

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

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

**DIRECT TESTIMONY**

*of*

**JEFF R. LYNG**

*on behalf of*

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

*(Filename: LyngRRDirect.doc)*

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

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
FERC	Federal Energy Regulatory Commission
NERC	North American Electric Reliability Corporation
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
Operating Company	One of the Operating Companies
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	October 1, 2019 through September 30, 2020
Total Company or total company	Total SPS (before jurisdictional allocation)
Update Period	October 1, 2020 through December 31, 2020
Updated Test Year	January 1, 2020 through December 31, 2020
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

## LIST OF ATTACHMENTS

<b><u>Attachment</u></b>	<b><u>Description</u></b>
JRL-RR-1	Organization Chart – Strategy Planning & External Affairs ( <i>Non-native format</i> )
JRL-RR-A (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Billing Method ( <i>Filename: JRL-RR-ABCD.xlsx</i> )
JRL-RR-B(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method and FERC Account ( <i>Filename: JRL-RR-ABCD.xlsx</i> )
JRL-RR-C (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account ( <i>Filename: JRL-RR-ABCD.xlsx</i> )
JRL-RR-D (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account ( <i>Filename: JRL-RR-ABCD.xlsx</i> )

**DIRECT TESTIMONY  
OF  
JEFF R. LYNQ**

1           **I.   WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3   A.   My name is Jeff R. Lyng. My business address is 1800 Larimer Street, Denver,  
4       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 the Director of Energy and Environmental Policy.

12  **Q.   Please briefly outline your responsibilities as Director, Energy and**  
13  **Environmental Policy.**

14  A.   I am responsible for analyzing and developing policy at the state and federal level  
15       that will impact Xcel Energy. My team and I work with different operating units  
16       and business units at Xcel Energy to ensure that policy decisions and strategy are  
17       coordinated.

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

19  A.   I graduated from the State University of New York College of Environmental  
20       Science and Forestry in 2001 and received a Master of Science in Engineering  
21       from the University of Colorado in 2006.

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

2   A.     I worked for Xcel Energy as a Technical Consultant from 2006 to 2007. From  
3           2007 to 2010, I served in the Colorado Governor’s Energy Office as Renewable  
4           Energy Policy Manger. From 2010 to 2012, I was the Director of West Coast  
5           Market Development and Regulatory Affairs for Opower, an energy efficiency  
6           company. From 2012 to 2017, my position was Senior Policy Advisor with the  
7           Center for the New Energy Economy at Colorado State University. I rejoined  
8           Xcel Energy in February 2018 as Director of Energy & Environmental Policy.

9   **Q.     Have you previously filed testimony at any regulatory commission?**

10 A.     Yes, I filed testimony before the Public Utility Commission of Texas in SPS’s  
11           most recent base rate case, Docket No. 49831, on behalf of SPS. I also filed  
12           testimony before the Colorado Public Utilities Commission in Proceeding No.  
13           20AL-0049G on behalf of Xcel Energy’s Public Service Company of Colorado  
14           subsidiary. Finally, I filed testimony before the Colorado Public Utilities  
15           Commission in various dockets in my previous role with the Colorado Governor’s  
16           Energy Office.

1                   **II.    ASSIGNMENT AND SUMMARY OF TESTIMONY AND**  
2   **RECOMMENDATIONS**

3    **Q.    What is your assignment in this proceeding?**

4    A.    I support the Updated Test Year (January 1, 2020 through December 31, 2020)<sup>1</sup>  
5           operation and maintenance (“O&M”) expenses and administrative and general  
6           expenses for the Policy & Regulatory Compliance and Corporate Strategy &  
7           Communication classes of affiliate services. In regard to these affiliate classes,  
8           my testimony will:

- 9                   • describe the services included in the classes;
- 10                  • explain that those services are reasonable and necessary for SPS’s  
11                   operation;
- 12                  • explain that the costs for those services are reasonable and necessary;
- 13                  • explain that these services do not duplicate services that SPS provides  
14                   to itself through its own employees or that are provided from any other  
15                   source; and
- 16                  • explain that each charge from SPS’s affiliates for these services is  
17                   billed at cost and is no higher than the charge by those affiliates to any  
18                   other entity for the same or similar service.

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

20   A.    The estimated Updated Test Year (January 1, 2020 through December 31, 2020)  
21           costs for the services of the Policy & Regulatory Compliance affiliate class of  
22           \$793,200<sup>2</sup> (total SPS before jurisdictional allocations, “Total Company” or “total  
23           company”) and the costs for the services of the Corporate Strategy &

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

<sup>2</sup> This dollar amount reflects nine months of actual costs and three months of estimated costs.

1 Communication affiliate class of \$664,357 (total company) that I support are  
2 reasonable and necessary because they support SPS's ability to provide electric  
3 service to its Texas retail customers. Each charge from the Policy & Regulatory  
4 Compliance and the Corporate Strategy & Communication affiliate classes for  
5 services is no higher than the charge by that respective affiliate class to any other  
6 entity for the same or similar service.

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

9 A. As explained by SPS witness William A. Grant, SPS will be using an Updated  
10 Test Year in this case. SPS's initial filing presents actual affiliate O&M expenses  
11 for the Test Year (October 1, 2019 through September 30, 2020) and estimated  
12 information for the time period of October 1, 2020 through December 31, 2020,  
13 which is the Update Period. Accordingly, the first nine months of SPS's Updated  
14 Test Year (i.e., January through September 2020) consist of actual cost  
15 information and the last three months (i.e., October through December 2020)  
16 contain estimated cost information. For this reason, certain SPS witnesses refer to  
17 the Updated Test Year in direct testimony as the "estimated Updated Test Year."

18 Regarding the Policy & Regulatory Compliance and Corporate Strategy &  
19 Communication affiliate costs I support, as explained by SPS witness Ross L.  
20 Baumgarten, actual figures for October and November 2020 have been provided  
21 and December figures have been estimated based on the forecasted budget.  
22 However, these expenses have not gone through the full pro forma adjustment  
23 review process.

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

3    A.    Yes. SPS will file an update 45 days after the application has been filed. The  
4       update will provide actual costs incurred to replace the estimates provided in the  
5       application for the Update Period. As part of that process, my Attachments  
6       JRL-RR-A through D will be updated to remove estimates of Policy & Regulatory  
7       Compliance and Corporate Strategy & Communication affiliate O&M expenses  
8       incurred by SPS during the Updated Test Year and then replace those estimates  
9       with actual expenses, which will be used to establish SPS's base rates in this case.

10   **Q.    Were Attachments JRL-RR-1 through JRL-RR-D prepared by you or under**  
11       **your direct supervision and control?**

12   A.    Yes as to Attachment JRL-RR-1. Attachments JRL-RR-A through JRL-RR-D  
13       were prepared by Mr. Baumgarten and his staff. My staff and I have reviewed  
14       these attachments, and I believe them to be accurate. My Attachments JRL-RR-A  
15       through JRL-RR-D present the same information provided in Mr. Baumgarten's  
16       Attachments RLB-RR-A through RLB-RR-D. These documents are attached to  
17       my testimony for the convenience of those reviewing my testimony.

1 **III. AFFILIATE CLASSES SPONSORED**

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

4 A. A portion of SPS’s costs reflects charges for services provided by a supplying  
5 affiliate, specifically XES or one of the Operating Companies.<sup>3</sup> These charges  
6 have been grouped into various affiliate classes, or aggregations of charges, based  
7 upon the business area, organization, or department that provided the service or,  
8 in a few instances, the accounts that captured certain costs. In his direct  
9 testimony, Mr. Baumgarten provides a detailed explanation of how the affiliate  
10 classes were developed and are organized for this case.

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

12 A. I sponsor costs for the Policy & Regulatory Compliance and Corporate Strategy &  
13 Communication classes of affiliate services.

14 **Q. Please briefly explain the issues and related costs you will address in this**  
15 **section of your testimony.**

16 A. The estimated Updated Test Year costs that SPS seeks to recover for the services  
17 of the Policy & Regulatory Compliance and Corporate Strategy &  
18 Communication affiliate classes are reasonable and necessary because they  
19 support SPS’s ability to provide electric service to its Texas retail customers.  
20 Specifically, SPS seeks to recover \$793,200 (total company) for the services of  
21 the Policy & Regulatory Compliance affiliate class and \$664,357 (total company)

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<sup>3</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 for the services of the Corporate Strategy & Communication affiliate class. In  
2 addition, my testimony below shows, for each of these affiliate classes of  
3 services:

- 4 • The costs for services that are necessary for SPS's operations as a  
5 regulated electric utility, particularly with regard to various  
6 regulatory requirements and policies, as well as addressing,  
7 promoting, and communicating certain important information,  
8 initiatives, and policies that affect SPS and its customers;
- 9 • The costs are reasonable because they are shared with other  
10 affiliates, consist primarily of reasonable personnel costs, and are  
11 subjected to rigorous budgeting and cost control processes;
- 12 • SPS does not provide these services for itself, and the services do  
13 not duplicate services provided by others; and
- 14 • Each charge from SPS's affiliates for these services is billed at cost  
15 and is no higher than the charge by those affiliates to any other  
16 entity for the same or similar service.

1           **IV. AFFILIATE EXPENSES FOR THE POLICY & REGULATORY**  
2                                   **COMPLIANCE CLASS OF SERVICES**

3   **A. Summary of Affiliate Expenses for the Policy & Regulatory**  
4       **Compliance Class of Services**

5   **Q.     Where does the Policy & Regulatory Compliance affiliate class fit into the**  
6       **overall affiliate structure?**

7   A.     Attachment RLB-RR-6 to Mr. Baumgarten's direct testimony provides a list and a  
8       pictorial display of all affiliate classes, dollar amounts for those classes, and  
9       sponsoring witness for each class. The Policy & Regulatory Compliance affiliate  
10      class was part of the Strategy, Planning & External Affairs business area during  
11      the Updated Test Year. Attachment JRL-RR-1 to my testimony is an organization  
12      chart showing my position in the Strategy, Planning & External Affairs  
13      organization.

14 **Q.     Is this a new affiliate class?**

15 A.     No. Prior to March 2020, the Policy & Regulatory Compliance affiliate class was  
16      part of the Policy and Federal Affairs organization. As a result of a recent  
17      reorganization, this class is now part of the Strategy, Planning & External Affairs  
18      organization.

19 **Q.     What services are grouped into the Policy & Regulatory Compliance affiliate**  
20       **class?**

21 A.     There are several related services in the Policy & Regulatory Compliance affiliate  
22      class. The Policy & Regulatory Compliance affiliate class is responsible for  
23      managing Xcel Energy's public policy positions. As public and regulatory  
24      policies continue to shape the utility industry, this class monitors and evaluates  
25      emerging policy issues and their potential impact and helps to formulate policy  
26      positions and solutions for Xcel Energy and its Operating Companies

(individually and collectively). Some of the areas covered include environmental, renewable energy, state and federal regulatory, and tax policy. Other services include managing Federal Energy Regulatory Commission (“FERC”) and North American Electric Reliability Corporation (“NERC”) regulatory matters and compliance oversight activities. This class also coordinates the activity of the different Operating Companies in regional transmission organizations as well as other markets.

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

A. Table JRL-RR-1 summarizes the dollar amount of the estimated Updated Test Year XES charges for the Policy & Regulatory Compliance affiliate class. The table headings are explained following the table. I will update the table below as part of SPS’s 45-day case update filing to reflect the actual Updated Test Year costs for the Policy & Regulatory Compliance affiliate class.

**Table JRL-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
Policy & Regulatory Compliance	\$5,463,553	\$793,200	16.39%	83.61%

<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 JRL-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.

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

3   **A.**    There are four attachments to my testimony that present information about the  
4           requested SPS affiliate expenses for the Policy & Regulatory Compliance affiliate  
5           class.

6                **Attachment JRL-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.
Column C —	Billing Method (Cost Center)	Shows the billing method that XES uses to charge the expenses to the affiliates, and the billing method short title. In his direct testimony, Mr. Baumgarten explains the billing methods and defines the codes.
Column D —	Allocation Method	Shows the allocation method applicable to the billing method (cost center).
Column E —	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	Shows XES billings to all legal entities for the affiliate class.
Column F —	XES Billings for Class to all Legal Entities Except for SPS (FERC Acct. 400-935)	Shows XES billings to all legal entities except SPS for the affiliate class.

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

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

4           **Attachment JRL-RR-B(CD):** Provides the detail of the XES expenses  
5 for the Policy & Regulatory Compliance affiliate class that are summarized on  
6 Attachment JRL-RR-A. The detail shows the XES expenses billed to SPS for the  
7 Policy & Regulatory Compliance affiliate class, itemized by the amount, with  
8 each expense listed by individual activity and billing method (cost center). When

1 summed, these amounts tie to the amounts shown on Attachment JRL-RR-A, and  
 2 the detail regarding the expenses is organized to support that attachment.  
 3 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 Acct. 400- 935)	Shows the itemized amount of the listed XES expense that was billed to all legal entities except SPS for the affiliate class.
Column J —	XES Billings for Class to SPS (total company) (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to SPS for the affiliate class. Therefore, the sum of this column provides total billings to SPS and ties to the total dollar amount for the affiliate class in Column G of Attachment JRL-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 JRL-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 JRL-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 JRL-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 JRL-RR-A.

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

3                   **Attachment JRL-RR-C:**       Both   Attachments   JRL-RR-A   and  
4                   JRL-RR-B(CD) show exclusions to the XES expenses billed to SPS for the Policy  
5                   & Regulatory Compliance affiliate class (Attachment JRL-RR-A, Column H;  
6                   Attachment JRL-RR-B(CD), Column K). Attachment JRL-RR-C provides detail

1 about those exclusions listed on Attachments JRL-RR-A and JRL-RR-B(CD).  
2 The columns on Attachment JRL-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.

3 In his direct testimony, Mr. Baumgarten describes the calculations  
4 underlying the exclusions.

5 **Attachment JRL-RR-D:** Both Attachments JRL-RR-A and  
6 JRL-RR-B(CD) show pro forma adjustments to SPS's per book expenses for the  
7 Policy & Regulatory Compliance affiliate class (Attachment JRL-RR-A,  
8 Column J; Attachment JRL-RR-B(CD), Column M). Attachment JRL-RR-D  
9 provides information about those pro forma adjustments shown on Attachments  
10 JRL-RR-A and JRL-RR-B(CD). The columns on Attachment JRL-RR-D provide  
11 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 affected by the pro forma adjustment.

Column D —	Explanations for Pro Formas	Provides a brief rationale for the pro forma adjustment.
Column E —	Sponsor	Identifies the witness or witnesses who sponsor the pro forma adjustment.
Column F —	Pro Formas (Total Company)	Shows the dollar amount of the pro forma adjustment.

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

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

6    **Q.    Are there any exclusions to the XES billings to SPS for the Policy &**  
7    **Regulatory Compliance affiliate class?**

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

16   **Q.    Are there any pro forma adjustments to SPS's per book expenses for the**  
17   **Policy & Regulatory Compliance affiliate class?**

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

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

9 **Q. Attachment JRL-RR-D shows that you sponsor a pro forma adjustment for**  
10 **expenses for the Policy & Regulatory Compliance affiliate class during the**  
11 **first nine months of the Updated Test Year that result in a net decrease.**  
12 **Please explain that adjustment.**

13 A. I sponsor certain minor business area adjustments to office supplies and expenses  
14 that result in a net decrease of \$5.83 to SPS's request.

15 **B. The Policy & Regulatory Compliance Class of Services are**  
16 **Necessary Services**

17 **Q. Are the services that are grouped in the Policy & Regulatory Compliance**  
18 **affiliate class necessary for SPS's operations?**

19 A. Yes. The services grouped in the Policy & Regulatory Compliance affiliate class  
20 are necessary to ensure that Xcel Energy maintains an awareness of federal and  
21 state policies that could impact the Operating Companies, including but not  
22 limited to compliance with environmental regulations and regulatory requirements  
23 imposed by FERC, NERC, and state regulatory commissions. Additionally, these  
24 personnel coordinate the participation of the different Operating Companies in the

1 various regional transmission organizations Xcel Energy is a member of as well  
2 as other markets.

3 **Q. What are the specific services that are provided to SPS by the Policy &**  
4 **Regulatory Compliance affiliate class?**

5 A. The specific services that are provided to SPS by the Policy & Regulatory  
6 Compliance affiliate class are:

- 7 • developing the annual Corporate Responsibility Report, which  
8 provides extensive information on the efforts of Xcel Energy and its  
9 affiliates, including SPS, in meeting financial, environmental, and  
10 sustainability guidelines. It is distributed on the Xcel Energy website  
11 and made available to customers;
- 12 • working on federal policies, such as energy tax incentives, regulations  
13 on greenhouse gas emissions, cybersecurity, and grid modernization,  
14 that would impact entire Operating Companies or Xcel Energy as a  
15 whole;
- 16 • reviewing and coordinating the responses of individual Operating  
17 Companies to policy initiatives at the federal, regional, and state  
18 levels, as well as for regional transmission organizations and other  
19 markets;
- 20 • providing analysis and communications regarding environmental  
21 issues and policy proposals, including external communications and  
22 reports for management;
- 23 • managing the corporate level FERC and NERC compliance programs;
- 24 • engaging with FERC and NERC on rulemakings and other projects;
- 25 • assisting Operating Company employees in their understanding of  
26 FERC and NERC requirements and processes;
- 27 • analyzing federal legislative proposals and their potential impact to  
28 SPS and Xcel Energy as a whole;
- 29 • analyzing issues arising in FERC proceedings and their possible  
30 impact on SPS and the other Operating Companies; and
- 31 • analyzing state regulatory issues that could impact multiple Operating  
32 Companies and coordinating consideration and responses to such  
33 issues among the Operating Companies.

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

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

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

10   A.   Yes.   The services of the Policy & Regulatory Compliance affiliate class benefit  
11       SPS's customers in many ways.   For example, the Energy and Environmental  
12       Policy group assisted SPS with analyzing and responding to federal carbon policy  
13       including the Environmental Protection Agency's Clean Power Plan and its  
14       replacement, the Affordable Clean Energy Rule, in order to provide benefits and  
15       minimize costs to SPS ratepayers.   Additionally, the Federal Regulatory Affairs  
16       group coordinates and works in conjunction with SPS to monitor, develop, and  
17       advocate federal policies to provide benefits and minimize transmission costs to  
18       SPS ratepayers.   Federal Regulatory Affairs provides analysis and develops  
19       filings that address various policy issues such as Regional Transmission  
20       Organization ("RTO") policies, energy market developments, FERC policies, and  
21       wholesale transmission rates.

1   **Q.    Do the costs requested for the Policy & Regulatory Compliance class include**  
2       **any lobbying expenses?**

3   A.   No. While I am not an attorney, I understand that 16 Tex. Admin. Code §  
4       25.231(b)(2) prohibits recovery of certain expenses, including “legislative  
5       advocacy expenses,” “funds expended in support of political candidates,” “funds  
6       expended in support of any political movement,” and “funds expended promoting  
7       political . . . causes.” Accordingly, SPS’s request does not include any such  
8       expenses.

9   **C.    The Policy & Regulatory Compliance Class of Services are**  
10       **Provided at a Reasonable Cost**

11   **Q.    Are the costs of the Policy & Regulatory Compliance class of services**  
12       **reasonable?**

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

20               *1. Additional Evidence*

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

23   A.   Yes. Of the requested estimated Updated Test Year costs for the Policy &  
24       Regulatory Compliance class, 90.61% are compensation and benefits costs for

1 XES personnel. SPS witnesses Michael P. Deselich and Richard R. Schrubbe  
2 establish that the level of Xcel Energy's compensation and benefits is reasonable  
3 and necessary.

4 *2. Budget Planning*

5 **Q. Is a budget planning process applicable to the Policy & Regulatory**  
6 **Compliance class of affiliate costs?**

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

14 **Q. During the fiscal year, does the Strategy, Planning & External Affairs**  
15 **organization monitor its actual expenditures versus its budget?**

16 A. Yes. Actual versus expected expenditures are monitored on a monthly basis by  
17 management within the organization. Deviations are evaluated each month to  
18 ensure that costs are appropriate. In addition, action plans are developed to  
19 mitigate variations in actual to budgeted expenditures. These mitigation plans  
20 may either reduce or delay other expenditures so that the revised budget supports  
21 the authorized budget. If authorized budget adjustments are required, they are  
22 identified and approved at an appropriate level of management.

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

3   A.   Yes. All senior management employees in the organization have budgetary  
4       oversight. Budgetary performance is measured on a monthly basis to ensure  
5       adherence to the budgets and provide for action plan development to address  
6       variances. All employees are required to manage their expenses to support the  
7       budgetary objectives established by their manager. Failure to meet these  
8       performance objectives will affect their performance evaluation and overall  
9       compensation, if the employee is responsible for the failure.

10                   3. *Cost Trends*

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

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

19                                   **Table JRL-RR-2**

	Actual (Per Book) Charges Over Time			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Policy & Regulatory Compliance	\$835,702	\$713,927	\$638,111.39	\$773,463.75

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

2     A.     There was a decrease in costs between 2017 and 2019, which was the result of a  
3           decrease in travel expenses and labor expenses, which offset a slight increase in  
4           consulting expenses during that time. Table JRL-RR-2 shows an increase in costs  
5           between 2019 and the Updated Test Year, which is due to increased labor and  
6           consulting expenses that were offset by a decrease in travel expenses. The  
7           increased labor expenses are largely attributable to several existing XES  
8           employees in this class who were elevated to higher ranking positions within the  
9           organization and whose job responsibilities were significantly expanded during  
10          this time period.

11                     *4. Staffing Trends*

12    **Q.     Please provide the staffing levels for the Policy & Regulatory Compliance**  
13           **class of services for the three fiscal years preceding the end of the Updated**  
14           **Test Year and for the 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 Policy & Regulatory Compliance class of services has remained  
18           relatively steady over this period of time.

19                                     **Table JRL-RR-3**

Class of Services	Average End of Month # of Staff			
	2017	2018	2019	Updated Test Year (Estimated)
Policy & Regulatory Compliance	30	28	27	27

20

1                                   5. *Cost Control and Process Improvement Initiatives*

2   **Q.   Separate from the budget planning process, does the Policy & Regulatory**  
3       **Compliance affiliate class take any steps to control its costs or to improve its**  
4       **services?**

5   A.   Yes.   Managers continually review plans and initiatives to ensure they are  
6       appropriate and to identify and implement improvements.   Staffing levels are  
7       increased only when it becomes apparent that there will be a long-term need.  
8       Conversely, staff reductions are made when it becomes apparent that the current  
9       staffing level is excessive.   Consultants with specialized expertise are used to  
10      supplement staff when doing so appears to be more cost-effective than adding  
11      expertise that may not be needed on a continual or long-term basis.   Because  
12      personnel costs make up the vast majority of the costs in the Policy & Regulatory  
13      Compliance group, these measures help to limit overall costs.   In addition,  
14      significant steps have been taken in recent years to increase the value of this  
15      function, particularly in the areas of strategy development support and strategic  
16      intelligence.   The value expected from this development effort is a more  
17      systematic, cross-functional, and coordinated approach for gathering, assessing,  
18      and processing new information related to potential opportunities and threats that  
19      could have an impact on the success of Xcel Energy's and SPS's business and  
20      customer strategies.

1     **D.     The Costs for the Policy & Regulatory Compliance Class of**  
2     **Services are Priced the Same for all Xcel Energy Affiliates.**

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

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

14    **Q.     How are the costs of the Policy & Regulatory Compliance affiliate class billed**  
15    **to SPS?**

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

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

1 for the first nine months. In the event the predominant billing methods and  
2 associated allocation methods for the Policy & Regulatory Compliance affiliate  
3 O&M expenses on my updated Attachments JRL-RR-A and JRL-RR-B(CD)  
4 differ from those discussed below, I will explain those differences in  
5 supplemental testimony in SPS's 45-day case update filing.

6 **Q. What are the predominant allocation methods used for billing the costs that**  
7 **SPS seeks to recover for the Policy & Regulatory Compliance affiliate class**  
8 **of services?**

9 A. All of the requested XES charges to SPS for this class were charged using one of  
10 the following billing allocation methods:

- 11 • Revenue – 57.56% of XES charges to SPS – \$456,564.88;
- 12 • Assets, Revenue, and Number of Employees – 26.05% of XES charges  
13 to SPS – \$206,634.58; and
- 14 • Direct Billing – 16.39% of XES charges to SPS – \$130,000.90.

16 **Q. Why is it appropriate to allocate costs based upon the “Revenue” method for**  
17 **the costs captured in the cost centers that use that allocation method?**

18 A. Cost Center 200177, which uses the “Revenue” method as the allocator, captures  
19 costs of activities related to ratemaking and regulatory compliance. For example,  
20 the costs of participating in FERC and NERC rulemakings are collected in Cost  
21 Center 200177 and allocated using this billing method. Each Operating Company  
22 derives benefits from the services captured in this work order in proportion to the  
23 Operating Company's relative level of revenues. Thus, allocating these costs  
24 based on revenue is appropriate for the allocation of costs to affiliates because it  
25 allocates costs for the services in accordance with cost causation and the

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

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

9 A. The three-factor allocation method using assets, revenue, and employees produces  
10 an allocation of costs that recognizes the complexity, risk, and overall business  
11 activity levels that drive the costs included in the cost centers and measures the  
12 benefits received from those activities. For the cost centers billed using this  
13 allocator, there is no one specific cost driver for the support tasks and services  
14 provided, and the services benefit multiple Xcel Energy affiliates. For example,  
15 the labor and non-labor costs associated with the interpretation of laws,  
16 regulations, and policies to ensure compliance and cost effectiveness at a  
17 corporate level, which are collected in Cost Center 200078, are allocated using the  
18 Assets, Revenue, and Number of Employees method. Within the Xcel Energy  
19 holding company group, those legal entities that have proportionately more assets,  
20 revenues, and employees will have more focus placed on their operations due to  
21 those subsidiaries’ relative influence on the consolidated business balance sheet,  
22 income statement, and statement of cash flow, and the subsidiaries will benefit  
23 accordingly from the services provided. Thus, allocating these costs based upon

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

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

11 A. For the cost centers that are assigned using the “Direct Billing” method, the costs  
12 normally reflect work that was performed specifically for SPS only. In some  
13 cases, however, the direct billing occurred after the application of an off-line  
14 allocator that tracks the relevant cost drivers. In either situation, the cost centers  
15 charged using the “Direct Billing” method are appropriate because the assignment  
16 of costs is in accordance with the distribution of benefits for the services received.  
17 For example, the costs related to implementation of the Cross-State Air Pollution  
18 rule in Texas, which are collected in Cost Center 301577, were assigned using the  
19 “Direct Billing” method. The cost of these services benefited SPS, the work was  
20 performed specifically for SPS alone, and the cost driver is the metering services  
21 of SPS. Thus, the “Direct Billing” method is appropriate because it assigns costs  
22 in accordance with cost causation and benefits received. For the cost centers that  
23 assign costs using Direct Billing, the per unit amounts charged by XES to SPS are

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

3 **V. AFFILIATE EXPENSES FOR THE CORPORATE STRATEGY &**  
4 **COMMUNICATION CLASS OF SERVICES**

5 **A. Summary of Affiliate Expenses for the Corporate Strategy &**  
6 **Communication Class of Services**

7 **Q. Where does the Corporate Strategy & Communication affiliate class fit into**  
8 **the overall affiliate structure?**

9 A. Attachment RLB-RR-6 to Mr. Baumgarten's direct testimony provides a list and a  
10 pictorial display of all affiliate classes, dollar amounts for those classes, and  
11 sponsoring witness for each class. The Corporate Strategy & Communication  
12 affiliate class was part of the Strategy, Planning & External Affairs business area  
13 during the Updated Test Year.

14 **Q. Is this a new affiliate class?**

15 A. Prior to March 2020, the services included in the Corporate Strategy &  
16 Communication class were provided to SPS from within the XES Corporate  
17 Secretary & Executive Services organization. As a result of a recent  
18 reorganization, certain services that were previously within the Corporate  
19 Secretary & Executive Services class were transitioned to the Strategy, Planning  
20 & External Affairs organization. These are the services that are now included in  
21 the Corporate Strategy & Communication class of service. Other Corporate  
22 Secretary & Executive Services functions were transitioned to the General  
23 Counsel or Risk organizations. Thus, while the provision of this class of service  
24 to SPS by the Strategy, Planning & External Affairs organization is relatively

1 new, the actual services included in this class have been provided to SPS by XES  
2 for many years.

3 Finally, I note that the Resource Planning class of affiliate service was  
4 also transitioned to the Strategy, Planning & External Affairs organization—  
5 however, that affiliate class is addressed in the direct testimony of SPS witness  
6 Bennie F. Weeks.

7 **Q. What services are grouped into the Corporate Strategy & Communication**  
8 **affiliate class?**

9 A. The services that are grouped into the Corporate Strategy & Communication  
10 affiliate class include certain corporate strategy functions, providing executive  
11 and corporate communications functions, and promoting programs and tariffs.

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

15 A. The following table summarizes the dollar amount of the estimated Updated Test  
16 Year XES charges for the Corporate Strategy & Communication affiliate class.  
17 The table headings are explained following the table. I will update the table  
18 below as part of SPS's 45-day case update filing to reflect the actual Updated Test  
19 Year costs for the Corporate Strategy & Communication affiliate class.

20 **Table JRL-RR-4**

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated

Corporate Strategy & Communication	\$5,561,432	\$664,358	15.73%	84.27%
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1    **Q.    Please describe the attachments that support the information provided on**  
2           **Table JRL-RR-4.**

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

7    **Q.    Does XES bill its expenses for the Corporate Strategy & Communication**  
8           **affiliate class to SPS in the same manner as it bills other affiliates for those**  
9           **expenses?**

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

13   **Q.    Are there any exclusions to the XES billings to SPS for the Corporate**  
14           **Strategy & Communication affiliate class?**

15   A.    Yes, there is a minor exclusion. As previously described, exclusions reflect  
16           expenses not requested (such as expenses not allowed or other below-the-line  
17           items) and are shown on Attachment JRL-RR-A, Column H, and Attachment  
18           JRL-RR-B(CD), Column K, with details provided in Attachment JRL-RR-C. Mr.  
19           Baumgarten describes how the exclusions were calculated. In SPS's 45-day case  
20           update, I will present an updated Attachment JRL-RR-C that will provide actual  
21           exclusions to replace any estimated exclusions included in my original  
22           attachment.

1   **Q.    Are there any pro forma adjustments to SPS’s per book expenses for the**  
2       **Corporate Strategy & Communication affiliate class?**

3    A.    Yes.   As previously described, pro forma adjustments are revisions to Updated  
4       Test Year expenses for known and measurable changes, and they are shown on  
5       Attachment JRL-RR-A, Column J, and Attachment JRL-RR-B(CD), Column M,  
6       with details provided in Attachment JRL-RR-D.  As I discussed earlier, I will  
7       present an updated Attachment JRL-RR-D in SPS’s 45-day case update that will  
8       complete the full pro forma adjustment review process for the last three months of  
9       the Updated Test Year.

10   **B.   The Corporate Strategy & Communication Class of Services are**  
11       **Necessary Services**

12   **Q.    Are the services that are grouped in the Corporate Strategy &**  
13       **Communication affiliate class necessary for SPS’s operations?**

14    A.    Yes.   The Corporate Strategy & Communication affiliate class provides the  
15       framework for the development of corporate strategy and supports the efforts of  
16       senior leadership in advancing the Operating Company’s strategic initiatives;  
17       provides SPS’s customers with information about rates, outages, emergency  
18       situations, and billing and payment programs; provides information to the public  
19       in SPS’s service territory regarding safety issues related to electricity; promotes  
20       and communicates SPS’s renewable energy and energy efficiency programs; and  
21       ensures executive communications and communications required by regulatory  
22       agencies present accurate information.  These are functions required by all  
23       investor-owned utilities and without which SPS would not be able to provide  
24       reliable electric service to its customers.

1     **Q.     What are the specific services that are provided to SPS by the Corporate**  
2           **Strategy & Communication affiliate class?**

3     A.     The specific services that are provided to SPS by the Corporate Strategy &  
4           Communication affiliate class are:

- 5           • providing overall guidance in the development of corporate strategy  
6           and Operating Company-specific strategic initiatives, goals, and  
7           business plans in alignment with those of the corporation;
- 8           • assisting in the preparation for responding to major emergencies,  
9           pandemics, and disasters in order to ensure continued operations;
- 10          • performing executive communication functions and providing  
11          oversight of internal and external communications to ensure they  
12          accurately present information regarding SPS and Xcel Energy to  
13          consumers and the public;
- 14          • compiling various comparison studies, such as the Average Electric  
15          Rate Comparison Study and electric FERC costs comparison;
- 16          • communicating and promoting certain programs, initiatives, and other  
17          issues to SPS's customers;
- 18          • writing and developing communications for SPS's customers about  
19          products and services of SPS. This includes business area projects and  
20          regulatory-required materials such as messaging included with  
21          monthly bills about rates;
- 22          • researching, writing, and disseminating information regarding outages,  
23          in coordination with other business areas, to ensure that accurate  
24          information is made available to SPS's customers;
- 25          • providing some web and social media content development and  
26          management, including creation and maintenance of material that is  
27          posted on [www.XcelEnergy.com](http://www.XcelEnergy.com). This material includes investor  
28          relations, public safety, and community projects;
- 29          • providing creative and communication support to advertising  
30          campaigns on public safety and energy conservation issues such as  
31          "Call Before You Dig" and "Overhead Electric Safety" to be deployed  
32          in the SPS service territory. Facilitating communications with  
33          employees through writing, production, and design of print and  
34          electronic communications regarding SPS and Xcel Energy business  
35          and operational activities and best practices, and in order to deliver  
36          training;
- 37          • providing graphic design and production services for all types of  
38          written and visual communications in conjunction with other business

- 1 areas, including designing messaging included with monthly bills,  
2 messages explaining rate changes, energy efficiency messaging, and  
3 customer safety messages for SPS's retail customers; and
- 4 • providing video production services, which are most frequently  
5 employed to assist in educating and informing employees, including  
6 providing training for SPS's employees, particularly in the area of  
7 safety.
- 8 **Q. Are any of the Corporate Strategy & Communication affiliate class of**  
9 **services that are provided to SPS duplicated elsewhere in XES or in any**  
10 **other Xcel Energy subsidiary such as SPS itself?**
- 11 A. No. Within XES, none of the services grouped in the Corporate Strategy &  
12 Communication affiliate class are duplicated elsewhere. No other Xcel Energy  
13 subsidiary performs these services for the Operating Companies. In addition, SPS  
14 does not perform these services for itself.
- 15 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**  
16 **Corporate Strategy & Communication affiliate class of services?**
- 17 A. Yes. The services of the Corporate Strategy & Communication class benefit SPS  
18 customers in many ways. For example, the overall guidance provided in the  
19 development of corporate strategy and Operating Company-specific strategic  
20 initiatives, goals, and business plans serves to support efficient, reliable, and safe  
21 Operating Company operations. The services of the class also ensure that  
22 customers receive access to helpful information regarding various topics  
23 including billing and payment programs, Saver's Switch®, and public safety, and  
24 that SPS would be resilient and able to provide continuity of service to customers  
25 in the event of a major disaster.

1 **C. The Corporate Strategy & Communication Class of Services is**  
2 **Provided at a Reasonable Cost**

3 **Q. Are the costs of the Corporate Strategy & Communication class of services**  
4 **reasonable?**

5 A. Yes. The costs of the Corporate Strategy & Communication class of services are  
6 reasonable. The centralized organizational structure through which these services  
7 are provided results in economies of scale and allows personnel and their  
8 expertise to be leveraged across the Xcel Energy legal entities, reducing  
9 duplication of effort and maximizing efficiency. In addition, the department's  
10 costs are controlled through the budgeting process and rigorous review of  
11 expenditures.

12 *1. Additional Evidence*

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

15 A. Yes. Of the estimated Updated Test Year costs for the Corporate Strategy &  
16 Communication class, 83.57% are compensation and benefits costs for XES  
17 personnel. As I mentioned above, Mr. Deselich and Mr. Schrubble establish that  
18 the level of Xcel Energy's compensation and benefits is reasonable and necessary.

19 *2. Budget Planning*

20 **Q. Is a budget planning process applicable to the Corporate Strategy &**  
21 **Communication affiliate class costs?**

22 A. Yes. As discussed above, annual O&M budgets are created for the Strategy,  
23 Planning & External Affairs organization, which includes the Corporate Strategy  
24 & Communication class of affiliate costs, using guidelines developed at the

1 corporate level. Each manager within the organization carefully reviews  
2 historical spend information, identifies changes that will be coming in the future,  
3 and analyzes the costs associated with those changes prior to submitting a  
4 proposed budget. The budgeting process is discussed in more detail by Mr.  
5 Dietenberger.

6 **Q. During the fiscal year, does the Strategy, Planning & External Affairs**  
7 **organization monitor its actual Corporate Strategy & Communication**  
8 **expenditures versus its budget?**

9 A. Yes. As also discussed above, actual versus expected expenditures are monitored  
10 on a monthly basis. Deviations are evaluated each month to ensure that costs are  
11 appropriate. In addition, action plans are developed to mitigate variations in  
12 actual to budgeted expenditures. These mitigation plans may either reduce or  
13 delay other expenditures so that the revised budget supports the authorized  
14 budget. If authorized budget adjustments are required, they are identified and  
15 approved at an appropriate level of management.

16 **Q. Are the Corporate Strategy & Communication employees held accountable**  
17 **for deviations from the budget?**

18 A. Yes. Again, all senior management employees in the organization have budgetary  
19 oversight. Budgetary performance is measured on a monthly basis to ensure  
20 adherence to the budgets and provide for action plan development to address  
21 variances. All employees are required to manage their expenses to support the  
22 budgetary objectives established by their manager. Failure to meet these  
23 performance objectives will affect their performance evaluation and overall  
24 compensation, if the employee is responsible for the failure.

1                                    3. *Cost Trends*

2    **Q.     Please state the dollar amounts of the actual per book charges from XES to**  
3           **SPS for the Corporate Strategy & Communication class of services for the**  
4           **three fiscal years preceding the end of the Updated Test Year and the**  
5           **estimated per book charges for the Updated Test Year.**

6    A.     The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar  
7           years) and for the Updated Test Year, the actual per book affiliate charges  
8           (Column I on Attachment JRL-RR-A) from XES to SPS for the services grouped  
9           in the Corporate Strategy & Communication affiliate class:

10                                    **Table JRL-RR-5**

Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Corporate Strategy & Communication	\$502,839	\$551,355	\$580,360	\$647,975

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

12   A.     As Table JRL-RR-5 shows, there has been an increase in costs from 2017 to the  
13           Updated Test Year. This increase is caused primarily by increases to labor  
14           expenses as well as some fluctuations in travel and consulting expenses. Similar  
15           to the Policy & Regulatory Compliance class, some of the labor cost increases  
16           related to existing employees who were elevated to higher ranking positions  
17           within the organization and whose job responsibilities were significantly  
18           expanded during this period.

1                                   4. *Staffing Trends*

2   **Q.    Please provide the staffing levels for the Corporate Strategy &**  
3       **Communication class of services for the three fiscal years preceding the end**  
4       **of the Updated Test Year and the Updated Test Year.**

5   A.    The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar  
6       years) and for the Updated Test Year, the average of the end of month staffing  
7       levels for the Corporate Strategy & Communication class of services has  
8       remained relatively steady over this period of time.

9   **Table JRL-RR-14**

	Average End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Corporate Strategy & Communication	53	50	50	53

10                                   5. *Cost Control and Process Improvement Initiatives*

11   **Q.    Separate from the budget planning process, does the Corporate Strategy &**  
12       **Communication affiliate class take any steps to control its costs or to improve**  
13       **its services?**

14   A.    Yes. The organization continually reviews its plans and initiatives and staff to  
15       ensure they are appropriate and to identify and implement improvements.  
16       Staffing levels are increased only when it becomes apparent that there will be a  
17       long-term need for a specific type of expertise that is not currently on staff, when  
18       work levels appear to have increased on a permanent basis and are not able to be  
19       absorbed within current staffing, or when systematic employee transfers result in

the need to replace staff. Conversely, staff is decreased when the opposite trends become apparent.

**D. The Costs for the Corporate Strategy & Communication Class of Services are Priced in a Fair Manner**

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

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

**Q. How are the costs of the Corporate Strategy & Communication affiliate class billed to SPS?**

A. Attachment JRL-RR-B(CD) shows all of the costs in this class broken out by activity and, in conjunction with Columns C in Attachment JRL-RR-A, shows the billing method associated with each activity. Attachment JRL-RR-A shows the allocation method (Column D) associated with each billing method (Column C) used in the affiliate class.

In SPS's 45-day case update, I will present updated Attachments JRL-RR-A and JRL-RR-B(CD) so that the entries for the last three months of the Updated Test Year provide actual data and conform to the information provided

1 for the first nine months. In the event the predominant billing methods and  
2 associated allocation methods for the Corporate Strategy & Communication  
3 affiliate O&M expenses on my updated Attachments JRL-RR-A and  
4 JRL-RR-B(CD) differ from those discussed below, I will explain those  
5 differences in supplemental testimony in SPS's 45-day case update filing.

6 **Q. What are the predominant allocation methods used for costs that SPS seeks**  
7 **to recover for the Corporate Strategy & Communication affiliate class of**  
8 **services?**

9 A. Nearly all of the requested XES charges to SPS for this class were charged using  
10 one of the following three allocation methods:

- 11 • Assets, Revenue, and Number of Employees – 57.9% of XES  
12 charges to SPS –\$384,703;
- 13 • Number of Employees – 26.35% of XES charges to SPS –  
14 \$175,090; and
- 15 • Direct – 15.73% of XES charges to SPS – \$104,517.

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

19 A. This method produces an allocation of costs that recognizes the complexity, risk,  
20 and overall business activity levels that drive the costs included in the cost centers  
21 and measures the benefits received from those activities. For the cost centers  
22 billed using this allocator, there is no one specific cost driver for the support tasks  
23 and services provided, and the services benefit multiple Xcel Energy affiliates.  
24 For example, the costs associated with corporate communications, collected in  
25 Cost Center 200072, are assigned using this allocation method. I discuss this

1 allocation method above in Section IV, and Mr. Baumgarten addresses it in more  
2 detail in his direct testimony. For the cost centers that assign costs based upon  
3 this allocation method, the per unit amounts charged by XES to SPS as a result of  
4 the application of this allocation method are no higher than the unit amounts  
5 billed by XES to other affiliates for the same or similar services and represent the  
6 actual costs of the services.

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

10 A. For the cost centers that use the “Number of Employees” method as the allocator,  
11 the costs are driven by the services provided to all employees. For example, Cost  
12 Center 200163, which uses the “Number of Employees” method as the allocator,  
13 captures costs associated with employee communications. Thus, this cost center  
14 allocates costs among the Xcel Energy legal entities based upon the proportionate  
15 share of employees of each Xcel Energy legal entity (i.e., the number of  
16 employees of a particular legal entity as a percentage of the total number of  
17 employees of all of the legal entities). This allocation reflects cost causation and  
18 the distribution of the benefits of the services received. For the cost centers that  
19 assign costs based upon this allocation method, the per unit amounts charged by  
20 XES to SPS as a result of the application of this allocation method are no higher  
21 than the unit amounts billed by XES to other affiliates for the same or similar  
22 services and represent the actual costs of the services.

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

3    A.    As I discussed above, costs captured in the cost centers using the “Direct Billing”  
4       method normally reflect work that was performed specifically for SPS only,  
5       though in some cases the direct billing occurred after the application of an off-line  
6       allocator that tracks the relevant cost drivers. In either situation, the cost centers  
7       charged using the “Direct Billing” method are appropriate because the assignment  
8       of costs is in accordance with the distribution of benefits for the services received.  
9       For example, labor costs for an individual serving as the primary communication  
10      and public relations representative for the SPS jurisdiction were assigned using  
11      the “Direct Billing” method. The cost of these services benefitted SPS, the work  
12      was performed specifically for SPS alone, and the cost driver was the service  
13      provided to SPS employees. Thus, the “Direct Billing” method is appropriate  
14      because it assigns costs in accordance with cost causation and benefits received.  
15      For the cost centers that assign costs using Direct Billing, the per unit amounts  
16      charged by XES to SPS are no higher than the unit amounts billed by XES to  
17      other affiliates for the same or similar services and represent the actual costs of  
18      the services.

19   **Q.    You stated earlier that nearly all of the costs that SPS seeks to recover for the**  
20       **Corporate Strategy & Communication affiliate class were allocated using the**  
21       **three methods discussed above. Were any other methods used to allocate**  
22       **costs to SPS for this class?**

23    A.    Yes. Costs captured in Cost Center 200176, associated with marketing and sales,  
24       were charged to SPS using the “Revenue” method. This represents 0.01%, or

1           \$47.51, of SPS's requested expense for the Corporate Strategy & Communication  
2           affiliate class. I discussed the "Revenue" method, and why it is a reasonable and  
3           appropriate allocation approach, above in Section IV of my testimony.

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

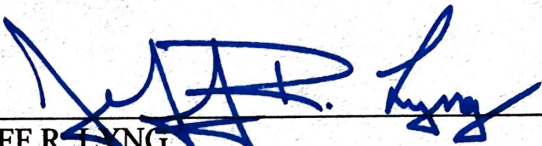
5   **A.    Yes.**

## AFFIDAVIT


STATE OF COLORADO   )  
  )  
COUNTY OF DENVER   )

JEFF R. LYNG, first being sworn on his oath, states:

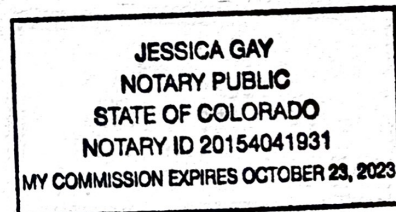
I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachment(s) and am familiar with their contents. Based upon my personal knowledge, the facts stated in the testimony are true. In addition, in my judgment and based upon my professional experience,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

  
\_\_\_\_\_  
JEFF R. LYNG

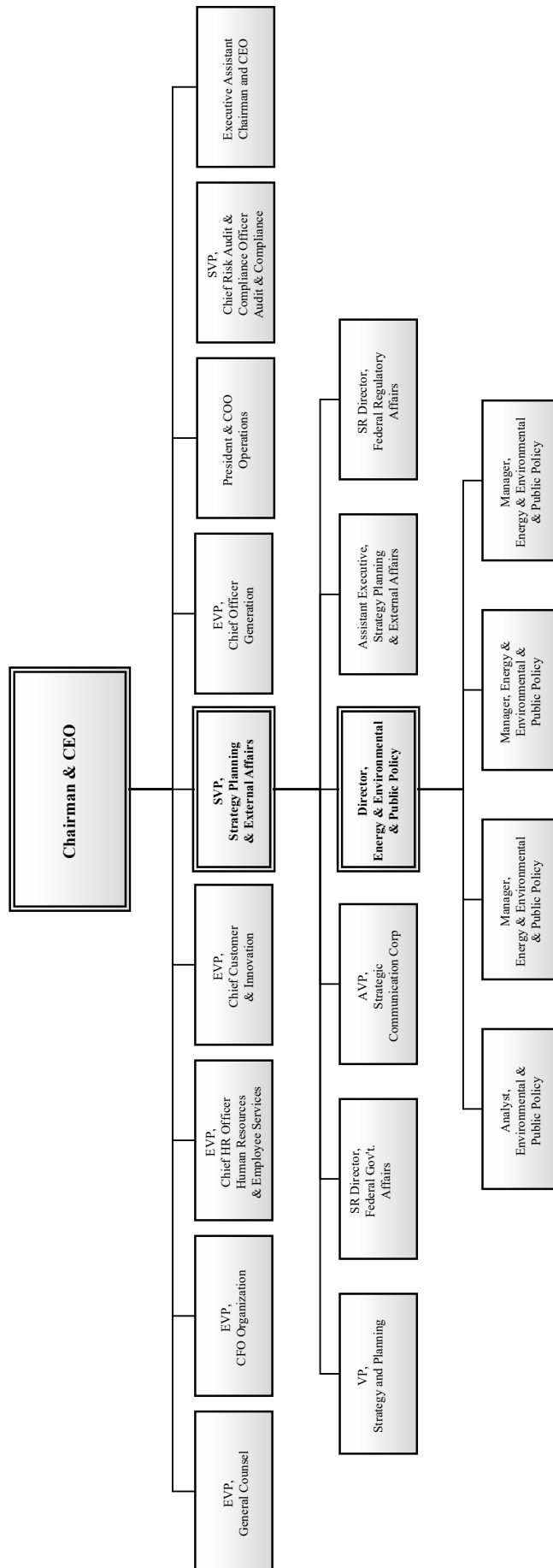
Subscribed and sworn to before me this 28<sup>th</sup> day of January, 2021 by JEFF R. LYNG.

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

My Commission Expires: 10/23/23



Southwestern Public Service Company  
Organization Chart – Strategy Planning & External Affairs  
As of September 30, 2020



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

(A)	(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
1	Corporate Strategy and Communication	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 66,380.15	\$ 57,819.59	\$ 8,560.56	-	\$ 8,560.56	\$ 241.27	\$ 8,801.83	1.32%
2	Corporate Strategy and Communication	200072 - Communications - Corporate Governance	Assets/Revenue/No. of employees	2,727,653.04	2,375,363.43	352,289.61	(10.63)	352,278.98	8,112.65	360,391.63	54.25%
3	Corporate Strategy and Communication	200077 - Branding	Assets/Revenue/No. of employees	115,206.34	100,260.74	14,945.60	-	14,945.60	422.45	15,368.05	2.31%
4	Corporate Strategy and Communication	200078 - Governmental Affairs	Assets/Revenue/No. of employees	1,092.29	950.59	141.70	-	141.70	-	141.70	0.02%
5	Corporate Strategy and Communication	200163 - Employee Communications	Number of Employees	1,172,422.36	1,001,910.01	170,512.35	-	170,512.35	4,577.52	175,089.87	26.35%
6	Corporate Strategy and Communication	200176 - Marketing & Sales	Revenue	307.86	260.35	47.51	-	47.51	-	47.51	0.01%
7	Corporate Strategy and Communication	Direct	Direct	1,478,370.40	1,376,882.54	101,487.86	-	101,487.86	3,029.38	104,517.24	15.73%
8	Corporate Strategy and Communication Total			\$ 5,561,432.44	\$ 4,913,447.25	\$ 647,985.19	(10.63)	\$ 647,974.56	\$ 16,383.26	\$ 664,357.82	100.00%
9	Policy & Regulatory Compliance	200078 - Governmental Affairs	Assets/Revenue/No. of employees	\$ 1,916,716.81	\$ 1,668,326.64	\$ 248,390.17	(46,319.80)	\$ 202,070.37	\$ 4,253.41	\$ 206,323.78	26.01%
10	Policy & Regulatory Compliance	200079 - Federal Lobbying	Assets/Revenue/No. of employees	885,470.28	770,434.27	115,036.01	(114,725.21)	310.80	-	310.80	0.04%
11	Policy & Regulatory Compliance	200177 - Rates & Regulation - Electric	Revenue	1,999,695.90	1,555,010.49	444,685.41	28.58	444,713.99	11,850.89	456,564.88	57.56%

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

[illegible]

**Southwestern Public Service Company**

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

**Jeffrey L. Lyng**

**2021 TX Rate Case**

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

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**JRL-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	Corporate Strategy and Communication	426.5 - Other Deductions	Below the Line	\$ (10.63)
2	Corporate Strategy and Communication Total			\$ (10.63)
3	Policy & Regulatory Compliance	426.1 - Donations	Below the Line	\$ (7,048.94)
4	Policy & Regulatory Compliance	426.4 - Expenditures for certain civic, political and related activities	Below the Line	(153,434.03)
5	Policy & Regulatory Compliance	426.5 - Other Deductions	Below the Line	(533.46)
6	Policy & Regulatory Compliance Total			\$ (161,016.43)
7	Total Witness Jeff R. Lyng			\$ (161,027.06)
	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	Corporate Strategy and Communication	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 16,383.26
2	<b>Corporate Strategy and Communication Total</b>				<b>\$ 16,383.26</b>
3	Policy & Regulatory Compliance	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 19,742.44
4	Policy & Regulatory Compliance	921 - Office supplies and expenses	Business Area Adjustment	Jeff R. Lyng	(5.83)
5	<b>Policy &amp; Regulatory Compliance Total</b>				<b>\$ 19,736.61</b>
6	<b>Total Witness Jeff R. Lyng</b>				<b>\$ 36,119.87</b>
	Amounts may not add or tie to other schedules due to rounding				