application of an off-line allocator that
24 tracks the relevant cost drivers. In either situation, the cost centers charged using

1 the “Direct Billing” method are appropriate because the assignment of costs is in
2 accordance with the distribution of benefits for the services received. For example,
3 the tax transactions were direct billed to SPS as they could be discretely assigned.
4 The cost of these services benefitted SPS and the facilities are in the SPS service
5 territory. Thus, the “Direct Billing” method is appropriate because it assigns costs
6 in accordance with cost causation and benefits received. For the cost centers that
7 assign costs using Direct Billing, the per unit amounts charged by XES to SPS are
8 no higher than the unit amounts billed by XES to other affiliates for the same or
9 similar services and represent the actual costs of the services.

10 **Q. Why is it appropriate to allocate costs based upon the “Assets, Revenue, and**
11 **Number of Employees” method for the costs captured in the cost centers that**
12 **use that allocation method?**

13 A. The three factor billing method using assets, revenue, and employees produces an
14 allocation of costs that recognizes the complexity, risk, and overall business activity
15 levels that drive the costs included in the cost centers (billing methods) and
16 measures the benefits received from those activities. For the cost centers (billing
17 methods) charged using this allocator, there is no one specific cost driver for the
18 support tasks and services provided, and the services benefit multiple Xcel Energy
19 affiliates. For example, the costs associated with the corporate accrual of the
20 company credit card transactions pending expense statement processing and that
21 have not yet been assigned to specific business areas (e.g., Distribution Operations,
22 Transmission, etc.), which are collected in Cost Center 200081, are assigned using
23 this allocation method. Within the Xcel Energy holding company group, those
24 legal entities that have proportionately more assets, revenues, and employees will

1 have more focus placed on their operations due to those subsidiaries' relative
2 influence on the consolidated business balance sheet, income statement, and
3 statement of cash flow, and the subsidiaries will benefit accordingly from the
4 services provided. Thus, allocating these costs based upon the average of the total
5 asset ratio, revenue ratio, and the employee ratio is appropriate because it allocates
6 costs in accordance with cost causation and benefits received. Mr. Baumgarten
7 discusses this billing method in more detail in his testimony. For the cost centers
8 (billing methods) that assign costs based upon this allocation method, the per unit
9 amounts charged by XES to SPS as a result of the application of this allocation
10 method are no higher than the unit amounts billed by XES to other affiliates for the
11 same or similar services and represent the actual costs of the services.

1 **VIII. AFFILIATE EXPENSES FOR THE RISK MANAGEMENT AND**
2 **AUDIT SERVICES CLASS OF SERVICES**

3 **A. Summary of Affiliate Expenses for the Risk Management and**
4 **Audit Services Class of Services**

5 **Q. What services are grouped into the Risk Management and Audit Services**
6 **affiliate class?**

7 A. The services that are grouped into the Risk Management and Audit Services
8 affiliate class are internal auditing, evaluating and improving internal controls,
9 corporate governance, ensuring ethical conduct, providing insight on leading
10 practices, commodity-related transactional governance, valuation and reporting for
11 both traditional utility operations and trading, applicable credit risk management,
12 generation cost modeling, modeling support for resource planning, contract
13 development, distribution asset risk management, and other risk management
14 activities.

15 **Q. What is the dollar amount of the Updated Test Year XES charges that SPS**
16 **requests, on a total company basis, for the Risk Management and Audit**
17 **Services affiliate class?**

18 A. The following table summarizes the dollar amount of the estimated Updated Test
19 Year XES charges for the Risk Management and Audit Services affiliate class. I
20 will update the table below as part of SPS's 45-day case update filing to reflect the
21 actual Updated Test Year costs for the Risk Management and Audit Services
22 affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the
23 amounts below summarize information provided in Attachment ARD-RR-A.

1

Table ARD-RR-9

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Risk Management and Audit Services	\$6,846,066	\$1,019,912	2.42%	97.58%

2 **Q. Please describe the attachments that support the information provided on**
3 **Table ARD-RR-9.**

4 A. There are four attachments to my testimony that present information about the
5 requested SPS affiliate expenses for the Risk Management and Audit Services
6 affiliate class. I explained these attachments in detail previously in Section V.A. of
7 my testimony.

8 **Q. Does XES bill its expenses for the Risk Management and Audit Services**
9 **affiliate class to SPS in the same manner as it bills other affiliates for those**
10 **expenses?**

11 A. Yes. As discussed by Mr. Baumgarten, XES uses the same method for billing and
12 allocating costs to affiliates other than SPS that it uses to bill and allocate those
13 costs to SPS.

14 **Q. Are there any exclusions to the XES billings to SPS for the Risk Management**
15 **and Audit Services affiliate class?**

16 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
17 expenses not allowed or other below-the-line items. Exclusions are shown on
18 Attachment ARD-RR-A, Column H, and on Attachment ARD-RR-B(CD), Column
19 K. The details for the exclusions are provided in Attachment ARD-RR-C. As I

1 also mentioned earlier, Mr. Baumgarten describes how the exclusions were
2 calculated. In SPS's 45-day case update, I will present an updated Attachment
3 ARD-RR-C that will provide actual exclusions to replace any estimated exclusions
4 included in my original attachment.

5 **Q. Are there any pro forma adjustments to SPS's per book expenses for the Risk**
6 **Management and Audit Services affiliate class?**

7 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
8 Year expenses for known and measurable changes. Pro forma adjustments are
9 shown on Attachment ARD-RR-A, Column J, and on Attachment ARD-RR-
10 B(CD), Column M. The details for the pro forma adjustments, including the
11 witness or witnesses who sponsor each pro forma adjustment, are provided in
12 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
13 months of the Updated Test Year have completed the full pro forma adjustment
14 review process. In SPS's 45-day case update, I will present an updated Attachment
15 ARD-RR-D that will complete the full pro forma adjustment review process for the
16 last three months of the Updated Test Year.

17 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
18 **adjustments that result in a net decrease for the Risk Management and Audit**
19 **Services affiliate class of \$142.16. Please explain the adjustments.**

20 A. The adjustments that I sponsor remove: alcoholic and other beverages (a decrease
21 of \$12.68); costs related to life events (a decrease of \$48.23); and costs related to
22 holiday celebrations (a net decrease of \$81.25).

1 **B. The Risk Management and Audit Services Affiliate Class of**
2 **Services are Necessary Services**

3 **Q. Are the services that are grouped in the Risk Management and Audit Services**
4 **affiliate class necessary for SPS's operations?**

5 A. Yes. Along with the Board of Directors, management, and external auditors, the
6 services grouped in the Risk Management and Audit Services affiliate class play a
7 key role in the corporate governance of Xcel Energy and of the Xcel Energy
8 subsidiaries including SPS, and ensure that the SPS system is modeled accurately,
9 fuel usage is forecasted accurately, energy commodity transactions are
10 consummated prudently with financially viable counterparties, certain capital
11 allocation is performed efficiently, and assurance functions are provided by the
12 Board of Directors and executive management. The services are necessary to
13 ensure that quality control measures are implemented throughout Xcel Energy and
14 its subsidiaries, including SPS, and to ensure that those operations and controls are
15 effective. These are functions required by all utilities.

16 **Q. What are the specific services that are provided to SPS by the Risk**
17 **Management and Audit Services affiliate class?**

18 A. The specific services that are provided to SPS by the Risk Management and Audit
19 Services affiliate class include:

- 20 • Serving in an independent, objective assurance and consulting function.
21 Recommendations are designed to provide business areas with insight on
22 improving operations (process improvements and efficiencies), raising
23 management and staff awareness of control issues, reducing costs, and
24 identifying new opportunities;
- 25 • Evaluating and improving risk management, internal controls, corporate
26 governance processes, promoting ethical conduct and the implementation
27 of best practices;

- 1 • Providing consulting services to management for ad hoc special projects,
2 such as operational and process improvement reviews, assistance in internal
3 investigations of fraud, conflicts of interest, or other potential violations of
4 the Xcel Energy Code of Conduct, and other matters;
- 5 • Working in coordination with Xcel Energy’s independent public
6 accountants on projects approved by the Audit Committee of the Board of
7 Directors;
- 8 • Evaluating commodity, credit, and contractual risk for non-retail
9 transactions, evaluating contracts, and implementing risk exposure
10 measures. SPS’s commodity and contractual risks are primarily managed
11 through the Contract Development Approval and Delegation/Transaction
12 Review Committee (“CDAD/TRC”) transactional governance process. The
13 CDAD/TRC process governs the reviews and approvals required for
14 transactions of energy related items that are necessary for the operation of
15 the SPS system. For example, it covers purchases of fuel, electric
16 transmission services, and natural gas transportation services;
- 17 • Performing analytic modeling to support resource planning. This is
18 accomplished by modeling the longer term SPS system requirements as
19 driven by forecasts of the economy and customer-specific growth along
20 with the associated peak demands. Sensitivities to both economic changes
21 and weather variations are also considered; and,
- 22 • Performing asset risk analytics to support capital allocation
23 decision-making.

24 **Q. Are any of the Risk Management and Audit Services affiliate class of services**
25 **that are provided to SPS duplicated elsewhere in XES or in any other Xcel**
26 **Energy subsidiary such as SPS itself?**

27 **A.** No. Within XES, none of the services grouped in the Risk Management and Audit
28 Services affiliate class are duplicated elsewhere. No other Xcel Energy subsidiary
29 performs these services for the Operating Companies. In addition, SPS does not
30 perform these services for itself.

1 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
2 **Risk Management and Audit Services affiliate class of services?**

3 A. Yes. The services of the Risk Management and Audit Services affiliate class
4 benefit SPS's customers in many ways. For example, by assisting Xcel Energy and
5 SPS in improving business performance and effectively managing financial,
6 operational, and compliance risks, the services of the Risk Management and Audit
7 Services affiliate class support the ongoing operations of SPS and the provision of
8 electric service to customers.

9 **C. The Risk Management and Audit Services Affiliate Class of**
10 **Services are Provided at a Reasonable Cost**

11 **Q. Are the costs of the Risk Management and Audit Services affiliate class of**
12 **services reasonable?**

13 A. Yes. The costs of the Risk Management and Audit Services affiliate class of
14 services are reasonable. XES provides the Risk Management and Audit Services
15 functions and services on a consolidated basis for multiple Xcel Energy legal
16 entities. As a result, SPS benefits from sophisticated services provided by a pool
17 of talented professionals, the consolidated costs of which are shared. The
18 economies of scale inherent in this system result in reasonable costs to SPS for
19 these services.

20 *1. Additional Evidence*

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

23 A. Yes. Of the estimated Updated Test Year costs for the Risk Management and Audit
24 Services class, approximately 87% are compensation and benefits costs for XES

1 personnel. Mr. Deselich and Mr. Schrubbe establish that the level of Xcel Energy's
2 compensation and benefits is reasonable and necessary.

3 *2. Budget Planning*

4 **Q. Is a budget planning process applicable to the Risk Management and Audit**
5 **Services class of affiliate costs?**

6 A. Yes. Annual O&M budgets that include the Risk Management and Audit Services
7 class of affiliate costs are created for the Financial Operations business area, using
8 guidelines developed at the corporate level. The process includes the review of
9 historical Risk Management and Audit Services class costs, elimination of non-
10 recurring costs, identification of new, one-time or recurring initiatives, and an
11 assessment of future staffing levels and work assignments. It is an iterative process
12 involving the Risk Management and Audit Services class leadership and assigned
13 business area finance support personnel. The budgeting process is discussed in
14 more detail in Section III of my testimony.

15 **Q. During the fiscal year, does the Risk Management and Audit Services**
16 **organization monitor its actual expenditures versus its budget?**

17 A. Yes. Actual versus expected expenditures of the Risk Management and Audit
18 Services organization are monitored on a monthly basis by management.
19 Deviations are evaluated each month to ensure that costs are appropriate. In
20 addition, action plans are developed to mitigate variations in actual to budgeted
21 expenditures. These mitigation plans may either reduce or delay other expenditures
22 so that overall expenditures comply with the authorized budget.

1 **Q. Are employees within the Risk Management and Audit Services organization**
2 **held accountable for deviations from the budget?**

3 A. Yes. The managers and leadership of the Risk Management and Audit Services
4 organization are required to manage their expenses to support the budgetary goals
5 established by the Financial Operations business area. Budgets are reviewed
6 monthly to ensure adherence to the goals and to discuss actions necessary to address
7 variances. Failure to meet the goals impacts performance evaluations and the
8 overall compensation of the management within this class.

9 3. *Cost Trends*

10 **Q. Please state the dollar amounts of the actual per book charges from XES to**
11 **SPS for the Risk Management and Audit Services class of services for the three**
12 **fiscal years preceding the end of the Updated Test Year and the estimated per**
13 **book charges for the estimated Updated Test Year.**

14 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
15 years), the actual per book and, for the Updated Test Year, the estimated per book
16 affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the
17 services grouped in the Risk Management and Audit Services affiliate class:

18 **Table ARD-RR-10**

	(Per Book) Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Risk Management and Audit Services	\$906,821	\$830,504	\$997,512	\$995,640

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

2 A. The decrease in costs from 2017 to 2018 is primarily due to lower outside
3 consulting costs for audit related work and lower labor costs. The increase in costs
4 from 2018 to 2019 is related increases in several categories including labor,
5 consulting, and employee expenses. The costs in this class have remained relatively
6 consistent from 2019 to the estimated updated test year.

7 *4. Staffing Trends*

8 **Q. Please provide the staffing levels for the Risk Management and Audit Services**
9 **class of services for the three fiscal years preceding the end of the Updated**
10 **Test Year and the Updated Test Year.**

11 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
12 years) and for the Updated Test Year, the average of the end of month staffing
13 levels for the Risk Management and Audit Services affiliate class of services.

14 **Table ARD-RR-11**

	Average of End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Risk Management and Audit Services	49	48	49	49

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

16 A. Staffing levels have remained consistent between 2017 and the Updated Test Year
17 for this affiliate class.

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A. Yes. The Risk Management and Audit Services organization continually reviews its plans, initiatives, and staffing to ensure they are appropriate and to identify and implement improvements. For example, the adoption of a co-sourcing consulting support option provides access to specialized skills for planned audits and flexibility to deploy resources on short notice to meet changing priorities.

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1 **Q. How are the costs of the Risk Management and Audit Services affiliate class**
2 **billed to SPS?**

3 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
4 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
5 the billing method associated with each activity. My Attachment ARD-RR-A,
6 shows the allocation method (Column D) associated with each billing method
7 (Column C) used in the affiliate class.

8 In SPS's 45-day case update, I will present updated Attachments ARD-RR-
9 A and ARD-RR-B(CD) so that the entries for the last three months of the Updated
10 Test Year provide actual data and conform to the information provided for the first
11 nine months. In the event the predominant billing methods and associated
12 allocation methods for the Risk Management and Audit Services affiliate O&M
13 expenses on my updated Attachments ARD-RR-A and ARD-RR-B(CD) differ
14 from those discussed below, I will explain those differences in supplemental
15 testimony in SPS's 45-day case update filing.

16 **Q. What are the predominant allocation methods used for billing the costs that**
17 **SPS seeks to recover for the Risk Management and Audit Services affiliate**
18 **class of services?**

19 A. The vast majority of the requested XES charges to SPS for this class were charged
20 using one of the following four allocation methods:

- 21 • Assets, Revenue, and Number of Employees: 70.67% of XES charges
22 to SPS or \$720,748;
- 23 • Joint Operating Agreement ("JOA"): 19.36% of XES charges to SPS or
24 \$197,468;

- Prop Trading Hours: 7.55% or \$77,035; and
- Direct Billing: 2.42% or \$24,658.77.

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

A. The three factor allocation method using assets, revenue, and employees produces an allocation of costs that recognizes the complexity, risk, and overall business activity levels that drive the costs included in the cost centers and measures the benefits received from those activities. For the cost centers billed using this allocator, there is no one specific cost driver for the support tasks and services provided, and the services benefit multiple Xcel Energy affiliates. For example, the costs associated with oversight and administration of the Audit Services area, which are primarily collected in Cost Center 200067, are allocated using this method. Within the Xcel Energy holding company group, those legal entities that have proportionately more assets, revenues, and employees will have more focus placed on their operations due to those subsidiaries’ relative influence on the consolidated business balance sheet, income statement, and statement of cash flow, and the subsidiaries will benefit accordingly from the services provided. Thus, allocating these costs based upon the average of the total asset ratio, revenue ratio, and the employee ratio is appropriate because it allocates costs in accordance with cost causation and benefits received. Mr. Baumgarten discusses this allocation method in more detail in his testimony. For the cost centers that assign costs based upon this allocation method, the per unit amounts charged by XES to SPS as a result of the application of this allocation method are no higher than the unit amounts

1 billed by XES to other affiliates for the same or similar services and represent the
2 actual costs of the services.

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

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

21 **Q. Why is it appropriate to allocate costs based on the “Prop Trading Hours”**
22 **method for the costs captured in the cost center that uses that allocation**
23 **method?**

24 A. Cost Center 200174 that uses the “Prop Trading Hours” method as the allocator
25 captures the costs associated with the labor and non-labor costs associated with

1 independent evaluation and risk measurement of trading and generation book
2 transactions. For example, the costs associated with activities benefiting both
3 proprietary and generation trading such as building the risk system, preparing
4 generation reports including sales of surplus energy, and reviewing credit
5 documents are assigned using this billing method. The cost driver for these
6 activities is the generation and proprietary trading of the Commercial Operations
7 department and there is a direct correlation between the activities of the traders and
8 the associated risk management activities captured in this cost center. Thus, this
9 cost center is allocated based upon the allocation of the labor of these employees
10 who perform Commercial Operations trading activities (i.e., an annual calculation
11 is made of the percentage of the labor costs of these employees that is billed to each
12 affiliate), and the costs in Cost Center 200174 are allocated using those percentages.
13 This allocation reflects cost causation and the distribution of the benefits of the
14 services received. For the cost centers that assign costs based upon this allocation
15 method, the per unit amounts charged by XES to SPS as a result of the application
16 of this allocation method are no higher than the unit amounts billed by XES to other
17 affiliates for the same or similar services and represent the actual costs of the
18 services.

19 **Q. Why is the “Direct Billing” method appropriate for assigning the costs centers**
20 **that use that allocation method?**

21 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
22 normally reflect work that was performed specifically for SPS only. In some cases,
23 however, the direct billing occurred after the application of an off-line allocator that
24 tracks the relevant cost drivers. In either situation, the cost centers charged using
25 the “Direct Billing” method are appropriate because the assignment of costs is in

1 accordance with the distribution of benefits for the services received. For example,
2 work related to audits specifically performed for the benefit of SPS would be
3 assigned using the “Direct Billing” method. The cost of these services benefitted
4 SPS, the work was performed specifically for SPS alone. Thus, the “Direct Billing”
5 method is appropriate because it assigns costs in accordance with cost causation
6 and benefits received. For the cost centers that assign costs using Direct Billing,
7 the per unit amounts charged by XES to SPS are no higher than the unit amounts
8 billed by XES to other affiliates for the same or similar services and represent the
9 actual costs of the services.

1 **IX. AFFILIATE EXPENSES FOR THE CHIEF FINANCIAL OFFICER**
2 **CLASS OF SERVICES**

3 **A. Summary of Affiliate Expenses for the Chief Financial Officer**
4 **Class of Services**

5 **Q. What services are grouped into the CFO affiliate class?**

6 A. The services that are grouped into the CFO affiliate class are those of the office of
7 the CFO. The role of the CFO is to provide financial services to all of Xcel Energy
8 and its subsidiaries including SPS, as well as to provide executive leadership to the
9 Financial Operations business area.

10 **Q. What is the dollar amount of the Updated Test Year XES charges that SPS**
11 **requests, on a total company basis, for the CFO affiliate class?**

12 A. The following table summarizes the dollar amount of the estimated Updated Test
13 Year XES charges for the CFO affiliate class. I will update the table below as part
14 of SPS's 45-day case update filing to reflect the actual Updated Test Year costs for
15 the CFO affiliate class. As explained regarding Table ARD-RR-1 in Section V.A.,
16 the amounts below summarize information provided in Attachment ARD-RR-A.

17 **Table ARD-RR-12**

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Chief Financial Officer	\$1,389,560	\$180,340	0.00%	100.00%

1 **Q. Please describe the attachments that support the information provided on**
2 **Table ARD-RR-12.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the CFO affiliate class. I explained these
5 attachments in detail previously in Section V.A. of my testimony.

6 **Q. Does XES bill its expenses for the CFO affiliate class to SPS in the same**
7 **manner as it bills other affiliates for those expenses?**

8 A. Yes. As discussed by Mr. Baumgarten, XES uses the same method for billing and
9 allocating costs to affiliates other than SPS that it uses to bill and allocate those
10 costs to SPS.

11 **Q. Are there any exclusions to the XES billings to SPS for the CFO affiliate class?**

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

20 **Q. Are there any pro forma adjustments to SPS's per book expenses for the CFO**
21 **affiliate class?**

22 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
23 Year expenses for known and measurable changes. Pro forma adjustments are
24 shown on Attachment ARD-RR-A, Column J, and on Attachment

1 ARD-RR-B(CD), Column M. The details for the pro forma adjustments, including
2 the witness or witnesses who sponsor each pro forma adjustment, are provided in
3 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
4 months of the Updated Test Year have completed the full pro forma adjustment
5 review process. In SPS's 45-day case update, I will present an updated Attachment
6 ARD-RR-D that will complete the full pro forma adjustment review process for the
7 last three months of the Updated Test Year.

8 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
9 **adjustments that result in a net decrease for the CFO affiliate class of \$50.78.**
10 **Please explain the adjustments.**

11 A. The adjustments that I sponsor remove: alcoholic and other beverage purchases (a
12 decrease of \$24.80); and life and career events (a decrease of \$25.98).

13 **B. The Chief Financial Officer Affiliate Class of Services are**
14 **Necessary Services**

15 **Q. Are the services that are grouped in the CFO affiliate class necessary for SPS's**
16 **operations?**

17 A. Yes. The services grouped in the CFO affiliate class are performed on behalf of all
18 Xcel Energy subsidiaries, including SPS. They are necessary to ensure that the
19 financial objectives set by the Board of Directors for SPS are carried out and that
20 the financial integrity of SPS is maintained. They are functions required by all
21 investor-owned utilities.

22 **Q. What are the specific services that are provided to SPS by the CFO affiliate**
23 **class?**

24 A. The specific services that are provided to SPS by the CFO affiliate class include:

- 1 • Providing leadership to the Financial Operations business area.
2 Reporting to the CFO are Risk Management and Audit Services, the
3 Controller's Organization, Financial Planning, Investor Relations, Tax
4 Services, Corporate Development, and the Treasurer's organization;
- 5 • Establishing and coordinating consistent financial policies and practices
6 among the Financial Operations business area organizations;
- 7 • Providing executive corporate management functions and other
8 programs that ensure the continuity and development of management;
- 9 • Providing oversight of accounting and reporting functions including
10 preparation and filing of financial statements, composing
11 corporate-wide regulatory accounting policy and compliance, and
12 activities related to the Audit Committee of the Board of Directors; and,
- 13 • Providing oversight of Operating Company revenue accounting,
14 regulatory reporting, and other accounting activities of the Controller.

15 **Q. Are any of the CFO affiliate class of services that are provided to SPS**
16 **duplicated elsewhere in XES or in any other Xcel Energy subsidiary such as**
17 **SPS itself?**

18 A. No. Within XES, none of the services grouped in the CFO affiliate class are
19 duplicated elsewhere. No other Xcel Energy subsidiary performs these services
20 for the Operating Companies. In addition, SPS does not perform these services for
21 itself.

22 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
23 **CFO affiliate class of services?**

24 A. Yes. The services of the CFO affiliate class benefit SPS's customers in many ways.
25 These services are instrumental in ensuring the financial integrity of SPS which
26 underlies and supports the ability of SPS to provide electricity to customers.

1 **C. The Chief Financial Officer Affiliate Class of Services are Provided**
2 **at a Reasonable Cost**

3 **Q. Are the costs of the CFO affiliate class of services reasonable?**

4 A. Yes. The costs of the CFO affiliate class of services are reasonable. XES provides
5 the CFO affiliate class functions and services on a consolidated basis for multiple
6 Xcel Energy legal entities. As a result, SPS benefits from sophisticated services,
7 the consolidated costs of which are shared. The economies of scale inherent in this
8 system result in reasonable costs to SPS for these services.

9 *1. Additional Evidence*

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

12 A. Yes. Of the estimated Updated Test Year costs for the CFO class, approximately
13 53% are compensation and benefits costs for XES personnel. Mr. Deselich and
14 Mr. Schrubbe establish that the level of Xcel Energy's compensation and benefits
15 is reasonable and necessary.

16 *2. Budget Planning*

17 **Q. Is a budget planning process applicable to the CFO class of affiliate costs?**

18 A. Yes. Annual O&M budgets that include the CFO class of affiliate costs are created
19 for the Financial Operations business area, using guidelines developed at the
20 corporate level. The process includes the review of historical CFO class costs,
21 elimination of non-recurring costs, identification of new, one-time or recurring
22 initiatives, and an assessment of future staffing levels and work assignments. It is
23 an iterative process involving the CFO class leadership and assigned business area

1 finance support personnel. The budgeting process is discussed in more detail in
2 Section III of my testimony.

3 **Q. During the fiscal year, does the CFO organization monitor its actual**
4 **expenditures versus its budget?**

5 A. Yes. Actual versus expected expenditures of the CFO organization are monitored
6 on a monthly basis by management. Deviations are evaluated each month to ensure
7 that costs are appropriate. In addition, action plans are developed to mitigate
8 variations in actual to budgeted expenditures. These mitigation plans may either
9 reduce or delay other expenditures so that the overall expenditures are in accord
10 with the authorized budget.

11 **Q. Are employees within the CFO organization held accountable for deviations**
12 **from the budget?**

13 A. Yes. The CFO has responsibility for corporate governance and maintaining the
14 financial integrity of Xcel Energy and its subsidiaries, and he and his office follow
15 the same procedures as he requires of other organizations and business areas, which
16 includes measuring results on a monthly basis to ensure adherence to the goals and
17 to provide for action plan development.

18 *3. Cost Trends*

19 **Q. Please state the dollar amounts of the actual per book charges from XES to**
20 **SPS for the CFO affiliate class of services for the three fiscal years preceding**
21 **the end of the Updated Test Year and the estimated per book charges for the**
22 **estimated Updated Test Year.**

23 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
24 years), the actual per book and, for the Updated Test Year, the estimated per book

1 affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the
2 services grouped in the CFO affiliate class:

3 **Table ARD-RR-13**

	(Per Book) Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Chief Financial Officer	\$150,087	\$145,098	\$135,970	\$177,598

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

5 A. The decrease in costs between 2017 and 2018 was due to lower license fees offset
6 by small increases in labor, labor loadings and employee expenses. The decrease
7 in costs between 2018 and 2019 was primarily due to lower employee expenses.
8 The increase in costs from 2019 to the estimated Updated Test Year are related to
9 consulting expenses.

10 *4. Staffing Trends*

11 **Q. Please provide the staffing levels for the CFO class of services for the three**
12 **fiscal years preceding the end of the Updated Test Year and the Updated Test**
13 **Year.**

14 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
15 years) and for the Updated Test Year, the average of the end of month staffing
16 levels for the CFO affiliate class of services. As shown below, the department has
17 maintained the same level of average staffing.

Table ARD-RR-14

Class of Services	Average of End of Month # of Staff			
	2017	2018	2019	Updated Test Year (Estimated)
Chief Financial Officer	2	2	2	2

5. Cost Control and Process Improvement Initiatives

Q. Separate from the budget planning process, does the CFO affiliate class take any steps to control its costs or to improve its services?

A. Yes. The CFO organization continually reviews its plans, initiatives, and staffing to ensure they are appropriate and to identify and implement improvements.

D. The Costs for the Chief Financial Officer Affiliate Class of Services are Priced in a Fair Manner

Q. For those costs that XES charges (either directly or through use of an allocation) to SPS for the CFO affiliate class of services, does SPS pay any more for the same or similar service than does any other Xcel Energy affiliate?

A. No. The XES charges to SPS for any particular service are no higher than the XES charges to any other Xcel Energy affiliate. The costs charged for particular services are the actual costs that XES incurred in providing those services to SPS. A single, specific allocation method, rationally related to the cost drivers associated with the service being provided, is used with each cost center (billing method). In his direct testimony, Mr. Baumgarten discusses the selection of billing methods and XES's method of charging for services in more detail.

Q. How are the costs of the CFO affiliate class billed to SPS?

A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows

1 the billing method associated with each activity. My Attachment ARD-RR-A
2 shows the allocation method (Column D) associated with each billing method
3 (Column C) used in the affiliate class.

4 In SPS's 45-day case update, I will present updated Attachments ARD-RR-
5 A and ARD-RR-B(CD) so that the entries for the last three months of the Updated
6 Test Year provide actual data and conform to the information provided for the first
7 nine months. In the event the predominant billing methods and associated
8 allocation methods for the CFO affiliate O&M expenses on my updated
9 Attachments ARD-RR-A and ARD-RR-B(CD) differ from those discussed below,
10 I will explain those differences in supplemental testimony in SPS's 45-day case
11 update filing.

12 **Q. What are the predominant allocation methods used for billing the costs that**
13 **SPS seeks to recover for the CFO affiliate class of services?**

14 A. All of the requested XES charges to SPS for this class were charged using the assets,
15 revenue and number of employees allocation method.

- 16 • Assets, Revenue, and Number of Employees: 100.0% of XES charges
17 to SPS or \$180,340.

18 **Q. Why is it appropriate to allocate costs based upon the “Assets, Revenue, and**
19 **Number of Employees” method for the costs captured in the cost centers that**
20 **use that allocation method?**

21 A. The three factor allocation method using assets, revenue, and employees produces
22 an allocation of costs that recognizes the complexity, risk, and overall business
23 activity levels that drive the costs included in the cost centers and measures the
24 benefits received from those activities. For the cost centers billed using this

1 allocator, there is no one specific cost driver for the support tasks and services
2 provided, and the services benefit multiple Xcel Energy affiliates. For example,
3 the costs associated with providing leadership to the Financial Management Team
4 and the Financial Council, which are collected primarily in Cost Center 200066,
5 are allocated using this method. Within the Xcel Energy holding company group,
6 those legal entities that have proportionately more assets, revenues, and employees
7 will have more focus placed on their operations due to those subsidiaries' relative
8 influence on the consolidated business balance sheet, income statement and
9 statement of cash flow, and the subsidiaries will benefit accordingly from the
10 services provided. Thus, allocating these costs based upon the average of the total
11 asset ratio, revenue ratio, and the employee ratio is appropriate because it allocates
12 costs in accordance with cost causation and benefits received. Mr. Baumgarten
13 discusses this allocation method in more detail in his testimony. For the cost
14 centers that assign costs based upon this allocation method, the per unit amounts
15 charged by XES to SPS as a result of the application of this allocation method are
16 no higher than the unit amounts billed by XES to other affiliates for the same or
17 similar services and represent the actual costs of the services.

X. AFFILIATE EXPENSES FOR THE CONTROLLER
CLASS OF SERVICES

A. Summary of Affiliate Expenses for the Controller Class of Services

Q. What services are grouped into the Controller affiliate class?

A. The services that are grouped into the Controller affiliate class are corporate accounting functions, financial reporting, and financial-related initiatives. The Controller organization encompasses the following departments: Controller; Capital Asset Accounting; Corporate, Cash and Benefits Accounting; Financial Reporting and Technical Accounting; Subsidiary Accounting; the CFO Program Office; and Utility Accounting (retail & customer, commercial, regulatory, joint venture, transmission, and market operations accounting).

Q. What is the dollar amount of the Updated Test Year XES charges that SPS requests, on a total company basis, for the Controller affiliate class?

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Controller affiliate class. I will update the table below as part of SPS's 45-day case update filing to reflect the actual Updated Test Year costs for the Controller affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the amounts below summarize information provided in Attachment ARD-RR-A.

Table ARD-RR-15

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Controller	\$22,437,534	\$3,888,405	43.96%	56.04%

1 **Q. Please describe the attachments that support the information provided on**
2 **Table ARD-RR-15.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the Controller affiliate class. I explained these
5 attachments in detail previously in Section V.A. of my testimony.

6 **Q. Does XES bill its expenses for the Controller affiliate class to SPS in the same**
7 **manner as it bills other affiliates for those expenses?**

8 A. Yes. As discussed by Mr. Baumgarten, XES uses the same method for billing and
9 allocating costs to affiliates other than SPS that it uses to bill and allocate those
10 costs to SPS.

11 **Q. Are there any exclusions to the XES billings to SPS for the Controller affiliate**
12 **class?**

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

21 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
22 **Controller affiliate class?**

23 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
24 Year expenses for known and measurable changes. Pro forma adjustments are

1 shown on Attachment ARD-RR-A, Column J, and on Attachment ARD-RR-
2 B(CD), Column M. The details for the pro forma adjustments, including the
3 witness or witnesses who sponsor each pro forma adjustment, are provided in
4 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
5 months of the Updated Test Year have completed the full pro forma adjustment
6 review process. In SPS's 45-day case update, I will present an updated Attachment
7 ARD-RR-D that will complete the full pro forma adjustment review process for the
8 last three months of the Updated Test Year.

9 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
10 **adjustments that result in a net decrease for the Controller affiliate class of**
11 **\$184.98. Please explain the adjustments.**

12 A. The adjustments that I sponsor remove: alcoholic and other beverage purchases (a
13 decrease of \$26.11); costs not benefitting SPS (a decrease of \$7.75); and life events
14 (net decrease of 151.12).

15 **B. The Controller Affiliate Class of Services are Necessary Services**

16 **Q. Are the services that are grouped in the Controller affiliate class necessary for**
17 **SPS's operations?**

18 A. Yes. The Controller organization performs all accounting functions required by
19 SPS and ensures compliance with applicable accounting rules. The services are
20 necessary to ensure that finance records are accurate, secure and in line with GAAP,
21 regulatory and legislative requirements. They are functions required by all utilities.

22 **Q. What are the specific services that are provided to SPS by the Controller**
23 **affiliate class?**

24 A. The seven departments included in the Controller affiliate class provide the
25 following specific services to SPS:

1 **Controller:**

- 2 • Serves as the Principal Accounting Officer;
- 3 • Oversees and directs the functions and activities of the Controller area,
- 4 including providing financial policies, controls, governance, and
- 5 leadership; and
- 6 • Provides assistance to business areas on special projects.

7 **Capital Asset Accounting:**

- 8 • Maintains all aspects of property accounting, including depreciation for
- 9 the fixed assets of the company;
- 10 • Monitors regulatory rulemaking activities; and
- 11 • Administers property related regulatory examinations and inquiries.

12 **Corporate, Cash and Benefits Accounting:**

- 13 • Maintains the books and records of the Operating Companies,
- 14 intermediate holding companies, and Xcel Energy and its various
- 15 subsidiaries;
- 16 • Oversees the monthly accounting close process;
- 17 • Coordinates independent auditor and certain regulatory examinations
- 18 and inquiries;
- 19 • Develops and maintains service company agreements between XES and
- 20 Operating Companies and affiliates;
- 21 • Monitors the processing of outstanding checks, Automated Clearing
- 22 House (ACH) activity, and oversees the maintenance of software for
- 23 these purposes;
- 24 • Manages unclaimed property, and oversees the necessary escheatments
- 25 and subsequent reporting to the states;
- 26 • Provides accounting and analysis services for the employee benefit
- 27 plans, labor distribution, and payroll withholdings;
- 28 • Creates the annual benefits budget and budget documentation;
- 29 • Performs all benefit and payroll account reconciliations and facilitates
- 30 annual Form 5500 filings;

- 1 • Oversees preparation of all accounting and disclosure information
- 2 related to pension and post-retirement benefit obligations; and
- 3 • Establishes XES accounting policies and procedures.
- 4 **Financial Reporting and Technical Accounting:**
- 5 • Researches, documents, and resolves complex technical accounting
- 6 issues; and
- 7 • Files external reports with federal and state regulatory authorities and
- 8 others including the SEC, FERC, state regulators, the United States
- 9 Department of Labor, and the Internal Revenue Service.
- 10 **Subsidiary Accounting:**
- 11 • Manages all financial activities associated with Eloigne Company.
- 12 **Utility Accounting:**
- 13 • Provides accounting and reporting support for all regulatory
- 14 mechanisms (riders, fuel clause, and performance-based mechanisms);
- 15 • Responsible for accounting and reporting for cost of goods sold and
- 16 revenue activities including trading, market pool settlements,
- 17 transmission, fuel and purchased power;
- 18 • Focuses primarily on specific Operating Companies, managing
- 19 compliance with state and FERC reporting requirements; and
- 20 • Provides rate case support for all jurisdictions, and performs regulatory
- 21 analysis as required.
- 22 **CFO Program Office:**
- 23 • Responsible for leading the overall technology strategy for the Financial
- 24 Operations business area; and
- 25 • Coordinates overall technology strategy between Financial Operations
- 26 and Business Systems.
- 27 **Accounts Payable:**
- 28 • Responsible for the processing of invoices from vendors including
- 29 receipt, validation and payment and metric reporting.

1 **Q. Are any of the Controller affiliate class of services that are provided to SPS**
2 **duplicated elsewhere in XES or in any other Xcel Energy subsidiary such as**
3 **SPS itself?**

4 A. No. Within XES, none of the services grouped in the Controller affiliate class are
5 duplicated elsewhere. No other Xcel Energy subsidiary performs these services for
6 the Operating Companies. In addition, SPS does not perform these services for
7 itself.

8 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
9 **Controller class of services?**

10 A. Yes. The services of the Controller affiliate class benefit SPS's customers in many
11 ways. For example, by ensuring the accuracy of the financial records of SPS and
12 Xcel Energy and that state and FERC reporting requirements are satisfied, the
13 services of the Controller affiliate class support the ongoing business operations of
14 Xcel Energy and SPS, which are necessary for the provision of electric service to
15 customers.

16 **C. The Controller Affiliate Class of Services are Provided at a**
17 **Reasonable Cost**

18 **Q. Are the costs of the Controller affiliate class of services reasonable?**

19 A. Yes. The costs of the Controller affiliate class of services are reasonable. XES
20 provides the Controller affiliate class of functions and services on a consolidated
21 basis for multiple Xcel Energy legal entities. As a result, SPS benefits from
22 sophisticated services provided by a pool of talented professionals, the consolidated
23 costs of which are shared. The economies of scale inherent in this system result in
24 reasonable costs to SPS for these services.

1 *1. Additional Evidence*

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

4 A. Yes. Of the estimated Updated Test Year costs for the Controller class,
5 approximately 78% are compensation and benefits costs for XES personnel. Mr.
6 Deselich and Mr. Schrubbe establish that the level of Xcel Energy's compensation
7 and benefits is reasonable and necessary.

8 *2. Budget Planning*

9 **Q. Is a budget planning process applicable to the Controller class of affiliate**
10 **costs?**

11 A. Yes. Annual O&M budgets that include the Controller class of affiliate costs are
12 created for the Financial Operations business area, using guidelines developed at
13 the corporate level. The process includes the review of historical Controller class
14 costs, elimination of non-recurring costs, identification of new, one-time or
15 recurring initiatives, and an assessment of future staffing levels and work
16 assignments. It is an iterative process involving the Controller class leadership and
17 assigned business area finance support personnel. The budgeting process is
18 discussed in more detail in Section III of my testimony.

19 **Q. During the fiscal year, does the Controller organization monitor its actual**
20 **expenditures versus its budget?**

21 A. Yes. Actual versus expected expenditures of the Controller organization are
22 monitored on a monthly basis by management. Deviations are evaluated each
23 month to ensure that costs are appropriate. In addition, action plans are developed
24 to mitigate variations in actual to budgeted expenditures. These mitigation plans

1 may either reduce or delay other expenditures so that the overall expenditures are
2 in accord with the authorized budget.

3 **Q. Are employees within the Controller organization held accountable for**
4 **deviations from the budget?**

5 A. Yes. The managers and leadership of the Controller organization are required to
6 manage their expenses to support the budgetary goals established by the Financial
7 Operations business area. Budgets are reviewed monthly to ensure adherence to
8 the goals and to discuss actions necessary to address variances. Failure to meet the
9 goals impacts performance evaluations and the overall compensation of the
10 management within this class.

11 *3. Cost Trends*

12 **Q. Please state the dollar amounts of the actual per book charges from XES to**
13 **SPS for the Controller class of services for the three fiscal years preceding the**
14 **end of the Updated Test Year and the estimated per book charges for the**
15 **estimated Updated Test Year.**

16 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
17 years), the actual per book and, for the Updated Test Year, the estimated per book
18 affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the
19 services grouped in the Controller affiliate class:

20 **Table ARD-RR-16**

	(Per Book) Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Controller	\$3,322,519	\$3,373,738	\$3,780,793	\$3,800,696

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

2 A. The increase in costs between 2017 and 2018 is primarily due to higher consulting
3 related costs offset by slightly lower labor. The increase from 2018 to 2019 is
4 primarily due to increased labor and outside resources costs. Costs have remained
5 consistent from 2019 through the estimated Updated Test Year.

6 *4. Staffing Trends*

7 **Q. Please provide the staffing levels for the Controller affiliate class of services**
8 **for the three fiscal years preceding the end of the Updated Test Year and the**
9 **Updated Test Year.**

10 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
11 years) and for the Updated Test Year, the average of the end of month staffing
12 levels for the Controller affiliate class of services.

13 **Table ARD-RR-17**

	Average of End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Controller	164	159	165	170

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

15 A. The decrease in average headcount between 2017 and 2018 was primarily due to
16 decreased headcount in the capital asset accounting group. The decrease in these
17 areas was the result of identifying efficiencies, role restructuring and the timing of
18 filling open positions. The average headcount increase from 2018 to 2019 was
19 primarily due to additional headcount in the corporate accounting group as

resources were added to support month-end processing needs. This effort continued from 2019 into the Updated Test Year as well.

5. Cost Control and Process Improvement Initiatives

Q. Separate from the budget planning process, does the Controller affiliate class take any steps to control its costs or to improve its services?

A. Yes. The Controller organization continually reviews its plans, initiatives, and staffing to ensure they are appropriate and to identify and implement improvements.

D. The Costs for the Controller Affiliate Class of Services are Priced in a Fair Manner

Q. For those costs that XES charges (either directly or through use of an allocation) to SPS for the Controller affiliate class of services, does SPS pay any more for the same or similar service than does any other Xcel Energy affiliate?

A. No. The XES charges to SPS for any particular service are no higher than the XES charges to any other Xcel Energy affiliate. The costs charged for particular services are the actual costs that XES incurred in providing those services to SPS. A single, specific allocation method, rationally related to the cost drivers associated with the service being provided, is used with each cost center (billing method). In his direct testimony, Mr. Baumgarten discusses the selection of billing methods and XES's method of charging for services in more detail.

Q. How are the costs of the Controller affiliate class billed to SPS?

A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows

1 the billing method associated with each activity. My Attachment ARD-RR-A
2 shows the allocation method (Column D) associated with each billing method
3 (Column C) used in the affiliate class.

4 In SPS's 45-day case update, I will present updated Attachments ARD-RR-
5 A and ARD-RR-B(CD) so that the entries for the last three months of the Updated
6 Test Year provide actual data and conform to the information provided for the first
7 nine months. In the event the predominant billing methods and associated
8 allocation methods for the Controller affiliate O&M expenses on my updated
9 Attachments ARD-RR-A and ARD-RR-B(CD) differ from those discussed below,
10 I will explain those differences in supplemental testimony in SPS's 45-day case
11 update filing.

12 **Q. What are the predominant allocation methods used for billing the costs that**
13 **SPS seeks to recover for the Controller affiliate class of services?**

14 A. Of the requested XES charges to SPS for this class, approximately 99% were
15 charged using one of the following three allocation methods:

- 16 • Direct Billing: 43.96% of XES charges to SPS or \$1,709,200; and;
- 17 • Assets, Revenue, and Number of Employees: 50.72% of XES charges
18 to SPS or \$1,972,352;
- 19 • Invoice Transactions: 4.41% of XES charges to SPS or \$171,343.

20 **Q. Why is the "Direct Billing" method appropriate for assigning the costs centers**
21 **that use that allocation method?**

22 A. For the cost centers that are assigned using the "Direct Billing" method, the costs
23 normally reflect work that was performed specifically for SPS only. In some cases,
24 however, the direct billing occurred after the application of an off-line allocator that

1 tracks the relevant cost drivers. In either situation, the cost centers charged using
2 the “Direct Billing” method are appropriate because the assignment of costs is in
3 accordance with the distribution of benefits for the services received. For example,
4 the costs related to the accounting, analysis and reporting of SPS’s purchased power
5 activities, were assigned using the “Direct Billing” method. The cost of these
6 services benefitted SPS, the work was performed specifically for SPS alone, and
7 the cost driver is SPS’s purchased power activities. Thus, the “Direct Billing”
8 method is appropriate because it assigns costs in accordance with cost causation
9 and benefits received. For the cost centers that assign costs using Direct Billing,
10 the per unit amounts charged by XES to SPS are no higher than the unit amounts
11 billed by XES to other affiliates for the same or similar services and represent the
12 actual costs of the services.

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

16 A. The three factor allocation method using assets, revenue, and employees produces
17 an allocation of costs that recognizes the complexity, risk, and overall business
18 activity levels that drive the costs included in the cost centers and measures the
19 benefits received from those activities. For the cost centers billed using this
20 allocator, there is no one specific cost driver for the support tasks and services
21 provided, and the services benefit multiple Xcel Energy affiliates. For example,
22 the costs associated with preparing and filing SEC financial reports, which are
23 primarily collected in Cost Center 200066, are allocated using this method. Within
24 the Xcel Energy holding company group, those legal entities that have

1 proportionately more assets, revenues, and employees will have more focus placed
2 on their operations due to those subsidiaries' relative influence on the consolidated
3 business balance sheet, income statement and statement of cash flow, and the
4 subsidiaries will benefit accordingly from the services provided. Thus, allocating
5 these costs based upon the average of the total asset ratio, revenue ratio, and the
6 employee ratio is appropriate because it allocates costs in accordance with cost
7 causation and benefits received. Mr. Baumgarten discusses this billing method in
8 more detail in his testimony. For the cost centers that assign costs based upon this
9 allocation method, the per unit amounts charged by XES to SPS as a result of the
10 application of this allocation method are no higher than the unit amounts billed by
11 XES to other affiliates for the same or similar services and represent the actual costs
12 of the services.

13 **Q. Why is it appropriate to allocate costs based on the “Invoice Transactions”**
14 **method for the costs captured in the cost center that uses that allocation**
15 **method?**

16 A. Cost Center 200132 that uses the “Invoice Transactions” method as the allocator
17 captures the costs associated with the activities of the Accounts Payable team,
18 which include the processing of invoices from vendors and reporting on the relevant
19 metrics around invoice processing. This allocation reflects cost causation and the
20 distribution of the benefits of the services received. For the cost centers that assign
21 costs based upon this allocation method, the per unit amounts charged by XES to
22 SPS as a result of the application of this allocation method are no higher than the
23 unit amounts billed by XES to other affiliates for the same or similar services and
24 represent the actual costs of the services.

1 **XI. AFFILIATE EXPENSES FOR THE FINANCE & CORPORATE**
2 **DEVELOPMENT CLASS OF SERVICE**

3 **A. Summary of Affiliate Expenses for the Finance & Corporate**
4 **Development Class of Services**

5 **Q. What services are grouped into the Finance & Corporate Development**
6 **affiliate class?**

7 A. The services that are grouped into the Finance & Corporate Development affiliate
8 class are the oversight, governance, and consolidation of budgets and forecasts at
9 the business area and corporate levels; the reporting of financial results to senior
10 leadership as well as to the Xcel Energy Board of Directors; financial
11 administration and management of Xcel Energy legal entities; providing
12 information on sales and load forecasting; the provision of support to Operating
13 Companies in rate proceedings; providing services related to cost of service studies;
14 assisting in the development of the revenue component of the Operating Company
15 budgets; leading the evaluation and execution of new business investment
16 opportunities for Xcel Energy; analytical and transactional support for generation
17 resource plan development and implementation; distribution system evaluations;
18 and FERC-jurisdictional transmission development and investment.

19 **Q. What is the dollar amount of the Updated Test Year XES charges that SPS**
20 **requests, on a total company basis, for the Finance & Corporate Development**
21 **affiliate class?**

22 A. The following table summarizes the dollar amount of the estimated Updated Test
23 Year XES charges for the Finance & Corporate Development affiliate class. I will
24 update the table below as part of SPS's 45-day case update filing to reflect the actual

Updated Test Year costs for the Finance & Corporate Development affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the amounts below summarize information provided in Attachment ARD-RR-A.

Table ARD-RR-18

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Finance & Corporate Development	\$18,325,301	\$3,208,948	49.46%	50.54%

Q. Please describe the attachments that support the information provided on Table ARD-RR-18.

A. There are four attachments to my testimony that present information about the requested SPS affiliate expenses for the Finance & Corporate Development affiliate class. I explained these attachments in detail previously in Section V.A. of my testimony.

Q. Does XES bill its expenses for the Finance & Corporate Development affiliate class to SPS in the same manner as it bills other affiliates for those expenses?

A. Yes. As discussed by Mr. Baumgarten, XES uses the same method for billing and allocating costs to affiliates other than SPS that it uses to bill and allocate those costs to SPS.

Q. Are there any exclusions to the XES billings to SPS for the Finance & Corporate Development affiliate class?

A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as expenses not allowed or other below-the-line items. Exclusions are shown on

1 Attachment ARD-RR-A, Column H, and on Attachment ARD-RR-B(CD), Column
2 K. The details for the exclusions are provided in Attachment ARD-RR-C. As I
3 also mentioned earlier, Mr. Baumgarten describes how the exclusions were
4 calculated. In SPS's 45-day case update, I will present an updated Attachment
5 ARD-RR-C that will provide actual exclusions to replace any estimated exclusions
6 included in my original attachment.

7 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
8 **Finance & Corporate Development affiliate class?**

9 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
10 Year expenses for known and measurable changes. Pro forma adjustments are
11 shown on Attachment ARD-RR-A, Column J, and on Attachment ARD-RR-
12 B(CD), Column M. The details for the pro forma adjustments, including the
13 witness or witnesses who sponsor each pro forma adjustment, are provided in
14 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
15 months of the Updated Test Year have completed the full pro forma adjustment
16 review process. In SPS's 45-day case update, I will present an updated Attachment
17 ARD-RR-D that will complete the full pro forma adjustment review process for the
18 last three months of the Updated Test Year.

19 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
20 **adjustments that result in a net decrease for the Finance & Corporate**
21 **Development affiliate class of \$204.99. Please explain the adjustments.**

22 A. The adjustments that I sponsor: remove alcoholic and other beverage purchases (a
23 decrease of \$136.69); remove costs not benefitting SPS (a decrease of \$1.78);
24 remove costs for life events (a decrease of \$66.52).

1 **B. The Finance & Corporate Development Affiliate Class of Services**
2 **are Necessary Services**

3 **Q. Are the services that are grouped in the Finance & Corporate Development**
4 **affiliate class necessary for SPS's operations?**

5 A. Yes. The services grouped in the Finance & Corporate Development affiliate class
6 are performed on behalf of all Xcel Energy subsidiaries, including SPS. They are
7 necessary to ensure that there is governance and monitoring applied to budgeting,
8 financial forecasting and reporting, and affiliate transactions; to ensure sales are
9 forecasted accurately; to ensure that SPS has accurate and timely information
10 regarding cost of service, and fuel and purchased power issues; and that SPS is able
11 to provide the Commission, the NMPRC, and FERC the information necessary for
12 regulatory oversight. They are functions required by all utilities.

13 **Q. What are the specific services that are provided to SPS by the Finance &**
14 **Corporate Development affiliate class?**

15 A. The specific services that are provided to SPS by the Finance & Corporate
16 Development affiliate class include:

- 17 • Oversight, governance and consolidation of budgets and forecasts at the
18 corporate and business area levels;
- 19 • Compiling budget documentation and support for regulatory filings;
- 20 • Maintaining corporate financial modeling and reporting tools;
- 21 • Preparing financial analysis and reporting financial results to senior
22 leadership and the Xcel Energy Board of Directors;
- 23 • Providing accounting support to business areas;
- 24 • Providing revenue and cost of service analysis, expert testimony, and
25 support for SPS rate cases and other regulatory filings;

- 1 • Providing regulatory guidance related to the SPS revenue budget
2 development;
- 3 • Assisting in development of policy for regulatory strategy;
- 4 • Preparing SPS's monthly fuel reports;
- 5 • Maintaining the FERC formula rates and providing annual updates on
6 FERC ratemaking;
- 7 • the development of the revenue component of the Operating Company
8 budgets
- 9 • leading the evaluation and execution of new business investment
10 opportunities for Xcel Energy;
- 11 • providing analytical and transactional support for generation resource
12 plan development and implementation;
- 13 • providing distribution system evaluations and FERC-jurisdictional
14 transmission development and investment;
- 15 • Providing sales and demand forecasting, and load research data to
16 support revenue forecasting, cost allocation, rate design, and fuel
17 requirements forecasting; and
- 18 • Managing the collection, validation and reconciliation of all load
19 research sample data.

20 **Q. Are any of the Finance & Corporate Development affiliate class of services**
21 **that are provided to SPS duplicated elsewhere in XES or in any other Xcel**
22 **Energy subsidiary such as SPS itself?**

23 A. No. Within XES, none of the services grouped in the Finance & Corporate
24 Development affiliate class are duplicated elsewhere. No other Xcel Energy
25 subsidiary performs these services for the Operating Companies. In addition, SPS
26 does not perform these services for itself.

1 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
2 **Finance & Corporate Development affiliate class of services?**

3 A. Yes. The services of the Finance & Corporate Development affiliate class benefit
4 SPS's customers in many ways. For example, the organization provides senior
5 management with the analysis needed to allocate financial resources to the areas
6 where the resources will have the most impact and align with the strategic goals of
7 Xcel Energy and SPS, thereby supporting the provision of electric service to
8 customers.

9 **C. The Finance & Corporate Development Affiliate Class of Services**
10 **are Provided at a Reasonable Cost**

11 **Q. Are the costs of the Finance & Corporate Development affiliate class of**
12 **services reasonable?**

13 A. Yes. The costs of the Finance & Corporate Development affiliate class of services
14 are reasonable. XES provides the Finance & Corporate Development functions and
15 services on a consolidated basis for multiple Xcel Energy legal entities. As a result,
16 SPS benefits from sophisticated services provided by a pool of talented
17 professionals, the consolidated costs of which are shared. The economies of scale
18 inherent in this system result in reasonable costs to SPS for these services.

19 *1. Additional Evidence*

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

22 A. Yes. Of the estimated Updated Test Year costs for the Finance & Corporate
23 Development class, approximately 93% are compensation and benefits costs for
24 XES personnel. Mr. Deselich and Mr. Schrubbe establish that the level of Xcel
25 Energy's compensation and benefits is reasonable and necessary.

established by the Financial Operations business area. Budgets are reviewed monthly to ensure adherence to the goals and to discuss actions necessary to address variances. Failure to meet the goals impacts performance evaluations and the overall compensation of the management within this class.

3. Cost Trends

Q. Please state the dollar amounts of the actual per book charges from XES to SPS for the Finance & Corporate Development affiliate class of services for the three fiscal years preceding the end of the Updated Test Year and the estimated per book charges for the estimated Updated Test Year.

A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar years), the actual per book and, for the Updated Test Year, the estimated per book affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the services grouped in the Financial Planning affiliate class:

Table ARD-RR-19

	(Per Book) Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Finance & Corporate Development	\$2,990,946	\$2,804,866	\$3,123,047	\$3,122,245

Q. What are the reasons for this trend?

A. The decrease in costs between 2017 and 2018 was primarily due to lower labor costs across the affiliate class. The cost increase between 2018 and 2019 was due to increases in labor, employee expenses and the use of outside resources. The costs for this affiliate class have remained consistent from 2019 to the estimated Updated Test Year.

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	Average of End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Finance & Corporate Development	161	158	155	155

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1 **D. The Costs for the Finance & Corporate Development Affiliate**
2 **Class of Services are Priced in a Fair Manner**

3 **Q. For those costs that XES charges (either directly or through use of an**
4 **allocation) to SPS for the Finance & Corporate Development affiliate class of**
5 **services, does SPS pay any more for the same or similar service than does any**
6 **other Xcel Energy affiliate?**

7 A. No. The XES charges to SPS for any particular service are no higher than the XES
8 charges to any other Xcel Energy affiliate. The costs charged for particular services
9 are the actual costs that XES incurred in providing those services to SPS. A single,
10 specific allocation method, rationally related to the cost drivers associated with the
11 service being provided, is used with each cost center (billing method). In his direct
12 testimony, Mr. Baumgarten discusses the selection of billing methods and XES's
13 method of charging for services in more detail.

14 **Q. How are the costs of the Finance & Corporate Development affiliate class**
15 **billed to SPS?**

16 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
17 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
18 the billing method associated with each activity. My Attachment ARD-RR-A
19 shows the allocation method (Column D) associated with each billing method
20 (Column C) used in the affiliate class.

21 In SPS's 45-day case update, I will present updated Attachments
22 ARD-RR-A and ARD-RR-B(CD) so that the entries for the last three months of the
23 Updated Test Year provide actual data and conform to the information provided for
24 the first nine months. In the event the predominant billing methods and associated

1 allocation methods for the Finance & Corporate Development affiliate O&M
2 expenses on my updated Attachments ARD-RR-A and ARD-RR-B(CD) differ
3 from those discussed below, I will explain those differences in supplemental
4 testimony in SPS's 45-day case update filing.

5 **Q. What are the predominant allocation methods used for billing the costs that**
6 **SPS seeks to recover for the Finance & Corporate Development affiliate class**
7 **of services?**

8 A. Of the requested XES charges to SPS for this class, approximately 100% were
9 charged using one of the following four allocation methods:

- 10 • Direct Billing: 49.46% of XES charges to SPS or \$1,587,115;
- 11 • Assets, Revenue, and Number of Employees: 42.21% of XES charges
12 to SPS or \$1,354,366;
- 13 • Revenue: 8.04% of XES charges to SPS or \$258,128.

14 **Q. Why is the "Direct Billing" method appropriate for assigning the costs**
15 **captured in the cost centers that use that allocation method?**

16 A. For the cost centers that are assigned using the "Direct Billing" method, the costs
17 normally reflect work that was performed specifically for SPS only. In some cases,
18 however, the direct billing occurred after the application of an off-line allocator that
19 tracks the relevant cost drivers. In either situation, the cost centers charged using
20 the "Direct Billing" method are appropriate because the assignment of costs is in
21 accordance with the distribution of benefits for the services received. For example,
22 the costs related to the preparation of SPS financial performance reports, were
23 assigned using the "Direct Billing" method. The cost of these services benefited
24 SPS, the work was performed specifically for SPS alone, and the cost driver is the

1 preparation of SPS reports. Thus, the “Direct Billing” method is appropriate
2 because it assigns costs in accordance with cost causation and benefits received.
3 For the cost centers that assign costs using Direct Billing, the per unit amounts
4 charged by XES to SPS are no higher than the unit amounts billed by XES to other
5 affiliates for the same or similar services and represent the actual costs of the
6 services.

7 **Q. Why is it appropriate to allocate costs based upon the “Assets, Revenue, and**
8 **Number of Employees” method for the costs captured in the cost centers that**
9 **use that allocation method?**

10 A. The three factor billing allocation using assets, revenue, and employees produces
11 an allocation of costs that recognizes the complexity, risk, and overall business
12 activity levels that drives the costs included in the cost centers and measures the
13 benefits received from those activities. For the cost centers billed using this
14 allocator, there is no one specific cost driver for the support tasks and services
15 provided, and the services benefit multiple Xcel Energy affiliates. For example,
16 the costs associated with the preparation of financial analysis and reports to senior
17 leadership and the Xcel Energy Board of Directors, which are collected in Cost
18 Center 200087, are allocated using this method. Within the Xcel Energy holding
19 company group, those legal entities that have proportionately more assets,
20 revenues, and employees will have more focus placed on their operations due to
21 those subsidiaries’ relative influence on the consolidated business balance sheet,
22 income statement and statement of cash flow, and the subsidiaries will benefit
23 accordingly from the services provided. Thus, allocating these costs based upon
24 the average of the total asset ratio, revenue ratio, and the employee ratio is

1 appropriate because it allocates costs in accordance with cost causation and benefits
2 received. Mr. Baumgarten discusses this allocation method in more detail in his
3 testimony. For the cost centers that assign costs based upon this allocation method,
4 the per unit amounts charged by XES to SPS as a result of the application of this
5 allocation method are no higher than the unit amounts billed by XES to other
6 affiliates for the same or similar services and represent the actual costs of the
7 services.

8 **Q. Why is it appropriate to allocate costs based upon the “Revenue” method for**
9 **the costs captured in the cost center that uses that allocation method?**

10 A. Cost Center 200178 uses the “Revenue” method as the allocator, captures the costs
11 associated with the work performed by the Revenue Requirements area such as
12 maintaining and using the Regulatory Information System which is used for
13 regulatory filings. Each Operating Company derives benefits from the services
14 captured in this cost center in proportion to the Operating Company’s relative level
15 of revenues. Thus, the costs in this Cost Center are allocated among the Xcel
16 Energy Operating Companies based on each Operating Company’s proportionate
17 share of the total annual revenue of all of the Operating Companies (i.e., the annual
18 revenue of a particular Operating Company as a percentage of the total annual
19 revenue for all of the Operating Companies). This allocation reflects cost causation
20 and the distribution of the benefits of the services received. For the cost centers
21 that assign costs based upon this allocation method, the per unit amounts charged
22 by XES to SPS as a result of the application of this allocation method are no higher
23 than the unit amounts billed by XES to other affiliates for the same or similar
24 services and represent the actual costs of the services.

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Q. What services are grouped into the Investor Relations affiliate class?

Q. What is the dollar amount of the Updated Test Year XES charges that SPS requests, on a total company basis, for the Investor Relations affiliate class?

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Investor Relations affiliate class. I will update the table below as part of SPS's 45-day case update filing to reflect the actual Updated Test Year costs for the Investor Relations affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the amounts below summarize information provided in Attachment ARD-RR-A.

Table ARD-RR-21

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Investor Relations	\$1,704,495	\$216,291	0.00%	100.00%

1 **Q. Please describe the attachments that support the information provided on**
2 **Table ARD-RR-21.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the Investor Relations affiliate class. I
5 explained these attachments in detail previously in Section V.A. of my testimony.

6 **Q. Does XES bill its expenses for the Investor Relations affiliate class to SPS in**
7 **the same manner as it bills other affiliates for those expenses?**

8 A. Yes. As discussed by Mr. Baumgarten, XES uses the same method for billing and
9 allocating costs to affiliates other than SPS that it uses to bill and allocate those
10 costs to SPS.

11 **Q. Are there any exclusions to the XES billings to SPS for the Investor Relations**
12 **affiliate class?**

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

21 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
22 **Investor Relations affiliate class?**

23 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
24 Year expenses for known and measurable changes. Pro forma adjustments are

1 shown on Attachment ARD-RR-A, Column J, and on Attachment ARD-RR-
2 B(CD), Column M. The details for the pro forma adjustments, including the
3 witness or witnesses who sponsor each pro forma adjustment, are provided in
4 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
5 months of the Updated Test Year have completed the full pro forma adjustment
6 review process. In SPS's 45-day case update, I will present an updated Attachment
7 ARD-RR-D that will complete the full pro forma adjustment review process for the
8 last three months of the Updated Test Year.

9 **B. The Investor Relations Affiliate Class of Services are Necessary**
10 **Services**

11 **Q. Are the services that are grouped in the affiliate class necessary for SPS's**
12 **operations?**

13 A. Yes. The services grouped in the Investor Relations affiliate class are performed
14 on behalf of all Xcel Energy subsidiaries, including SPS. They are necessary to
15 attract shareholder investments and obtain financing, which in turn supports SPS's
16 access to capital and its ability to finance ongoing operations and fund new capital
17 projects. They are functions required by all investor-owned utilities.

18 **Q. What are the specific services that are provided to SPS by the Investor**
19 **Relations affiliate class?**

20 A. The specific services that are provided to SPS by the Investor Relations affiliate
21 class include:

- 22 • Administering and maintaining relationships with credit rating agencies,
23 analysts, current and prospective investors, and other organizations
24 within the investment community;
- 25 • Developing programs and materials that are used in support of investor
26 relations presentations and functions;

- 1 • Distributing all financial releases;
- 2 • Providing feedback from investors, analysts, shareholders, and credit
- 3 rating agencies to management; and,
- 4 • enabling the casting of shareholder votes.

5 **Q. Are any of the Investor Relations affiliate class of services that are provided to**
6 **SPS duplicated elsewhere in XES or in any other Xcel Energy subsidiary such**
7 **as SPS itself?**

8 A. No. Within XES, none of the services grouped in the Investor Relations affiliate
9 class are duplicated elsewhere. No other Xcel Energy subsidiary performs these
10 services for the Operating Companies. In addition, SPS does not perform these
11 services for itself.

12 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
13 **Investor Relations affiliate class of services?**

14 A. Yes. The services of the Investor Relations affiliate class benefit SPS's customers
15 in many ways. For example, the organization assists in attracting shareholder
16 investments and obtaining financing, which in turn supports SPS's access to capital
17 and its ability to finance ongoing operations and fund new capital projects that serve
18 SPS customers.

19 **C. The Investor Relations Affiliate Class of Services are Provided at a**
20 **Reasonable Cost**

21 **Q. Are the costs of the Investor Relations affiliate class of services reasonable?**

22 A. Yes. The costs of the Investor Relations affiliate class of services are reasonable.
23 XES provides the Investor Relations class of functions and services on a
24 consolidated basis for multiple Xcel Energy legal entities. As a result, SPS benefits

1 from sophisticated services provided by a pool of talented professionals, the
2 consolidated costs of which are shared. The economies of scale inherent in this
3 system result in reasonable costs to SPS for these services.

4 *1. Budget Planning*

5 **Q. Is a budget planning process applicable to the Investor Relations class of**
6 **affiliate costs?**

7 A. Yes. Annual O&M budgets that include the Investor Relations class of affiliate
8 costs are created for the Financial Operations business area, using guidelines
9 developed at the corporate level. The process includes the review of historical
10 Investor Relations class costs, elimination of non-recurring costs, identification of
11 new, one-time or recurring initiatives, and an assessment of future staffing levels
12 and work assignments. It is an iterative process involving the Investor Relations
13 class leadership and assigned business area finance support personnel. The
14 budgeting process is discussed in more detail in Section III of my testimony.

15 **Q. During the fiscal year, does the Investor Relations organization monitor its**
16 **actual expenditures versus its budget?**

17 A. Yes. Actual versus expected expenditures of the Investor Relations organization
18 are monitored on a monthly basis by management. Deviations are evaluated each
19 month to ensure that costs are appropriate. In addition, action plans are developed
20 to mitigate variations in actual to budgeted expenditures. These mitigation plans
21 may either reduce or delay other expenditures so that the overall expenditures are
22 in accord with the authorized budget.

1 **Q. Are employees within the Investor Relations organization held accountable for**
2 **deviations from the budget?**

3 A. Yes. The managers and leadership of the Investor Relations organization are
4 required to manage their expenses to support the budgetary goals established by the
5 Financial Operations business area. Budgets are reviewed monthly to ensure
6 adherence to the goals and to discuss actions necessary to address variances.
7 Failure to meet the goals impacts performance evaluations and the overall
8 compensation of the management within this class.

9 2. *Cost Trends*

10 **Q. Please state the dollar amounts of the actual per book charges from XES to**
11 **SPS for the Investor Relations affiliate class of services for the three fiscal**
12 **years preceding the end of the Updated Test Year and the estimated charges**
13 **per book for the estimated Updated Test Year.**

14 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
15 years), the actual per book and, for the Updated Test Year, the estimated per book
16 affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the
17 services grouped in the Investor Relations affiliate class:

18 **Table ARD-RR-22**

	(Per Book) Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Investor Relations	\$158,600	\$116,244	\$256,799	\$214,749

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

2 A. The decrease in costs from 2017 to 2018 was due to moving from the NY Stock
3 Exchange to NASDAQ, resulting in lower fees. The increase between 2018 and
4 2019 is due to higher shareholder related expense and postage, primarily due to the
5 costs transferring from the Corporate Secretary and Executive Services Affiliate
6 Class. The decrease in costs from 2019 to the estimated Updated Test Year is
7 primarily due to a decrease in shareholder transfer agent services as a result of a
8 renegotiated contract.

9 3. *Staffing Trends*

10 **Q. Please provide the staffing levels for the Investor Relations affiliate class of**
11 **services for the three fiscal years preceding the end of the Updated Test Year**
12 **and the Updated Test Year.**

13 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
14 years) and for the Updated Test Year, the average of the end of month staffing
15 levels for the Investor Relations affiliate class of services.

16 **Table ARD-RR-23**

	Average of End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Investor Relations	4	3	3	3

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

18 A. With the exception of 2017, the department has maintained the same level of
19 average staffing over this period of time. The decrease in headcount from 2017 to
20 the Updated Test Year is due to the consolidation of administrative support staff.

1 shows the allocation method (Column D) associated with each billing method
2 (Column C) used in the affiliate class.

3 In SPS's 45-day case update, I will present updated Attachments ARD-RR-
4 A and ARD-RR-B(CD) so that the entries for the last three months of the Updated
5 Test Year provide actual data and conform to the information provided for the first
6 nine months. In the event the predominant billing methods and associated
7 allocation methods for the Investor Relations affiliate O&M expenses on my
8 updated Attachments ARD-RR-A and ARD-RR-B(CD) differ from those discussed
9 below, I will explain those differences in supplemental testimony in SPS's 45-day
10 case update filing.

11 **Q. What are the predominant allocation methods used for billing the costs that**
12 **SPS seeks to recover for the Investor Relations affiliate class of services?**

13 A. All of the requested XES charges to SPS for this class were charged using the
14 following allocation method:

- 15 • Assets, Revenue, and Number of Employees: 100.0% of XES charges to
16 SPS or \$216,291.

17 **Q. Why is it appropriate to allocate costs based upon the "Assets, Revenue, and**
18 **Number of Employees" method for the costs captured in the cost centers that**
19 **use that allocation method?**

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

1 provided, and the services benefit multiple Xcel Energy affiliates. For example,
2 the costs associated with developing investor relations programs and all supporting
3 materials to ensure an appropriate financial evaluation of Xcel Energy by the
4 financial community, which are collected in Cost Center 200065, are allocated
5 using this method. Within the Xcel Energy holding company group, those legal
6 entities that have proportionately more assets, revenues, and employees will have
7 more focus placed on their operations due to those subsidiaries' relative influence
8 on the consolidated business balance sheet, income statement and statement of cash
9 flow, and the subsidiaries will benefit accordingly from the services provided.
10 Thus, allocating these costs based upon the average of the total asset ratio, revenue
11 ratio, and the employee ratio is appropriate because it allocates costs in accordance
12 with cost causation and benefits received. Mr. Baumgarten discusses this
13 allocation method in more detail in his testimony. For the cost centers that assign
14 costs based upon this allocation method, the per unit amounts charged by XES to
15 SPS as a result of the application of this allocation method are no higher than the
16 unit amounts billed by XES to other affiliates for the same or similar services and
17 represent the actual costs of the services.

XIII. AFFILIATE EXPENSES FOR THE TAX SERVICES
CLASS OF SERVICES

A. Summary of Affiliate Expenses for the Tax Services Class of Services

Q. What services are grouped into the Tax Services affiliate class?

A. The services that are grouped into the Tax Services affiliate class are tax-related activities including tax accounting and compliance.

Q. What is the dollar amount of the Updated Test Year XES charges that SPS requests, on a total company basis, for the Tax Services affiliate class?

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Tax Services affiliate class. I will update the table below as part of SPS's 45-day case update filing to reflect the actual Updated Test Year costs for the Tax Services affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the amounts below summarize information provided in Attachment ARD-RR-A.

Table ARD-RR-24

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Tax Services	\$3,797,901	\$640,891	33.34%	66.66%

Q. Please describe the attachments that support the information provided on Table ARD-RR-24.

A. There are four attachments to my testimony that present information about the requested SPS affiliate expenses for the Tax Services affiliate class. I explained these attachments in detail previously in Section V.A. of my testimony.

1 **Q. Does XES bill its expenses for the Tax Services affiliate class to SPS in the same**
2 **manner as it bills other affiliates for those expenses?**

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

6 **Q. Are there any exclusions to the XES billings to SPS for the Tax Services**
7 **affiliate class?**

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

16 **Q. Are there any pro forma adjustments to SPS's per book expenses for the Tax**
17 **Services affiliate class?**

18 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
19 Year expenses for known and measurable changes. Pro forma adjustments are
20 shown on Attachment ARD-RR-A, Column J, and on Attachment ARD-RR-
21 B(CD), Column M. The details for the pro forma adjustments, including the
22 witness or witnesses who sponsor each pro forma adjustment, are provided in
23 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
24 months of the Updated Test Year have completed the full pro forma adjustment
25 review process. In SPS's 45-day case update, I will present an updated Attachment

1 ARD-RR-D that will complete the full pro forma adjustment review process for the
2 last three months of the Updated Test Year.

3 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
4 **adjustments that result in a net decrease for the Tax Services affiliate class of**
5 **\$25.09. Please explain the adjustments.**

6 A. The adjustments that I sponsor remove costs not benefitting SPS (a decrease of
7 \$1.05); and remove costs for life events (a decrease of \$24.03).

8 **B. The Tax Services Affiliate Class of Services are Necessary Services**

9 **Q. Are the services that are grouped in the affiliate class necessary for SPS's**
10 **operations?**

11 A. Yes. The services grouped in the Tax Services affiliate class are necessary to ensure
12 compliance with local, state, and federal tax obligations for Xcel Energy and its
13 subsidiaries, including SPS. They are functions required by all utilities.

14 **Q. What are the specific services that are provided to SPS by the Tax Services**
15 **affiliate class?**

16 A. The specific services that are provided to SPS by the Tax Services affiliate class
17 include:

- 18 • Preparing and filing federal and state income tax returns and payments
19 for Xcel Energy and its subsidiaries, including SPS;
- 20 • Preparing and filing property and sales and use tax returns and payments
21 for Xcel Energy and its subsidiaries, including SPS;
- 22 • Calculating income, property, and sales and use tax provisions for Xcel
23 Energy and its subsidiaries, including SPS;
- 24 • Administering all federal, state, and local income, sales and use, and
25 property tax audits, protests, and appeals;
- 26 • Providing tax counseling to executive management, business areas, and
27 Xcel Energy subsidiaries, including SPS, to mitigate the impact of

1 taxation on operations, strategic business decisions, and potential
2 transactions;

3 • Monitoring federal and state tax legislation, legal developments, and
4 rulemaking activities in the income tax, sales and use tax, and property
5 tax areas; and

6 • Defending the tax positions of Xcel Energy and its subsidiaries,
7 including SPS, before various taxing authorities, including with regard
8 to state and local property tax issues, state and local sales and use tax
9 issues, and franchise fee issues.

10 **Q. Are any of the Tax Services affiliate class of services that are provided to SPS**
11 **duplicated elsewhere in XES or in any other Xcel Energy subsidiary such as**
12 **SPS itself?**

13 A. No. Within XES, none of the services grouped in the Tax Services affiliate class
14 are duplicated elsewhere. No other Xcel Energy subsidiary performs these services
15 for the Operating Companies. In addition, SPS does not perform these services for
16 itself.

17 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
18 **Tax Services class of services?**

19 A. Yes. The services of the Tax Services affiliate class benefit SPS's customers in
20 many ways. For example, the Tax Services organization ensures that SPS is in
21 compliance with tax laws, while also seeking to minimize the tax obligations that
22 would increase costs to customers.

23 **C. The Tax Services Affiliate Class of Services are Provided at a**
24 **Reasonable Cost**

25 **Q. Are the costs of the Tax Services affiliate class of services reasonable?**

26 A. Yes. The costs of the Tax Services affiliate class of services are reasonable. XES
27 provides the Tax Services functions and services on a consolidated basis for

1 multiple Xcel Energy legal entities. As a result, SPS benefits from sophisticated
2 services provided by a pool of talented professionals, the consolidated costs of
3 which are shared. The economies of scale inherent in this system result in
4 reasonable costs to SPS for these services.

5 *1. Additional Evidence*

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

8 A. Yes. Of the estimated Updated Test Year costs for the Tax Services class,
9 approximately 76% are compensation and benefits costs for XES personnel. Mr.
10 Deselich and Mr. Schrubbe establish that the level of Xcel Energy's compensation
11 and benefits is reasonable and necessary.

12 *2. Budget Planning*

13 **Q. Is a budget planning process applicable to the Tax Services class of affiliate**
14 **costs?**

15 A. Yes. Annual O&M budgets that include the Tax Services class of affiliate costs are
16 created for the Financial Operations business area, using guidelines developed at
17 the corporate level. The process includes the review of historical Tax Services class
18 costs, elimination of non-recurring costs, identification of new, one-time or
19 recurring initiatives, and an assessment of future staffing levels and work
20 assignments. It is an iterative process involving the Tax Services class leadership
21 and assigned business area finance support personnel. The budgeting process was
22 discussed in more detail in Section III of my testimony.

1 **Q. During the fiscal year, does the Tax Services organization monitor its actual**
2 **expenditures versus its budget?**

3 A. Yes. Actual versus expected expenditures of the Tax Services organization are
4 monitored on a monthly basis by management. Deviations are evaluated each
5 month to ensure that costs are appropriate. In addition, action plans are developed
6 to mitigate variations in actual to budgeted expenditures. These mitigation plans
7 may either reduce or delay other expenditures so that the overall expenditures are
8 in accord with the authorized budget.

9 **Q. Are employees within the Tax Services organization held accountable for**
10 **deviations from the budget?**

11 A. Yes. The managers and leadership of the Tax Services organization are required to
12 manage their expenses to support the financial goals established by the Financial
13 Operations business area. Budgets are reviewed monthly to ensure adherence to
14 the goals and to discuss actions necessary to address variances. Failure to meet the
15 goals impacts performance evaluations and the overall compensation of the
16 management within this class.

17 3. *Cost Trends*

18 **Q. Please state the dollar amounts of the actual per book charges from XES to**
19 **SPS for the Tax Services affiliate class of services for the three fiscal years**
20 **preceding the end of the Updated Test Year and the estimated per book**
21 **charges for the estimated Updated Test Year.**

22 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
23 years), the actual per book and, for the Updated Test Year, the estimated per book

1 affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the
2 services grouped in the Tax Services affiliate class:

3 **Table ARD-RR-25**

	(Per Book) Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Tax Services	\$666,681	\$634,153	\$599,799	\$626,455

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

5 A. The decrease in costs between 2017 and 2018 was due to decreased labor and labor
6 loading costs. The decrease in costs between 2018 and 2019 was primarily due to
7 labor and labor loadings and decreased consulting fees. The slight increase in costs
8 from 2019 to the estimated updated test year is due to higher labor costs partially
9 offset by a reduction in external consulting.

10 *4. Staffing Trends*

11 **Q. Please provide the staffing levels for the Tax Services affiliate class of services**
12 **for the three fiscal years preceding the end of the Updated Test Year and the**
13 **Updated Test Year.**

14 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
15 years) and for the Updated Test Year, the average of the end of month staffing
16 levels for the Tax Services affiliate class of services.

1

Table ARD-RR-26

	Average of End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Tax Services	26	24	23	23

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

3 A. The department has generally maintained the same level of average staffing over
4 this period of time. The decrease from 2017 to the estimated Updated Test Year
5 is primarily due to the removal of one position and the timing of filling open
6 positions.

7 *5. Cost Control and Process Improvement Initiatives*

8 **Q. Separate from the budget planning process, does the Tax Services affiliate**
9 **class take any steps to control its costs or to improve its services?**

10 A. Yes. The Tax Services organization continually reviews its plans, initiatives, and
11 staffing to ensure they are appropriate and to identify and implement
12 improvements.

13 **D. The Costs for the Tax Services Affiliate Class of Services are Priced**
14 **in a Fair Manner**

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

19 A. No. The XES charges to SPS for any particular service are no higher than the XES
20 charges to any other Xcel Energy affiliate. The costs charged for particular services

1 are the actual costs that XES incurred in providing those services to SPS. A single,
2 specific allocation method, rationally related to the cost drivers associated with the
3 service being provided, is used with each cost center (billing method). In his direct
4 testimony, Mr. Baumgarten discusses the selection of billing methods and XES's
5 method of charging for services in more detail.

6 **Q. How are the costs of the Tax Services affiliate class billed to SPS?**

7 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
8 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
9 the billing method associated with each activity. My Attachment ARD-RR-A
10 shows the allocation method (Column D) associated with each billing method
11 (Column C) used in the affiliate class.

12 In SPS's 45-day case update, I will present updated Attachments ARD-RR-
13 A and ARD-RR-B(CD) so that the entries for the last three months of the Updated
14 Test Year provide actual data and conform to the information provided for the first
15 nine months. In the event the predominant billing methods and associated
16 allocation methods for the Tax Services affiliate O&M expenses on my updated
17 Attachments ARD-RR-A and ARD-RR-B(CD) differ from those discussed below,
18 I will explain those differences in supplemental testimony in SPS's 45-day case
19 update filing.

20 **Q. What are the predominant allocation methods used for billing the costs that**
21 **SPS seeks to recover for the Tax Services affiliate class of services?**

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

- 1 • Assets, Revenue and Number of Employees: 66.66% of XES charges to
- 2 SPS or \$437,234;
- 3 • Direct Billing: 33.34% of XES charges to SPS or \$213,657.

4 **Q. Why is it appropriate to allocate costs based upon the “Assets, Revenue, and**
5 **Number of Employees” method for the costs captured in the cost centers that**
6 **use that allocation method?**

7 A. The three factor allocation method using assets, revenue, and employees produces
8 an allocation of costs that recognizes the complexity, risk, and overall business
9 activity levels that drive the costs included in the cost centers and measures the
10 benefits received from those activities. For the cost centers billed using this
11 allocator, there is no one specific cost driver for the support tasks and services
12 provided, and the services benefit multiple Xcel Energy affiliates. For example,
13 the costs associated with preparing and filing consolidated federal income tax
14 returns, which are collected in Cost Center 200066, are allocated using this method.
15 Within the Xcel Energy holding company group, those legal entities that have
16 proportionately more assets, revenues, and employees will have more focus placed
17 on their operations due to those subsidiaries’ relative influence on the consolidated
18 business balance sheet, income statement and statement of cash flow, and the
19 subsidiaries will benefit accordingly from the services provided. Thus, allocating
20 these costs based upon the average of the total asset ratio, revenue ratio, and the
21 employee ratio is appropriate because it allocates costs in accordance with cost
22 causation and benefits received. Mr. Baumgarten discusses this billing method in
23 more detail in his testimony. For the cost centers that assign costs based upon this
24 allocation method, the per unit amounts charged by XES to SPS as a result of the

1 application of this allocation method are no higher than the unit amounts billed by
2 XES to other affiliates for the same or similar services and represent the actual costs
3 of the services.

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

6 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
7 normally reflect work that was performed specifically for SPS only. In some cases,
8 however, the direct billing occurred after the application of an off-line allocator that
9 tracks the relevant cost drivers. In either situation, the cost centers charged using
10 the “Direct Billing” method are appropriate because the assignment of costs is in
11 accordance with the distribution of benefits for the services received. For example,
12 the costs related to the preparation and filing of Texas property and sales and use
13 tax returns, were assigned using the “Direct Billing” method. The cost of these
14 services benefitted SPS, the work was performed specifically for SPS alone, and
15 the cost driver is SPS’s state tax returns. Thus, the “Direct Billing” method is
16 appropriate because it assigns costs in accordance with cost causation and benefits
17 received. For the cost centers that assign costs using Direct Billing, the per unit
18 amounts charged by XES to SPS are no higher than the unit amounts billed by XES
19 to other affiliates for the same or similar services and represent the actual costs of
20 the services.

XIV. AFFILIATE EXPENSES FOR THE TREASURER
CLASS OF SERVICES

A. Summary of Affiliate Expenses for the Treasurer Class of Services

Q. What services are grouped into the Treasurer affiliate class?

A. The services that are grouped into the Treasurer affiliate class are cash management, debt and equity issuance, insurance management, pension investment, financial planning and forecasting, managing the availability of funds, preparing financial compliance filings, and coordinating due diligence for financing activity. The Treasurer organization encompasses the Treasurer, Cash Management, Financial Policy, Hazard Insurance, Pensions and Investments, and Treasury Forecasting departments.

Q. What is the dollar amount of the Updated Test Year XES charges that SPS requests, on a total company basis, for the Treasurer affiliate class?

A. The following table summarizes the dollar amount of the estimated Updated Test Year XES charges for the Treasurer affiliate class. I will update the table below as part of SPS's 45-day case update filing to reflect the actual Updated Test Year costs for the Treasurer affiliate class. As explained regarding Table ARD-RR-1 in Section V.A., the amounts below summarize information provided in Attachment ARD-RR-A.

Table ARD-RR-27

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Treasurer	\$21,341,817	\$2,901,566	5.07%	94.93%

1 **Q. Please describe the attachments that support the information provided on**
2 **Table ARD-RR-27.**

3 A. There are four attachments to my testimony that present information about the
4 requested SPS affiliate expenses for the Treasurer affiliate class. I explained these
5 attachments in detail previously in Section V.A. of my testimony.

6 **Q. Does XES bill its expenses for the Treasurer affiliate class to SPS in the same**
7 **manner as it bills other affiliates for those expenses?**

8 A. Yes. As discussed by Mr. Baumgarten, XES uses the same method for billing and
9 allocating costs to affiliates other than SPS that it uses to bill and allocate those
10 costs to SPS.

11 **Q. Are there any exclusions to the XES billings to SPS for the Treasurer affiliate**
12 **class?**

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

21 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
22 **Treasurer affiliate class?**

23 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
24 Year expenses for known and measurable changes. Pro forma adjustments are

1 shown on Attachment ARD-RR-A, Column J, and on Attachment
2 ARD-RR-B(CD), Column M. The details for the pro forma adjustments, including
3 the witness or witnesses who sponsor each pro forma adjustment, are provided in
4 Attachment ARD-RR-D. Given the time of SPS's initial filing, only the first nine
5 months of the Updated Test Year have completed the full pro forma adjustment
6 review process. In SPS's 45-day case update, I will present an updated Attachment
7 ARD-RR-D that will complete the full pro forma adjustment review process for the
8 last three months of the Updated Test Year.

9 **Q. Attachment ARD-RR-D shows that you are a sponsor for pro forma**
10 **adjustments that result in a net decrease for the Treasurer affiliate class of**
11 **\$59.73. Please explain the adjustments.**

12 A. The adjustments that I sponsor: remove costs related to alcohol and other beverages
13 (a decrease of \$45.65); remove costs not benefitting SPS (a decrease of \$14.08).

14 **B. The Treasurer Affiliate Class of Services are Necessary Services**

15 **Q. Are the services that are grouped in the affiliate class necessary for SPS's**
16 **operations?**

17 A. Yes. The services grouped in the Treasurer affiliate class are necessary to ensure
18 that: SPS's finances and cash liquidity are appropriately managed; financing plans
19 are developed and executed; bank loans, corporate guarantees, letters of credit, and
20 long-term debt and equity securities are in place as needed; SPS's assets are
21 protected from losses through hazard insurance contracts; property and liability
22 insurance settlements are negotiated; and loss control services are in place to
23 minimize property exposures for Xcel Energy and its subsidiaries, including SPS.

1 **Q. What are the specific services that are provided to SPS by the Treasurer**
2 **affiliate class?**

3 A. The specific services that are provided to SPS by the five departments grouped in
4 the Treasurer affiliate class include:

5 **Treasurer:**

- 6 • Developing and executing Xcel Energy's financing plans;
- 7 • Managing business relationships with Xcel Energy's financial services
- 8 suppliers, including commercial and investment banks, insurance
- 9 companies, investment advisors, and investment managers;
- 10 • Maintaining contacts and providing information to each of the three
- 11 primary credit rating agencies (Standard & Poor's, Moody's, and Fitch);
- 12 • Providing financial evaluation expertise to business areas on special
- 13 projects; and,
- 14 • Acting as a coordinating officer for the Xcel Energy Board Finance
- 15 Committee.

16 **Cash Management:**

- 17 • Managing the daily liquidity (e.g., short-term borrowings and cash
- 18 investments) at each legal entity within Xcel Energy, including issuing
- 19 commercial paper and bank facility drawdowns;
- 20 • Moving funds internally to achieve optimal short-term liquidity and
- 21 capital structure positions;
- 22 • Providing information used in liquidity assessments by the rating
- 23 agencies; and,
- 24 • Coordinating cash flow with Accounts Payable, Accounting, and
- 25 Treasury Forecasting.

26 **Financial Policy:**

- 27 • Negotiating bank loans, corporate guarantees, and letters of credit;
- 28 • Handling issuances of long-term debt and equity securities for Xcel
- 29 Energy and each of the regulated utilities;

- 1 • Developing and maintaining banking relationships;
- 2 • Maintaining inter-company notes for non-regulated subsidiaries;
- 3 • Analyzing public market financial data to develop financial testimony
- 4 for capital structure and cost of capital positions in regulatory
- 5 proceedings;
- 6 • Preparing SEC, bank, regulatory, and other financial compliance filings;
- 7 and,
- 8 • Coordinating due diligence for financing activity.

9 **Pensions and Investments:**

- 10 • Coordinating with Xcel Energy’s investment advisor to perform asset
- 11 allocation studies for the pension trust, the nuclear decommissioning
- 12 trust, and the Voluntary Employee Beneficiary’s Association (“VEBA”)
- 13 trust assets;
- 14 • Providing analytical support for investment decisions and oversight of
- 15 the assets invested in the pension trust, the nuclear decommissioning
- 16 trusts, and the VEBA trusts;
- 17 • Directing all cash movements and investment account rebalancing
- 18 required for the pension, nuclear decommissioning, and the VEBA
- 19 trusts;
- 20 • Managing the business relationships with the investment managers,
- 21 advisors, and trustees;
- 22 • Performing analysis and support to the financial accounting group
- 23 responsible for reporting the value of the various trust assets;
- 24 • Coordinating with the Hazard Insurance department on investment and
- 25 investment manager-related reviews and due diligence;
- 26 • Providing primary internal oversight along with benefits accounting for
- 27 Mutual Business Programs 15; and,
- 28 • Leading the internal advisory committee who has oversight of VEBA
- 29 investment.

30 **Treasury Forecasting:**

- 31 • Developing corporate financial objectives, including the dividend
- 32 policy for Xcel Energy and its subsidiaries;

- 1 • Providing financial analysis to senior management, the Board of
2 Directors, investors and credit rating agencies; and,
- 3 • Providing analytical and investment analysis to support business
4 decisions.

5 **Hazard Insurance:**

- 6 • Protecting assets from catastrophic loss using risk financing
7 mechanisms, including captive risk retention and design and negotiation
8 of insurance contracts with commercial and industry mutual
9 underwriters (property insurance, excess liability insurance, director
10 and officer insurance, primary casualty insurance, nuclear
11 property/liability/business interruption insurance, cyber risk insurance,
12 surety bonds, and various smaller programs);
- 13 • Negotiating and coordinating property and liability insurance
14 settlements;
- 15 • Reviewing and advising business areas and Xcel Energy subsidiaries on
16 contracts under development to ensure that corporate asset protection
17 objectives are met;
- 18 • Providing evidence of: insurance as required under various contractual
19 agreements throughout Xcel Energy and its subsidiaries; loss control
20 services to minimize large property exposures; analyses to determine
21 optimal risk financing; surety bonds for financial guarantees included in
22 various contracts; and boiler and machinery inspection as required by
23 the states; and,
- 24 • Coordinating insurance activities with Legal Services and Energy
25 Supply.

26 **Q. Does the Hazard Insurance department purchase property and auto liability**
27 **insurance policies and process payments for those policies?**

28 A. Yes. The Hazard Insurance department purchases property and auto liability
29 insurance policies and processes the payments for those policies on behalf of Xcel
30 Energy subsidiaries, including SPS.

31 **Q. Are the payments made on behalf of SPS reflected as native costs?**

32 A. Yes. Native SPS costs are those costs incurred directly by SPS associated with the
33 provision of electric service to customers. In regard to property and auto liability

1 insurance, SPS is the legal entity that purchases the policy and pays the premium
2 directly to the insurer. The Hazard Insurance department simply acts as SPS's
3 agent. Thus, the actual payment amounts for the property and auto liability
4 insurance policies are reflected as native SPS costs.

5 **Q. Please describe the SPS native costs incurred for these services.**

6 A. These costs, which are provided on my Attachment ARD-RR-1, are for property
7 insurance and auto liability insurance policies. Auto liability insurance covers any
8 claims against SPS for third party vehicle accident claims when a third-party
9 experiences injuries or property damage due to employee driver vehicle operations.
10 The property insurance covers damages to SPS property such as buildings and
11 substations, excluding transmission and distribution lines. These costs are included
12 in FERC Account 924.

13 **Q. Are the native SPS costs for property and auto liability insurance reasonable**
14 **and necessary for SPS's operations?**

15 A. Yes. These costs are necessary for the appropriate protection of SPS's assets as
16 well as to meet state law regarding the maintenance of auto insurance. These costs
17 are reasonable and necessary and support SPS's ability to provide safe and reliable
18 service to its Texas retail customers.

19 **Q. Are any of the Treasurer affiliate class of services that are provided to SPS**
20 **duplicated elsewhere in XES or in any other Xcel Energy subsidiary such as**
21 **SPS itself?**

22 A. No. Within XES, none of the services grouped in the Treasurer affiliate class are
23 duplicated elsewhere. No other Xcel Energy subsidiary performs these services for

1 the Operating Companies. In addition, SPS does not perform these services for
2 itself.

3 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
4 **Treasurer affiliate class of services?**

5 A. Yes. The services of the Treasurer affiliate class benefit SPS's customers in many
6 ways. For example, the services of the Treasurer organization ensure that Xcel
7 Energy and SPS have funding for capital investments, adequate daily cash flows
8 necessary for ongoing operations, and proper hazard loss insurance coverage.
9 These services support the ongoing operations of SPS in providing electric service
10 to customers.

11 **C. The Treasurer Affiliate Class of Services are Provided at a**
12 **Reasonable Cost**

13 **Q. Are the costs of the Treasurer affiliate class of services reasonable?**

14 A. Yes. The costs of the Treasurer class of services are reasonable. XES provides the
15 Treasurer functions and services on a consolidated basis for multiple Xcel Energy
16 legal entities. As a result, SPS benefits from sophisticated services provided by a
17 pool of talented professionals, the consolidated costs of which are shared. The
18 economies of scale inherent in this system result in reasonable costs to SPS for
19 these services. Additionally, XES ensures that costs are reasonable through efforts
20 including the use of actuaries and professional brokerage firms to help ensure
21 adequate coverage of and to negotiate appropriate premiums for the excess liability
22 insurance costs included within this class.

1 *1. Budget Planning*

2 **Q. Is a budget planning process applicable to the Treasurer class of affiliate costs?**

3 A. Yes. Annual O&M budgets that include the Treasurer class of affiliate costs are
4 created for the Financial Operations business area, using guidelines developed at
5 the corporate level. The process includes the review of historical Treasurer class
6 costs, elimination of non-recurring costs, identification of new, one-time or
7 recurring initiatives, and an assessment of future staffing levels and work
8 assignments. It is an iterative process involving the Treasurer class leadership and
9 assigned business area finance support personnel. The budgeting process is
10 discussed in more detail in Section III of my testimony.

11 **Q. During the fiscal year, does the Treasurer organization monitor its actual**
12 **expenditures versus its budget?**

13 A. Yes. Actual versus expected expenditures of the Treasurer organization are
14 monitored on a monthly basis by management. Deviations are evaluated each
15 month to ensure that costs are appropriate. In addition, action plans are developed
16 to mitigate variations in actual to budgeted expenditures. These mitigation plans
17 may either reduce or delay other expenditures so that the overall expenditures are
18 in accord with the authorized budget.

19 **Q. Are employees within the Treasurer organization held accountable for**
20 **deviations from the budget?**

21 A. Yes. The managers and leadership of the Treasurer organization are required to
22 manage their expenses to support the financial goals established by the Financial
23 Operations business area. Budgets are reviewed monthly to ensure adherence to
24 the goals and to discuss actions necessary to address variances. Failure to meet the

goals impacts performance evaluations and the overall compensation of the management within this class.

2. Cost Trends

Q. Please state the dollar amounts of the actual per book charges from XES to SPS for the Treasurer affiliate class of services for the three fiscal years preceding the end of the Updated Test Year and the estimated per book charges for the estimated Updated Test Year.

A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar years), the actual per book and, for the Updated Test Year, the estimated per book affiliate charges (Column I on Attachment ARD-RR-A) from XES to SPS for the services grouped in the Treasurer affiliate class:

Table ARD-RR-28

	(Per Book) Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Treasurer	\$2,694,590	\$2,471,790	\$2,561,082	\$2,888,256

Q. What are the reasons for this trend?

A. The cost decreases from 2017 to 2018 were primarily driven by lower consulting charges, offset by slightly higher insurance premiums for policies purchased by XES. The cost increases from 2018 to 2019 was primarily driven by higher insurance premiums for policies purchased by XES, higher bank fees, and labor costs. The cost increase from 2019 to the estimated Updated Test Year was due to increased insurance premium costs for multiple policies purchased by XES.

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A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar years) and for the Updated Test Year, the average of the end of month staffing levels for the Treasurer affiliate class of services.

8

Q. What are the reasons for this trend?

4. Cost Control and Process Improvement Initiatives

A. Yes. The Treasurer organization continually reviews its plans, initiatives, and staffing to ensure they are appropriate and to identify and implement improvements.

1 **D. The Costs for the Treasurer Affiliate Class of Services are Priced**
2 **in a Fair Manner**

3 **Q. For those costs that XES charges (either directly or through use of an**
4 **allocation) to SPS for the Treasurer affiliate class of services, does SPS pay**
5 **any more for the same or similar service than does any other Xcel Energy**
6 **affiliate?**

7 A. No. The XES charges to SPS for any particular service are no higher than the XES
8 charges to any other Xcel Energy affiliate. The costs charged for particular services
9 are the actual costs that XES incurred in providing those services to SPS. A single,
10 specific allocation method, rationally related to the cost drivers associated with the
11 service being provided, is used with each cost center (billing method). In his direct
12 testimony, Mr. Baumgarten discusses the selection of billing methods and XES's
13 method of charging for services in more detail.

14 **Q. How are the costs of the Treasurer affiliate class billed to SPS?**

15 A. My Attachment ARD-RR-B(CD) shows all of the costs in this class broken out by
16 activity and, in conjunction with Column C in my Attachment ARD-RR-A, shows
17 the billing method associated with each activity. My Attachment ARD-RR-A
18 shows the allocation method (Column D) associated with each billing method
19 (Column C) used in the affiliate class.

20 In SPS's 45-day case update, I will present updated Attachments ARD-RR-
21 A and ARD-RR-B(CD) so that the entries for the last three months of the Updated
22 Test Year provide actual data and conform to the information provided for the first
23 nine months. In the event the predominant billing methods and associated
24 allocation methods for the Treasurer affiliate O&M expenses on my updated

1 Attachments ARD-RR-A and ARD-RR-B(CD) differ from those discussed below,
2 I will explain those differences in supplemental testimony in SPS's 45-day case
3 update filing.

4 **Q. What are the predominant allocation methods used for billing the costs that**
5 **SPS seeks to recover for the Treasurer affiliate class of services?**

6 A. All of the requested XES charges to SPS for this class were charged using one of
7 the following two allocation methods:

- 8 • Assets, Revenue, and Number of Employees: 94.93% of XES charges
9 to SPS or \$2,597,225; and
- 10 • Direct Billing: 5.07% of XES charges to SPS or \$147,143.

11 **Q. Why is it appropriate to allocate costs based upon the “Assets, Revenue, and**
12 **Number of Employees” method for the costs captured in the cost centers that**
13 **use that allocation method?**

14 A. The three factor allocation method using assets, revenue, and employees produces
15 an allocation of costs that recognizes the complexity, risk, and overall business
16 activity levels that drive the costs included in the cost centers and measures the
17 benefits received from those activities. For the cost centers billed using this
18 allocator, there is no one specific cost driver for the support tasks and services
19 provided, and the services benefit multiple Xcel Energy affiliates. For example,
20 the costs associated with Directors and Officers insurance, which are collected in
21 Cost Center 200063, are allocated using this method. Within the Xcel Energy
22 holding company group, those legal entities that have proportionately more assets,
23 revenues, and employees will have more focus placed on their operations due to
24 those subsidiaries' relative influence on the consolidated business balance sheet,

1 income statement and statement of cash flow, and the subsidiaries will benefit
2 accordingly from the services provided. Thus, allocating these costs based upon
3 the average of the total asset ratio, revenue ratio, and the employee ratio is
4 appropriate because it allocates costs in accordance with cost causation and benefits
5 received. Mr. Baumgarten discusses this billing method in more detail in his
6 testimony. For the cost centers that assign costs based upon this allocation method,
7 the per unit amounts charged by XES to SPS as a result of the application of this
8 allocation method are no higher than the unit amounts billed by XES to other
9 affiliates for the same or similar services and represent the actual costs of the
10 services.

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

13 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
14 normally reflect work that was performed specifically for SPS only. In some cases,
15 however, the direct billing occurred after the application of an off-line allocator that
16 tracks the relevant cost drivers. In either situation, the cost centers charged using
17 the “Direct Billing” method are appropriate because the assignment of costs is in
18 accordance with the distribution of benefits for the services received. For example,
19 the labor costs related to issuing SPS bonds and SPS regulatory compliance filings,
20 were assigned using the “Direct Billing” method. The cost of these services
21 benefitted SPS, the work was performed specifically for SPS alone, and the cost
22 driver is issuance of SPS bonds and compliance filings. Thus, the “Direct Billing”
23 method is appropriate because it assigns costs in accordance with cost causation
24 and benefits received. For the cost centers that assign costs using Direct Billing,

1 the per unit amounts charged by XES to SPS are no higher than the unit amounts
2 billed by XES to other affiliates for the same or similar services and represent the
3 actual costs of the services.

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

5 A. Yes.

AFFIDAVIT

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN)

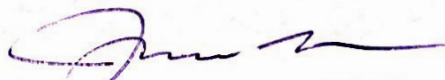
ADAM R. DIETNEBERGER, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachment(s) and am familiar with the contents. Based upon my personal knowledge, the facts stated in the testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.


ADAM R. DIETENBERGER

Subscribed and sworn to before me this 1 day of February, 2021 by ADAM R. DIETENBERGER.




Notary Public, State of Minnesota

My Commission Expires: 1-31-23

Southwestern Public Service Company

Property & Auto Liability Insurance Expenses

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Production					
1	500	Operation Supervision and Engineering	\$ 1,584,420	\$ 2,220,371	\$ 3,804,791
2	501.35	Coal Non-Mine; Non-Freight	\$ 32,900,061	\$ -	\$ 32,900,061
3	507.70	Coal Ash Sales	\$ (1,525,777)	\$ 1,603,318	\$ 77,540
4	502	Steam Expenses	\$ 10,813,001	\$ 300	\$ 10,813,301
5	505	Electric Expenses	\$ 9,365,875	\$ (6)	\$ 9,365,868
6	506	Miscellaneous Steam Power Expenses	\$ 9,583,693	\$ 4,165,010	\$ 13,748,704
7	507	Rents	\$ 29,041	\$ 3,320,913	\$ 3,349,954
8	509	Steam Operation SO2 Allowance Expense	\$ -	\$ -	\$ -
9	509.02	Allowances - NM Nox Expense Amortz	\$ 34,908	\$ -	\$ 34,908
10	510	Maintenance Supervision and Engineering	\$ 506,357	\$ 134,911	\$ 641,268
11	511	Maintenance of Structures	\$ 3,673,190	\$ 4,228	\$ 3,677,418
12	512	Maintenance of Boiler Plant	\$ 11,792,802	\$ 879,815	\$ 12,672,617
13	513	Maintenance of Electric Plant	\$ 6,855,891	\$ 400,864	\$ 7,256,756
14	514	Maintenance of Miscellaneous Steam Plant	\$ 9,297,296	\$ 19,963	\$ 9,317,259
15	546	Operation Supervision and Engineering	\$ (59,716)	\$ 465,664	\$ 405,948
16	546W	Operation Supervision and Engineering Wind	\$ 113,231	\$ 34,346	\$ 147,577
17	548	Generation Expenses	\$ 293,086	\$ 39,164	\$ 332,249
18	549	Misc Other Power Generation Expenses	\$ 342,737	\$ 358,506	\$ 701,243
19	549W	Misc Other Power Generation Expenses Wind	\$ 8,507,925	\$ -	\$ 8,507,925
20	550	Rents	\$ 11,758	\$ 364,276	\$ 376,034
	550W	Rents Wind	\$ 5,319,674	\$ -	\$ 5,319,674
21	551	Maintenance Supervision and Engineering	\$ 1,180	\$ 449,473	\$ 450,653
22	552	Maintenance of Structures	\$ 234,508	\$ (1)	\$ 234,507
23	553	Maintenance of Generating and Electric Equipment	\$ 1,605,028	\$ 424,153	\$ 2,029,181
24	553W	Maintenance of Generating and Electric Equipment Wind	\$ 4,398,462	\$ 1,289	\$ 4,399,751
25	554	Maintenance of Misc Other Power Generation Plant	\$ (67,888)	\$ 11,490	\$ (56,398)
26	554W	Maintenance of Misc Other Power Generation Plant Wind	\$ 4,104,846	\$ -	\$ 4,104,846
27	556	System Control and Load Dispatching	\$ -	\$ 1,095,557	\$ 1,095,557
28	557	Purchased Power Other	\$ (5,214,908)	\$ 1,952,664	\$ (3,262,244)
29	557.90	REC Costs	\$ 4,110,497	\$ -	\$ 4,110,497
30	Total Production O&M Expense		\$ 118,611,178	\$ 17,946,268	\$ 136,557,446

Southwestern Public Service Company

Property & Auto Liability Insurance Expenses

			Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Line No.	FERC Acct	Account Description			
Transmission					
31	560	Operation Supervision and Engineering	\$ 1,046,989	\$ 6,958,673	\$ 8,005,661
32	561.1	Load Dispatch - Reliability	\$ (169,941)	\$ -	\$ (169,941)
	561.11	Load Dispatch - Reliability	\$ 170,599		
33	561.2	Load Dispatch - Monitor and Operate Trans. System	\$ 2,098,567	\$ 1,195,630	\$ 3,294,196
34	561.4	Scheduling, System Control and Dispatching Services	\$ 3,637,403	\$ -	\$ 3,637,403
35	561.4W	Scheduling, System Control and Dispatching Services - Wholesale	\$ 1,065,179	\$ -	\$ 1,065,179
36	561.5	Reliability, Planning and Standards Development	\$ -	\$ 27,616	\$ 27,616
37	561.6	Transmission Service Studies	\$ 10,956	\$ 22,033	\$ 32,989
38	561.7	Generation Interconnection Studies	\$ (13,397)	\$ 158,983	\$ 145,587
39	561.8	Reliability Planning and Standards Development Services	\$ 2,756,221	\$ -	\$ 2,756,221
40	561.8W	Reliability Planning and Standards Development Services - Wholesale	\$ 464,991	\$ -	\$ 464,991
41	562	Station Expenses	\$ 1,479,573	\$ 43	\$ 1,479,616
42	563	Overhead Line Expenses	\$ 1,491,499	\$ 1,527	\$ 1,493,026
	565	Transmission of Others	\$ 288,806	\$ -	
43	565	Wheeling Lamar DC Tie	\$ -	\$ -	\$ -
44	565	Wheeling Meter Charges	\$ 403,986	\$ -	\$ 403,986
45	565	Wheeling Miscellaneous	\$ 4,036,141	\$ -	\$ 4,036,141
46	565	Wheeling Schedule 11	\$ 140,353,019	\$ -	\$ 140,353,019
47	565	Wheeling Schedule 11 - Wholesale	\$ 31,315,163	\$ -	\$ 31,315,163
48	565	Wheeling Schedule 12	\$ 2,678,896	\$ -	\$ 2,678,896
49	565	Wheeling Schedule 12 - Wholesale	\$ 639,203	\$ -	\$ 639,203
50	565	Wheeling Schedule 1 - Wholesale	\$ 599,438	\$ -	\$ 599,438
51	565	Wheeling Schedule 2	\$ 107,336	\$ -	\$ 107,336
52	565	W-Wheeling Schedule 2 - Wholesale	\$ 30,251	\$ -	\$ 30,251
53	565	Wheeling Schedule 9	\$ 10,448,848	\$ -	\$ 10,448,848
54	565	Wheeling Schedule 9 - Wholesale	\$ 31,154,821	\$ -	\$ 31,154,821
55	565	Z2 Direct Assigned Upgrade Charge	\$ 249,444	\$ -	\$ 249,444
56	565	Z2 Direct Assigned Upgrade Charge - Wholesale	\$ 17,766	\$ -	\$ 17,766
57	565	Z2 Schedule 11 Charges	\$ -	\$ -	\$ -
58	565	Z2 Schedule 11 Charges - Wholesale	\$ -	\$ -	\$ -
59	566	Misc Transmission Expenses	\$ 2,142,416	\$ 1,293,758	\$ 3,436,174
60	567	Rents	\$ 115,413	\$ 1,509,504	\$ 1,624,917
	569	Transmission Mtce of Structures	\$ -	\$ -	
61	568	Maintenance Supervision and Engineering	\$ -	\$ -	\$ -
62	570	Maintenance of Station Equipment	\$ 1,490,422	\$ (2)	\$ 1,490,419
63	571	Maintenance of Overhead Lines	\$ 560,841	\$ 48,655	\$ 609,496
64	Sub-Total Transmission O&M Expenses		\$ 240,670,851	\$ 11,216,420	\$ 251,427,866
Regional Market Expenses					
65	575.1	Operation Supervision	\$ 13,612	\$ 154,014	\$ 167,626
66	575.2	Day-Ahead and Real-Time Market Administration	\$ -	\$ 306,670	\$ 306,670
67	575.5	Ancillary Services Market Administration	\$ -	\$ 15,371	\$ 15,371
68	575.6	Market Monitoring and Compliance	\$ -	\$ 26,637	\$ 26,637
69	575.7	Market Admin, Monitoring, and Compliance Services	\$ 5,692,999	\$ -	\$ 5,692,999
70	575.7W	Market Admin, Monitoring, and Compliance Services - Wholesale	\$ 1,849,773	\$ -	\$ 1,849,773
71	575.8	Regional Market Rents	\$ 4,944	\$ 39,759	\$ 44,703
72	Total Regional Market Expenses		\$ 7,561,327	\$ 542,452	\$ 8,103,779
73	Total Transmission O&M Expenses		\$ 248,232,178	\$ 11,758,872	\$ 259,531,645

Southwestern Public Service Company

Property & Auto Liability Insurance Expenses

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Distribution					
74	580	Operation Supervision and Engineering	\$ 4,159,461	\$ 653,231	\$ 4,812,691
75	581	Load Dispatching	\$ 53,518	\$ 325,552	\$ 379,070
76	582	Station Expenses	\$ 1,061,336	\$ (5)	\$ 1,061,332
77	583	Overhead Line Expenses	\$ 593,544	\$ 88,191	\$ 681,736
78	584	Underground Line Expenses	\$ 625,682	\$ (0)	\$ 625,682
79	585	Street Lighting and Signal Systems Expenses	\$ 564,247	\$ 31,248	\$ 595,496
80	586	Meter Expenses	\$ 2,080,418	\$ 168,816	\$ 2,249,234
81	587	Customer Installations Expenses	\$ 672,562	\$ 233	\$ 672,796
82	588	Misc Distribution Expense	\$ 5,154,037	\$ 1,901,606	\$ 7,055,643
83	589	Rents	\$ 306,415	\$ 2,112,339	\$ 2,418,754
84	590	Maintenance Supervision and Engineering	\$ 19,265	\$ 30,466	\$ 49,732
85	591	Maintenance of Structures	\$ (22,102)	\$ -	\$ (22,102)
86	592	Maintenance of Station Equipment	\$ 724,252	\$ 2,662	\$ 726,914
87	593	Maintenance of Overhead Lines	\$ 10,191,875	\$ 203,106	\$ 10,394,982
88	594	Maintenance of Underground Lines	\$ 88,641	\$ (0)	\$ 88,641
89	595	Maintenance of Line Transformers	\$ 1,262	\$ -	\$ 1,262
90	596	Maintenance of Street Lighting and Signal Systems	\$ 304,806	\$ (1)	\$ 304,806
91	597	Maintenance of Meters	\$ 55,405	\$ -	\$ 55,405
92	598	Maintenance of Misc Distribution Plant	\$ 41,218	\$ 3,158	\$ 44,376
93		Total Distribution O&M Expenses	\$ 26,675,843	\$ 5,520,604	\$ 32,196,447
Customer Accounts					
94	901	Supervision	\$ -	\$ 22,478	\$ 22,478
95	902	Meter Reading Expenses	\$ 4,408,365	\$ 640,349	\$ 5,048,714
96	903	Customer Records and Collection Expenses	\$ 2,872,880	\$ 4,497,473	\$ 7,370,353
97	904	Uncollectible Expenses	\$ 6,043,905	\$ -	\$ 6,043,905
98	904	Uncollectible Expenses	\$ (588,242)	\$ -	\$ (588,242)
	905	Customer Accounts Miscellaneous	\$ 77,254	\$ 59,453	\$ 136,707
99		DEPINT Customer Deposit Interest Expense	\$ 126,563	\$ -	\$ 126,563
100		Total Customer Accounts Expense	\$ 12,940,726	\$ 5,219,752	\$ 18,023,771
Customer Service					
101	908.00	Customer Assistance Expense	\$ 1,757,163	\$ 116,564	\$ 1,873,726
102	908.00	Historical EE Amortization	\$ -	\$ -	\$ -
103	908.01	EE Amortization - Texas	\$ -	\$ -	\$ -
104	908.03	EE Amortization - New Mexico	\$ -	\$ -	\$ -
105	908.04	SaversSwitch	\$ 667,364	\$ 5,947	\$ 673,311
106	909.10	Informational and Instructional Advertising Expense	\$ (39,529)	\$ 39,529	\$ 0
107	910.00	Miscellaneous Customer Service Expense	\$ 64,360	\$ 34,403	\$ 98,763
108		Total Customer Service Expense	\$ 2,449,358	\$ 196,443	\$ 2,645,801
Sales					
108	912.00	Demonstration and Selling Expense-Economic Development	\$ 218,209	\$ 58,243	\$ 276,452
109	916.00	Miscellaneous Sales Expense	\$ 5,516	\$ 3,075	\$ 8,592
110		Total Sales Expense	\$ 223,725	\$ 61,318	\$ 285,043

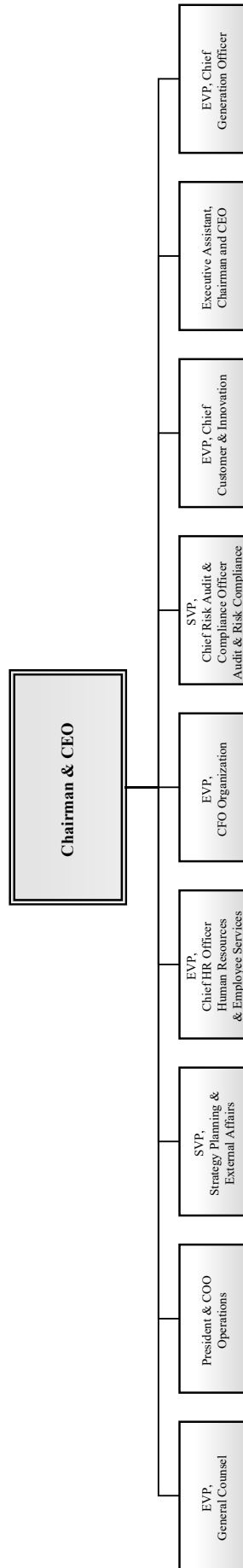
Southwestern Public Service Company

Property & Auto Liability Insurance Expenses

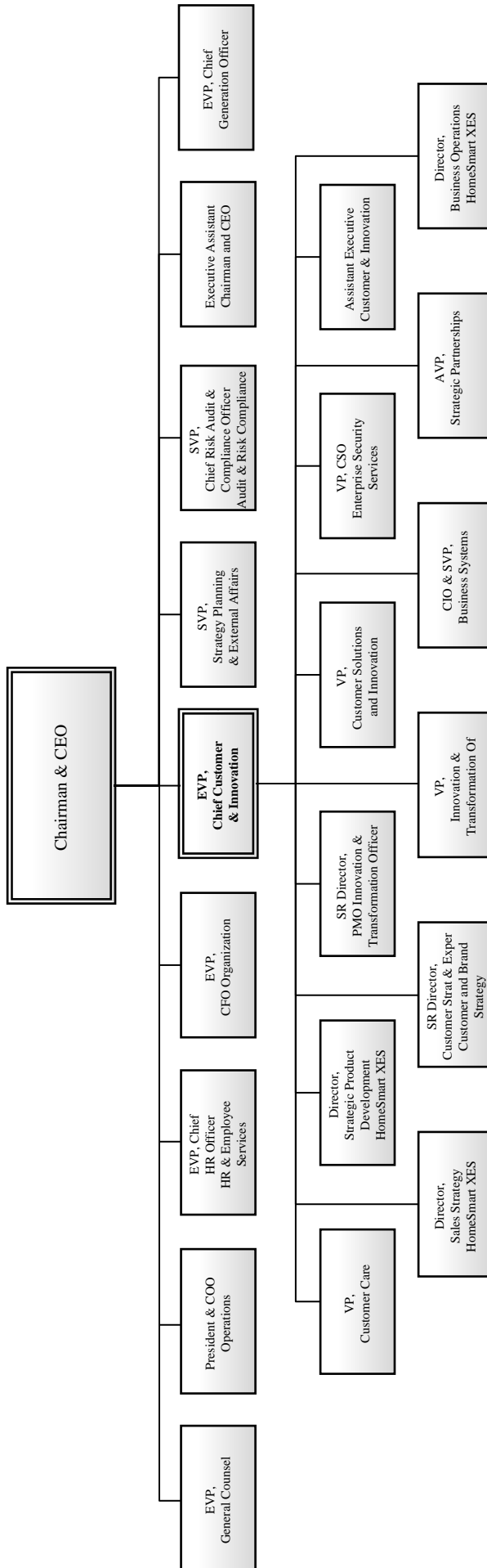
Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Administrative and General Expenses					
111	920	Administrative and General Salaries	\$ 4,567,528	\$ 29,033,835	\$ 33,601,363
112	921	Office Supplies and Expenses	\$ 3,128,572	\$ 17,013,148	\$ 20,141,721
113	922	Administrative Expenses Transferred-Credit	\$ (19,367,350)	\$ (504,767)	\$ (19,872,117)
114	923	Outside Services Employed	\$ 888,279	\$ 5,816,408	\$ 6,704,688
115	924	Property Insurance	\$ 3,853,753	\$ 1,543	\$ 3,855,296
116	925	Injuries and Damages	\$ 5,657,269	\$ 2,213,162	\$ 7,870,431
117	926.01	Employee Pensions and Benefits	\$ 17,512,113	\$ 9,035,911	\$ 26,548,023
118	926.03	Deferred Pension Expense	\$ -	\$ -	\$ -
	928	A&G Regulatory Commission Expense	\$ -	\$ -	\$ -
119	928	Regulatory Commission Expense - TX	\$ 1,489,288	\$ -	\$ 1,489,288
120	928.01	Regulatory Commission Expense - NM	\$ 2,293,032	\$ -	\$ 2,293,032
121	928.02	Regulatory Commission Expense - Wholesale	\$ 1,949,917	\$ -	\$ 1,949,917
122	928.03	Regulatory Commission Expense - Transmission Related	\$ -	\$ -	\$ -
123	928.04	Regulatory Commission Expense - Misc	\$ (83,936)	\$ (12)	\$ (83,947)
124	928.05	Regulatory Commission Expense - Energy Related	\$ -	\$ -	\$ -
125	929	Duplicate Charges-Credit	\$ (1,149,547)	\$ -	\$ (1,149,547)
126	930.11	General Advertising Expenses	\$ -	\$ -	\$ -
127	930.20	Misc General Expenses	\$ (39,822)	\$ 310,444	\$ 270,623
128	931	Rents	\$ (1,913,122)	\$ 13,846,230	\$ 11,933,108
129	935	Maintenance of General Plant	\$ 76	\$ 38,890	\$ 38,966
130		Recoverable Contributions, Dues, and Donations	\$ 2,130,030	\$ -	\$ 2,130,030
131		Total Administrative and General Expenses	\$ 20,916,080	\$ 76,804,794	\$ 97,720,874
132		Total Operations and Maintenance Expense	\$ 430,049,088	\$ 117,508,051	\$ 546,961,027

Note: All amounts included in this attachment are included in the cost of service study provided as Attachment SNN-RR-2

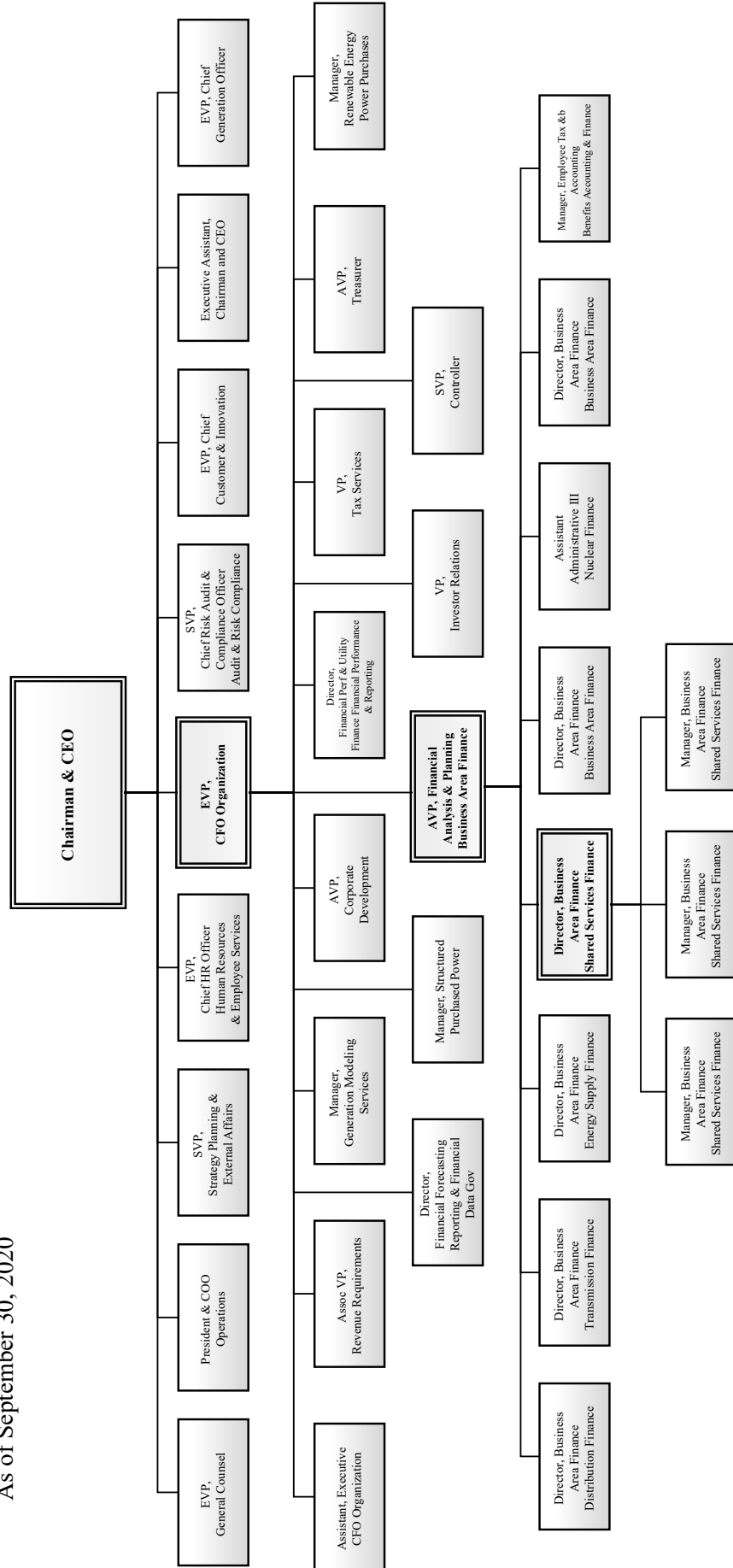
Southwestern Public Service Company
Organization Chart – CEO
As of September 30, 2020



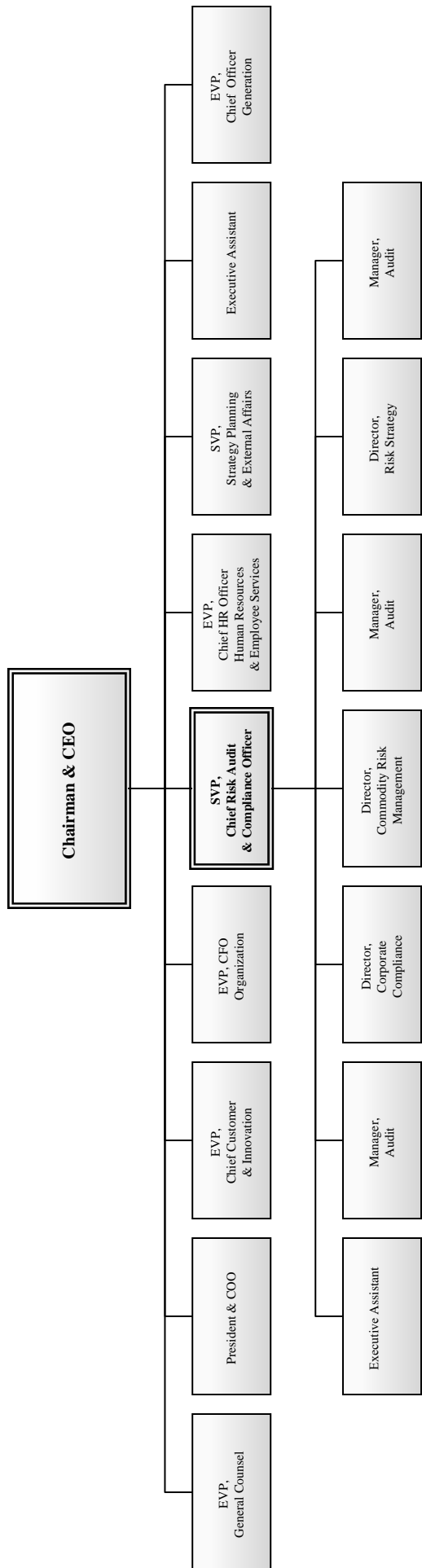
Southwestern Public Service Company
Organization Chart – Customer and Innovation Group
As of September 30, 2020



Southwestern Public Service Company
Organization Chart – Financial Operations
As of September 30, 2020



Southwestern Public Service Company
Organization Chart – Risk Management & Audit Services
As of September 30, 2020



Southwestern Public Service Company

Summary of XES Expenses to SPS by Affiliate Class and Billing Method
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
1	Chief Customer and Innovation Officer	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 8,608,873.34	\$ 7,496,840.61	\$ 1,112,032.73	\$ (3,316.23)	\$ 1,108,716.50	\$ 20,657.63	\$ 1,129,374.13	43.05%
2	Chief Customer and Innovation Officer	200072 - Communications - Corporate Governance	Assets/Revenue/No. of employees	161,382.27	140,562.25	20,820.02	-	20,820.02	(15,233.94)	5,586.08	0.21%
3	Chief Customer and Innovation Officer	200074 - Corporate Systems - Corporate Governance	Assets/Revenue/No. of employees	141,221.17	122,970.23	18,250.94	-	18,250.94	156.39	18,407.33	0.70%
4	Chief Customer and Innovation Officer	200077 - Branding	Assets/Revenue/No. of employees	8,882,650.71	7,729,493.70	1,153,157.01	(49.80)	1,153,107.21	(938,229.88)	214,877.33	8.19%
5	Chief Customer and Innovation Officer	200087 - Accounting, Reporting & Tax - Regulated	Assets/Revenue/No. of employees	316.60	270.29	46.31	-	46.31	1.39	47.70	0.00%
6	Chief Customer and Innovation Officer	200118 - Distribution Electric Load Dispatching/EMS FERC 581	Electric Distribution Plant	8,256.97	7,271.39	985.58	-	985.58	-	985.58	0.04%
7	Chief Customer and Innovation Officer	200148 - Business Systems	Number of Computers	340,497.12	295,726.87	44,770.25	-	44,770.25	179.66	44,949.91	1.71%
8	Chief Customer and Innovation Officer	200152 - Customer Care 902	Number of Customers	3,637,085.96	3,385,268.75	251,817.21	-	251,817.21	0.07	251,817.28	9.60%
9	Chief Customer and Innovation Officer	200153 - Customer Safety Advertising & Information Costs	Number of Customers	1,388,770.15	1,292,451.99	96,318.16	-	96,318.16	(60,582.44)	35,735.72	1.36%

Southwestern Public Service Company

Summary of XES Expenses to SPS by Affiliate Class and Billing Method
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
10	Chief Customer and Innovation Officer	200154 - Customer Service Information Technology (IT) FERC 903	Number of Customers	1,627,072.95	1,514,384.90	112,688.05	-	112,688.05	7.85	112,695.90	4.30%
11	Chief Customer and Innovation Officer	200163 - Employee Communications	Number of Employees	3,957.52	3,378.68	578.84	-	578.84	11.77	590.61	0.02%
12	Chief Customer and Innovation Officer	200171 - Customer Resource System (CRS) FERC 903	Number of Mtrs Number of Cntacts	7,037,741.93	6,245,974.05	791,767.88	-	791,767.88	325.04	792,092.92	30.19%
13	Chief Customer and Innovation Officer	Direct	Direct	712,352.01	696,556.08	15,795.93	-	15,795.93	473.88	16,269.81	0.62%
14	Chief Customer and Innovation Officer Total			\$ 32,550,178.70	\$ 28,931,149.79	\$ 3,619,028.91	\$ (3,366.03)	\$ 3,615,662.88	\$ (992,232.59)	\$ 2,623,430.29	100.00%
15	Chief Executive Officer	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 6,825,177.40	\$ 5,944,447.99	\$ 880,729.41	\$ (71,689.42)	\$ 809,039.99	\$ (357,246.58)	\$ 451,793.41	52.67%
16	Chief Executive Officer	200075 - Board of Directors - Corporate Governance	Assets/Revenue/No. of employees	1,605,244.09	1,397,934.32	207,309.77	-	207,309.77	(162,101.72)	45,208.05	5.27%
17	Chief Executive Officer	200088 - Accounting, Reporting, Tax & Audit Services - Regulated Electric	Assets/Revenue/No. of employees	2,656,988.93	2,266,334.30	390,654.63	(29,861.98)	360,792.65	-	360,792.65	42.06%
18	Chief Executive Officer	200101 - Legal Gas	Assets/Revenue/No. of employees	609,512.27	609,512.27	-	-	-	-	-	0.00%
19	Chief Executive Officer	Direct	Direct	13,307.59	13,307.59	-	-	-	-	-	0.00%
20	Chief Executive Officer Total			\$ 11,710,230.28	\$ 10,231,536.47	\$ 1,478,693.81	\$ (101,551.40)	\$ 1,377,142.41	\$ (519,348.30)	\$ 857,794.11	100.00%

Southwestern Public Service Company

Summary of XES Expenses to SPS by Affiliate Class and Billing Method
For the Twelve Months Ended December 31, 2020

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Exclusions	Per Book	Pro Formas	Requested Amount (Total Company)	% of Class Charges
21	Chief Financial Officer	200066 - Accounting, Reporting & Tax - Corporate Governance	Assets/Revenue/No. of employees	\$ 1,381,401.51	\$ 1,202,786.38	\$ 178,615.13	\$ (1,016.50)	\$ 177,598.63	\$ 2,740.92	\$ 180,339.55	100.00%
22	Chief Financial Officer	Direct	Direct	8,158.64	8,158.64	-	-	-	-	-	0.00%
23	Chief Financial Officer Total			\$ 1,389,560.15	\$ 1,210,945.02	\$ 178,615.13	\$ (1,016.50)	\$ 177,598.63	\$ 2,740.92	\$ 180,339.55	100.00%
24	Controller	200066 - Accounting, Reporting & Tax - Corporate Governance	Assets/Revenue/No. of employees	\$ 10,163,298.39	\$ 8,850,757.98	\$ 1,312,540.41	\$ (850.57)	\$ 1,311,689.84	\$ 20,175.58	\$ 1,331,865.42	34.25%
25	Controller	200076 - Xcel Foundation	Assets/Revenue/No. of employees	3,231.12	2,811.76	419.36	-	419.36	(419.36)	-	0.00%
26	Controller	200080 - Capital Asset Accounting	Assets/Revenue/No. of employees	132,693.99	113,228.08	19,465.91	-	19,465.91	452.94	19,918.85	0.51%
27	Controller	200081 - Accounting, Reporting, & Taxes	Assets/Revenue/No. of employees	23,293.49	19,872.43	3,421.06	-	3,421.06	92.67	3,513.73	0.09%
28	Controller	200087 - Accounting, Reporting & Tax - Regulated	Assets/Revenue/No. of employees	3,919,227.70	3,342,909.22	576,318.48	(201.25)	576,117.23	15,794.02	591,911.25	15.22%
29	Controller	200088 - Accounting, Reporting, Tax & Audit Services - Regulated Electric	Assets/Revenue/No. of employees	166,687.17	142,147.87	24,539.30	(28.46)	24,510.84	576.90	25,087.74	0.65%
30	Controller	200096 - Energy Markets - Business Services	Assets/Revenue/No. of employees	375.00	319.76	55.24	-	55.24	-	55.24	0.00%
31	Controller	200105 - Accounting & Reporting - NSPM & NSPW	Assets/Revenue/No. of employees	337,549.34	337,549.34	-	-	-	-	-	0.00%
32	Controller	200106 - Accounting & Reporting Electric - NSPM & NSPW	Assets/Revenue/No. of employees	391,549.30	391,549.30	-	-	-	-	-	0.00%
33	Controller	200132 - Payment and Reporting	Invoice Transactions	1,608,530.25	1,440,299.84	168,230.41	-	168,230.41	3,112.56	171,342.97	4.41%
34	Controller	200133 - Proprietary Trading - Back Office	Joint Operating Agreement	156,696.40	123,149.87	33,546.53	-	33,546.53	1,029.84	34,576.37	0.89%

Southwestern Public Service Company

Summary of XES Expenses to SPS by Affiliate Class and Billing Method
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Formas	(K) Requested Amount (Total Company)	(L) % of Class Charges
35	Controller	200173 - Generation Trading/Native Hedge - Back Office	Prop Trading Hours	3,822.14	2,911.68	910.46	-	910.46	23.16	933.62	0.02%
36	Controller	Direct	Direct	5,530,579.82	3,868,250.92	1,662,328.90	-	1,662,328.90	46,870.81	1,709,199.71	43.96%
37	Controller Total			\$ 22,437,534.11	\$ 18,635,758.05	\$ 3,801,776.06	\$ (1,080.28)	\$ 3,800,695.78	\$ 87,709.13	\$ 3,888,404.91	100.00%
38	Corporate Other	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 328,534.22	\$ 285,666.06	\$ 42,868.16	\$ (65,885.29)	\$ (23,017.13)	\$ -	\$ (23,017.13)	-1.71%
39	Corporate Other	200066 - Accounting, Reporting & Tax - Corporate Governance	Assets/Revenue/No. of employees	281,690.07	245,306.49	36,383.58	(36,407.39)	(23.81)	-	(23.81)	0.00%
40	Corporate Other	200068 - Corporate Finance, Treasury & Cash Management - Corporate Governance	Assets/Revenue/No. of employees	(2,745.57)	(2,390.67)	(354.90)	354.90	-	-	-	0.00%
41	Corporate Other	200081 - Accounting, Reporting, & Taxes	Assets/Revenue/No. of employees	59,224.68	50,469.49	8,755.19	-	8,755.19	-	8,755.19	0.65%
42	Corporate Other	200087 - Accounting, Reporting & Tax - Regulated	Assets/Revenue/No. of employees	(164,956.85)	(138,922.51)	(26,034.34)	(21.41)	(26,055.75)	-	(26,055.75)	-1.94%
43	Corporate Other	200122 - Transmission Electric Supervision & Engineering (S&E) FERC 560	Electric Transmission Plant	132.50	92.13	40.37	-	40.37	-	40.37	0.00%
44	Corporate Other	Direct	Direct	12,570,890.58	10,722,164.10	1,848,726.48	(463,423.55)	1,385,302.93	800.50	1,386,103.43	102.99%
45	Corporate Other Total			\$ 13,072,769.63	\$ 11,162,385.09	\$ 1,910,384.54	\$ (565,382.74)	\$ 1,345,001.80	\$ 800.50	\$ 1,345,802.30	100.00%
46	Finance & Corporate Development	200066 - Accounting, Reporting & Tax - Corporate Governance	Assets/Revenue/No. of employees	\$ 4,010,657.48	\$ 3,492,701.28	\$ 517,956.20	\$ (1,682.56)	\$ 516,273.64	\$ 15,940.12	\$ 532,213.76	16.59%
47	Finance & Corporate Development	200068 - Corporate Finance, Treasury & Cash Management - Corporate Governance	Assets/Revenue/No. of employees	277,220.11	241,407.66	35,812.45	-	35,812.45	910.12	36,722.57	1.14%

Southwestern Public Service Company

Summary of XES Expenses to SPS by Affiliate Class and Billing Method
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
48	Finance & Corporate Development	200070 - Corporate Strategy & Business Development - Corporate Governance	Assets/Revenue/No. of employees	880,635.31	766,825.87	113,809.44	-	113,809.44	2,767.27	116,576.71	3.63%
49	Finance & Corporate Development	200079 - Federal Lobbying	Assets/Revenue/No. of employees	600.00	521.79	78.21	(78.21)	-	-	-	0.00%
50	Finance & Corporate Development	200087 - Accounting, Reporting & Tax - Regulated	Assets/Revenue/No. of employees	2,034,885.99	1,736,140.53	298,745.46	(44,810.26)	253,935.20	6,005.07	259,940.27	8.10%
51	Finance & Corporate Development	200088 - Accounting, Reporting, Tax & Audit Services - Regulated Electric	Assets/Revenue/No. of employees	1,122,516.31	957,474.34	165,041.97	-	165,041.97	4,446.93	169,488.90	5.28%
52	Finance & Corporate Development	200090 - Risk Management - OpCo's & TransCo's	Assets/Revenue/No. of employees	886,355.10	756,064.99	130,290.11	-	130,290.11	3,387.60	133,677.71	4.17%
53	Finance & Corporate Development	200098 - Electric Transmission FERC 566	Assets/Revenue/No. of employees	61,750.72	52,651.63	9,099.09	-	9,099.09	170.96	9,270.05	0.29%
54	Finance & Corporate Development	200100 - Accounting, Reporting, Tax & Audit Services - Regulated Gas	Assets/Revenue/No. of employees	241,243.41	241,243.41	-	-	-	-	-	0.00%
55	Finance & Corporate Development	200102 - Gas Distribution FERC 880	Assets/Revenue/No. of employees	8,140.43	8,140.43	-	-	-	-	-	0.00%
56	Finance & Corporate Development	200104 - Accounting & Reporting - PSCo & SPS	Assets/Revenue/No. of employees	311,190.17	217,505.65	93,884.52	-	93,884.52	2,591.62	96,476.14	3.01%
57	Finance & Corporate Development	200106 - Accounting & Reporting Electric - NSPM & NSPW	Assets/Revenue/No. of employees	353,832.11	353,832.11	-	-	-	-	-	0.00%
58	Finance & Corporate Development	200121 - Distribution Electric & Gas and Transmission Gas Miscellaneous FERC 588, 880, & 859	ElecDstPlnt GasTranPlnt GasDstPlnt	14,152.53	13,004.82	1,147.71	-	1,147.71	-	1,147.71	0.04%

Southwestern Public Service Company

Summary of XES Expenses to SPS by Affiliate Class and Billing Method
For the Twelve Months Ended December 31, 2020

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Exclusions	Per Book	Pro Forms	Requested Amount (Total Company)	% of Class Charges
59	Finance & Corporate Development	200126 - Utilities Group Administrative & General (A&G) FERC 921	ElcTm EleDst GasTm GasDst Plnt	48,466.71	40,431.92	8,034.79	-	8,034.79	156.76	8,191.55	0.26%
60	Finance & Corporate Development	200178 - Rates & Regulation	Revenue	1,131,818.76	880,000.60	251,818.16	(501.23)	251,316.93	6,811.23	258,128.16	8.04%
61	Finance & Corporate Development	Direct	Direct	6,941,835.80	5,397,804.77	1,544,031.03	(431.00)	1,543,600.03	43,514.53	1,587,114.56	49.46%
62	Finance & Corporate Development Total			\$ 18,325,300.94	\$ 15,155,551.80	\$ 3,169,749.14	\$ (47,503.26)	\$ 3,122,245.88	\$ 86,702.21	\$ 3,208,948.09	100.00%
63	Investor Relations	200065 - Investor Relations - Corporate Governance	Assets/Revenue/No. of employees	\$ 1,664,188.96	\$ 1,449,429.53	\$ 214,759.43	\$ (10.39)	\$ 214,749.04	\$ 1,542.37	\$ 216,291.41	100.00%
64	Investor Relations	Direct	Direct	40,306.19	40,306.19	-	-	-	-	-	0.00%
65	Investor Relations Total			\$ 1,704,495.15	\$ 1,489,735.72	\$ 214,759.43	\$ (10.39)	\$ 214,749.04	\$ 1,542.37	\$ 216,291.41	100.00%
66	Risk Management and Audit Services	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 914,545.47	\$ 796,542.47	\$ 118,003.00	\$ -	\$ 118,003.00	\$ 1,893.40	\$ 119,896.40	11.76%
67	Risk Management and Audit Services	200067 - Audit Services - Corporate Governance	Assets/Revenue/No. of employees	2,032,728.52	1,770,148.73	262,579.79	(76.30)	262,503.49	6,226.23	268,729.72	26.35%
68	Risk Management and Audit Services	200069 - Risk Management - Corporate Governance	Assets/Revenue/No. of employees	(10,300.51)	(8,989.24)	(1,311.27)	-	(1,311.27)	(53.99)	(1,365.26)	-0.13%
69	Risk Management and Audit Services	200079 - Federal Lobbying	Assets/Revenue/No. of employees	162,896.51	141,728.34	21,168.17	(21,168.17)	-	-	-	0.00%
70	Risk Management and Audit Services	200088 - Accounting, Reporting, Tax & Audit Services - Regulated Electric	Assets/Revenue/No. of employees	76,299.89	65,071.17	11,228.72	-	11,228.72	318.69	11,547.41	1.13%

Southwestern Public Service Company

Summary of XES Expenses to SPS by Affiliate Class and Billing Method
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
71	Risk Management and Audit Services	200089 - Audit Services - OpCo's & TransCo's	Assets/Revenue/No. of employees	92,735.78	79,105.71	13,630.07	-	13,630.07	384.85	14,014.92	1.37%
72	Risk Management and Audit Services	200090 - Risk Management - OpCo's & TransCo's	Assets/Revenue/No. of employees	2,045,275.05	1,744,558.24	300,716.81	-	300,716.81	7,208.87	307,925.68	30.19%
73	Risk Management and Audit Services	200100 - Accounting, Reporting, Tax & Audit Services - Regulated Gas	Assets/Revenue/No. of employees	5,050.34	5,050.34	-	-	-	-	-	0.00%
74	Risk Management and Audit Services	200134 - Proprietary Trading - Front/Mid Office FERC 557	Joint Operating Agreement	896,735.09	704,756.67	191,978.42	-	191,978.42	5,490.56	197,468.98	19.36%
75	Risk Management and Audit Services	200174 - Generation Trading/Native Hedge - Mid Office FERC 557	Prop Trading Hours	314,433.51	239,532.62	74,900.89	-	74,900.89	2,134.92	77,035.81	7.55%
76	Risk Management and Audit Services	Direct	Direct	315,666.25	291,676.81	23,989.44	-	23,989.44	669.33	24,658.77	2.42%
77	Risk Management and Audit Services Total			\$ 6,846,065.90	\$ 5,829,181.86	\$ 1,016,884.04	\$ (21,244.47)	\$ 995,639.57	\$ 24,272.86	\$ 1,019,912.43	100.00%
78	Tax Services	200066 - Accounting, Reporting & Tax - Corporate Governance	Assets/Revenue/No. of employees	\$ 874,585.30	\$ 761,587.42	\$ 112,997.88	\$ (2.85)	\$ 112,995.03	\$ 2,887.70	\$ 115,882.73	18.08%
79	Tax Services	200087 - Accounting, Reporting & Tax - Regulated	Assets/Revenue/No. of employees	2,078,644.55	1,773,060.75	305,583.80	(28.46)	305,555.34	5,795.39	311,350.73	48.58%
80	Tax Services	Direct	Direct	844,671.29	636,766.76	207,904.53	-	207,904.53	5,752.58	213,657.11	33.34%
81	Tax Services Total			\$ 3,797,901.14	\$ 3,171,414.93	\$ 626,486.21	\$ (31.31)	\$ 626,454.90	\$ 14,435.67	\$ 640,890.57	100.00%
82	Treasurer	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 3,463,575.04	\$ 3,016,282.11	\$ 447,292.93	\$ -	\$ 447,292.93	\$ -	\$ 447,292.93	15.42%

Southwestern Public Service Company

Summary of XES Expenses to SPS by Affiliate Class and Billing Method
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
83	Treasurer	200068 - Corporate Finance, Treasury & Cash Management - Corporate Governance	Assets/Revenue/No. of employees	3,039,655.30	2,646,952.38	392,702.92	(124.13)	392,578.79	7,157.99	399,736.78	13.78%
84	Treasurer	200069 - Risk Management - Corporate Governance	Assets/Revenue/No. of employees	1,183,205.25	1,030,405.83	152,799.42	-	152,799.42	1,265.19	154,064.61	5.31%
85	Treasurer	200084 - Risk Management	Assets/Revenue/No. of employees	10,880,965.00	9,286,770.70	1,594,194.30	-	1,594,194.30	-	1,594,194.30	54.94%
86	Treasurer	200090 - Risk Management - OpCo's & TransCo's	Assets/Revenue/No. of employees	13,144.99	11,208.77	1,936.22	-	1,936.22	-	1,936.22	0.07%
87	Treasurer	200091 - Captive Insurance	Assets/Revenue/No. of employees	1,056,765.86	900,796.93	155,968.93	-	155,968.93	1,229.35	157,198.28	5.42%
88	Treasurer	Direct	Direct	1,704,505.93	1,561,020.49	143,485.44	-	143,485.44	3,657.05	147,142.49	5.07%
89	Treasurer Total			\$ 21,341,817.37	\$ 18,453,437.21	\$ 2,888,380.16	\$ (124.13)	\$ 2,888,256.03	\$ 13,309.58	\$ 2,901,565.61	100.00%
90	Total Witness Adam Dietenberger			\$133,175,853.37	\$114,271,095.94	\$18,904,757.43	\$ (741,310.51)	\$18,163,446.92	\$ (1,280,067.66)	\$ 16,883,379.26	
	Amounts may not add or tie to other schedules due to rounding										

Southwestern Public Service Company

XES Expenses by Affiliate Class, Activity, Billing Method and FERC Account

Adam R. Dietenberger

2021 TX Rate Case

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

ARD-RR-B(CD) is provided in electronic format.

Southwestern Public Service Company

Exclusions from XES Expense to SPS For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Exclusions	(E) Exclusions (Total Company)
1	Chief Customer and Innovation Officer	426.1 - Donations	Below the Line	\$ (1,305.58)
2	Chief Customer and Innovation Officer	426.4 - Expenditures for certain civic, political and related activities	Below the Line	(1,617.41)
3	Chief Customer and Innovation Officer	426.5 - Other Deductions	Below the Line	(443.04)
4	Chief Customer and Innovation Officer Total			\$ (3,366.03)
5	Chief Executive Officer	426.1 - Donations	Below the Line	\$ (64,293.22)
6	Chief Executive Officer	426.4 - Expenditures for certain civic, political and related activities	Below the Line	(36,331.63)
7	Chief Executive Officer	426.5 - Other Deductions	Below the Line	(926.55)
8	Chief Executive Officer Total			\$ (101,551.40)
9	Chief Financial Officer	426.5 - Other Deductions	Below the Line	\$ (1,016.50)
10	Chief Financial Officer Total			\$ (1,016.50)
11	Controller	426.1 - Donations	Below the Line	\$ (323.48)
12	Controller	426.4 - Expenditures for certain civic, political and related activities	Below the Line	(30.64)
13	Controller	426.5 - Other Deductions	Below the Line	(726.16)
14	Controller Total			\$ (1,080.28)
15	Corporate Other	419 - Interest & Dividend Income	Below the Line	\$ (64,967.63)
16	Corporate Other	426.3 - Penalties	Below the Line	(21.41)
17	Corporate Other	430 - Interest on debt to associated companies	Below the Line	(463,986.31)
18	Corporate Other	431 - Other Interest Expense	Below the Line	(36,407.39)
19	Corporate Other Total			\$ (565,382.74)
20	Finance & Corporate Development	426.1 - Donations	Below the Line	\$ (501.23)
21	Finance & Corporate Development	426.2 - Life Insurance	Below the Line	(6,798.68)
22	Finance & Corporate Development	426.3 - Penalties	Below the Line	(1,532.56)
23	Finance & Corporate Development	426.4 - Expenditures for certain civic, political and related activities	Below the Line	(78.21)
24	Finance & Corporate Development	426.5 - Other Deductions	Below the Line	(38,592.58)
25	Finance & Corporate Development Total			\$ (47,503.26)

Southwestern Public Service Company

**Exclusions from XES Expense to SPS
For the Twelve Months Ended December 31, 2020**

(A)	(B)	(C)	(D)	(E)
Line No.	Affiliate Class	FERC Account	Explanation for Exclusions	Exclusions (Total Company)
26	Investor Relations	426.5 - Other Deductions	Below the Line	(10.39)
27	Investor Relations Total			\$ (10.39)
28	Risk Management and Audit Services	426.4 - Expenditures for certain civic, political and related activities	Below the Line	\$ (21,171.01)
29	Risk Management and Audit Services	426.5 - Other Deductions	Below the Line	(73.46)
30	Risk Management and Audit Services Total			\$ (21,244.47)
31	Tax Services	426.4 - Expenditures for certain civic, political and related activities	Below the Line	\$ (2.85)
32	Tax Services	426.5 - Other Deductions	Below the Line	(28.46)
33	Tax Services Total			\$ (31.31)
34	Treasurer	426.5 - Other Deductions	Below the Line	(124.13)
35	Treasurer Total			\$ (124.13)
36	Total Witness Adam R. Dietenberger			\$ (741,310.51)
	Amounts may not add or tie to other schedules due to rounding			

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
1	Chief Customer and Innovation Officer	902 - Meter reading expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 0.07
2	Chief Customer and Innovation Officer	903 - Customer records and collection expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	340.12
3	Chief Customer and Innovation Officer	903 - Customer records and collection expenses	Business Area Adjustment	Adam R. Dietenberger	(7.22)
4	Chief Customer and Innovation Officer	909 - Customer Service Instructional Advertising	Advertising	Stephanie N. Niemi	(45,349.86)
5	Chief Customer and Innovation Officer	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	26,311.99
6	Chief Customer and Innovation Officer	921 - Office supplies and expenses	Business Area Adjustment	Adam R. Dietenberger	(367.82)
7	Chief Customer and Innovation Officer	930.1 - General advertising expenses	Advertising	Stephanie N. Niemi	(973,159.86)
8	Chief Customer and Innovation Officer Total				\$ (992,232.59)
9	Chief Executive Officer	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 11,669.12
10	Chief Executive Officer	930.2 - Miscellaneous general expenses	Board of Directors	Stephanie N. Niemi	(531,017.42)
11	Chief Executive Officer Total				\$ (519,348.30)

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
12	Chief Financial Officer	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 2,791.69
13	Chief Financial Officer	921 - Office supplies and expenses	Business Area Adjustment	Adam R. Dietenberger	(50.78)
14	Chief Financial Officer Total				\$ 2,740.92
15	Controller	501 - Fuel	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 180.33
16	Controller	557 - Other expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	106.72
17	Controller	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	88,026.41
18	Controller	920 - Administrative and general salaries	Foundation	William A. Grant	(419.36)
19	Controller	921 - Office supplies and expenses	Business Area Adjustment	Adam R. Dietenberger	(184.97)
20	Controller Total				\$ 87,709.13
21	Corporate Other	560 - Operation supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 800.50
22	Corporate Other Total				\$ 800.50
23	Finance & Corporate Development	506 - Miscellaneous steam power expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 4,948.98
24	Finance & Corporate Development	557 - Other expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	5,227.12
25	Finance & Corporate Development	566 - Miscellaneous transmission expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	170.96

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
26	Finance & Corporate Development	588 - Miscellaneous distribution expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	596,08
27	Finance & Corporate Development	908 - Customer assistance expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	149,76
28	Finance & Corporate Development	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	75,843.42
29	Finance & Corporate Development	921 - Office supplies and expenses	Business Area Adjustment	Adam R. Dietenberger	(204.99)
30	Finance & Corporate Development	930.1 - General advertising expenses	Advertising	Stephanie N. Niemi	(29.11)
31	Finance & Corporate Development Total				\$ 86,702.21
32	Investor Relations	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 1,542.37
33	Investor Relations Total				\$ 1,542.37
34	Risk Management and Audit Services	557 - Other expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 7,625.48
35	Risk Management and Audit Services	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	17,307.52

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
36	Risk Management and Audit Services	921 - Office supplies and expenses	Business Area Adjustment	Adam R. Dietenberger	(142.16)
37	Risk Management and Audit Services	930.2 - Miscellaneous general expenses	Board of Directors	Stephanie N. Niemi	(517.98)
38	Risk Management and Audit Services Total				\$ 24,272.86
39	Tax Services	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 14,460.76
40	Tax Services	921 - Office supplies and expenses	Business Area Adjustment	Adam R. Dietenberger	(25.09)
41	Tax Services Total				\$ 14,435.67
42	Treasurer	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 13,369.31
43	Treasurer	921 - Office supplies and expenses	Business Area Adjustment	Adam R. Dietenberger	(59.72)
44	Treasurer Total				\$ 13,309.58
45	Total Witness Adam R. Dietenberger				\$ (1,280,067.66)
	Amounts may not add or tie to other schedules due to rounding				