

DOCKET NO. \_\_\_\_\_

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

**DIRECT TESTIMONY  
of  
ROBERT H. KUNZE**

*on behalf of*

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

*(Filename: KunzeRRDirect.doc)*

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## **GLOSSARY OF ACRONYMS AND DEFINED TERMS**

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
CAPS	Center for Advanced Purchasing Studies
FERC	Federal Energy Regulatory Commission
ISM	Institute of Supply Management
IT	Information Technology
O&M	Operation and Maintenance
Operating Companies	Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS
PTT	Productivity Through Technology
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 any jurisdictional allocation)
Update Period	October 1, 2020 through December 31, 2020
Updated Test Year	January 1, 2020 through December 31, 2020
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

## LIST OF ATTACHMENTS

<b><u>Attachment</u></b>	<b><u>Description</u></b>
RHK-RR-1	Supply Chain Organization Chart ( <i>Non-native format</i> )
RHK-RR-2	2019 CAPS Research Utilities Industry Benchmarking Report ( <i>Non-native format</i> )
RHK-RR-A (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Billing Method ( <i>Filename: RHK-RR-ABCD.xlsx</i> )
RHK-RR-B(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method, and FERC Account ( <i>Filename: RHK-RR-ABCD.xlsx</i> )
RHK-RR-C (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account ( <i>Filename: RHK-RR-ABCD.xlsx</i> )
RHK-RR-D (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account ( <i>Filename: RHK-RR-ABCD.xlsx</i> )

**DIRECT TESTIMONY  
OF  
ROBERT H. KUNZE**

1           **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3   A. My name is Robert H. Kunze. My business address is 1800 Larimer Street,  
4       Denver, Colorado 80202.

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 Director of Strategy and Planning, Supply Chain.

12   **Q. Please briefly outline your responsibilities as Director of Strategy and**  
13       **Planning, Supply Chain.**

14   A. I direct the planning, developing, monitoring and reporting of Xcel Energy’s  
15       Supply Chain organization’s strategic priorities and performance in alignment  
16       with overall corporate goals and strategic direction. In doing so I coordinate with  
17       the functional areas within the Supply Chain organization to include sourcing,  
18       procurement, materials, fleet and process governance. These functions support all  
19       business areas within all of the Xcel Energy Operating Companies.<sup>1</sup>

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<sup>1</sup> The Xcel Energy Operating Companies consist of Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS.

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

2   A.     I hold a Bachelor of Science in Management from Metropolitan State University  
3           of Denver and an Masters of Business Administration in Finance and Accounting  
4           from Regis University.

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

6   A.     I have worked in supply chain and financial teams for over 30 years in several  
7           industries including technology manufacturing, telecommunications and utilities.  
8           I joined Xcel Energy in 2006 and have since held several leadership positions, all  
9           within the Supply Chain organization, including Director of Strategic Sourcing. I  
10          have been in my current role for the last 3 years. I am active in non-profit board  
11          leadership, currently serving as Vice-Chairman of the Board of the Mountain  
12          Plains Minority Supplier Development Council and board member of the Denver  
13          Council on Foreign Relations.

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

16  A.     Yes. As a component of my professional development throughout my career, I  
17          have attended numerous technical seminars and conferences specific to utilities.  
18          My team actively executes Xcel Energy’s benchmarking activities specific to  
19          supply chain matters with peer utilities and cross industry groups.

20  **Q.     Are you a member of any professional organizations?**

21  A.     Yes. I participate in the Institute of Supply Management (“ISM”) as a  
22          representative of the Xcel Energy Supply Chain organization and have twice in  
23          my career held the designation of C.P.M. (Certified Purchasing Manager), which  
24          is administered by ISM.

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A. I support the Updated Test Year (January 1, 2020 through December 31, 2020)<sup>2</sup> operation and maintenance (“O&M”) expenses and the administrative and general expenses for the Supply Chain class of affiliate services. In regard to the Supply Chain affiliate class, my testimony will:

- Q. Please summarize your testimony and recommendations.**

A. The estimated Updated Test Year costs that SPS seeks to recover for the services of the Supply Chain affiliate class are \$357,509<sup>3</sup> (total SPS before jurisdictional allocation, “Total Company” or “total company”). Those costs are reasonable and necessary because they support SPS’s ability to provide electric service to its Texas retail customers.

<sup>3</sup> This dollar amount reflects nine months of actual costs and three months of estimated costs.

- 1                   • The costs are for services that are necessary to the sourcing and  
2                   procurement of all of the goods and services used by SPS in providing  
3                   electric service to its customers, including:
- 4                   ○ negotiating contracts for everything from day-to-day business  
5                   necessities (e.g., office supplies and furniture) to capital items  
6                   used to construct, operate, and maintain generation and  
7                   transmission assets (e.g., transmission poles and transformers);
- 8                   ○ managing materials, including deliveries and storage;
- 9                   ○ implementing vendor, supplier, and contractor management  
10                  strategies and policies; and
- 11                  ○ managing the vehicles fleet.
- 12                  • The costs are reasonable because they are shared with other affiliates,  
13                  include reasonable personnel costs, and are subjected to rigorous  
14                  budgeting and cost control processes.
- 15                  • SPS does not provide these services for itself, and the services do not  
16                  duplicate services provided by others.
- 17                  • Each charge from SPS's affiliates for these services is no higher than  
18                  the charge by those affiliates to any other entity for the same or similar  
19                  service.

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

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

1 to the Updated Test Year in direct testimony as the “estimated Updated Test  
2 Year.”

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

8 **Q. Will your testimony be updated to replace the estimated costs that you**  
9 **present 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  
12 application for the Update Period. As part of that process, my Attachments  
13 RHK-RR-A through D will be updated by removing estimates of Supply Chain  
14 affiliate O&M expenses incurred by SPS during the Updated Test Year and then  
15 replacing those estimates with actual expenses, which will be used to establish  
16 SPS’s base rates in this case.

17 **Q. Were Attachments RHK-RR-1 and RHK-RR-A through RHK-RR-D**  
18 **prepared by you or under your direct supervision and control?**

19 A. Yes, as to Attachment RHK-RR-1. Attachments RHK-RR-A through  
20 RHK-RR-D were prepared by Mr. Baumgarten and his staff. My staff and I have  
21 reviewed these attachments, and I believe them to be accurate. Although the same  
22 information provided in Attachments RHK-RR-A through RHK-RR-D is  
23 presented in Mr. Baumgarten’s Attachments RLB-RR-A through RLB-RR-D, I



1           have presented this information in my testimony for the convenience of those  
2           reviewing my testimony.

3   **Q.    Are Attachments RHK-RR-2 and RHK-RR-4 true and correct copies of the**  
4           **documents referenced in your testimony?**

5   **A.    Yes.**

1                   **III.    AFFILIATE EXPENSES FOR THE SUPPLY CHAIN**  
2   **CLASS OF SERVICES**

3   **Q.    Earlier in your testimony, you referred to an “affiliate class.” What do you**  
4           **mean by the terms “affiliate class” or “affiliate class 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  
7           have been grouped into various affiliate classes, or aggregations of charges, based  
8           upon the business area, organization, or department that provided the service or,  
9           in a few instances, the accounts that captured certain costs. In his direct  
10          testimony, Mr. Baumgarten provides a detailed explanation of how the affiliate  
11          classes were developed and are organized for this case.

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

13 A.    I sponsor the Supply Chain class of affiliate services.

14 **A.    Summary of Affiliate Expenses for the Supply Chain Class of**  
15 **Services**

16 **Q.    Where does the Supply Chain affiliate class fit into the overall affiliate**  
17 **structure?**

18 A.    Attachment RLB-RR-6 to Mr. Baumgarten’s direct testimony provides a list and a  
19          pictorial display of all affiliate classes, dollar amounts for those classes, and  
20          sponsoring witness for each class. As seen on that attachment, the Supply Chain  
21          affiliate class was part of the Operations Services business area during the  
22          Updated Test Year. Attachment RHK-RR-1 to my testimony is an organization  
23          chart showing the Supply Chain organization.

1   **Q.     What services are grouped into the Supply Chain affiliate class?**

2   A.     The Supply Chain organization is responsible for the sourcing and procurement of  
3           goods and services, materials management, fleet management, and accounts  
4           payable functions for all of Xcel Energy's Operating Companies. Supply Chain  
5           manages spending of approximately \$4.6 billion annually. Among many other  
6           things, Supply Chain is involved in negotiating contracts for everything from day-  
7           to-day business necessities (e.g., office supplies and furniture) to capital items  
8           used to construct, operate, and maintain generation and transmission assets (e.g.,  
9           transmission poles and transformers); implementing vendor, supplier, and  
10          contractor management strategies and policies; and implementing Xcel Energy-  
11          wide sourcing and procurement strategies to achieve cost savings.

12   **Q.     What is the dollar amount of the estimated Updated Test Year XES charges**  
13          **that SPS requests, on a total company basis, for the Supply Chain affiliate**  
14          **class?**

15   A.     The following Table RHK-RR-1 summarizes the dollar amount of the estimated  
16           Updated Test Year XES charges for the Supply Chain affiliate class. I will update  
17           the table below as part of SPS's 45-day case update filing to reflect the actual  
18           Updated Test Year costs for the Supply Chain affiliate class.

1

**Table RHK-RR-1<sup>4</sup>**

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Supply Chain	\$ 4,342,564	\$357,509	76.45%	23.55%

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

4 A. There are four attachments to my testimony that present information about the  
5 requested SPS affiliate expenses for the Supply Chain affiliate class.

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

Column A — Line No. Lists the Attachment line numbers.

Column B — Affiliate Class Lists the affiliate class.

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<sup>4</sup> **Total XES Class Expenses** is the Dollar amount of total Updated Test Year expenses that XES charged to all Xcel Energy companies for the services provided by this affiliate class. This is the amount from Column E in Attachment RHK-RR-A. **Requested Amount** is SPS's requested amount after exclusions and pro forma adjustments. **% Direct Billed** is the percentage of SPS's requested XES expenses for the class that were billed 100% to SPS. **% Allocated** is the percentage of SPS's requested XES expenses for the class that were allocated to SPS.

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.

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

**Attachment RHK-RR-B(CD):** Provides the detail of the XES expenses for the Supply Chain affiliate class that are summarized on Attachment RHK-RR-A. The detail shows the XES expenses billed to SPS for the Supply Chain affiliate class, itemized by the amount, with each expense listed by individual activity and billing method (cost center). When summed, these amounts tie to the amounts shown on Attachment RHK-RR-A, and the detail regarding the expenses is organized to support that attachment. Specifically, the 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 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 RHK-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 RHK-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 RHK-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 RHK-RR-A.
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 RHK-RR-A.

1                   Mr. Baumgarten also provides a consolidated summary of this information  
2                   for all affiliate classes during the Test Year and the Updated Test Year.

3                   **Attachment RHK-RR-C:** Both Attachments RHK-RR-A and  
4                   RHK-RR-B(CD) show exclusions to the XES expenses billed to SPS for the  
5                   Supply Chain affiliate class (Attachment RHK-RR-A, Column H; Attachment  
6                   RHK-RR-B(CD), Column K). Attachment RHK-RR-C provides detail about  
7                   those exclusions listed on Attachments RHK-RR-A and RHK-RR-B(CD). The  
8                   columns on Attachment RHK-RR-C provide the 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 for the expense that has been excluded.
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 RHK-RR-D:** Both Attachments RHK-RR-A and  
4 RHK-RR-B(CD) show pro forma adjustments to SPS's per book expenses for the  
5 Supply Chain affiliate class (Attachment RHK-RR-A, Column J; Attachment  
6 RHK-RR-B(CD), Column M). Attachment RHK-RR-D provides information  
7 about those pro forma adjustments shown on Attachments RHK-RR-A and  
8 RHK-RR-B(CD). The columns on Attachment RHK-RR-D provide the following  
9 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.

10 **Q. Does XES bill its expenses for the Supply Chain affiliate class to SPS in the**  
11 **same manner as it bills other affiliates for those expenses?**

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

1    **Q.    Are there any exclusions to the XES billings to SPS for the Supply Chain**  
2       **affiliate class?**

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

11   **Q.    Are there any pro forma adjustments to SPS's per book expenses for the**  
12       **Supply Chain affiliate class?**

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

1   **Q.**    Attachment RHK-RR-D shows that you sponsor pro forma adjustments for  
2           expenses for the Supply Chain affiliate class during the first nine months of  
3           the Updated Test Year that result in a net decrease for the Supply Chain  
4           affiliate class of (\$101.62). Please explain the adjustments.

5   A.    The adjustments that I sponsor (a decrease of \$101.62) remove costs incurred that  
6           are not recoverable from SPS customers.

7   **B.**    **The Supply Chain Class of Services are Necessary Services**

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

10  A.    Yes. The services grouped in the Supply Chain affiliate class are necessary to  
11        ensure that the goods and services needed for SPS's operations are procured in the  
12        most cost-effective manner, that fleet and warehouse services are managed cost  
13        effectively, and that invoices are paid. They are functions required by all utilities  
14        and without which SPS would not be able to provide electric service to its  
15        customers.

16  **Q.**    What are the specific services that are provided to SPS by the Supply Chain  
17        affiliate class?

18  A.    The specific services that are provided to SPS by the Supply Chain affiliate class  
19        are:

- 20        • **Strategic Planning** – These services are necessary to the development of  
21        the overall strategic business plan for Xcel Energy Supply Chain,  
22        including development of the strategic sourcing plan for all of Xcel  
23        Energy. Services include evaluating the requirements of the Operating  
24        Companies, including SPS, and assessing market conditions and supplier  
25        capabilities. The sourcing strategies developed in this process are

designed to leverage the size and scale of Xcel Energy in the market place in order to benefit SPS and the other Operating Companies.

- **Strategic Sourcing and Category Management** – These services are related to procuring goods and services needed by SPS. They include selecting and negotiating with suppliers, preparing bid packages, analyzing bids, and managing contracts. Goods and services are procured through a competitive bidding process that includes not only evaluation of price, but many other criteria such as the reliability of the supplier and its ability to meet the bid specifications. The process is applied to every possible goods and services contract.
- **Major Capital Projects Sourcing** – These services are related to procuring goods and services needed for major capital projects, including, but not limited to, the construction of SPS’s power plants, including wind farms, transmission lines, and substations. The services include selecting and negotiating with suppliers, preparing bid packages, analyzing bids, and managing contracts.
- **Material Resource Planning and Logistics** – The resource planning services are used for planning and developing strategies for the cost-effective acquisition of materials used in the transmission and distribution functions of SPS and the other Operating Companies including setting inventory target levels and working with the group that sets design and equipment standards. These services increase buying power by consolidating purchases for items needed by all of the Operating Companies. For example, by using standardized designs for transformers, the bid criteria can be established once and used across multiple projects. The logistics services are related to management of the materials and supplies inventory of SPS and the other Operating Companies. This includes responsibility for storeroom operations, which includes receiving and issuing materials, performing inventory cycle counts, providing equipment and material control, and performing accounting functions in coordination with the Finance and Asset Management departments. In addition, these services include establishing policies and procedures to provide appropriate and consistent inventory management practices throughout the business areas. These services also include salvaging and selling materials that are no longer in use. For example, copper wire removed from facilities is recycled and resold.
- **Business Operations** – These services include process controls and purchasing. The process control group is responsible for conducting supply chain analytics and managing various internal controls, which ensure that corporate credit cards are used correctly and that expenses are properly documented, accurately recorded, and within policy and system compliance requirements. Expense reports are reviewed by management, system and process training is readily available to employees and

executives, and policy training is required every 2 to 3 years. The purchasing group is responsible for the end-to-end process from business unit need identification to purchase order placement in accordance with sourcing strategy and invoice payment support. This requires work order review and an understanding of near-term supply needs and longer-term outage needs.

- **Fleet Management** – These services are used for determining the vehicle requirements of SPS and the other Operating Companies, performing life cycle analysis of the fleet, setting maintenance schedules, managing the garage functions, and developing standards for the types of vehicles needed. By analyzing the number and types of vehicles needed, these services ensure that SPS is efficiently using its vehicles. For example, renting rather than purchasing may be recommended for a specialty truck that might be used only twice in a year. By setting appropriate maintenance schedules, and managing garage functions, these services also ensure that the life cycle of SPS’s fleet equipment is maximized.
- **Process Governance and Performance** – These services are related to ongoing governance of processes necessary to ensure realization of SAP implementation benefits by ensuring uniform use of processes, enterprise business unit alignment, and supply chain process adherence. They include supply chain project management of special initiatives, master data governance, continuous improvement efforts, and management of process alignment with business units.

**Q. Are any of the Supply Chain class of services that are provided to SPS duplicated elsewhere in XES or in any other Xcel Energy subsidiary such as SPS itself?**

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

**Q. Do SPS’s Texas retail customers benefit from the services that are part of the Supply Chain class of services?**

A. Yes. Supply Chain actively manages costs and negotiates better project and unit prices for the goods and services used by SPS in providing electric service to

1 customers. This is accomplished through systematic, long-term category  
2 management strategies, designed to control costs for procurement and sourcing.  
3 In addition, the size, scale, and long-term purchasing power of the combined Xcel  
4 Energy Operating Companies are leveraged to lower costs through volume  
5 purchasing, and to enter into strategic alliances with major suppliers, such as  
6 vehicle suppliers, transformer and meter suppliers, and pole suppliers, who then  
7 operate in alignment with Xcel Energy as preferred vendors. This not only leads  
8 to better per unit pricing for the goods needed by SPS, but allows joint  
9 development of manufacturing criteria and allows Xcel Energy to reserve blocks  
10 of manufacturing space, ensuring that products or equipment will be available  
11 when needed without storing inventory, thus reducing overhead costs.

12 **Q. Is there objective evidence of the benefits achieved by the Supply Chain class**  
13 **of affiliate services?**

14 A. Yes. Xcel Energy participates in a benchmarking study performed by the Center  
15 for Advanced Purchasing Studies (“CAPS”), which is a research arm for the  
16 Institute of Supply Management. The study compares the services, costs, and cost  
17 savings achieved by the supply chain and sourcing functions of participating  
18 utilities. Notable among the data reported by CAPS are the statistics on cost  
19 savings achieved by the supply chain function as a percentage of total company  
20 spend.

21 As Table RHK-RR-2 below shows, Xcel Energy’s Supply Chain cost  
22 reduction savings in 2019 significantly exceeded the utility industry mean and  
23 median. In the area of cost avoidance, while Xcel Energy’s performance

1 appeared to be below the industry mean and median, this is because Xcel Energy  
2 is more rigorous with what it views to be “cost avoidance” than other  
3 participating utilities. For example, Xcel Energy uses the lower of first-round  
4 bids as its baseline for determining whether a cost reduction savings has been  
5 achieved in its selection of products and services. Conversely, it is my  
6 understanding that other utilities in the industry use an average of first round bids  
7 to serve as a baseline for calculating cost reduction savings. By doing so, these  
8 utilities appear to include elements of cost avoidance in their definitions of cost  
9 savings, which I believe over-reports the true measure of cost savings.

10 **Table RHK-RR-2**

<b>2019 CAPS Metric</b>	<b>Xcel Energy</b>	<b>Mean</b>	<b>Median</b>
<b>Total cost reduction savings as a percent of managed spend</b>	6.1%	1.9%	1.4%
<b>Total cost avoidance savings as a percent of managed spend</b>	1.7%	3.9%	2.7%

11 The information in Table RHK-RR-2 comes from the 2019 CAPS  
12 Research, Cross-Industry Report of Standard Benchmarks, Utilities Industry,  
13 which is provided as Attachment RHK-RR-2 to my testimony. As shown on  
14 page 1, line 2 of the report, more than 89.7% of total Xcel Energy Normal Goods  
15 and Services spend is managed or controlled by the XES Supply Chain  
16 management. This is significantly higher than the industry mean of 73.2%.  
17 Actively managing spend in a structured program is key to achieving sourcing  
18 savings through volume purchasing and leveraged sourcing and increasing the

1 benefit provided to SPS and its customers by the Supply Chain class of affiliate  
2 services.

3 The Supply Chain department continues to build on a foundation of  
4 initiatives that enhanced efficiency, highlighted cost savings measures, and built a  
5 culture of continuous improvement. The Productivity Through Technology  
6 (“PTT”) initiative was designed to improve business processes and systems  
7 throughout Xcel Energy by addressing needed technological changes while the  
8 One Xcel Energy Way process initiated a focus on PTT optimization by aligning  
9 people, process, and technology to improve the procure to pay process and deliver  
10 value to SPS and its customers. This foundation, along with the generally more  
11 strict process requirements of the SAP system, enforcement of compliance to  
12 sourcing policy, and procedures requiring all purchases of Normal Goods and  
13 Services to be executed by Supply Chain continues to enhance the cost savings  
14 experienced by SPS for the benefit of SPS customers.

15 **C. The Supply Chain Class of Services are Provided at a Reasonable**  
16 **Cost**

17 **Q. Are the costs of the Supply Chain class of services reasonable?**

18 A. Yes. The costs of the Supply Chain class of services are reasonable. XES  
19 provides the Supply Chain class of functions and services on a consolidated basis  
20 for multiple Xcel Energy legal entities. This reduces overhead, eliminates  
21 duplication of personnel, and allows the costs of necessary computer and software  
22 systems to be shared among the Operating Companies. As a result, SPS benefits  
23 from sophisticated services provided by a pool of talented professionals, the



1 consolidated costs of which are shared. The economies of scale inherent in this  
2 system result in reasonable costs for SPS for these services.

3 *I. Additional Evidence*

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

6 A. Yes. Of the estimated Updated Test Year costs for the Supply Chain class,  
7 74.85% are compensation and benefits costs for XES personnel. SPS witnesses  
8 Michael P. Deselich and Richard R. Schrubbe establish that the level of Xcel  
9 Energy's compensation and benefits is reasonable and necessary. In addition, a  
10 variety of cost data will be contained in the 2019 CAPS Report. Data for the  
11 2019 CAPS Research, Cross-Industry Report of Standard Benchmarks, Utilities  
12 Industry, provided in the table below, shows that while Xcel Energy has  
13 historically trended above industry mean for supply management operating  
14 expenses per supply management employee, 2019 numbers are expected to fall  
15 below the industry mean and are expected to remain relatively consistent at that  
16 level. The significant decrease in supply management operating expense per  
17 supply management employee as reported in 2019 is attributed to a change in the  
18 definition of the supply management group in the CAPS study. Prior to 2019, the  
19 definition of supply management included Xcel Energy's Fleet and Material  
20 Logistics functions that report to the Xcel Energy Supply Chain organization. In  
21 2019, the definition was updated to exclude these groups in order to allow for a  
22 more "apples to apples" comparison of data between study participants. In 2019,  
23 Xcel Energy submitted data based on the previous definition; if 2019 Xcel Energy

1 results were updated to the current definition of supply management, Xcel  
2 Energy's 2019 supply management operating expenses per supply management  
3 employee would be \$88,595 and fall below the industry mean.

4 **Table RHK-RR-3**

<b>Supply management operating expenses per supply management employee</b>	<b>2019</b>
Xcel Energy	\$88,595
Mean	\$136,721

5 *2. Budget Planning*

6 **Q. Is the Supply Chain class of affiliate costs subject to a budget planning**  
7 **process?**

8 A. Yes. Annual O&M budgets are created for the Supply Chain class of affiliate  
9 costs, using guidelines developed at the corporate level. Each manager within the  
10 Supply Chain organization carefully reviews historical spend information,  
11 identifies changes that will be coming in the future, and analyzes the costs  
12 associated with those changes prior to submitting a proposed budget. The  
13 budgeting process is discussed in more detail by SPS witness Adam R.  
14 Dietenberger.

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

17 A. Yes. Actual versus budgeted expenditures are monitored on a monthly basis by  
18 management in the Supply Chain organization. Deviations are evaluated each  
19 month to ensure that costs are appropriate. In addition, action plans are developed

to mitigate variations in actual to budgeted expenditures. These mitigation plans may either reduce or delay other expenditures so that the revised budget supports the authorized budget. If authorized budget adjustments are required, they are identified and approved at an appropriate level of management.

**Q. Are employees within the Supply Chain organization held accountable for deviations from the budget?**

A. Yes. All directors in the Supply Chain organization have specific budgetary goals that are incorporated into their performance evaluations. Performance is measured on a monthly basis to ensure adherence to the goals and provide for action plan development to address variances.

### *3. Cost Trends*

**Q. Please state the dollar amounts of the actual per book charges from XES to SPS for the Supply Chain 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 charges and, for the estimated Updated Test Year, the estimated per book affiliate charges (Column I on Attachment RHK-RR-A) from XES to SPS for the services grouped in the Supply Chain affiliate class:

**Table RHK-RR-3**

	Per Book Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Supply Chain	\$1,520,948	\$1,157,042	\$581,246	\$349,658

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

2   A.     The higher costs reflected in 2017 and 2018 were related to the contingent  
3           workforce “surge” resources that were deployed in the purchasing department  
4           during the stabilization of SAP process following the PTT initiative. Those  
5           additional employee expenses related to the training needs required for the new  
6           applications being deployed for the PTT initiative. The decrease in costs between  
7           2018 and 2019 were a result of the rolling off of contingent surge resources as the  
8           new programs became the regular course of business. The continued decrease in  
9           costs are the result of continued efficiencies gained through the supply chain  
10          process mentioned earlier in this testimony.

11                   4.   *Staffing Trends*

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

15   A.     The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar  
16           years) and for the Updated Test Year, the average of the end-of-month staffing  
17           levels for the Supply Chain class of services.

18                                   **Table RHK-RR-4**

	Average End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Supply Chain	170	170	169	171

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

2    A.    The average staffing levels for the Supply Chain organization have remained  
3        stable since 2017.

4                                5.    *Cost Control and Process Improvement Initiatives*

5    **Q.    Separate from the budget planning process, does the Supply Chain  
6        organization take any steps to control its costs or to improve its services?**

7    A.    Yes. The Supply Chain organization continually evaluates current practices to  
8        identify areas for improvement, including ways to maximize resources and make  
9        Supply Chain operations more efficient.

10   **D.    The Costs for the Supply Chain Class of Services are Priced in a**  
11        **Fair Manner**

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

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

1    **Q.     How are the costs of the Supply Chain affiliate class billed to SPS?**

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

15   **Q.     What are the predominant allocation methods used for billing the costs that**  
16       **SPS seeks to recover for the Supply Chain affiliate class of services?**

17   A.     The majority of the requested XES charges to SPS for this class were charged  
18          using one of the following eight billing allocation methods:

- 19                 • Direct Billing – 76.45% of XES charges to SPS – \$273,301;  
20                 • Assets, Revenue, and Number of Employees – 5.27% of XES charges  
21                   to SPS – \$18,842;  
22                 • Invoice Transactions – 5.04% of XES charges to SPS - \$18,014;  
23                 • Number of Computers – 2.97% of XES Charges to SPS – \$10,615;  
24                 • Number of Phones, Radios, and Computers – 1.82% of XES Charges  
25                   to SPS – \$6,492.21;

- 1                   • Number of Meters/Number of Residential Contacts Handled by Call  
2                   Centers – 1.79% of XES Charges to SPS – \$6,413.52;
- 3                   • Average of All Software Percentages – 1.76% of XES Charges to SPS  
4                   – \$6,303.67; and
- 5                   • Number of Employees – 1.74% of XES Charges to SPS – \$6,221.62.
- 6   **Q.    Why is the “Direct Billing” method appropriate for assigning the costs**  
7           **captured in the cost centers that use that allocation method?**
- 8    A.    For the cost centers that are assigned using the “Direct Billing” method, the costs  
9           normally reflect work that was performed specifically for SPS only. In some  
10          cases, however, the direct billing occurred after the application of an off-line  
11          allocator that tracks the relevant cost drivers. In either situation, the cost centers  
12          charged using the “Direct Billing” method are appropriate because the assignment  
13          of costs is in accordance with the distribution of benefits for the services received.  
14          For example, the costs related to oversight and training for material coordinators  
15          were assigned using the “Direct Billing” method. The cost of these services  
16          benefited SPS, the work was performed specifically for SPS alone, and the cost  
17          driver is management of SPS employees. Thus, the “Direct Billing” method is  
18          appropriate because it assigns costs in accordance with cost causation and benefits  
19          received. For the cost centers that assign costs using Direct Billing, the per unit  
20          amounts charged by XES to SPS are no higher than the unit amounts billed by  
21          XES to other affiliates for the same or similar services and represent the actual  
22          costs of the services.

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

4    A.    The three factor allocation method using assets, revenue, and number of  
5           employees produces an allocation of costs that recognizes the complexity, risk,  
6           and overall business activity levels that drives the costs included in the cost  
7           centers and measures the benefits received from those activities. For the cost  
8           centers billed using this allocator, there is no one specific cost driver for the  
9           support tasks and services provided, and the services benefit multiple Xcel Energy  
10          affiliates. For example, the costs associated with a Supply Chain special program  
11          associated with diversity program expenses, which are collected in Cost Center  
12          200094 – Supply Chain – Special Program, are allocated using this method.  
13          Within the Xcel Energy holding company group, those legal entities that have  
14          proportionately more assets, revenues, and employees will have more focus  
15          placed on their operations due to those subsidiaries’ relative influence on the  
16          consolidated business balance sheet, income statement, and statement of cash  
17          flow, and the subsidiaries will benefit accordingly from the services provided.  
18          Thus, allocating these costs based upon the average of the total asset ratio,  
19          revenue ratio, and the employee ratio is appropriate because it allocates costs in  
20          accordance with cost causation and benefits received. Mr. Baumgarten discusses  
21          this billing method in more detail in his testimony. For the cost centers that  
22          assign costs based upon this allocation method, the per unit amounts charged by  
23          XES to SPS as a result of the application of this allocation method are no higher



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

3 **Q. Why is it appropriate to allocate costs based upon the “Invoice Transactions”**  
4 **method for the costs captured in the cost centers that use that allocation**  
5 **method?**

6 A. Cost Center 200132, which uses the “Invoice Transactions” method as the  
7 allocator, captures the costs of the centralized accounts payable organization,  
8 which processes invoices and payments for all of Xcel Energy. For example, the  
9 labor costs associated with accounts payable personnel are collected in Cost  
10 Center 200132 and are allocated using this allocation method. These costs are  
11 driven by the activities required to process invoices for each legal entity. Thus,  
12 the costs in this cost center are allocated among the Xcel Energy legal entities  
13 based on each legal entities proportionate share of invoice transactions (i.e., the  
14 number of invoices processed for a particular legal entity as a percentage of the  
15 total number of invoices processed for all of the legal entities). This allocation  
16 reflects cost causation and the distribution of the benefits of the services received.  
17 For the cost centers that assign costs based upon this allocation method, the per  
18 unit amounts charged by XES to SPS as a result of the application of this  
19 allocation method are no higher than the unit amounts billed by XES to other  
20 affiliates for the same or similar services and represent the actual costs of the  
21 services.

1   **Q.    Why is it appropriate to allocate costs based upon the “Number of**  
2       **Computers” method for the costs captured in the cost centers that use that**  
3       **allocation method?**

4    A.   For the cost centers charged using the “Number of Computers” method as the  
5       allocator, the costs are driven by the machines in the environment. For example,  
6       the costs of the IT help desk service, collected in Cost Center 200148, are  
7       assigned using this allocation method, and these costs are driven by the number of  
8       computers in use. Thus, allocating these costs based on the number of computers  
9       is appropriate for the allocation of costs to affiliates because it allocates costs for  
10      the services in accordance with cost causation and the distribution of the benefits  
11      of the services received. For the cost centers that assign costs based upon this  
12      allocation method, the per unit amounts charged by XES to SPS as a result of the  
13      application of this allocation method are no higher than the unit amounts billed by  
14      XES to other affiliates for the same or similar services and represent the actual  
15      costs of the services.

16   **Q.    Why is it appropriate to allocate costs based upon the “Number of Phones,**  
17       **Radios, and Computers” method for the costs captured in the cost center**  
18       **that uses that allocation method?**

19   A.   For Cost Center 200172, which uses the “Number of Phones, Radios, and  
20       Computers” method as the allocator, the costs are those related to Xcel Energy’s  
21       internal and external information technology (“IT”) Network. The network  
22       supports the phones, radios, and computers across all of Xcel Energy and the cost  
23       driver for these costs is therefore the number of these machines. Thus, this cost  
24       center allocates costs among the Xcel Energy legal entities based upon the

1 proportionate share of phones, radios, and computers within each Xcel Energy  
2 legal entity (i.e., the number of machines in a particular legal entity as a  
3 percentage of the total number of machines of all of the legal entities). This  
4 allocation reflects cost causation and the distribution of the benefits of the  
5 services received. For the cost center that assigns costs based upon this allocation  
6 method, the per unit amounts charged by XES to SPS as a result of the application  
7 of this allocation method are no higher than the unit amounts billed by XES to  
8 other affiliates for the same or similar services and represent the actual costs of  
9 the services.

10 **Q. Why is it appropriate to allocate costs based upon the “Number of**  
11 **Meters/Number of Residential Contacts Handled by the Call Centers”**  
12 **method for the costs captured in the cost center that uses that allocation**  
13 **method?**

14 A. For Cost Center 200171, which uses the “Number of Meters/Number of  
15 Residential Contacts Handled by the Call Centers” method as the allocator, the  
16 costs are for the CRS system, which is Xcel Energy’s customer service and billing  
17 system. The cost drivers for the CRS system are the number of meters for which  
18 usage is stored and bills are issued, and the number of customer service calls  
19 handled by the call centers. Thus, this cost center allocates costs among the  
20 Operating Companies based upon the average of the proportionate share of meters  
21 (i.e., the number of meters within a particular Operating Company as a percentage  
22 of the total number of meters for all of the Operating Companies) and the  
23 proportionate share of call center calls (i.e., the number of calls originating from  
24 within a particular Operating Company as a percentage of the total number of

1 calls for all of the Operating Companies). This allocation reflects cost causation  
2 and the distribution of the benefits of the services received. For the cost center  
3 that assigns costs based upon this allocation method, the per unit amounts charged  
4 by XES to SPS as a result of the application of this allocation method are no  
5 higher than the unit amounts billed by XES to other affiliates for the same or  
6 similar services and represent the actual costs of the services.

7 **Q. Why is it appropriate to allocate costs based upon the “Average of all**  
8 **Software Percentages” (allocators for critical applications) for the costs**  
9 **captured in the cost center that uses that allocation method?**

10 A. For Cost Center 200115, which uses the “Average of All Software Percentages”  
11 method as the allocator, the costs are those of the resources (including team  
12 members, servers, and databases) for managing the information systems  
13 infrastructure and providing other consolidated services to support operationally  
14 critical software applications throughout the entire IT environment. The cost  
15 driver for these support activities is the software applications. This allocator  
16 averages the percentages applied under the diverse billing allocations used for the  
17 supported applications and applies the resulting percentage to allocate these costs.  
18 This allocation reflects cost causation and the distribution of the benefits of the  
19 services received. For the cost center that assigns costs based upon this allocation  
20 method, the per unit amounts charged by XES to SPS as a result of the application  
21 of this allocation method are no higher than the unit amounts billed by XES to  
22 other affiliates for the same or similar services and represent the actual costs of  
23 the services.

1   **Q.    Why is it appropriate to allocate costs based upon the “Number of**  
2       **Employees” method for the costs captured in the cost centers that use that**  
3       **allocation method?**

4    A.   For the cost centers that use the “Number of Employees” method as the allocator,  
5       the costs are driven by the employees. For example, Cost Center 200165 –  
6       PeopleSoft, which uses the “Number of Employees” method as the allocator,  
7       captures costs for the corporate human resources system used by all of the  
8       affiliates. Thus, this cost center allocates costs among the Xcel Energy legal  
9       entities based upon the proportionate share of employees of each Xcel Energy  
10      legal entity (i.e., the number of employees of a particular legal entity as a  
11      percentage of the total number of employees of all of the legal entities). This  
12      allocation reflects cost causation and the distribution of the benefits of the  
13      services received. For the cost centers that assign costs based upon this allocation  
14      method, the per unit amounts charged by XES to SPS as a result of the application  
15      of this allocation method are no higher than the unit amounts billed by XES to  
16      other affiliates for the same or similar services and represent the actual costs of  
17      the services.

18   **Q.    You have covered the allocation methods used to bill 96.8% of the costs**  
19       **associated with this affiliate class. Why have you not specifically covered the**  
20       **remaining 3.2% of the costs of this class?**

21   A.   I have described the predominant allocation methods associated with this affiliate  
22       class. The remaining costs are billed using 23 different allocators, no one of  
23       which is used to bill more than 0.80% of the costs. The cost centers (billing  
24       methods) used to charge the remaining 3.2% of the costs in this class are

1 presented in my Attachment RHK-RR-B(CD), discussed earlier. A reader may  
2 reference that attachment and then refer to the specific cost center (billing  
3 method) summary provided in Mr. Baumgarten's Attachment RLB-RR-12 for an  
4 explanation of the particular allocators used and the cost drivers for the activities  
5 reflected in that particular cost center.

6 **Q. Have you determined that the costs reflected in the remaining 3.2% of costs**  
7 **associated with this class of services have been billed using an appropriate**  
8 **billing method and allocation method?**

9 A. Yes. I, or one of my staff working at my direction, have reviewed each of the cost  
10 centers and the associated allocators used to bill the remaining 3.2% of the costs  
11 of this class. The cost drivers reflected in the allocation method used to bill the  
12 costs of each cost center (billing method) are consistent with and reflect the cost  
13 drivers of the services captured in each particular cost center (billing method).  
14 Therefore, the billing methods and allocation methods are appropriate because the  
15 allocation of costs is in accordance with the distribution of the benefits received  
16 by SPS and are no higher than the per unit costs charged to other affiliates for the  
17 same or similar types of services.

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

19 A. Yes.

# AFFIDAVIT

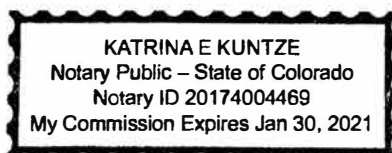
STATE OF COLORADO   )  
                                  )  
COUNTY OF WELD     )

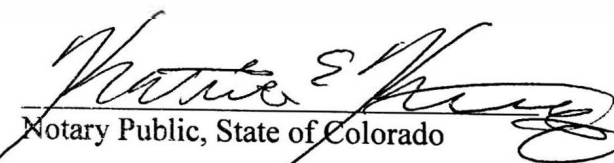
ROBERT H. KUNZE, first being sworn on his oath, states:

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.

  
\_\_\_\_\_  
ROBERT H. KUNZE

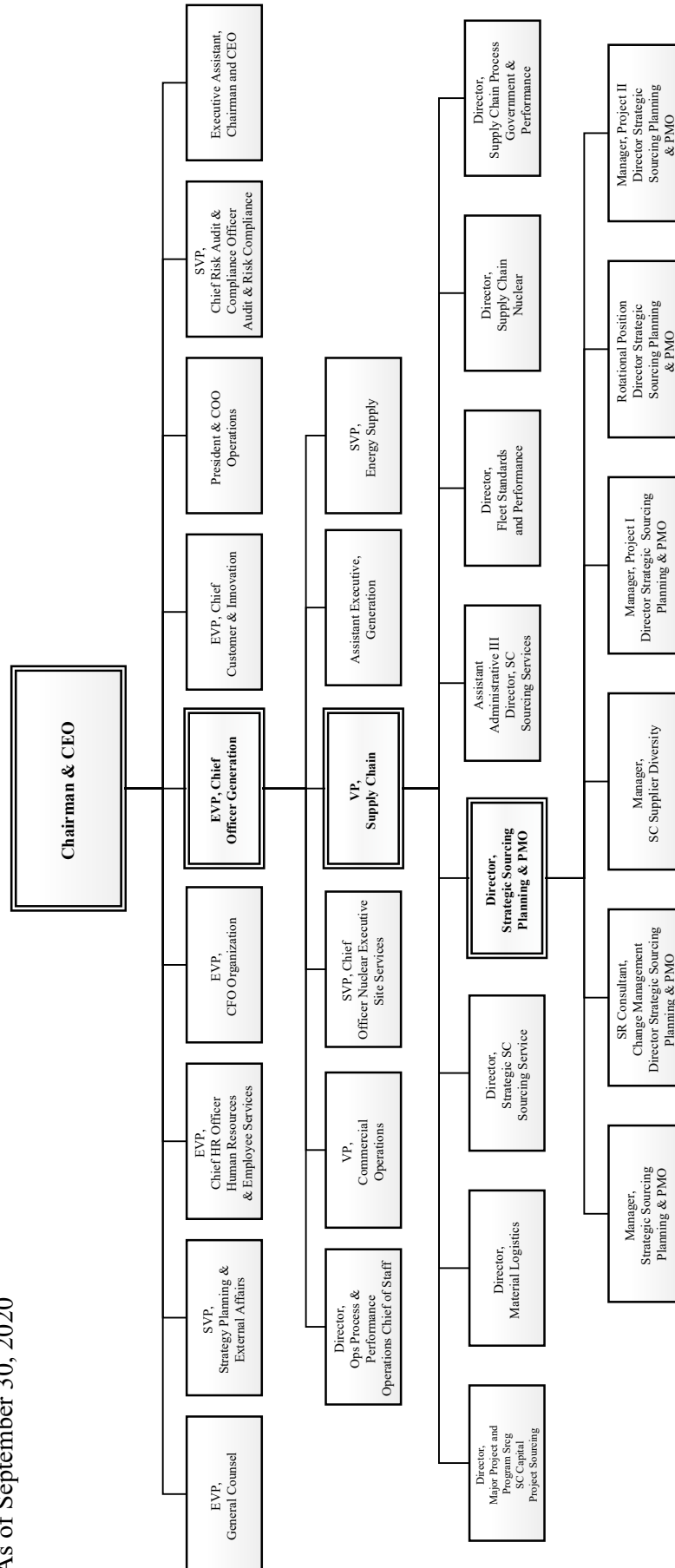
Subscribed and sworn to before me this 29<sup>th</sup> day of January, 2021 by ROBERT H. KUNZE.



  
\_\_\_\_\_  
Notary Public, State of Colorado

My Commission Expires: Jan 30, 2021

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





Spend													
1	Sourceable spend as a percent of revenue	38.0%	20.1%	38.7%	39.4%	69.2%	16	2.8%	34.0%	36.2%	75.3%	41	37.2%
2	Percent of sourceable spend managed/controlled by supply management	89.7%	64.7%	89.7%	89.4%	100.0%	15	33.3%	94.2%	86.9%	100.0%	42	87.5%
3	Percent of sourceable spend that is direct	73.5%	i.d.	i.d.	i.d.	i.d.	3	0.0%	50.9%	50.2%	100.0%	26	51.0%
4	Percent of sourceable spend that is indirect	26.5%	i.d.	i.d.	i.d.	i.d.	3	0.0%	49.6%	49.3%	100.0%	26	48.7%
5	Percent of managed spend that is direct	77.3%	i.d.	i.d.	i.d.	i.d.	2	0.0%	67.5%	53.8%	100.0%	24	50.5%
6	Percent of managed spend that is indirect	22.7%	i.d.	i.d.	i.d.	i.d.	2	0.0%	32.5%	48.2%	100.0%	24	49.5%
7	^ For those companies that track domestic spend with diverse suppliers, domestic spend with diverse suppliers as a percent of sourceable spend	10.4%	0.4%	10.2%	30.3%	38.7%	16	0.1%	9.3%	6.3%	38.7%	26	6.8%
8	^ For those companies that track domestic spend with diverse suppliers, domestic spend with suppliers that are formally certified as diverse, as a percent of sourceable spend	i.d.	i.d.	i.d.	i.d.	i.d.	2	0.1%	8.4%	4.9%	28.2%	6	5.8%
9	^ For those companies that track domestic spend with diverse suppliers, domestic spend with suppliers who self-report as diverse, as a percent of sourceable spend	i.d.	i.d.	i.d.	i.d.	i.d.	2	i.d.	i.d.	1.8%	i.d.	4	1.8%
10	^ For those companies that track domestic spend with diverse suppliers, diversity spend with small businesses as a percent of sourceable spend	16.8%	i.d.	i.d.	i.d.	i.d.	4	2.2%	7.1%	6.3%	69.1%	11	6.8%
The Supply Management Group													
Percent of companies with the following supply management functional alignment:													
11	a	Centralized	X					5	71%				
	b	Decentralized						0	0%				
	c	Center-led						2	29%				
	d	Hybrid						0	0%				
	e	Other						0	0%				
Percent of companies with supply management functional alignment for the following durations:													
12	a	Less than 1 year						0	0%				
	b	1-3 years						0	0%				
	c	3-5 years						1	14%				
	d	More than 5 years	X					6	86%				

i.d. indicates insufficient data. ^ = Calculated using sums of aggregated data

# CAPS Research - The Metrics of Supply Management (Cross-Industry) 2019 Comparative Report

August 2019

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Xcel Energy  
Inc.

## Utilities Industry Profile

## Process Sector Profile

## Population

The Supply Management Group												
13	Percent of companies that anticipate a change to supply management functional alignment in the near future	No	0%	7	11.4%	35	14%	94				
14	Supply management operating expense as a percent of sourceable spend	0.5%	0.3%	0.7%	1.4%	7	0.1%	0.6%	7.5%	33	1.2%	89
15	Supply management operating expense as a percent of managed spend	0.5%	0.3%	0.8%	1.2%	6	0.1%	0.6%	1.0%	34	1.3%	89
16	Supply management salary expense as a percent of supply management operating expense	79.3%	40.9%	79.0%	93.1%	7	40.9%	79.1%	78.0%	30	76.8%	69
17	Supply management employees as a percent of company employees	1.8%	0.5%	1.0%	1.3%	18	0.3%	1.2%	1.5%	46	1.5%	119
18	Percent of supply management employees that are strategic	48.3%	11.1%	24.5%	32.9%	6	5.5%	27.5%	36.2%	30	37.7%	77
19	Percent of supply management employees that are tactical	51.7%	27.7%	75.5%	67.1%	6	19.6%	71.1%	63.0%	31	61.9%	78
Value Metrics												
20	^ Supply management return on investment (cost reduction + avoidance savings)	1454.4%	26.0%	600.4%	860.3%	5	26.0%	641.5%	597.7%	32	635.9%	67
21	^ Supply management return on investment (cost reduction only)	1140.5%	i.d.	i.d.	608.4%	4	6.7%	351.1%	570.1%	27	541.6%	60
22	Percent of companies that calculate each of the following:											
a	Gross Direct Cost Savings	X		43%		3			44%	15	41%	31
b	Net Direct Cost Savings			57%		4			56%	19	59%	44
c	Gross Indirect Cost Savings	X		50%		3			48%	15	48%	38
d	Net Indirect Cost Savings			50%		3			52%	16	53%	42
23	^ Supply management return on investment using salary expense	1833.6%*	i.d.	i.d.	1150.1%	4	33.0%	779.3%	988.8%	26	907.7%	54
24	Cost reduction savings as a percent of managed spend	6.1%	0.1%	1.4%	1.9%	10	0.1%	1.7%	2.5%	35	2.9%	74
25	Ratio of cost reduction savings that is direct	i.d.	i.d.	i.d.	i.d.	0	0.0%	38.4%	46.8%	16	46.2%	40
26	Ratio of cost reduction savings that is indirect	i.d.	i.d.	i.d.	i.d.	0	0.0%	61.6%	53.2%	16	53.8%	40
27	Cost avoidance savings as a percent of managed spend	1.7%	0.02%	2.7%	3.9%	11	0.02%	1.7%	3.0%	33	2.8%	62
28	Ratio of cost avoidance savings that is direct	i.d.	i.d.	i.d.	i.d.	0	0.0%	28.3%	38.3%	15	35.0%	33
29	Ratio of cost avoidance savings that is indirect	i.d.	i.d.	i.d.	i.d.	0	0.0%	71.7%	61.7%	15	65.0%	33

i.d. indicates insufficient data. ^ = Calculated using sums of aggregated data. \* = indicates data removed from final report as outlier

Release Date: August 2019

# CAPS Research - The Metrics of Supply Management (Cross-Industry) 2019 Comparative Report

August 2019

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Xcel Energy  
Inc.

## Utilities Industry Profile

## Process Sector Profile

## Population

Value Metrics										Number of Participants				Population			
		Minimum	Median	Mean	Maximum		Minimum	Median	Mean	Maximum							
30	Percent of active suppliers that account for 80% of sourceable spend		0.9%	5.0%	5.3%	10.7%	17		5.1%	23.3%	44			6.8%	100		
31	Percent of companies where supply management assesses Tier 2 suppliers in the supplier risk program			72%			18		48%		42			39%	97		
32	For those companies that assess Tier 2 suppliers, percent where supply management assesses Tier 3 suppliers in the supplier risk program			i.d.			3		33%		9			41%	27		
Supply Management Employees																	
33	Supply management operating expense per supply management employee	\$87,081	\$135,811	\$136,721	\$205,085	7					32			\$137,485	92		
34	Supply management salary expense per supply management employee	\$70,271	\$79,250	\$96,308	\$141,531	7					31			\$107,672	72		
35	Sourceable spend per supply management employee (millions)	\$9.9	\$28.8	\$28.5	\$52.6	16					43			\$25.3	110		
36	Managed spend per supply management employee (millions)	\$0.2	\$27.5	\$25.1	\$40.7	18					46			\$20.9	112		
37	Total savings (reduction + avoidance) per strategic supply management employee (millions)	i.d.	i.d.	\$2.8	i.d.	4					25			\$2.5	59		
38	Cost reduction savings per strategic supply management employee (millions)	i.d.	i.d.	i.d.	i.d.	3					23			\$1.3	52		
39	Managed spend per buyer (millions)	\$39.5	\$52.9	\$54.4	\$78.3	5					26			\$64.8	66		
40	Managed spend per category management employee (millions)	\$5.6	\$144.9	\$209.2	\$562.0	14					33			\$147.5	74		
41	^ Percent of supply management FTEs in the following roles: Does not represent all roles in supply management.																
a	Category Manager			14%		15					35			12%	83		
b	Buyers (Transactional Purchasing)			9%		6					28			38%	76		
c	Business Relationship Manager			0.2%		2					18			5%	49		
d	Supplier Diversity Manager			0.3%		4					16			1%	48		
e	Supplier Risk Manager			0.2%		2					13			1%	48		
f	Data Analyst			1%		6					24			2%	74		
g	Systems and Technology Specialist			0.2%		4					21			2%	63		
42	Percent of companies in which the supply management headcount increased, decreased, or remained unchanged during the reporting period:																
a	Increased	X		43%		3					12			38%	35		
b	Decreased			0%		0					6			22%	20		
c	Remained unchanged			57%		4					16			40%	37		

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Release Date: August 2019

# CAPS Research - The Metrics of Supply Management (Cross-Industry) 2019 Comparative Report

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Cross-Industry Comparison of Metrics

Supply Management Employees																
43	For companies in which supply management headcount increased, percent increased	5.9%			i.d.	i.d.	i.d.	3		0.4%	5.6%	7.1%	28.0%	9	11.1%	28
44	For companies in which supply management headcount decreased, percent decreased	n/a			i.d.	i.d.	i.d.	0		1.2%	4.8%	9.2%	25.8%	4	8.1%	13
45	Percent of companies in which the headcount in other functional areas (e.g. HR, Marketing, Finance) increased, decreased, or remained unchanged during the reporting period:															
a	Increased						29%		2			33%		11	45%	40
b	Decreased	X					43%		3			27%		9	27%	24
c	Remained unchanged						29%		2			39%		13	28%	25
Technology																
Percent of companies that utilize the following within supply management:																
46																
a	RPAs	No					39%		18			48%		50	37%	115
b	Blockchain technology	No					0%		18			2%		49	3%	114
47	For the companies utilizing RPAs, percent that required a reallocation of FTE hours	n/a					0%		1			24%		17	37%	35
48	Percent of companies reporting that their organization is at the following level of supply management analytics activity:															
a	Level 1 - Data Collection						14%		1			13%		5	19%	20
b	Level 2 - Descriptive Analytics	X					71%		5			67%		28	58%	60
c	Level 3 - Predictive Analytics						0%		0			13%		5	17%	17
d	Level 4 - Prescriptive Analytics						14%		1			5%		2	4%	4
e	Level 5 - Automation						0%		0			3%		1	2%	2

i.d. indicates insufficient data, n/a = not applicable

Release Date: August 2019

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
1	Supply Chain	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 26,673.72	\$ 23,226.35	\$ 3,447.37	(7.71)	\$ 3,439.66	\$ 58.75	\$ 3,498.41	0.98%
2	Supply Chain	200064 - Shareholder - Corporate Governance	Assets/Revenue/No. of employees	38.91	33.92	4.99	(0.06)	4.93	0.11	5.04	0.00%
3	Supply Chain	200065 - Investor Relations - Corporate Governance	Assets/Revenue/No. of employees	6,094.13	5,307.91	786.22	0.84	787.06	13.39	800.45	0.22%
4	Supply Chain	200066 - Accounting, Reporting & Tax - Corporate Governance	Assets/Revenue/No. of employees	32,662.47	28,443.38	4,219.09	1.62	4,220.71	89.19	4,309.90	1.21%
5	Supply Chain	200067 - Audit Services - Corporate Governance	Assets/Revenue/No. of employees	2,240.69	1,950.84	289.85	(0.94)	288.91	6.23	295.14	0.08%
6	Supply Chain	200068 - Corporate Finance, Treasury & Cash Management - Corporate Governance	Assets/Revenue/No. of employees	1,032.61	899.44	133.17	(0.42)	132.75	2.75	135.50	0.04%
7	Supply Chain	200070 - Corporate Strategy & Business Development - Corporate Governance	Assets/Revenue/No. of employees	242.36	211.11	31.25	(0.22)	31.03	0.67	31.70	0.01%
8	Supply Chain	200071 - Legal - Corporate Governance	Assets/Revenue/No. of employees	7,188.49	6,260.17	928.32	(2.30)	926.02	19.37	945.39	0.26%
9	Supply Chain	200072 - Communications - Corporate Governance	Assets/Revenue/No. of employees	3,578.65	3,116.73	461.92	(0.87)	461.05	9.64	470.69	0.13%
10	Supply Chain	200073 - Human Resources (HR) - Corporate Governance	Assets/Revenue/No. of employees	714.91	622.50	92.41	(0.35)	92.06	2.19	94.25	0.03%
11	Supply Chain	200074 - Corporate Systems - Corporate Governance	Assets/Revenue/No. of employees	27,188.14	23,675.24	3,512.90	(1.87)	3,511.03	78.76	3,589.79	1.00%
12	Supply Chain	200075 - Board of Directors - Corporate Governance	Assets/Revenue/No. of employees	1,790.08	1,559.07	231.01	(0.28)	230.73	5.10	235.83	0.07%
13	Supply Chain	200076 - Xcel Foundation	Assets/Revenue/No. of employees	49.22	42.86	6.36	-	6.36	(6.36)	-	0.00%
14	Supply Chain	200077 - Branding	Assets/Revenue/No. of employees	3,915.42	3,406.46	508.96	(1.38)	507.58	10.05	517.63	0.14%
15	Supply Chain	200078 - Governmental Affairs	Assets/Revenue/No. of employees	1,317.16	1,146.41	170.75	(0.07)	170.68	4.10	174.78	0.05%

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
16	Supply Chain	200079 - Federal Lobbying	Assets/Revenue/No. of employees	3,260.26	2,836.85	423.41	(423.41)	-	-	-	0.00%
17	Supply Chain	200081 - Accounting, Reporting, & Taxes	Assets/Revenue/No. of employees	0.43	0.37	0.06	-	0.06	0.00	0.06	0.00%
18	Supply Chain	200086 - Legal & Claims Services	Assets/Revenue/No. of employees	388.45	331.56	56.89	(0.09)	56.80	1.32	58.12	0.02%
19	Supply Chain	200087 - Accounting, Reporting & Tax - Regulated	Assets/Revenue/No. of employees	6,509.98	5,553.53	956.45	(3.13)	953.32	20.31	973.63	0.27%
20	Supply Chain	200088 - Accounting, Reporting, Tax & Audit Services - Regulated Electric	Assets/Revenue/No. of employees	228.88	195.44	33.44	(0.21)	33.23	0.74	33.97	0.01%
21	Supply Chain	200090 - Risk Management - OpCo's & TransCo's	Assets/Revenue/No. of employees	3,924.72	3,347.70	577.02	(1.10)	575.92	11.61	587.53	0.16%
22	Supply Chain	200092 - Corporate Strategy & Business Development	Assets/Revenue/No. of employees	1,791.79	1,528.61	263.18	(0.27)	262.91	5.56	268.47	0.08%
23	Supply Chain	200093 - Legal - OpCo's & TransCo's	Assets/Revenue/No. of employees	2,874.13	2,451.84	422.29	(1.11)	421.18	8.83	430.01	0.12%
24	Supply Chain	200094 - Supply Chain	Assets/Revenue/No. of employees	86.69	75.32	11.37	-	11.37	(1.06)	10.31	0.00%
25	Supply Chain	200096 - Energy Markets - Business Services	Assets/Revenue/No. of employees	8,708.01	7,428.12	1,279.89	(2.12)	1,277.77	27.28	1,305.05	0.37%
26	Supply Chain	200097 - Accounting and Finance Software Applications Maintenance	Assets/Revenue/No. of employees	27.81	23.74	4.07	-	4.07	0.10	4.17	0.00%
27	Supply Chain	200104 - Accounting & Reporting - PSCo & SPS	Assets/Revenue/No. of employees	216.26	151.12	65.14	(0.06)	65.08	1.58	66.66	0.02%
28	Supply Chain	200105 - Accounting & Reporting - NSPM & NSPW	Assets/Revenue/No. of employees	180.81	180.81	-	-	-	-	-	0.00%
29	Supply Chain	200106 - Accounting & Reporting Electric - NSPM & NSPW	Assets/Revenue/No. of employees	158.12	158.12	-	-	-	-	-	0.00%
30	Supply Chain	200107 - Legal - NSPM & NSPW	Assets/Revenue/No. of employees	579.03	579.03	-	-	-	-	-	0.00%

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) 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 Forma	(K) Requested Amount (Total Company)	(L) % of Class Charges
31	Supply Chain	200108 - Advanced Metering Infrastructure (AMI)	No. of AMI Meters	1,876.75	1,876.75	-	-	-	-	-	0.00%
32	Supply Chain	200111 - Enterprise Application Integration (EAI)	Avg of Select Set Softwr Allcrs	130.24	115.43	14.81	-	14.81	0.28	15.09	0.00%
33	Supply Chain	200112 - Mainframe Charges	Avg of Select Set Softwr Allcrs	159.90	149.01	10.89	-	10.89	0.31	11.20	0.00%
34	Supply Chain	200115 - Miscellaneous Applications	Average of All Software Percent	58,223.26	52,025.01	6,198.25	(16.26)	6,181.99	121.68	6,303.67	1.76%
35	Supply Chain	200116 - Distribution Electric Supervision & Engineering (S&E) FERC 580	Electric Distribution Plant	924.39	813.45	110.94	(0.35)	110.59	2.49	113.08	0.03%
36	Supply Chain	200118 - Distribution Electric Load Dispatching/EMS FERC 581	Electric Distribution Plant	1,334.14	1,173.27	160.87	(0.64)	160.23	4.25	164.48	0.05%
37	Supply Chain	200119 - Distribution Electric & Gas Miscellaneous FERC 588 & 880	Elec Dist Plant Gas Dist Plant	794.75	725.76	68.99	(0.27)	68.72	1.52	70.24	0.02%
38	Supply Chain	200121 - Distribution Electric & Gas and Transmission Gas Miscellaneous FERC 588, 880, & 859	ElecDstPlnt GasTranPlnt GasDstPlnt	111.32	102.34	8.98	(0.07)	8.91	0.20	9.11	0.00%
39	Supply Chain	200122 - Transmission Electric Supervision & Engineering (S&E) FERC 560	Electric Transmission Plant	6,835.02	4,770.49	2,064.53	(5.75)	2,058.78	46.58	2,105.36	0.59%
40	Supply Chain	200123 - Transmission Electric Reliability, Planning, & Standards Development FERC 561.5	Electric Transmission Plant	151.77	106.98	44.79	(1.06)	43.73	1.41	45.14	0.01%

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 Forma	Requested Amount (Total Company)	% of Class Charges
41	Supply Chain	200124 - Transmission Electric Load Dispatch-Monitor and Operate Transmission System FERC 561.2	Electric Transmission Plant	1,166.08	812.52	353.56	(0.93)	352.63	7.79	360.42	0.10%
42	Supply Chain	200125 - Transmission Electric Supervision & Engineering (S&E) NSPM & NSPW FERC 560	Electric Transmission Plant	1,453.57	1,453.57	-	-	-	-	-	0.00%
43	Supply Chain	200126 - Utilities Group Administrative & General (A&G) FERC 921	Elc Trm ElcDst Gas Trm GasDst Pnt	1,743.59	1,455.21	288.38	(0.39)	287.99	6.39	294.38	0.08%
44	Supply Chain	200127 - Distribution Gas Supervision & Engineering (S&E) FERC 870	Gas Distribution Plant	1,414.54	1,414.54	-	-	-	-	-	0.00%
45	Supply Chain	200129 - Distribution Gas Meters and House Regulators FERC 878	Gas Distribution Plant	0.07	0.07	-	-	-	-	-	0.00%
46	Supply Chain	200130 - Transmission Gas Supervision & Engineering (S&E) FERC 850	Gas Transmission Plant	222.16	222.16	-	-	-	-	-	0.00%
47	Supply Chain	200131 - Distribution & Transmission Gas System Control and Load Dispatching FERC 851 & 871	Gas Trans Plant Gas Dist Plant	1,223.06	1,223.06	-	-	-	-	-	0.00%
48	Supply Chain	200132 - Payment and Reporting	Invoice Transactions	167,633.77	150,118.20	17,515.57	(3.07)	17,512.50	501.13	18,013.63	5.04%
49	Supply Chain	200134 - Proprietary Trading - Front/Mid Office FERC 557	Joint Operating Agreement	2,868.37	2,254.33	614.04	(1.74)	612.30	13.55	625.85	0.18%
50	Supply Chain	200135 - Energy Supply Business Resources	MWH Generation	11.66	8.89	2.77	(0.02)	2.75	0.07	2.82	0.00%
51	Supply Chain	200136 - Energy Markets - Fuel	MWH Generation	293.58	224.19	69.39	(0.39)	69.00	1.44	70.44	0.02%



## 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
52	Supply Chain	200137 - Energy Supply Miscellaneous Power Expense FERC 506, 539, & 549	MWH Generation	219.42	168.44	50.98	-	50.98	0.97	51.95	0.01%
53	Supply Chain	200138 - Energy Supply Operation Supervision & Engineering (S&E) FERC 500, 535, & 546	MWH Generation	1,723.23	1,314.70	408.53	(0.46)	408.07	8.66	416.73	0.12%
54	Supply Chain	200146 - Energy Markets - Regulated Trading	MWH Hours Sold	27.59	20.35	7.24	-	7.24	0.17	7.41	0.00%
55	Supply Chain	200147 - Business Objects	Number of Business Objects Users	457.18	408.61	48.57	(0.24)	48.33	1.09	49.42	0.01%
56	Supply Chain	200148 - Business Systems	Number of Computers	78,603.54	68,192.40	10,411.14	(22.63)	10,388.51	226.77	10,615.28	2.97%
57	Supply Chain	200149 - Customer & Enterprise Solutions (CES)	Number of Computers Customers Empl	115.33	101.98	13.35	-	13.35	0.32	13.67	0.00%
58	Supply Chain	200151 - Customer Billing FERC 903	Number of Customer Bills	8,343.87	7,638.52	705.35	(2.39)	702.96	15.30	718.26	0.20%
59	Supply Chain	200152 - Customer Care 902	Number of Customers	13,358.23	12,433.22	925.01	(7.89)	917.12	20.55	937.67	0.26%
60	Supply Chain	200153 - Customer Safety Advertising & Information Costs	Number of Customers	9,732.71	9,057.74	674.97	(1.69)	673.28	14.55	687.83	0.19%
61	Supply Chain	200154 - Customer Service Information Technology (IT) FERC 903	Number of Customers	7,125.33	6,632.07	493.26	(4.52)	488.74	8.68	497.42	0.14%
62	Supply Chain	200155 - Customer Care FERC 903	Number of Customers	8,818.74	8,207.46	611.28	(1.44)	609.84	13.53	623.37	0.17%
63	Supply Chain	200156 - Customer Care FERC 901	Number of Customers	305.31	284.15	21.16	-	21.16	0.51	21.67	0.01%
64	Supply Chain	200162 - Call Logging and Quality Management (CL/QM) FERC 903	Number of Cust Number of Contacts	184.69	163.73	20.96	-	20.96	0.52	21.48	0.01%
65	Supply Chain	200163 - Employee Communications	Number of Employees	354.27	302.78	51.49	(0.11)	51.38	1.15	52.53	0.01%
66	Supply Chain	200164 - Payroll	Number of Employees	395.71	337.86	57.85	(0.01)	57.84	1.38	59.22	0.02%

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 Forma	Requested Amount (Total Company)	% of Class Charges
67	Supply Chain	200165 - Employee Management Systems	Number of Employees	23,140.01	19,772.86	3,367.15	(5.86)	3,361.29	72.99	3,434.28	0.96%
68	Supply Chain	200166 - Human Resources (Diversity/Safety/Employee Relations)	Number of Employees	17,965.85	15,346.37	2,619.48	(3.62)	2,615.86	58.05	2,673.91	0.75%
69	Supply Chain	200167 - e-Business	Number of Employees	11.15	9.51	1.64	-	1.64	0.04	1.68	0.00%
70	Supply Chain	200170 - Meter Reading and Monitoring Systems FERC 902	Number of Meters	4,646.21	4,334.66	311.55	(1.24)	310.31	6.94	317.25	0.09%
71	Supply Chain	200171 - Customer Resource System (CRS) FERC 903	Number of Mtrs Number of Cnacts	56,006.85	49,711.98	6,294.87	(21.10)	6,273.77	139.75	6,413.52	1.79%
72	Supply Chain	200172 - Network	Phones Radios Computers	48,653.18	42,285.45	6,367.73	(10.00)	6,357.73	134.48	6,492.21	1.82%
73	Supply Chain	200176 - Marketing & Sales	Revenue	18,269.02	15,575.74	2,693.28	(3.46)	2,689.82	57.04	2,746.86	0.77%
74	Supply Chain	200177 - Rates & Regulation - Electric	Revenue	241.24	192.85	48.39	(0.69)	47.70	1.03	48.73	0.01%
75	Supply Chain	200178 - Rates & Regulation	Revenue	251.18	197.28	53.90	(0.10)	53.80	1.11	54.91	0.02%
76	Supply Chain	200180 - EMS-Shared (Energy Management System-SCADA) FERC 556, 561.2, & 581	Elec Prod Elec Trns Elec Dst Plnt	427.63	351.70	75.93	(0.81)	75.12	1.66	76.78	0.02%
77	Supply Chain	200181 - Energy Supply Environmental Policy & Services	Electric PTD Gas TD Plant	776.89	653.61	123.28	0.19	123.47	2.53	126.00	0.04%
78	Supply Chain	200184 - PowerPlan	Total Plant	4.08	3.52	0.56	-	0.56	0.01	0.57	0.00%
79	Supply Chain	Direct	Direct	3,650,171.51	3,381,946.24	268,225.27	(906.65)	267,318.62	5,982.02	273,300.64	76.45%
80	Supply Chain Total			\$ 4,342,564.27	\$ 3,991,435.56	\$ 351,128.71	\$ (1,471.17)	\$ 349,657.54	\$ 7,851.07	\$ 357,508.61	100.00%
81	Total Witness Robert H. Kunze			\$ 4,342,564.27	\$ 3,991,435.56	\$ 351,128.71	\$ (1,471.17)	\$ 349,657.54	\$ 7,851.07	\$ 357,508.61	
			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**

**Robert H. Kunze**

**2021 TX Rate Case**

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

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**RHK-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)	(B)	(C)	(D)	(E)
Line No.	Affiliate Class	FERC Account	Explanation for Exclusions	Exclusions (Total Company)
1	Supply Chain	417.1 - Expenses of nonutility operations	Below the Line	\$ (369.76)
2	Supply Chain	426.4 - Expenditures for certain civic, political and related activities	Below the Line	(1,020.49)
3	Supply Chain	426.5 - Other Deductions	Below the Line	(80.92)
4	<b>Supply Chain Total</b>			<b>\$ (1,471.17)</b>
5	<b>Total Witness Robert H. Kunze</b>			<b>\$ (1,471.17)</b>
	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	Supply Chain	500 - Operation supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 9.63
2	Supply Chain	500 - Operation supervision and engineering	Business Area Adjustment	Robert H. Kunze	(0.09)
3	Supply Chain	501 - Fuel	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	14.67
4	Supply Chain	501 - Fuel	Business Area Adjustment	Robert H. Kunze	(0.13)
5	Supply Chain	502 - Steam expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	85.96
6	Supply Chain	502 - Steam expenses	Business Area Adjustment	Robert H. Kunze	(0.53)
7	Supply Chain	505 - Electric expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	111.28
8	Supply Chain	505 - Electric expenses	Business Area Adjustment	Robert H. Kunze	(0.81)
9	Supply Chain	506 - Miscellaneous steam power expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	297.84
10	Supply Chain	506 - Miscellaneous steam power expenses	Business Area Adjustment	Robert H. Kunze	(3.36)
11	Supply Chain	510 - Maintenance supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	12.41
12	Supply Chain	510 - Maintenance supervision and engineering	Business Area Adjustment	Robert H. Kunze	(0.06)
13	Supply Chain	511 - Maintenance of structures	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	197.24
14	Supply Chain	511 - Maintenance of structures	Business Area Adjustment	Robert H. Kunze	(2.01)
15	Supply Chain	512 - Maintenance of boiler plant	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	304.02
16	Supply Chain	512 - Maintenance of boiler plant	Business Area Adjustment	Robert H. Kunze	(4.38)
17	Supply Chain	513 - Maintenance of electric plant	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	264.99
18	Supply Chain	513 - Maintenance of electric plant	Business Area Adjustment	Robert H. Kunze	(3.01)

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)
19	Supply Chain	514 - Maintenance of miscellaneous steam plant	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	274.95
20	Supply Chain	514 - Maintenance of miscellaneous steam plant	Business Area Adjustment	Robert H. Kunze	(2.76)
21	Supply Chain	546 - Operation supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	5.93
22	Supply Chain	548 - Generation Expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.08
23	Supply Chain	549 - Miscellaneous other power generation expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	334.10
24	Supply Chain	549 - Miscellaneous other power generation expenses	Business Area Adjustment	Robert H. Kunze	(4.03)
25	Supply Chain	552 - Maintenance of structures	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	8.16
26	Supply Chain	552 - Maintenance of structures	Business Area Adjustment	Robert H. Kunze	(0.02)
27	Supply Chain	553 - Maintenance of generating and electric plant	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	54.17
28	Supply Chain	553 - Maintenance of generating and electric plant	Business Area Adjustment	Robert H. Kunze	(0.34)
29	Supply Chain	554 - Maintenance of miscellaneous other power generation plant	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	192.96
30	Supply Chain	554 - Maintenance of miscellaneous other power generation plant	Business Area Adjustment	Robert H. Kunze	(2.33)
31	Supply Chain	556 - System control and load dispatching	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	1.94
32	Supply Chain	557 - Other expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	16.80
33	Supply Chain	557 - Other expenses	Business Area Adjustment	Robert H. Kunze	(0.04)

## 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)
34	Supply Chain	560 - Operation supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	118.38
35	Supply Chain	560 - Operation supervision and engineering	Business Area Adjustment	Robert H. Kunze	(6.42)
36	Supply Chain	561.2 - Load dispatch-Monitor and operate transmiss system	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	22.26
37	Supply Chain	561.2 - Load dispatch-Monitor and operate transmiss system	Business Area Adjustment	Robert H. Kunze	(0.18)
38	Supply Chain	561.5 - Reliability planning and standards development	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	1.54
39	Supply Chain	561.5 - Reliability planning and standards development	Business Area Adjustment	Robert H. Kunze	(0.08)
40	Supply Chain	561.6 - Transmission service studies	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	3.58
41	Supply Chain	561.6 - Transmission service studies	Business Area Adjustment	Robert H. Kunze	(0.01)
42	Supply Chain	562 - Station expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	9.86
43	Supply Chain	562 - Station expenses	Business Area Adjustment	Robert H. Kunze	(0.12)
44	Supply Chain	563 - Overhead line expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	102.91
45	Supply Chain	563 - Overhead line expenses	Business Area Adjustment	Robert H. Kunze	(0.02)
46	Supply Chain	566 - Miscellaneous transmission expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	151.33
47	Supply Chain	566 - Miscellaneous transmission expenses	Business Area Adjustment	Robert H. Kunze	(1.61)
48	Supply Chain	570 - Maintenance of station equipment	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	40.23
49	Supply Chain	570 - Maintenance of station equipment	Business Area Adjustment	Robert H. Kunze	(0.29)

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)
50	Supply Chain	571 - Maintenance of overhead lines	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	38.51
51	Supply Chain	571 - Maintenance of overhead lines	Business Area Adjustment	Robert H. Kunze	(4.04)
52	Supply Chain	575.1 - Operation Supervision	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.54
53	Supply Chain	580 - Operation supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	138.80
54	Supply Chain	580 - Operation supervision and engineering	Business Area Adjustment	Robert H. Kunze	(0.89)
55	Supply Chain	581 - Load dispatching	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	9.17
56	Supply Chain	581 - Load dispatching	Business Area Adjustment	Robert H. Kunze	(0.04)
57	Supply Chain	582 - Distribution Operation Station Expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	231.54
58	Supply Chain	582 - Distribution Operation Station Expenses	Business Area Adjustment	Robert H. Kunze	(3.33)
59	Supply Chain	583 - Overhead line expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	109.34
60	Supply Chain	583 - Overhead line expenses	Business Area Adjustment	Robert H. Kunze	(1.16)
61	Supply Chain	584 - Underground Line Expense	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.98
62	Supply Chain	584 - Underground Line Expense	Business Area Adjustment	Robert H. Kunze	(0.01)
63	Supply Chain	585 - Street Lighting and Signal System Expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	3.41
64	Supply Chain	585 - Street Lighting and Signal System Expenses	Business Area Adjustment	Robert H. Kunze	(0.03)
65	Supply Chain	586 - Meter expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	64.55
66	Supply Chain	586 - Meter expenses	Business Area Adjustment	Robert H. Kunze	(1.19)



## 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)
67	Supply Chain	587 - Distribution Operation Customer Installations expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.24
68	Supply Chain	588 - Miscellaneous distribution expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	1,191.83
69	Supply Chain	588 - Miscellaneous distribution expenses	Business Area Adjustment	Robert H. Kunze	(20.69)
70	Supply Chain	592 - Distribution Maintenance of Station Equipment	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	20.73
71	Supply Chain	592 - Distribution Maintenance of Station Equipment	Business Area Adjustment	Robert H. Kunze	(0.13)
72	Supply Chain	593 - Maintenance of overhead lines	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	296.92
73	Supply Chain	593 - Maintenance of overhead lines	Business Area Adjustment	Robert H. Kunze	(9.46)
74	Supply Chain	594 - Maintenance of Underground Lines	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.74
75	Supply Chain	594 - Maintenance of Underground Lines	Business Area Adjustment	Robert H. Kunze	(0.01)
76	Supply Chain	596 - Maintenance of Street Lighting and Signal Systems	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	17.82
77	Supply Chain	596 - Maintenance of Street Lighting and Signal Systems	Business Area Adjustment	Robert H. Kunze	(0.16)
78	Supply Chain	598 - Maintenance of Miscellaneous Distribution Plant	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00
79	Supply Chain	901 - Supervision	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.51
80	Supply Chain	902 - Meter reading expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	314.14
81	Supply Chain	902 - Meter reading expenses	Business Area Adjustment	Robert H. Kunze	(4.70)

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)
82	Supply Chain	903 - Customer records and collection expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	255.00
83	Supply Chain	903 - Customer records and collection expenses	Business Area Adjustment	Robert H. Kunze	(2.74)
84	Supply Chain	905 - Miscellaneous Customer Accounts Expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	5.09
85	Supply Chain	905 - Miscellaneous Customer Accounts Expenses	Business Area Adjustment	Robert H. Kunze	(0.01)
86	Supply Chain	908 - Customer assistance expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	39.65
87	Supply Chain	908 - Customer assistance expenses	Business Area Adjustment	Robert H. Kunze	(0.52)
88	Supply Chain	910 - Miscellaneous customer service and informational expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	2.59
89	Supply Chain	912 - Sales Demo & Sales	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	6.36
90	Supply Chain	916 - Miscellaneous Sales Expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.26
91	Supply Chain	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	2,382.71
92	Supply Chain	920 - Administrative and general salaries	Foundation	William A. Grant	(5.30)
93	Supply Chain	921 - Office supplies and expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	171.69
94	Supply Chain	921 - Office supplies and expenses	Business Area Adjustment	Robert H. Kunze	(19.47)
95	Supply Chain	921 - Office supplies and expenses	Foundation	William A. Grant	(0.21)
96	Supply Chain	923 - Outside services employed	Foundation	William A. Grant	(0.85)
97	Supply Chain	925 - Injuries & Damages	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.03)

# Southwestern Public Service Company

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