

DOCKET NO. _____

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

DIRECT TESTIMONY
of
MICHAEL P. DESELICH

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: DeselichRRDirect.doc)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
2020 Willis Towers Watson Study	2020 Willis Towers Watson Competitive Total Direct Compensation Analysis
A&G	Administrative and General
AIP	Annual Incentive Program
CBA	Collective Bargaining Agreement
Commission	Public Utility Commission of Texas
FERC	Federal Energy Regulatory Commission
FLSA	Fair Labor Standards Act
FMCP	Family Medical Care Plan
HDHP	High Deductible Health Plan
HR	Human Resources
HSA	Health Savings Account
KPI	Key Performance Indicator
Local 602	Local Union No. 602
LTI	Long-Term Incentive
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
PAF	Personnel Action Form
RFP	Rate Filing Package

<u>Acronym/Defined Term</u>	<u>Meaning</u>
SAIDI	System Average Interruption Duration Index
SPS	Southwestern Public Service Company, a New Mexico corporation
SS	Shared Services
Test Year	October 1, 2019 through September 30, 2020
Total Company or total company	Total SPS (before jurisdictional allocation)
TSR	Total Shareholder Return
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

<u>Attachment</u>	<u>Description</u>
MPD-RR-1(CONF)	Competitive Total Direct Compensation Analysis (2020 Willis Towers Watson Study) (<i>Non-native format</i>)
MPD-RR-2(CONF)	2020 Xcel Energy Non-Bargaining, Exempt Employee Annual Incentive Program Booklet (<i>Non-native format</i>)
MPD-RR-3	Organization Chart - Human Resources & Employee Services (<i>Non-native format</i>)
MPD-RR-A (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Allocation method (<i>Filename: MPD-RR-ABCD.xlsx</i>)
MPD-RR-B(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Allocation method and FERC Account (<i>Filename: MPD-RR-ABCD.xlsx</i>)
MPD-RR-C (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account (<i>Filename: MPD-RR-ABCD.xlsx</i>)
MPD-RR-D (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account (<i>Filename: MPD-RR-ABCD.xlsx</i>)

**DIRECT TESTIMONY
OF
MICHAEL P. DESELICH**

1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3 A. My name is Michael P. Deselich. My business address is 401 Nicollet Mall,
4 Minneapolis, Minnesota 55401.

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

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

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

10 A. I am employed by Xcel Energy Services Inc. (“XES”), the service company
11 subsidiary of Xcel Energy, as Compensation Business Partner III.

12 **Q. Please briefly outline your responsibilities as Compensation Business Partner**
13 **III.**

14 A. My responsibilities include participating in the design, implementation, and
15 administration of Xcel Energy’s broad-based compensation programs. I
16 participate in wage and salary surveys and recommend changes to ensure Xcel
17 Energy’s competitive position in the marketplace. The goals of these programs
18 are to attract, retain, and motivate talented employees at all levels throughout the
19 organization. In my broader role as a member of the human resources (“HR”)
20 team, I am also responsible for supporting our regulatory processes related to HR,
21 which includes research, testimony, and discovery responses.

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

2 A. I received my Bachelor of Science in Airway Science Management from Kent
3 State University, Kent, Ohio and my Master of Science Administration in Human
4 Resource Management from Central Michigan University, Mount Pleasant,
5 Michigan. Throughout the last 23 years of my corporate career, I have stayed
6 educated on current market trends, human resource best-practices, and workforce
7 challenges facing employers, as well as presented materials regarding trending
8 compensation topics.

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

10 A. Prior to joining XES, I worked for Gallagher Benefit Services, Katun
11 Corporation, and Park Nicollet Health Services serving in various consulting,
12 generalist, and analytical roles focusing on compensation analysis and
13 administration, benefits, and recruiting. I also retired from the U.S. Air Force
14 with 25 years of active and reserve duty serving in several training, operational,
15 and leadership roles.

16 **Q. Have you attended or taken any special courses or seminars?**

17 A. I have attended various seminars related to human resources topics, maintained
18 insights by reading industry publications, and completed Certified Compensation
19 Professional certification courses from WorldatWork Total Rewards Association.

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

21 A. Yes. I am a member of the WorldatWork Total Rewards Association and the
22 Twin Cities Compensation Network.

1 I also support the Updated Test Year³ operation and maintenance
2 (“O&M”) expenses and administrative and general (“A&G”) expenses for the
3 Human Resources, Shared Services (“SS”) Company Benefits, and Enterprise
4 Training classes of affiliate services. In support of SPS’s request to recover costs
5 for these affiliate classes, in my testimony, I:

- 6 • describe the services included in each of the three affiliate classes;
- 7 • explain that those services are reasonable and necessary for SPS’s
8 operation;
- 9 • explain that the costs for those services are reasonable and necessary;
- 10 • explain that these services do not duplicate services that SPS provides
11 to itself through its own employees or that are provided from any other
12 source; and
- 13 • explain that charges to SPS for those services are no higher than the
14 charges to SPS affiliates for the same or similar services.

15 In addition, I sponsor Rate Filing Package (“RFP”) Schedules G-1,
16 including G-1.1 through G-1.6, which provide detailed payroll information, and
17 co-sponsor Schedule G-2, which provides general employee benefit information,
18 with SPS witness Richard R. Schrubbe. The RFP instructions require these
19 schedules be updated 45 days after the original date of filing to include all
20 information subsequent to the Test Year end and available, but not previously
21 provided in the RFP. Finally, I sponsor the portions of the Executive Summary
22 related to the information contained in these schedules.

³ As discussed in footnote 2, 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 affiliate classes I support and find those costs to be reasonable and necessary consistent with the Updated Test Year discussion in my testimony.

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

2 A. Xcel Energy’s objective is to provide comprehensive, market-competitive

3 compensation and benefits—which make up an employee’s total rewards—that

4 are designed and valued to attract, retain, and motivate the skilled workforce SPS

5 needs to provide safe and reliable electric service to its customers. The pay and

6 benefit levels are comparable to the market median, which indicates they are at or

7 near the middle of pay and benefit offerings of similarly situated utility

8 companies. The term “Total Rewards Program” in my direct testimony refers

9 collectively to all of the components of compensation and benefits that Xcel

10 Energy offers SPS employees. The components of the Total Rewards Program

11 are regularly evaluated to ensure competitiveness with the market, as well as

12 innovative design features to maximize employee engagement. The incentive pay

13 components have limits regarding minimum performance levels and maximum

14 payout levels. There are also strict eligibility requirements built into the programs

15 to eliminate excessive or unnecessary expenses. Further, the Total Rewards

16 Program is administered to ensure customers are the focal point of all employee

17 actions and decisions. In all, the Total Rewards Program follows the best

18 practices in the marketplace, reflects a reasonable level of costs to operate a large,

19 national utility company, and is necessary to attract and retain a qualified, skilled

20 workforce. For these reasons, I recommend that the Public Utility Commission of

21 Texas (“Commission”) approve the amounts of compensation and recognition as

22 well as benefits costs included in the Cost of Service Study for the Updated Test

23 Year with known and measurable adjustments as set forth in Table MPD-RR-1

24 below:

Table MPD-RR-1
Summary of Major Total Rewards Program Expenses Requested

Compensation Type	SPS Total Company
Bargaining wages	\$27,971,465
Non-Bargaining base pay	\$83,725,814
Annual incentive year-end target	\$7,064,699
Long-term incentive compensation	\$3,559,170

Additionally, the estimated Updated Test Year costs of \$1,778,184 (total SPS before jurisdictional allocation, or “Total Company”) for services included in the Human Resources affiliate class, \$20,533,554 (Total Company) for services included in the SS Company Benefits affiliate class, and \$1,743,473 (Total Company) for services included in the Enterprise Training affiliate class that I support are reasonable and necessary because they support SPS’s ability to provide electric service to its Texas retail customers. Each charge included in the Human Resources, SS Company Benefits, and Enterprise Training affiliate classes for services is no higher than the charge to any other entity for the same or similar service.

Q. Do any other SPS witnesses address issues related to compensation and benefits?

A. Yes. Two other SPS witnesses address compensation and benefit issues in their direct testimonies:

- 1 • Mr. Schrubbe supports SPS’s request for active health and welfare
2 expense, pension and other post-employment benefit expense, workers’
3 compensation expense, and other benefit-related costs; and
- 4 • SPS witness Stephanie N. Niemi supports the Cost of Service Study
5 including the known and measurable adjustments for bargaining employee
6 wages, non-bargaining employee base pay, the AIP, the LTI program, and
7 Recognition Awards. The study also includes current pension and benefit-
8 related expense, and it reflects the prepaid pension asset and prepaid
9 retiree medical asset amounts that SPS seeks to include in rate base.

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

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

21 Regarding the Human Resources, SS Company Benefits, and Enterprise
22 Training affiliate costs I support, as explained by SPS witness Ross L.
23 Baumgarten, actual figures for October and November 2020 have been provided
24 and December 2020 figures have been estimated based on the forecasted budget.
25 However, these expenses have not gone through the full pro forma adjustment
26 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 SPS files this application. The update
4 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 MPD-
6 RR-A through D will be updated to remove estimates of Human Resources, SS
7 Company Benefits, and Enterprise Training affiliate O&M and A&G 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 MPD-RR-1 through MPD-RR-3 and MPD-RR-A through**
11 **MPD-RR-D prepared by you or under your direct supervision and control?**

12 A. Yes. Attachment MPD-RR-1(CONF) is the Competitive Total Direct
13 Compensation Analysis prepared by Willis Towers Watson, which I reviewed in
14 preparing my testimony. I prepared Attachments MPD-RR-2(CONF) and
15 MPD-RR-3.

16 Attachments MPD-RR-A through MPD-RR-D were prepared by Mr.
17 Baumgarten and his staff. I have reviewed these attachments, and I believe them
18 to be accurate. Although the information included in MPD-RR-A through MPD-
19 RR-D is also presented in Mr. Baumgarten's attachments, I have attached the
20 information to my testimony for convenience.

1 **III. TOTAL REWARDS PROGRAM**

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

4 A. My testimony supports the recovery of SPS's requested compensation and
5 benefits costs, which are reasonable and necessary. Specifically, the objective of
6 the Xcel Energy Total Rewards Program is to provide market-competitive
7 compensation and benefits to SPS employees to attract, retain, and motivate the
8 skilled labor force SPS needs to provide safe, reliable electric service to its
9 customers. Market studies show that Xcel Energy employees' compensation
10 levels are comparable to what employees of other utilities receive. In addition to
11 compensation, the benefit programs SPS employees receive are comparable to the
12 market and necessary to attract and retain a qualified, skilled workforce.
13 Therefore, the Commission should allow full recovery of the compensation and
14 benefit costs included in SPS's requested revenue requirement.

15 The reasonableness of the compensation and benefits SPS employees
16 receive also supports recovery of the capitalized labor costs that are a part of the
17 capital additions that SPS seeks to include in rate base, as described in greater
18 detail by other SPS witnesses. In particular, a percentage of the costs associated
19 with the capital additions relate to labor. Although other witnesses describe and
20 support the capital additions, the labor costs related to those capital additions are
21 reasonable for the reasons discussed in my testimony.

22 In this section of my testimony, I also address the following issues related
23 to the compensation and benefits provided to SPS employees:

- 1 • the importance of allowing SPS to meet its compensation and benefits
2 goals to ensure safe and reliable electric service is provided to SPS
3 customers;
- 4 • the reasonableness of the compensation provided during the Updated Test
5 Year to SPS employees, including base pay increases and incentive
6 compensation;
- 7 • the comparability of the compensation provided to SPS employees to the
8 compensation provided by the market; and
- 9 • the health and retirement benefits provided to SPS employees and the
10 actions SPS has undertaken to help mitigate cost increases.

11 **Q. What is the Xcel Energy Total Rewards Program?**

12 A. “Total Rewards Program” refers collectively to all of the components of
13 compensation and benefits that Xcel Energy offers SPS employees. Those
14 components are:

- 15 • Compensation in the form of:
 - 16 ○ Base pay;
 - 17 ○ Annual incentive compensation;
 - 18 ○ Long-term incentive compensation; and
 - 19 ○ Recognition awards;
- 20 • Retirement benefits in the form of:
 - 21 ○ Qualified pension benefits; and
 - 22 ○ Retiree medical benefits;
- 23 • Active health care benefits;
- 24 • Workers’ compensation benefits;
- 25 • Long-term disability benefits;
- 26 • 401(k) matches; and
- 27 • Other miscellaneous benefits.

1 **Q. Does SPS rely solely on its own employees to provide safe and reliable**
2 **service?**

3 A. No. SPS relies on a combination of its own employees and XES and other
4 Operating Company employees to provide safe, reliable electric service. To avoid
5 the need to distinguish between these two groups in my testimony, I refer
6 generally to the employees who provide services to SPS as being SPS employees,
7 except when necessary to identify affiliate employees specifically, in which case I
8 use “XES.” In addition, my testimony sometimes refers to Xcel Energy as a
9 whole because my group takes a corporate-wide view of certain issues.

10 **Q. What are the Total Rewards Program’s compensation goals?**

11 A. The goal of Xcel Energy’s compensation programs is to attract, retain, and
12 motivate the talented employees necessary to provide safe, reliable electric
13 service to customers, such as SPS’s Texas customers, at a reasonable cost. The
14 achievement of this goal requires that Xcel Energy provide SPS employees with
15 compensation, through the use of base pay, annual incentive compensation,
16 recognition awards, and long-term incentive compensation, and benefit plans that
17 are competitive with what is provided by employers with whom Xcel Energy
18 competes for talent (i.e., the market).

19 **Q. Do the Total Rewards Program costs in the Updated Test Year include**
20 **amounts for “bargaining” and “non-bargaining” employees?**

21 A. Yes. Bargaining employees are members of International Brotherhood of
22 Electrical Workers Local Union No. 602 (“Local 602”). Through Local 602,
23 those employees engage in collective bargaining with SPS over base wages and
24 benefits. All other SPS employees are considered to be non-bargaining

1 employees whose compensation and benefits are established outside of the
2 collective bargaining process.

3 **Q. Are the bargaining and non-bargaining employees eligible for the same**
4 **components of compensation?**

5 A. No. Bargaining employees are eligible for the hourly wage amounts agreed to as
6 part of the collective bargaining agreement, including the amounts negotiated for
7 overtime work.

8 In contrast, non-bargaining employees are eligible for base pay and may
9 be eligible for one or more of the following types of incentive compensation:

- 10 • Annual incentive compensation;
- 11 • Long-term incentive compensation; and
- 12 • Recognition awards.

13 The respective compensation components vary by employee based on eligibility,
14 but the combination of components is designed to provide each non-bargaining
15 employee with all (100%) of the market-based compensation, on-average, relative
16 to his or her job.

17 **Q. Please explain what you mean when you state that the compensation**
18 **components for non-bargaining employees vary by employee based on**
19 **eligibility.**

20 A. The eligibility for particular components of compensation varies depending on
21 whether a non-bargaining employee is considered to be an “exempt” employee or
22 “non-exempt” employee under the Fair Labor Standards Act (“FLSA”).
23 Non-exempt employees, which are defined in the FLSA as those employees paid

1 on an hourly basis and may receive over-time pay, are eligible only for base pay
2 and recognition awards. Exempt employees, which are defined in the FLSA as
3 salaried workers, are eligible for both base pay and various types of incentive
4 compensation depending on their job or job level.

5 **Q. Are the compensation packages structured the same for all exempt non-**
6 **bargaining employees?**

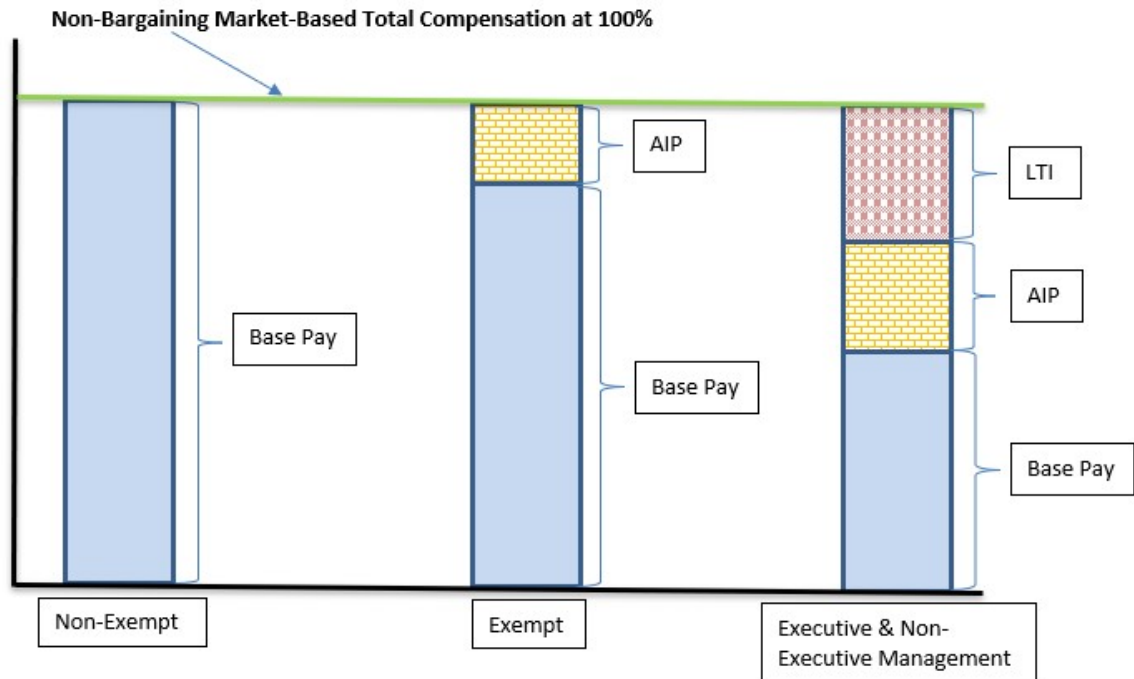
7 A. No. As shown in Chart MPD-RR-1⁴ below, the combinations and values of each
8 component of compensation (base pay, annual incentive compensation, and
9 long-term incentive compensation) differ by job and individual employee. For
10 example, Chart MPD-RR-1 shows that executive and non-executive management
11 receive a greater percentage of their compensation in the form of incentive
12 compensation than non-management exempt employees do. This is similar to
13 how other employers with whom SPS competes for employees structure their
14 compensation components.

15 The compensation structure for all non-bargaining employees is designed
16 to provide a total compensation package based on the market-competitive
17 compensation levels and types necessary to attract, retain, and motivate
18 employees at varying levels.

⁴ Chart MPD-RR-1 is for illustrative purposes only and does not represent a specific job or individual employee.

1

**Chart MPD-RR-1
Illustration of Non-Bargaining Compensation Components**



2 **Q. Is SPS seeking recovery of all Updated Test Year costs associated with its**
 3 **compensation components?**

4 A. No. As I will explain in more detail later in my testimony, SPS has not included
 5 the executive LTI program costs associated with relative total shareholder return
 6 (relative “TSR”) as a part of its requested compensation expense in this electric
 7 rate case. Ms.Niemi presents an adjustment to remove those costs. In addition,
 8 SPS is limiting its requested recovery of AIP costs to “target” levels of an
 9 employee’s base pay based on 2020 budgeted levels.⁵ Thus, in this rate case, SPS
 10 is seeking recovery of the compensation costs related to base pay, the AIP at

⁵ I explain in the next section of my testimony what is meant by a “target” level of incentive compensation.

1 target, the environmental and time-based components of LTI compensation,⁶ and
2 the Recognition Program. All of the expenses of the Total Rewards Program,
3 however, are necessary and reasonable costs of attracting, retaining, and
4 motivating the employees needed to provide safe and reliable electric service. For
5 this reason, SPS reserves the right to request full AIP and LTI program expense
6 recovery in future base rate cases.

7 **Q. Has the COVID-19 pandemic had any effects on the Xcel Energy's Total**
8 **Rewards Program?**

9 A. No. There have been no changes to date.

10 **Q. More specifically, has SPS experienced any reductions in the labor force**
11 **related to the COVID-19 pandemic?**

12 A. No. At this time, SPS has maintained a stable workforce to ensure our customers
13 continue to receive safe and reliable electric service since the outbreak of
14 COVID-19 in March 2020.

15 **Q. Has SPS made any reductions to employee base pay as a result of the**
16 **COVID-19 pandemic?**

17 A. No. The timing of the outbreak in March 2020, the uncertainty of its impact on
18 our ongoing operations, and the need to attract, retain, and motivate our
19 employees to meet critical infrastructure and service needs led SPS to maintain
20 our approach to compensation. While we are continuously monitoring our

⁶ Time-based LTI compensation includes both executive time-based LTI compensation and non-executive management time-based LTI compensation with modifier.

1 operations and workforce, there are no anticipated changes to the base pay of our
2 employees.

3 **Q. Does SPS anticipate making annual incentive compensation payments for the**
4 **2020 AIP year despite the pandemic?**

5 A. Yes. As discussed later in my testimony in more detail, the 2020 AIP focused on
6 three priorities (1) enhancing the customer experience, (2) keeping bills low, and
7 (3) promoting safety and reliability. This year especially, annual incentive
8 compensation will reward our employees for maintaining this focus while
9 performing above and beyond their normal job duties as they work through a
10 variety of state-mandated constraints and safety measures. The greater majority
11 of our AIP-eligible employees have been working remotely or have modified
12 work environments that require them to be more agile and detail-oriented as they
13 continue to operate, lead, and manage others to provide safe and reliable electric
14 service to our customers. Providing AIP opportunity and payments through this
15 challenging time will ensure we can attract, retain, and motivate these employees
16 and meet our commitment to market-based total cash compensation.

17 **Q. Does SPS anticipate making any LTI program changes as a result of the**
18 **COVID-19 pandemic?**

19 A. No. Any changes to the LTI program would be a reflection of the competitive
20 market for this form of incentive compensation. At this time, SPS does not
21 anticipate any changes to LTI compensation.

1 **IV. COMPENSATION COMPONENTS**

2 **A. Base Wages and Base Pay**

3 *1. Bargaining Employee Base Wages*

4 **Q. How are the base wage amounts for bargaining employees determined?**

5 A. Bargaining employee base wage amounts, including the hourly wage increases,
6 are based on the collective bargaining agreement (“CBA”) between SPS and
7 Local 602.

8 **Q. What is the status of the current collective bargaining agreement?**

9 A. The current CBA is effective through October 31, 2022. Under that agreement,
10 SPS bargaining employees received a base wage increase of 2.5% effective
11 November 1, 2019 and another base wage increase of 2.5% effective November 1,
12 2020. Costs for these increases are included in the Updated Test Year.

13 **Q. What has been the recent trend in the CBA related to SPS bargaining wage**
14 **increases?**

15 A. Table MPD-RR-2 below shows the base wage increases for bargaining employees
16 in recent years under the CBA through October 31, 2020.

17 **Table MPD-RR-2**
Recent Base Wage Increases for SPS Bargaining Employees

Year	Base Wage Increase
2015	2.50%
2016	2.50%
2017	2.50%
2018	2.50%
2019	2.50%
2020	2.50%

1 **Q. What amount is SPS asking the Commission to approve for bargaining wage**
2 **expense?**

3 A. SPS asks the Commission to approve \$27,971,465 for base wages for bargaining
4 employees.

5 **Q. Is SPS's requested base wage amount for bargaining employees reasonable?**

6 A. Yes. The base wage amount for bargaining employees was negotiated as part of a
7 collective bargaining agreement between SPS and Local 602.

8 **Q. Is there other support for SPS's request to recover base wages for bargaining**
9 **employees?**

10 A. Yes. Section 14.006 of the Public Utility Regulatory Act contains a presumption
11 of reasonableness for bargaining employee wages that are the product of a
12 collective bargaining agreement like the one SPS has with Local 602.

13 **Q. Has the Commission previously approved SPS's request to recover base**
14 **wages, including increases, through base rates?**

15 A. Yes.

16 2. *Non-Bargaining Employee Base Pay*

17 **Q. How are base pay amounts established for non-bargaining employees?**

18 A. On behalf of SPS and its other Operating Companies, Xcel Energy undertakes a
19 comprehensive evaluation process for each non-bargaining position using external
20 market data obtained from independent third-party compensation surveys to
21 ensure its non-bargaining employee compensation levels are comparable to the
22 market. To develop an apples-to-apples comparison, Xcel Energy must first
23 match the job responsibilities of SPS positions to the job responsibilities provided

1 in third-party compensation surveys. Human resources professionals from other
2 companies provide compensation data to the third-party compensation companies
3 based on their jobs that match the descriptors in the surveys. Xcel Energy then
4 considers data from a variety of surveys, including data for both utility and non-
5 utility companies. The 50th percentile or median is then used to determine the
6 appropriate pay range for a position. After an appropriate pay range is
7 determined, the components of the compensation package are divided among base
8 pay, annual incentive compensation, and long-term incentive compensation, as
9 applicable. By approaching compensation in this manner, Xcel Energy is able to
10 ensure that its total compensation levels are comparable to the market and, thus,
11 that those costs are set at a reasonable level.

12 **Q. Can non-bargaining employees earn base pay increases?**

13 A. Yes. Although base pay is considered to be a fixed component of cash
14 compensation, managers are allowed to award base pay increases based on
15 employees' performance, their position in the pay range (an indicator of relative
16 market position), and internal equity between employees. Base pay increases tend
17 to be higher for employees who have high levels of performance and who are
18 currently at the low end of the pay range. On the other hand, average performers
19 who are at the higher end of the pay range for their job classification may only
20 receive a small base pay increase, and a poor performer generally receives no base
21 pay increase. Base pay increases are generally effective in March each year.

1 **Q. Are the base pay increases earned by non-bargaining employees the same as**
2 **cost-of-living increases?**

3 A. No. An employee must earn a base pay increase based upon performance, among
4 other factors. This is distinct from cost-of-living increases in base pay, which are
5 typically provided to all employees of a company, regardless of performance.
6 Xcel Energy does not provide cost-of-living increases.

7 **Q. How does Xcel Energy determine the annual budget for base pay increases?**

8 A. For non-bargaining employees, a number of factors are considered to arrive at
9 budgeted base pay increases. The factors include:

- 10 • A review of external market surveys regarding base pay increases;
- 11 • Economic conditions;
- 12 • Xcel Energy performance; and
- 13 • A comparison to potential or negotiated wage increases for bargaining
14 employees.

15 **Q. What base pay increase did non-bargaining employees earn in 2020?**

16 A. Effective March 2020, eligible non-bargaining employees earned, on average, a
17 3.0% base pay increase. To earn a base pay increase, a non-bargaining employee
18 had to be eligible based on job performance and had to be employed by SPS on
19 the effective date of the base pay increase.

20 **Q. Why does Xcel Energy rely on independent third-party surveys as a**
21 **reference to set base pay amounts and to evaluate base pay increase**
22 **amounts?**

23 A. Use of independent third-party compensation surveys is a best practice for
24 determining compensation across industries. Xcel Energy relies on independent

1 third-party compensation surveys because the survey vendors use rigorous
2 methodologies to collect and aggregate compensation information from a wide
3 array of companies. Those surveys are compiled in compliance with Department
4 of Justice and Federal Trade Commission Antitrust Safety Zone guidelines, which
5 specify who can administer surveys and define parameters such as the minimum
6 number of participants in the survey, the percentage of data a single survey
7 participant can represent in weighted results, and the age of the data. In addition,
8 the results of the surveys are available only to authorized users, which motivates
9 companies to share competitive information they would not release publicly.

10 **Q. Was the 3.0% base pay increase earned by non-bargaining employees in**
11 **2020 reasonable?**

12 A. Yes. The independent third-party surveys that I described above demonstrate that
13 for 2020, the 3.0% base pay increase for non-bargaining employees was
14 competitive with the market as a whole. In particular, five different survey
15 sources reported the following base pay increase ranges:

- 16 • 3.1% to 3.7% for all utilities on a national basis; and
- 17 • 3.0% to 3.6% for all companies on a national basis.⁷

18 As these independent surveys show, the 3.0% base pay increase for SPS's
19 non-bargaining employees was reasonable when compared to the market in 2020.

⁷ WorldatWork "2020-2021 Salary Budget Survey;" The Conference Board "2020 Salary Increase Budget Survey Results;" Willis Towers Watson "2020 General Industry Salary Budget Survey;" Mercer "2020/2021 US Compensation Planning Survey Report;" and Aon Hewitt "2020 Salary Increase and Turnover Study-United States."

1 **Q. Is a 3.0% base pay increase consistent with long-term trends for base pay**
2 **increases for non-bargaining employees?**

3 A. Yes. Table MPD-RR-3 identifies the survey results for projected and actual non-
4 bargaining base pay increase percentages available from 2015 through the 2021
5 projected increase:

Table MPD-RR-3
Non-Bargaining Base Pay Projections & Actual Increases

Year	Survey Data: Projected Increase	Survey Data: Actual Increase
2015	2.8% - 3.1%	2.8% - 3.0%
2016	2.9% - 3.0%	2.7% - 3.0%
2017	2.9% - 3.2%	2.8% - 3.0%
2018	2.9% - 3.1%	2.9% - 3.3%
2019	3.0% - 3.3%	3.0% - 3.5%
2020	3.1% - 3.7%	2.6% - 3.5%
2021	2.6% - 3.5%	Pending

8 **Q. Based on this survey data, what do you conclude about Xcel Energy’s base**
9 **pay increases for non-bargaining employees and the amount included in**
10 **SPS’s rate request?**

11 A. The 2020 base pay increases for non-bargaining employees are reasonable and
12 should be included in the cost of service in this case. Accordingly, SPS requests
13 that the Commission approve recovery of \$83,725,814 non-bargaining base pay.

14 **Q. Has the Commission previously approved SPS's request to recover base pay,**
15 **including increases, through rates?**

16 A. Yes.

1 **B. Annual Incentive Compensation**

2 **Q. What do you address in this subsection of your testimony?**

3 A. In this section, I discuss Xcel Energy's AIP. First, I explain that the use of
4 incentive compensation benefits customers, as compared to a compensation
5 system that would provide all of a non-bargaining employee's compensation
6 through base pay only. Second, I describe the structure of the AIP and quantify
7 the amount of incentive compensation that SPS asks the Commission to approve
8 in this case.

9 *1. Benefits of Annual Incentive Compensation*

10 **Q. Why does Xcel Energy include annual incentive compensation as part of its**
11 **Total Rewards Program?**

12 A. Like most employers, Xcel Energy has the option of offering cash compensation
13 to employees solely through base pay or offering cash compensation through a
14 combination of base pay and incentive compensation. Xcel Energy uses best
15 compensation practices by offering its non-bargaining employees a combination
16 of base pay and incentive compensation because that compensation structure
17 produces a number of well-recognized benefits: (1) it promotes superior employee
18 performance; (2) it reduces fixed labor costs; and (3) it provides a comparable,
19 market-based compensation design similar to other employers with whom Xcel
20 Energy and SPS compete for employees.

21 **Q. Please explain how offering incentive compensation promotes superior**
22 **employee performance.**

23 A. A well-designed incentive compensation plan motivates employees to focus on
24 activities that benefit customers, such as improving customer service response

1 times, enhancing reliability, and achieving environmental goals. In addition, a
2 compensation structure that includes incentive compensation strengthens the link
3 between pay and performance because the employee must meet the performance
4 standards to earn the full compensation amount. Using base pay alone to offer an
5 employee compensation consistent with the 50th percentile of the market would
6 allow an employee to receive all compensation regardless of performance. Thus,
7 the use of incentive compensation helps Xcel Energy motivate its employees and
8 reward its employees for delivering superior performance.

9 **Q. How does incentive compensation reduce fixed labor costs?**

10 A. The use of incentive compensation reduces labor costs by lowering the base pay
11 amount to which annual escalation rates are applied. For example, if a non-
12 bargaining employee's total cash compensation was \$50,000 in year one and all
13 of the compensation was in the form of base pay, a 3.0% base pay increase would
14 lead to a base pay increase of \$1,500 in year two and a new base pay of \$51,500.

15 In contrast, customers benefit if total cash compensation is structured with
16 base pay and 20% incentive compensation opportunity (variable pay), for
17 instance, to reach total compensation. In this example, a base pay of \$41,670 with
18 a target-level payout of 20% would reach the market-based total cash
19 compensation of \$50,000. The difference to total cash compensation would need
20 to be re-earned annually through the AIP. Additionally, unlike the fixed cost
21 described above when total cash compensation is delivered in base pay, the 3.0%
22 base pay increase would lead to an increase of \$1,250 in year two (\$41,670 +
23 3.0% = \$1,250) and a new base pay of \$42,920. Thus, by moving a portion of

each employee's pay from base pay to incentive pay, SPS reduces overall fixed labor costs (base pay) by avoiding the compounding effect of annual base pay increases on the higher base pay amount, as noted in Example 1 below.

Example 1
Fixed Cost and Variable Pay

	Total Compensation Base Pay Only	Total Compensation Base Pay and AIP
Competitive Market Total Cash Compensation Median	\$50,000	
Fixed Cost - Base Pay	\$50,000	\$41,670
Incentive Target Opportunity	0%	20%
Variable Pay at Target	\$0	\$8,334
Total Cash Compensation	\$50,000	\$50,004
Base Pay Increase (3.0%)	\$1,500	\$1,250
Fixed Cost - Post Increase	\$51,500	\$42,920

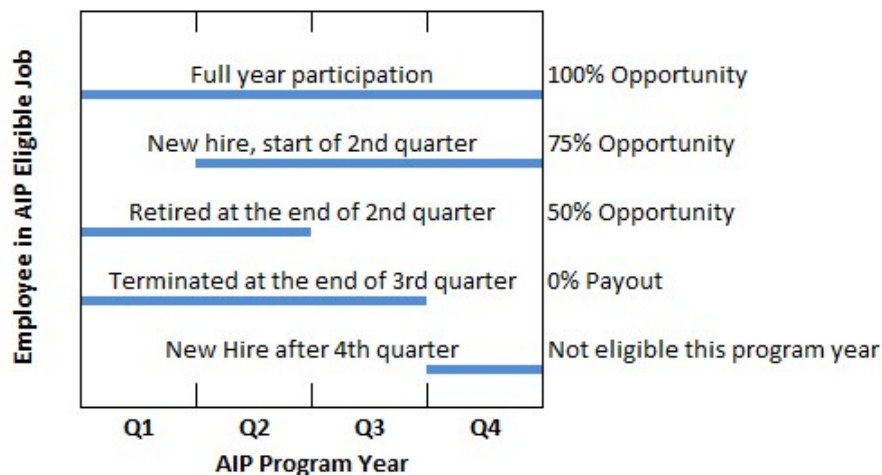
Furthermore, fixed costs associated with base pay affect a variety of benefit-related expenses, such as 401(k) match, life insurance premiums, long-term disability premiums, and short-term disability expenses. If total cash compensation were provided through base pay at 100%, the additional fixed costs would correspondingly increase benefit-related expenses. In contrast, variable pay expenses associated with incentive compensation do not affect all benefit expenses, and variable pay may fluctuate from year to year. These factors, along with prorated awards and eligibility requirements for payout, also contribute to incentive design savings. In summary, by utilizing base pay and incentive

1 components in the Total Rewards Program, SPS reduces costs for our customers,
2 while offering employees market-based, target-level total cash compensation.

3 Finally, incentive compensation is paid only to those employed by SPS at
4 the time of payout in most circumstances. An example of an exception to this
5 circumstance would be eligible employees who retire during the AIP performance
6 year. The incentive compensation calculation also prorates the payout of
7 incentive compensation to new or transferring participants based on the dates
8 those employees were in an eligible position during the program year. By
9 avoiding payouts to departing employees and prorating payouts of arriving
10 employees, SPS pays less in incentive compensation than it would have paid
11 those employees if all of their compensation had been in the form of base pay.

12 Chart MPD-RR-4 illustrates a few simple examples of how and when
13 employees in AIP-eligible jobs may or may not have full or pro-rated AIP
14 opportunities in relation to the year-end AIP award.

Chart MPD-RR-4
Annual Incentive Program Eligibility



1 **Q. Is it common practice for large companies such as utilities to use annual**
2 **incentive compensation as part of their compensation packages?**

3 A. Yes. The use of incentive compensation by employers is a prevalent practice
4 throughout the United States. According to the 2020 Willis Towers Watson
5 Study included as MPD-RR-1(CONF), all energy companies in the national
6 sample, and all energy companies with comparable revenue, maintain an annual
7 incentive plan.

8 2. *Structure of Xcel Energy's Annual Incentive Program*

9 **Q. Please summarize Xcel Energy's AIP.**

10 A. The AIP is the mechanism through which Xcel Energy and SPS tie part of an
11 eligible employee's cash compensation to the achievement of defined
12 performance objectives called Key Performance Indicators ("KPIs"). SPS uses
13 the AIP to align employees' goals with Xcel Energy's corporate goals and to
14 recognize and reward employees for results that contribute to the achievement of
15 reliability, customer satisfaction, and safety goals. When combined with base
16 pay, the AIP compensation component is designed to produce a market-
17 competitive total cash compensation package.

18 **Q. What performance objectives were reflected in the 2020 AIP?**

19 A. Performance goals in the AIP are set at the Individual and Corporate levels as
20 follows in Table MPD-RR-4:

Table MPD-RR-4
2020 AIP Performance Goals

Performance Component	Types of Goals within Component	Purpose of Goals within Component
Individual	The individual component is based on an employee's performance results for specific goals identified by the employee and his or her manager.	Goals are tied specifically to the employee's job functions and competencies and are developed in alignment with business area and corporate objectives.
Corporate	The corporate component consists of goals and KPIs focused on operational, environmental, and safety measures.	Goals represent customer and employee interests.

Q. Which employees are eligible to participate in the AIP?

A. The AIP applies to exempt, non-bargaining employees. An eligible employee must be employed by October 1 of a particular year to be eligible for a prorated year-end portion of the AIP compensation for that program year. With limited exceptions, a person must also be actively employed by Xcel Energy on the date that the year-end award payments are made in order to receive an incentive award.⁸

Q. In the previous answer, you refer to the “year-end portion of the AIP compensation.” Are employees able to earn incentive compensation at times other than year-end under the AIP?

A. Yes. In addition to the year-end portion of their AIP, which is based on achievement of Corporate KPIs and Individual performance results, employees

⁸ The exceptions are involuntary termination with severance, retirement, death, disability, or qualified leave of absence.

are eligible to earn a portion of their Individual component throughout the course of the year. The AIP provides leaders with the opportunity to recognize employees and reinforce positive behavior in a timely manner. This portion of the AIP can be received during the program's prescribed intervals (monthly or quarterly) during the performance year.

Q. In connection with the year-end AIP awards, you referred to Corporate KPIs and Individual performance results. Please describe the Corporate KPIs.

A. Each year, Xcel Energy develops a Corporate Scorecard that identifies certain priorities for the year. In 2020, for example, the Corporate KPIs were focused on three priorities: (1) enhancing the customer experience, (2) keeping bills low, and (3) promoting safety and reliability. As shown in Table MPD-RR-5, those three priorities resulted in five Corporate KPIs for the year:

**Table MPD-RR-5
2020 Corporate Scorecard**

Priority	KPI	Threshold (50%)	Target (100%)	Maximum (150%)	KPI Weight
Enhance Customer Experience	Customer Satisfaction (Residential)	729	741	753	20%
Keep Bills Low	Wind Development	2.0%	0.0%	-2.0%	20%
Safety and Reliability	Employee Safety ⁹	Declining	Steady/ Improving	Significant Improvement	20%
	Public safety	90%	95%	99%	20%
	Electric system reliability (SAIDI)	99	92	85	20%

⁹ Calculated using the DART (Days Away, Restricted or Transferred) rate.

1 While I specifically address customer benefits related to incentive compensation
2 in my testimony, the KPIs are designed to address all stakeholders Xcel Energy
3 serves. In addition to customers, that also includes employees themselves and
4 shareholders. The KPIs provide employees with tangible ways to focus their
5 behavior and performance to operate in a safe, cost-effective, and reliable manner.
6 All of SPS's stakeholders benefit when the Corporate KPIs are met.

7 **Q. Table MPD-RR-5 uses the terms “threshold,” “target,” and “maximum” for**
8 **the Corporate Scorecard. Can you explain what those terms mean?**

9 A. Yes. As shown in Table MPD-RR-5, Xcel Energy establishes quantitative
10 measures to evaluate whether the Corporate Scorecard KPIs have been met. The
11 “threshold” amount represents the minimum level of performance that must be
12 achieved before an incentive payment can be earned for the particular KPI (50%).
13 Performance below the threshold results in no incentive being earned for that KPI.
14 The “target” represents the level of performance that must be achieved to receive
15 a target payout for that KPI (100% payout). The “maximum” represents the level
16 of performance that must be achieved to receive the maximum payout possible for
17 a particular KPI (150%) of results for purposes of establishing the maximum
18 amount of incentive compensation for that Corporate KPI. As shown in Table
19 MPD-RR-6, the amount of incentive compensation an employee is eligible to
20 receive under the Corporate Scorecard depends on the degree of success that the
21 corporation as a whole achieves for the Corporate KPIs:

1
2

**Table MPD-RR-6
Corporate Scorecard Scoring**

Corporate Goal Achievement	Payout
Below Threshold	0%
Threshold to Target	50% - 99.99% (based on a linear interpolation*)
Target	100%
Target to Maximum	100.1% - 149.99% (based on a linear interpolation*)
Maximum	150%

3

* mathematical calculation used to estimate values between two points

4

Q. Is it reasonable to set the maximum at 150%?

5

A. Yes. Xcel Energy relies on market studies to determine the payout ranges for its AIP and uses a conservative 150% maximum payout opportunity. This maximum is lower than the incentive compensation opportunity offered by other companies. Based on a study from WorldatWork and Deloitte Consulting in 2018, 64% of incentive programs had a maximum payout of 200% or greater. And while there is an incentive payout opportunity of up to a 150% maximum, SPS is only requesting the target-level (100%) AIP expense in rate recovery and shareholders are responsible for AIP incentive expense amounts beyond target-level.

13

Q. Do the 2020 Corporate Scorecard goals benefit customers?

14

A. Yes. The Customer Satisfaction goal measures the satisfaction of residential customers, using Xcel Energy's year-over-year results from the J.D. Power Customer Satisfaction Survey. The Public Safety goal measures how quickly Xcel Energy responds to situations to reduce hazards and maintain service reliability. The Wind Deployment goal measures delivery of a number of major

18

1 wind projects on budget. The System Average Interruption Duration Index
2 (“SAIDI”) goal measures the reliability of the power Xcel Energy provides to
3 customers. Finally, Employee Safety is a key priority of Xcel Energy and is part
4 of the 2020 Corporate Scorecard. Employee Safety focuses on maintaining a
5 safe-work mentality and injury-free work environment, as measured by DART
6 (Days Away, Restricted, or Transferred).

7 **Q. Is the AIP Corporate Scorecard for 2020 representative of the scorecards**
8 **Xcel Energy expects to use on a prospective basis?**

9 A. Yes. Xcel Energy will continue to be customer focused by driving operational
10 and cost efficiencies to deliver safe and reliable service to our customers.
11 Although the specific KPIs and measures may change slightly to reflect specific
12 objectives from year to year, our commitment to our customers and the safety of
13 the communities SPS serves and our employees will always be high priorities.

14 **Q. Do you consider all Corporate KPIs to be operational goals?**

15 A. Yes. The 2020 Corporate Scorecard shown above in Table MPD-RR-6 contains
16 100% operational goals designed to focus employee performance on positive
17 outcomes for customers. Each of the goals is designed to influence employee
18 activity, and each goal has some type of cost element, whether through labor
19 hours to complete the work or equipment and material needs to safely and
20 effectively complete the job. Operating in a safe, reliable, cost-efficient manner
21 benefits customers’ receiving utility service, while delivering environmentally
22 conscious energy to customers.

1 **Q. Please turn now to the Individual component and explain how that is**
2 **evaluated.**

3 A. The purpose of the Individual component is to focus an employee on individual
4 goals and to reward that employee for his or her achievement of those goals.
5 Including an Individual component allows managers to recognize and reward
6 employees based on their levels of contribution and performance, consistent with
7 Xcel Energy’s pay-for-performance philosophy.

8 **Q. Who establishes an employee’s Individual goals?**

9 A. The Individual component is based on the individual performance results of
10 specific goals identified by the employee and his or her manager. Goals are tied
11 specifically to the employee’s job functions and competencies and are developed
12 in alignment with business area and corporate objectives. Each manager has
13 discretion to determine the year-end Individual component award within a range
14 of 0 to 150% based on the employee’s contributions and performance during the
15 year.¹⁰ Note, however, that the budget for overall payouts for all employees is
16 based on 100% of all employees’ target opportunities. This means that for every
17 employee who receives a payout above the target level, one or multiple
18 employees must have a payout below target level.

¹⁰ The Individual component also includes the “I Deliver Award” and “Innovator Award.” These awards, however, are not part of the year-end evaluation of whether an employee achieved his or her Individual KPIs during that year.

1 **Q. Are the Corporate and Individual KPIs weighted equally when assessing the**
2 **performance of an employee?**

3 A. No. The importance of the Corporate KPIs for year-end AIP payout varies based
4 upon the employee’s position and level of responsibility. The weightings of
5 Corporate versus Individual KPIs are designed such that an employee’s goals are
6 more strongly linked to objectives that he or she has the greatest potential to affect
7 (line of sight). For example, the weighting for employees with a greater focus on
8 day-to-day activities and responsibilities tied to customer satisfaction, safety, and
9 reliability. Therefore, the AIP weightings are based more heavily at the
10 individual level. In contrast, when an employee’s position has the ability to affect
11 Xcel Energy at a higher level, the weighting for those positions focuses on
12 broader corporate goals, though it will continue to require accountability for
13 individual performance. Table MPD-RR-7 shows the weightings of these
14 different categories for the 2020 AIP:

15 **Table MPD-RR-7**
16 **Weightings of AIP by Employee Position**

Salary Tiers/Grades	Individual	Corporate
Exempt N, O Engineer A, B	90%	10%
Exempt P, Q Engineer C	80%	20%
Management R-T Engineer D, E	70%	30%
Management U-X	60%	40%

1 **Q. Do the category weightings change the total amount of target incentive**
2 **compensation that can be earned?**

3 A. No. The weightings modify the mix of accomplishments needed for employees to
4 achieve the target levels of AIP opportunity for the respective employee
5 groupings, but they do not change the target opportunity levels for employees. A
6 job with a market-based target opportunity of 10% would remain 10%, even if the
7 mix of Corporate versus Individual weightings changes.

8 **Q. Do all eligible non-bargaining employees receive the same percentage of their**
9 **overall cash compensation as incentive compensation?**

10 A. No. As I explained earlier, the percentage of total cash compensation paid as
11 incentive compensation is determined by the non-bargaining employee's position
12 or level within the organization. Thus, for example, an employee at a 10% target
13 opportunity level with a base salary of \$50,000 will receive \$5,000 in incentive
14 compensation, assuming achievement of 100% of the Corporate KPIs and
15 Individual goals. Target opportunities will vary based on market competitive
16 incentive and design levels. As such, the more senior the non-bargaining
17 employee, the more of his or her total cash compensation is paid as incentive
18 compensation.

19 **Q. Is the amount of an employee's incentive compensation earned always at the**
20 **incentive target amount?**

21 A. No. An employee receives his or her incentive target opportunity payout only if
22 that employee achieves 100% of his or her Individual goals and the Corporate
23 KPI results are at 100%. The actual incentive payment earned by an employee

1 may exceed or fall below the incentive target amount, depending upon the actual
2 performance of the weighted AIP components. The maximum year-end payout is
3 150% of the incentive target amount based on exceptional performance for
4 established Corporate KPIs and Individual goals. The year-end threshold for a
5 minimum payout is 50% of the incentive target, which reflects meeting the
6 minimum expected level of performance for a Corporate KPI. Performance
7 below the 50% level for a Corporate KPI results in no incentive compensation for
8 the associated goal. Overall, an employee's final year-end payout may range
9 from 0 to 150% of the Individual incentive target opportunity.

10 **Q. What amount of incentive compensation expense is SPS seeking to recover**
11 **through rates in this case?**

12 A. The entire SPS 2020 AIP expense was \$7,480,058, which is a reasonable and
13 necessary component of overall cash compensation and is based on achievement
14 of KPIs and other goals above target levels. Nevertheless, SPS is requesting
15 recovery of the 2020 AIP target-level expense, which is known and measurable,
16 of \$7,064,699. This amount reflects annual incentive compensation awarded at
17 the 100% target level and does not include any amounts for payouts above the
18 100% target level. Thus, customers are not being asked to pay any amounts
19 above what Xcel Energy has identified as the incentive target opportunity.

20 **Q. Is SPS's requested annual incentive compensation amount reasonable?**

21 A. Yes. This amount represents the 2020 year-end target-level payout expense. This
22 amount will provide market-level, cash compensation to eligible non-bargaining
23 employees, administered through our pay-for-performance philosophy. The

1 design of the AIP results in a lower expense request amount to rate payers than
2 would be requested using a base pay program alone to achieve market competitive
3 compensation necessary to attract, retain, and motivate our eligible non-
4 bargaining employees.

5 **D. Long-Term Incentive Compensation**

6 **Q. Please describe Xcel Energy's long-term incentive program.**

7 A. Like the other Xcel Energy compensation programs, the LTI program is intended
8 to attract, retain, and motivate employees. LTI compensation differs from annual
9 incentive compensation and other types of compensation in that it is offered only
10 to executives and non-executive leadership employees, as determined by market
11 competitive compensation designs. Like all other compensation components, the
12 LTI program is necessary to ensure that those employees' compensation levels
13 and the mix of compensation are competitive.

14 **Q. Are long-term incentive programs commonly used in the utility industry?**

15 A. Yes. Long-term incentive programs are widely used compensation vehicles for
16 executives and certain non-executive employees, according to Willis Towers
17 Watson. One hundred percent of the companies in the 2020 Willis Towers
18 Watson Study provided LTI compensation as a component of pay for their
19 executives. These types of programs create an incentive for eligible employees to
20 engage in high-level planning that will lead to benefits over the long-term. It also
21 encourages those employees to remain with Xcel Energy and to follow through on
22 longer-term decisions and projects, rather than only short-term windfalls.

1 **Q. Is SPS seeking recovery of all of the long-term incentive compensation paid**
2 **to eligible employees?**

3 A. No. SPS is not seeking recovery for the relative Total Shareholder Return portion
4 of executive LTI compensation.¹¹ SPS is, however, requesting recovery of the
5 performance-based component of the LTI program related to Xcel Energy's
6 environmental activities for executives, which I refer to as the "environmental
7 LTI compensation." SPS also seeks recovery of the time-based LTI
8 compensation related to executives and non-executive participants.

9 **Q. Please generally describe the environmental goal of the LTI program.**

10 A. Some of the performance-based shares granted to executives relate to the
11 environmental goal, which ensures strong environmental stewardship. The
12 measurement for the environmental portion of the performance shares is the three-
13 year average percent reduction in carbon emissions. The types of activities that
14 affect the results are implementing renewable energy resources, promoting energy
15 efficiency programs, and improving plant operations to reduce carbon output,
16 among others. Because the majority of Xcel Energy's LTI compensation for
17 executives is performance-based, payout occurs only when pre-defined
18 performance goals are achieved. The performance shares are granted in the first
19 year, and the average performance is measured at the end of the third year to
20 determine the level of achievement.

¹¹ Ms. Niemi has removed more than \$6.2 million from the Updated Test Year cost of service related to executive LTI program costs for relative TSR.

1 **Q. Is it reasonable to grant rate recovery of costs related to environmental LTI**
2 **compensation?**

3 A. Yes. The achievement of the environmental goal directly benefits customers and
4 the public through prudently reducing air emissions and their impact on the
5 environment. Xcel Energy has long been a leader in reducing carbon emissions
6 and has included this goal in the LTI program for many years. It has recently
7 become the focus of many other utility companies across the country. The
8 Commission recently approved renewable wind energy projects that enable Xcel
9 Energy to achieve its long-term goals to reduce and eliminate carbon-based
10 energy production.

11 **Q. Please generally describe the time-based LTI compensation for executives**
12 **and non-executive leadership employees.**

13 A. Time-based LTI compensation is used to attract, retain, and motivate eligible
14 employees for the reasons I discussed earlier—it ensures that those employees
15 engage in long-term planning for the benefit of Xcel Energy and SPS and that the
16 employees remain with Xcel Energy long enough to implement those long-term
17 plans. Xcel Energy accomplishes that goal by requiring a three-year vesting
18 period for the LTI payment. LTI program participation is market driven. While
19 only a small percentage of non-bargaining employees are eligible for this form of
20 compensation, the LTI program is an essential portion of their total compensation.
21 Employees that are hired into higher-level leadership positions can be expensive
22 and time consuming to fill, which can negatively impact departments and
23 operational and support teams.

1 Retaining these experienced employees is critical. This group of
2 employees has a significant impact on the direction, leadership, and
3 decision-making within Xcel Energy and SPS. Therefore, it is imperative that the
4 compensation value and design for these employees are comparable to the options
5 available in the market. The study conducted by Willis Towers Watson indicated
6 100% of the companies included in the results offered LTI compensation as a
7 component of their total compensation design.

8 **Q. Is it reasonable to grant rate recovery of costs related to time-based LTI**
9 **compensation for executive and non-executive employees?**

10 A. Yes. Time-based LTI compensation ensures that employees are making
11 long-term plans that align with strategic priorities and embarking on multi-year
12 projects that create stability for SPS's operations. Because payment of related
13 LTI compensation is contingent on the employee remaining with Xcel Energy for
14 an extended period of time, it requires employee commitment beyond a single
15 year. While this piece of the employee's total compensation makes the employee
16 whole each year, the actual compensation is not realized until after the three-year
17 vesting period. The costs related to time-based LTI compensation are both
18 reasonable and necessary costs of total employee compensation for providing
19 electric service to SPS's customers.

20 **Q. How does the three-year performance period affect the accrual of LTI**
21 **expense for the cost of service?**

22 A. Accrual of LTI expense occurs ratably over a three-year period and, therefore,
23 reflects LTI program plans in effect during each of the three years. Because the

1 Updated Test Year is calendar year 2020, costs for the 2018, 2019, and 2020 LTI
2 years are included in the Cost of Service.

3 **Q. What amounts for the LTI program were accrued for the Updated Test**
4 **Year?**

5 A. The respective accrual amounts are as follows in Table MPD-RR-8:

6 **Table MPD-RR-8**
7 **LTI Program Expense**

8

LTI Program Goal	SPS Total Company
Environmental	\$1,636,988
Time-based	\$1,922,182
Total	\$3,559,170

9
10
11
12

13 **Q. Although SPS is not requesting recovery for executive LTI expense**
14 **associated with relative TSR, please explain relative TSR.**

15 A. Relative TSR is a measure of creating shareholder value compared to the utility
16 industry peer group. This portion of the LTI program is 50% of the LTI
17 compensation for executive leaders. This form of LTI for executive leaders has
18 been excluded from the request for recovery in this case; however, this is a
19 reasonable and necessary expense related to total employee compensation.

20 **E. Recognition Program**

21 **Q. Please summarize Xcel Energy's recognition program.**

22 A. Xcel Energy's recognition program include a years-of-contribution award, a
23 corporate recognition award, and the Spot-On Award. The years-of-contribution
24 award recognizes employee loyalty and cumulative career effort every five years.

1 The corporate recognition award provides thank-you cards, nominal gift cards,
2 small gifts, or items with the Xcel Energy logo to recognize individuals and
3 groups of employees for extraordinary performance. The Spot-On Award was
4 created as a tool for managers to reward outstanding performance for non-exempt,
5 non-bargaining employees, who are generally not eligible to receive annual
6 incentive compensation.

7 **Q. Are AIP-eligible employees also eligible for the Spot-On Award recognition?**

8 A. No. Employees eligible for the AIP are not eligible for recognition through Spot-
9 On awards.

10 **Q. What amount did SPS incur in the Updated Test Year for recognition**
11 **programs?**

12 A. The Updated Test Year costs for the recognition programs are shown in Table
13 MPD-RR-9.

14 **Table MPD-RR-9**

Recognition Program	SPS Total Company
Performance Recognition and Years of Contribution	\$453,928
Spot On Award	\$104,528
Total	\$558,456

15 **Q. What amount is SPS asking the Commission to approve for recovery for the**
16 **recognition programs?**

17 A. SPS is requesting recovery of \$558,456 for its Recognition Programs.

1 **Q. Is SPS’s requested recognition awards amount reasonable?**

2 A. Yes. The Recognition Program allows SPS to acknowledge employment
3 longevity and performance for eligible employees and extraordinary performance
4 of non-bargaining, non-exempt employees using an annually determined nominal
5 budget amount. Awards are related to SPS service over an employee’s tenure or
6 service to customer related actions.

7 **Q. Has the Commission previously approved SPS’s request to recover**
8 **recognition program costs through rates?**

9 A. Yes.

10 **F. Reasonableness and Necessity of SPS’s Compensation Programs**
11 **Overall**

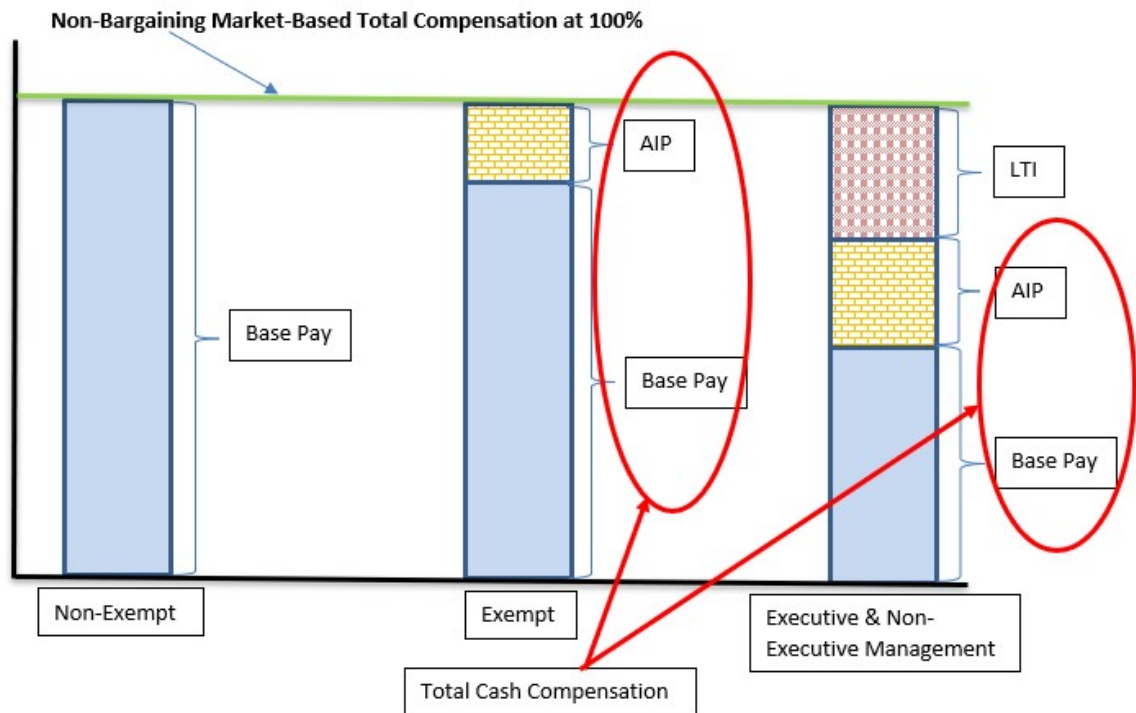
12 **Q. Has SPS compared its total cash compensation and total direct compensation**
13 **levels to the competitive market, including other utilities?**

14 A. Yes. Xcel Energy uses market survey data to ensure that its total cash
15 compensation and total direct compensation levels are consistent with the median
16 of the market. Xcel Energy also engaged Willis Towers Watson to perform an
17 analysis of how Xcel Energy’s target total cash compensation and total direct
18 compensation compare with the compensation of other utility companies, which I
19 discuss below. The analysis included compensation information related to
20 exempt and executive employees. This study has been submitted as Confidential
21 Attachment MPD-RR-1(CONF).

1 Q. In the previous response, you used the phrases “total cash compensation”
2 and “total direct compensation.” What is the difference between those
3 concepts?

4 A. Total cash compensation is the combination of base pay plus short-term incentive
5 compensation (the AIP) components, as applicable (Chart MPD-RR-5). These
6 two compensation components apply to all non-bargaining, exempt employees,
7 and are the main components of the compensation package offered to a majority
8 of these non-bargaining, exempt employees to make up all of their market-based
9 compensation.

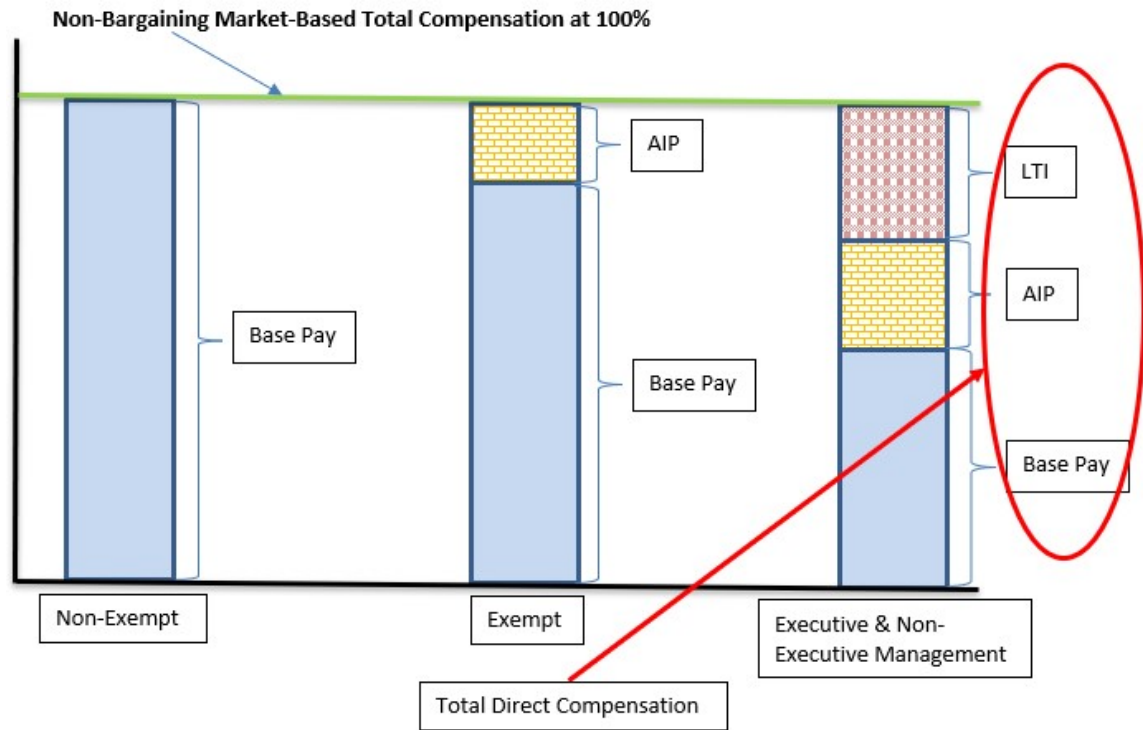
10 **Chart MPD-RR-5**
11 **Exempt Total Cash Compensation Components**



12 Total direct compensation is used to describe the compensation package
13 offered to executive and non-executive management employees who are eligible

for the LTI program. Total direct compensation includes base pay plus short-term incentive compensation (the AIP) and long-term incentive (LTI) compensation (Chart MPD-RR-6). This third component of compensation, the LTI program, provides Xcel Energy with a market-based attraction and retention compensation vehicle, as the long-term incentive offered requires a three-year vesting period before payment in most circumstances. These three components make up all (100%) of the compensation for this group of eligible employees.

Chart MPD-RR-6
Total Direct Compensation Components



Q. Please describe the specific focus of the 2020 Willis Towers Watson Study.

A. The 2020 Willis Towers Watson Study compared Xcel Energy’s level of compensation to the median and average levels of compensation paid by the comparison groups and includes the following comparisons:

- 1 • Xcel Energy’s total cash compensation levels, which are base salary
2 plus target annual incentive compensation, were compared with
3 competitive market target total cash compensation levels;
- 4 • Xcel Energy’s total direct compensation levels, which are base salary
5 plus target annual incentive compensation plus long-term incentive
6 compensation, were compared with total target compensation levels
7 offered in the market;
- 8 • Xcel Energy’s base salary levels were compared with competitive
9 market total base salary levels;
- 10 • Xcel Energy’s annual incentive targets were compared with market
11 annual incentive targets; and
- 12 • Xcel Energy’s long-term incentive targets were compared with the
13 market long-term incentive targets.

14 **Q. What comparison groups were used in the 2020 Willis Towers Watson**
15 **Study?**

16 A. Compensation levels were compared with two sets of data. The first set of data
17 compared Xcel Energy’s compensation programs to the programs of a large
18 number of investor-owned utilities across the nation, including those both smaller
19 and larger than Xcel Energy. The second set of data compared Xcel Energy’s
20 compensation programs to those of investor-owned utilities similar in size to Xcel
21 Energy based on revenue size.

22 **Q. What were the results of the 2020 Willis Towers Watson Study?**

23 A. As shown on Table MPD-RR-10, the 2020 Willis Towers Watson Study finds that
24 with the inclusion of the AIP, Xcel Energy’s median total cash compensation
25 levels are generally in line with other utilities, although they fall below market.
26 Without the target-level AIP, the median total cash compensation provided would
27 be well below the overall utility market, which shows that not offering the AIP

would put Xcel Energy at a material disadvantage in the competition for employees.

Similarly, Xcel Energy's compensation would be at an unacceptably low level with regard to total direct compensation for certain employee groups if it did not provide a competitive LTI package for its executive and non-executive talent and leadership. Long-term incentives are a significant portion of the compensation package offered to attract, retain and motivate this group of employees to design, organize, lead and manage one of the most forward-looking utilities in the country.

Table MPD-RR-10
Market Compensation Comparisons

Components of Xcel Energy Compensation	Compared to Base Salaries and Incentives of U.S. Utilities (National Sample)	Compared to Base Salaries and Incentives of U.S. Utilities with Similar Revenues (Revenue Sample)
Base Salary Only (excludes Target AIP)	Below Market by 13.0%	Below Market by 15.2%
Target Total Cash Compensation (Base Salary + Target AIP)	Above Market by 0.6%	Below Market by 1.9%
Base Salary Only (excludes Target AIP and Target LTI*)	Below Market by 19.4%	Below Market by 23.2%
Base Salary + Target AIP (excludes Target LTI*)	Below Market by 6.8%	Below Market by 11.1%
Target Total Direct Compensation (Base + Target AIP + Target LTI*)	Above Market by 3.3%	Above Market by 1.4%

* Includes those eligible for LTI

1 **Q. Of the two columns in Table MPD-RR-10, which group does Xcel Energy**
2 **consider to be a better comparator group for analyzing the reasonableness of**
3 **Xcel Energy’s compensation components?**

4 A. While both the National Sample and Revenue Sample provide good points of
5 comparison, references to utilities with revenues comparable to Xcel Energy are
6 more informative than comparisons to an array of utilities throughout the United
7 States. The Revenue Sample is more informative because it is more
8 representative of the total compensation package design for large utilities. The
9 National Sample includes many smaller regional utilities that may not have the
10 same total compensation design structure as Xcel Energy, as some may not
11 include LTI compensation when they are not publicly traded companies or they
12 reduce the total compensation package based on the overall size of their company.

13 **Q. What do you conclude from the 2020 Willis Towers Watson Study?**

14 A. The study illustrates that Xcel Energy’s compensation structure (i.e., both base
15 salary and the AIP) provides a market level of compensation, which confirms that
16 SPS’s requested compensation expense is appropriate and reasonable. The study
17 also confirms that the target level annual incentives provided to employees
18 through the AIP are aligned with those for similar positions in the competitive
19 market. Without the AIP, however, Xcel Energy’s total cash compensation would
20 significantly lag behind the market by 15.2% (compared to utilities with similar
21 revenues), which would put Xcel Energy at a material disadvantage when
22 competing for skilled employees. For example, if SPS were authorized to recover

1 only base pay and not also AIP costs, it would be collecting only 85% of the
2 reasonable and necessary costs it incurs to compensate employees.

3 Additionally, the study confirms that the level of LTI compensation
4 offered to eligible employees is both in-line with the market and a necessary
5 component of pay for executives, other senior management and senior specialized
6 employees to fully reach their market-based level of compensation. Similarly, the
7 study confirms that without offering LTI, Xcel Energy's total direct compensation
8 for those employees would lag behind the market by 11.1% compared to utilities
9 with similar revenues.

10 In total, not offering the AIP and LTI program would significantly hamper
11 Xcel Energy from attracting, retaining and motivating eligible employees because
12 the study shows the levels of compensation would be 23.2% below market
13 competitive levels of total compensation compared to utilities with similar
14 revenues.

15 **Q. Does SPS experience competition in recruiting and retaining employees?**

16 A. Yes. Prospective employees with the skills and training required for the utility
17 industry are in high demand. Many SPS jobs require strong science, technology,
18 engineering, and math skills. Contracting firms, utilities, and other sectors of both
19 the energy and non-energy industries need these employees, too. Thus, SPS
20 experiences competition in attracting and retaining employees.

21 In addition, SPS continues to see an imbalance in the supply and demand
22 of engineers across a broad spectrum of production industries. There is a limited

1 pool of candidates for many engineering jobs within SPS, and SPS competes for
2 qualified candidates on a national and regional level as well.

3 **Q. With whom does Xcel Energy compete for employees?**

4 A. Xcel Energy principally competes for employees with utility-sector employers,
5 but also competes with non-utility sector employers. Utility-sector competition
6 generally takes place for jobs specific to utility operations and the delivery of
7 utility services, such as control center operators, engineers, plant operators,
8 technicians, welders, and machinists. Xcel Energy also competes with other
9 utilities for corporate employees such as regulatory accountants and load
10 forecasters who skills sets are uniquely suited for utility work. In addition, Xcel
11 Energy competes with non-utility employers for jobs that are not specific to
12 utilities, such as finance and accounting analysts, marketing analysts, designers,
13 information technology specialists, customer service representatives, and
14 leadership in various areas.

15 **Q. Are Xcel Energy's compensation programs and related costs necessary and**
16 **reasonable?**

17 A. Yes. SPS and Xcel Energy must provide a market-competitive level of total cash
18 compensation to attract and retain the employees who provide safe and reliable
19 electric service to SPS's customers—this includes base pay and incentive
20 compensation. Furthermore, base pay coupled with the AIP is an appropriate
21 method of providing market competitive total cash compensation because it
22 includes some form of fixed base pay in addition to an incentive opportunity that

1 requires an individual employee to perform at expected levels in order to be
2 compensated in a competitive way.

3 To attract and retain employees at higher levels, SPS and Xcel Energy
4 must also include LTI compensation in a competitive compensation program
5 design. The design of the LTI program and the levels of LTI compensation
6 offered to select groups of employees are market-based and require a greater level
7 of commitment from these employees before this form of compensation is
8 realized. Without this component of compensation, employees in these eligible
9 positions would not have access to a competitively designed compensation
10 package, and Xcel Energy would be at a great risk of not being able to attract or
11 retain employees in these positions. Without the LTI program, Xcel Energy
12 would be misaligned with market best practices regarding compensation plan
13 design. However, Xcel Energy would still be required to provide competitive
14 compensation in another manner to attract, retain, and motivate these groups of
15 critical employees. Xcel Energy would also lose the motivational tool incentive
16 pay provides and would not have the ability to vary employee compensation
17 based on performance of the company or the employee.

18 **Q. Do SPS's Texas retail customers benefit from Xcel Energy's ability to**
19 **provide market-competitive compensation?**

20 A. Yes. Providing market-competitive compensation is necessary to attract, retain,
21 and motivate experienced and talented employees, and these employees perform
22 the work necessary to provide quality electric service to SPS's customers. For
23 example, Xcel Energy's ability to attract and retain qualified engineers, plant

1 managers, and other professional positions would be adversely affected if it did
2 not offer market competitive compensation.

3 Market competitive compensation is important in attracting employees
4 with the specialized knowledge and skills necessary to provide safe and reliable
5 electric service. Without competitive compensation, SPS would lose skilled and
6 experienced employees, resulting in added costs associated with recruitment and
7 training, as well as a loss in productivity.

1 **V. BENEFIT COMPONENTS**

2 **Q. What benefits does Xcel Energy provide to employees?**

3 A. Xcel Energy provides a comprehensive benefit program to all of its benefit-
4 eligible employees, including employees of SPS and its affiliates. These
5 programs include coverage for medical, dental, vision, life insurance, long-term
6 disability, employee assistance programs, adoption assistance, tuition assistance,
7 pre-tax reimbursement accounts, paid time off, 401(k) savings plans, pension, and
8 other post-retirement benefits. Xcel Energy also offers short-term disability to its
9 non-bargaining employees.

10 **Q. Please briefly summarize the features of Xcel Energy's retirement programs.**

11 A. Xcel Energy's pension or defined benefit programs are non-contributory
12 programs (i.e., programs to which employees do not contribute), which provide
13 retirement benefits to eligible employees. The 401(k) savings plan encourages
14 employees to save regularly for their retirement through pre-tax and after-tax
15 employee deferrals and provides an employer matching contribution. The amount
16 of the employer contribution is 50% of employee contributions up to 8% of pay,
17 which results in a maximum employer contribution of 4% of eligible pay.

18 **Q. Has Xcel Energy taken any steps to manage costs related to retirement**
19 **programs?**

20 A. Yes. Effective January 1, 2012, bargaining and non-bargaining new hires and
21 rehired employees are no longer eligible for legacy pension plan formulas, which
22 provided a higher level of benefit. Instead, these employees participate in a 5%
23 Cash Balance Plan formula without pension supplements (i.e., Retirement Savings

1 Account or Social Security Supplement) or retiree medical subsidies. Mr.
2 Schrubbe addresses how the retiree medical expense is related to SPS's legacy
3 programs.

4 Effective January 1, 2018, the annual Retirement Spending Account
5 credits were eliminated on a go-forward basis for all non-bargaining employees,
6 and the Social Security Supplement was eliminated for all non-bargaining
7 employees who will not meet retirement eligibility by December 31, 2022.

8 **Q. Please explain the Cash Balance Plan formula.**

9 A. Through the Cash Balance Plan formula, participants earn a 5% benefit on
10 eligible wages each year, which has interest credited annually. The interest is
11 based on the 30-year treasury rate based on November from the prior year and has
12 no minimum guarantees. This interest bearing account acts like a savings account
13 or a 401(k) plan and will reduce Xcel Energy's pension obligations prospectively
14 compared to the legacy employee benefits programs.

15 **Q. Please briefly summarize the features of Xcel Energy's health benefits**
16 **programs.**

17 A. In the health care arena, Xcel Energy offers employees one medical plan option,
18 the High Deductible Health Plan ("HDHP") with a Health Savings Account
19 ("HSA"). Non-bargaining employees and their eligible dependents are
20 responsible for an upfront annual deductible of \$2,400 per individual or \$4,800
21 per family (in-network). After the deductible is satisfied, the plan covers 80% of
22 costs, with employees or their dependents contributing 20% of costs until they
23 reach an annual out-of-pocket maximum, which is \$3,500 per individual or

1 \$7,000 per family. Non-bargaining employees and their eligible dependents
2 contribute 20% to 50% of prescription drug costs. After the out-of-pocket
3 maximum is met, the plan covers the remaining eligible medical and pharmacy
4 expenses for the calendar year. The HSA is a tax-advantaged medical savings
5 account that Xcel Energy offers to employees to provide a vehicle for them to
6 save for their out-of-pocket costs under the plan.

7 Effective May 1, 2017, as part of Local 602 negotiations, SPS bargaining
8 employees asked to move from the HDHP to a multi-employer union plan, called
9 the Family Medical Care Plan ("FMCP"). This plan is managed outside of Xcel
10 Energy.

11 **Q. Has Xcel Energy undertaken any initiatives to slow the rate of growth in**
12 **health and welfare related benefit costs?**

13 A. Yes. Over the past several years, Xcel Energy has made several design changes
14 and undertaken an array of initiatives to help mitigate health care costs. These
15 initiatives include:

- 16 • Xcel Energy offers a HDHP medical plan to encourage participating
17 employees to make (1) healthier lifestyle choices; and (2) informed
18 consumer choices when utilizing healthcare providers;
- 19 • To help mitigate pharmacy costs, Xcel Energy's pharmacy coverage
20 mandates that employees fill prescriptions with generic drugs when
21 available, unless there is medical need to use a brand name;
- 22 • SPS bargaining employees hired after January 1, 2012 no longer
23 receive post-retirement medical benefits. This change will reduce
24 Xcel Energy's future Other Post Employment Benefit costs
25 prospectively;
- 26 • Vendor contracts are continually monitored and renegotiated with
27 benefit vendors on an ongoing basis. These negotiations focus on
28 administrative fee reductions, better performance guarantees and
29 rebates, and improved discounts on provider networks. All contribute

1 to our ability to minimize rising healthcare costs and benefit
2 administration costs charged by third parties;

- 3 • Effective January 2017, Xcel Energy introduced a monthly premium
4 surcharge for non-bargaining employees for coverage of a spouse
5 when the spouse's employer offers medical coverage;
- 6 • Effective April 2017, Xcel Energy outsourced the Family Medical
7 Leave Act administration, resulting in greater efficiencies, as well as
8 cost savings;
- 9 • Effective May 1, 2017, as part of Union negotiations, SPS bargaining
10 employees asked to move from the HDHP to a union plan, called the
11 FMCP. SPS agreed because the change provided an opportunity to
12 mitigate costs and risk through this insured plan; and
- 13 • Effective January 2018, Xcel Energy introduced a monthly premium
14 for non-bargaining employees and spouses and domestic partners who
15 are enrolled in the medical plan and are tobacco users.

16 **Q. What has been the effect of these changes?**

17 A. These changes have allowed SPS to better manage overall healthcare costs and
18 the rate at which our costs increase. These changes have helped keep overall
19 employee contributions to health and welfare benefits low, and the ways in which
20 our employees access healthcare and consume healthcare services have improved.
21 For example, we have seen improved use of urgent care facilities as opposed to
22 hospital emergency room visits for acute injuries and illness, and we also have a
23 very high rate of generic prescription drug use. This change in behavior has the
24 potential to mitigate healthcare cost increases for SPS as well as our employees.

25 Although it is difficult to identify direct savings from these changes, the
26 intent of the plan modifications was to mitigate cost increases on a long-term
27 basis, in part by motivating employees to be more cost-conscious consumers of
28 medical and dental care, and also to live healthier lifestyles. We also know that it

1 can take time to see cost impacts resulting from program design changes and that
2 healthcare reform presents us with some unknown impacts to our costs.

3 **Q. Has SPS done anything other than change design to contain costs of health**
4 **and welfare benefits under the Xcel Energy medical plan?**

5 A. Yes. SPS is regularly taking steps to control costs without increasing costs to
6 employees. In the last two years:

7 (1) We renegotiated contracts with our medical plan administrator and
8 pharmacy administrator. These negotiations focus on reducing
9 administrative fees, obtaining better performance guarantees and rebates,
10 and increasing discounts on provider networks. All of these measures help
11 mitigate the increasing healthcare costs and benefit administration costs
12 charged by third parties.

13 (2) We examined emerging benefit designs that would continue to drive our
14 employees and their covered family members to high quality, cost-
15 efficient healthcare providers. We also continuously assess programs that
16 will provide more cost-effective opportunities for employees and help
17 drive healthy behaviors. For example, we offer a telemedicine or virtual
18 visit option for routine medical visits, a personalized diabetes management
19 program, and an online program to help employees manage stress. These
20 non-traditional visits with a trained physician or other provider are
21 convenient and provide a less expensive option for employees and SPS.
22 In addition, the plan provides lower levels of benefits coverage for using
23 out-of-network medical providers in order to encourage members to use
24 in-network providers when possible.

25 (3) We have increased communications about programs we offer to control
26 our costs by improving the overall health and welfare of our employees,
27 including counseling and coaching for plan members who are seeking
28 treatment for a condition, engaging plan members proactively to help
29 modify behaviors and health risks, and providing education materials to
30 help plan members make informed decisions.

31 **Q. Are Xcel Energy's health benefits programs and their costs necessary and**
32 **reasonable?**

33 A. Yes. Xcel Energy provides an affordable method to maintain the health of our
34 employees, who are ultimately serving customers. Large companies, like Xcel

1 Energy, are required by the Patient Protection and Affordable Care Act to offer
2 full-time employees health insurance. Even before the passage of this Act,
3 however, the vast majority of large employers offered their employees' health
4 insurance as a standard and expected part of any employment package. By
5 providing these types of benefits, SPS is providing a competitive package to
6 attract, retain, and motivate the current and future employees SPS will need to
7 provide safe and reliable service to customers.

1 **VI. 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. 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 included in the Human Resources, SS Company Benefits, and
13 Enterprise Training 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 costs¹² that SPS seeks to recover for the
17 services of the Human Resources, SS Company Benefits, and Enterprise Training
18 affiliate classes are reasonable and necessary because they support SPS’s ability
19 to provide electric service to its Texas retail customers. Specifically, SPS seeks to
20 recover \$1,778,184 (Total Company) for the services of the Human Resources
21 affiliate class, \$20,533,554 (Total Company) for the services of the SS Company

¹² The amounts listed below reflect nine months of actual costs and three months of estimated costs.

1 Benefits affiliate class, and \$1,743,473 (Total Company) for the services of the
2 Enterprise Training affiliate class. In addition, my testimony below shows for
3 each of these affiliate classes:

- 4 • The costs are for services that are necessary to manage the large workforce
5 needed for SPS's operations, including: recruiting, hiring, and retaining
6 employees; training and developing employees; implementing employee
7 compensation and benefit programs; addressing day-to-day personnel and
8 workplace practices; and providing oversight, management, and planning
9 services related to labor and employee issues.
- 10 • The costs are reasonable because they are shared with other affiliates,
11 consist primarily of reasonable personnel costs, and are subjected to
12 rigorous budgeting and cost control processes.
- 13 • SPS does not provide these services for itself, and the services do not
14 duplicate services provided by others.
- 15 • Each charge from SPS's affiliates for these services is billed at cost and is
16 no higher than the charge by those affiliates to any other entity for the
17 same or similar service.

VII. AFFILIATE EXPENSES FOR THE HUMAN RESOURCES CLASS OF SERVICES

A. Summary of Affiliate Expenses for the Human Resources Class of Services

Q. Where does the Human Resources affiliate class fit into the overall affiliate structure?

A. Attachment RLB-RR-6 to Mr. Baumgarten's direct testimony provides a list and a pictorial display of all affiliate classes, dollar amounts for those classes, and sponsoring witness for each class. As seen on that attachment, the Human Resources affiliate class was part of the Utilities & Corporate Services business area during the Updated Test Year. Attachment MPD-RR-3 to my testimony is an organization chart showing the Human Resources & Employee Services organization.

Q. What services are grouped into the Human Resources affiliate class?

A. The services that are grouped into the Human Resources affiliate class consist of four areas: Workforce Strategy and Consulting; Talent Management (Staffing, Recruiting, Inclusion and Diversity and Employee Relations, and Technical and Learning Services); Total Rewards (Employee Benefits for Retirement and Health and Welfare, Compensation, Payroll, and HR Operations); and HR Strategy and Performance (Strategy, Workforce Planning, and Analytics).

Q. What is the dollar amount of the Updated Test Year XES charges that SPS requests, on a Total Company basis, for the Human Resources affiliate class?

A. Table MPD-RR-9 summarizes the estimated dollar amount of the Updated Test Year XES charges for the Human Resources affiliate class. I will update the table

below as part of SPS's 45-day case update filing to reflect the actual Updated Test Year costs for the Human Resources affiliate class.

Table MPD-RR-9¹³

		Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Human Resources	\$12,029,376	\$1,778,184	5.66%	94.34%

Q. Please describe the attachments that support the information provided on Table MPD-RR-9.

A. There are four attachments to my testimony that present information about the requested SPS affiliate expenses for the Human Resources affiliate class.

Attachment MPD-RR-A: Provides a summary of the affiliate expenses for this class during the Updated Test Year. The portion of the summary specifically to billings to SPS starts with the total of the XES expenses to SPS for the services provided by this affiliate class and ends with the requested dollar amount of XES expenses to SPS (Total Company) for this affiliate class after exclusions and pro forma adjustments. The columns on this attachment provide the following information.

¹³ **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 MPD-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 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 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 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 MPD-RR-B(CD):** Provides the detail of the XES expenses
5 for the Human Resources affiliate class that are summarized on Attachment
6 MPD-RR-A. The detail shows the XES expenses billed to SPS for the Human
7 Resources affiliate class, itemized by the amount, with each expense listed by
8 individual activity and billing method (cost center). When summed, these
9 amounts tie to the amounts shown on Attachment MPD-RR-A, and the detail
10 regarding the expenses is organized to support that attachment. Specifically, the
11 columns on this attachment provide the following information.

Column A —	Line No.	Lists the Attachment line numbers.
Column B —	Legal Entity Receiving XES Expenses	Shows the legal entity (Xcel Energy or one of its subsidiaries) that received the XES expense.

Column C —	Affiliate Class	Lists the affiliate class.
Column D —	Cost Element	Provides the cost element number.
Column E —	Activity	Provides a short title for the activity.
Column F —	Billing Method (Cost Center)	Identifies the billing method and short title. In his direct testimony, Mr. Baumgarten explains the billing methods and defines the codes.
Column G —	FERC Account	Shows the FERC Account in which the expense was recorded for the operating companies.
Column H —	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to all legal entities for the affiliate class.
Column I —	XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to all legal entities except SPS for the affiliate class.
Column J —	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to SPS for the affiliate class. Therefore, the sum of this column provides total billings to SPS and ties to the total dollar amount for the affiliate class in Column G of Attachment MPD-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 MPD-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 MPD-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 MPD-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 MPD-RR-A.

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

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

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

Column F — Pro Formas (Total Company) Shows the dollar amount of the pro forma adjustment.

1 **Q. Does XES bill its expenses for the Human Resources affiliate class to SPS in**
2 **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 cost 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 Human Resources**
7 **affiliate class?**

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

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

18 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
19 Year expenses for known and measurable changes. Pro forma adjustments are
20 shown on Attachment MPD-RR-A, Column J, and on Attachment
21 MPD-RR-B(CD), Column M. The details for the pro forma adjustments,
22 including the witness or witnesses who sponsor each pro forma adjustment, are

1 provided in Attachment MPD-RR-D. Given the time of SPS's initial filing, only
2 the first nine months of the Updated Test Year have completed the full pro forma
3 adjustment review process. In SPS's 45-day case update, I will present an
4 updated Attachment MPD-RR-D that will complete the full pro forma adjustment
5 review process for the last three months of the Updated Test Year.

6 **Q. Attachment MPD-RR-D shows that you sponsor or co-sponsor pro forma**
7 **adjustments for expenses for the Human Resources affiliate class during the**
8 **first nine months of the Updated Test Year that result in a net increase for**
9 **the Human Resources affiliate class of \$44,759.69 (Total Company). Please**
10 **explain the adjustments.**

11 A. The pro forma adjustments I sponsor relate to the following: an increase of
12 \$44,965.50 to reflect the base salary increases for SPS employees that will be
13 effective following the Updated Test Year and a reduction of \$205.81 related to
14 office supplies not allocated to SPS.

15 **B. The Human Resources Class of Services are Necessary Services**

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

18 A. Yes. All large businesses, such as SPS, XES, and Xcel Energy, need the services
19 provided by an HR department to manage employee hiring and retention
20 activities, to address day-to-day personnel and workplace practices, and to handle
21 and implement employee compensation and benefit policies and programs. They
22 are functions required by all utilities and without which SPS would not be able to
23 provide electric service to its customers.

1 **Q. What are the specific services that are provided to SPS in the Human**
2 **Resources affiliate class?**

3 A. The services that are provided to SPS in the Human Resources Affiliate class are:

- 4 • Workforce Strategy and Consulting - this area is responsible for providing
5 a broad range of strategic and tactical consulting services across all HR
6 functional areas for the business areas;
- 7 • Talent Management - this area is responsible for staffing, recruiting, Equal
8 Employment Opportunity and employee relations, and learning and
9 development programs;
- 10 • Total Rewards - this area is responsible for design, implementation, and
11 administration of Xcel Energy's compensation and benefit programs
12 including retirement and health and welfare benefits, compensation,
13 payroll, and HR operations; and
- 14 • HR Strategy and Performance - this area is responsible for monitoring the
15 O&M budget, leveraging technology and reporting to identify, develop,
16 and deliver meaningful metrics on performance, and supports the
17 workforce strategy organization as subject matter experts on workforce
18 risks and trends in order to develop long-term labor planning.

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

22 A. No. Within XES, none of the services grouped in the Human Resources affiliate
23 class are duplicated elsewhere. No other Xcel Energy subsidiary performs these
24 services for the Operating Companies, and SPS does not perform these services
25 for itself.

26 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
27 **Human Resources affiliate class of services?**

28 A. Yes. The services included in the Human Resources affiliate class benefit SPS
29 customers in many ways. For example, through the services provided by the XES

1 HR organization, SPS maintains the ability to attract and retain the employees
2 necessary to provide safe and reliable electric service to SPS customers.

3 **C. The Human Resources Affiliate Class of Services are Provided at**
4 **a Reasonable Cost**

5 **Q. Are the costs of the Human Resources affiliate class of services reasonable?**

6 A. Yes. The costs of the Human Resources affiliate class of services are reasonable.
7 Centralizing HR services in a shared services provider such as XES reduces
8 overall management and administrative costs by not having duplicative HR costs
9 in SPS and the other Xcel Energy subsidiaries.

10 *1. Additional Evidence*

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

13 A. Yes. Of the estimated Updated Test Year costs in the Human Resources affiliate
14 class, 89% consists of compensation and benefit costs of XES personnel. As I
15 discussed earlier in my testimony, Xcel Energy's compensation and benefit costs
16 are a reasonable and necessary expense. Mr. Schrubbe also establishes that the
17 compensation and benefit costs are a reasonable and necessary expense.

18 *2. Budget Planning*

19 **Q. Is a budget planning process applicable to the Human Resources class of**
20 **affiliate costs?**

21 A. Yes. Annual O&M budgets are created using guidelines developed at the
22 corporate level. The XES HR department carefully reviews historical spend
23 information, identifies changes that will be coming in the future, and analyzes the

1 costs associated with those changes prior to submitting a proposed budget. The
2 budgeting process is discussed in more detail by SPS witness Adam R.
3 Dietenberger.

4 **Q. During the fiscal year, does the HR department monitor its actual**
5 **expenditures versus its budget?**

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

13 **Q. Are employees within the HR department held accountable for deviations**
14 **from the budget?**

15 A. Yes. Embedded within the expectations and responsibilities of all management
16 employees in the HR department is accountability to manage their department
17 expenses to the budget. Any proposed deviations from the budget are evaluated at
18 the appropriate level of management as outlined in the previous answer. In
19 addition, all HR department management employees are required to manage their
20 expenses to support the budgetary goals established by their manager. Failure to
21 meet these expectations may affect their performance evaluation and overall
22 compensation.

Table MPD-RR-11

	Average End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Human Resources	118	116	114	113

Q. What are the reasons for this trend?

A. The relatively small and steady decrease in staffing levels for the Human Resources affiliate class from 2017 through the Updated Test Year is primarily related to organizational changes, including the addition of the Enterprise Training affiliate class and open positions.

5. Cost Control and Process Improvement Initiatives

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

A. Yes. The HR department continually reviews its plans, initiatives, and staffing to ensure they are appropriate and to identify and implement improvements. For example, the personnel action form (“PAF”) system and process created efficiencies to routine personnel changes, as well as the hiring process for new employees. This streamlined method pre-populates data fields for leaders on the PAF and eliminates the need for manual data entry in HR Operations. This service improvement created significant time savings, reduced data entry errors, and improved internal customer service response times.

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

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

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

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

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

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

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

- 9 • Number of Employees – 83.38% of XES charges to SPS –
10 \$2,932,068.79;
- 11 • Assets, Revenue, and Number of Employees – 10.97% of XES
12 charges to SPS – \$194,985.65; and
- 13 • Direct – 5.66% of XES charges to SPS – \$100,597.14.

14 **Q. Why is the “Number of Employees” method appropriate for assigning the**
15 **costs captured in the cost centers that use that allocation method?**

16 A. For the cost centers that use the “Number of Employees” method as the allocator,
17 the costs are driven by the services provided to the employees within each
18 affiliate. For example, Cost Center 200166, which uses the “Number of
19 Employees” allocation method, captures costs related to the administration of
20 online training services provided to all employees. Thus, this cost center allocates
21 costs among the Xcel Energy legal entities based upon the proportionate share of
22 employees of each Xcel Energy legal entity (i.e., the number of employees of a
23 particular legal entity as a percentage of the total number of employees of all of
24 the legal entities). This allocation reflects cost causation and the distribution of

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

9 A. The three factor billing method using assets, revenue, and number of employees
10 produces an allocation of costs that recognizes the complexity, risk, and overall
11 business activity levels that drive the costs included in the cost centers and
12 measures the benefits received from those activities. For the cost centers billed
13 using this allocator, there is no one specific cost driver for the support tasks and
14 services provided, and the services benefit multiple Xcel Energy affiliates. For
15 example, the costs of corporate governance activities related to HR policies and
16 compensation and benefits plans, collected in Cost Center 200063, are assigned
17 using this allocation method. These costs were not incurred on behalf of a
18 specific Operating Company and within the Xcel Energy holding company group,
19 those legal entities that have proportionately more assets, revenues, and
20 employees will have more focus placed on their operations due to those
21 subsidiaries’ relative influence on the consolidated business balance sheet, income
22 statement and statement of cash flow, and the subsidiaries will benefit accordingly
23 from the services provided. For the cost centers that assign costs based upon this

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

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

7 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
8 normally reflect work that was performed specifically for SPS only. In some
9 cases, however, the direct billing occurred after the application of an off-line
10 allocator that tracks the relevant cost drivers. In either situation, the cost centers
11 charged using the “Direct Billing” method are appropriate because the assignment
12 of costs is in accordance with the distribution of benefits for the services received.
13 For example, the costs of providing consulting support for equal employment
14 opportunities, affirmative action, fitness for duty, and workforce relations, which
15 are collected in Cost Center “Direct” were assigned using the “Direct Billing”
16 method. The cost of these services benefited SPS, the work was performed
17 specifically for SPS alone, and the cost driver is the metering services of SPS.
18 Thus, the “Direct Billing” method is appropriate because it assigns costs in
19 accordance with cost causation and benefits received. For the cost centers that
20 assign costs using Direct Billing, the per unit amounts charged by XES to SPS are
21 no higher than the unit amounts billed by XES to other affiliates for the same or
22 similar services and represent the actual costs of the services.

1 **VIII. AFFILIATE EXPENSES FOR THE SS COMPANY**
2 **BENEFITS CLASS OF SERVICES**

3 **A. Summary of Affiliate Expenses for the SS Company Benefits**
4 **Class of Services**

5 **Q. Where does the SS Company Benefits affiliate class fit into the overall**
6 **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. As seen on that attachment, the SS Company
10 Benefits class was part of the Benefits Related cost center during the Updated
11 Test Year. Attachment MPD-RR-3 to my testimony is an organization chart
12 showing the Human Resources & Employee Services organization, which
13 includes SS Company Benefits function.

14 **Q. What services are grouped into the SS Company Benefits class?**

15 A. The services that are grouped into the SS Company Benefits class are those of the
16 HR service center, which provides benefits administration and call center support
17 to employees and retirees of Xcel Energy subsidiaries, including SPS. Also
18 included in this class are the costs of certain non-loading benefits, which include
19 the employee performance recognition, and Spot On Award costs, and any
20 adjustments to pension, health and welfare, and AIP accruals.

21 **Q. What is the dollar amount of the Updated Test Year XES charges that SPS**
22 **requests, on a Total Company basis, for the SS Company Benefits affiliate**
23 **class?**

24 A. The following table summarizes the dollar amount of the estimated Updated Test
25 Year XES charges for the SS Company Benefits affiliate class. I will update the

table below as part of SPS's 45-day case update filing to reflect the actual Updated Test Year costs for the SS Company Benefits affiliate class.

Table MPD-RR-12

Class of Services	Requested Amount of XES Class Expenses Billed to SPS (Total Company)			
	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
SS Company Benefits	\$176,802,850	\$20,533,554	38.97%	61.03%

Q. Please describe the attachments that support the information provided on Table MPD-RR-12.

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

Q. Does XES bill its expenses for the SS Company Benefits affiliate class to SPS in the same manner as it bills other affiliates for those expenses?

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

Q. Are there any exclusions to the XES billings to SPS for the SS Company Benefits affiliate class?

A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as expenses not allowed or other below-the-line items. Exclusions are shown on Attachment MPD-RR-A, Column H, and on Attachment MPD-RR-B(CD), Column K. The details for the exclusions are provided in Attachment MPD-RR-C. Mr. Baumgarten describes how the exclusions were calculated. In

1 SPS's 45-day case update, I will present an updated Attachment MPD-RR-C that
2 will provide actual exclusions to replace any estimated exclusions included in my
3 original attachment.

4 **Q. Are there any pro forma adjustments to SPS's per book expenses for the SS**
5 **Company Benefits affiliate class?**

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

16 **Q. Attachment MPD-RR-D shows that you are a sponsor or co-sponsor for**
17 **expenses for the SS Company Benefits affiliate class during the first nine**
18 **months of the Updated Test Year for pro forma adjustments that result in a**
19 **net decrease for the SS Company Benefits affiliate class of \$4,904,741.48.**
20 **Please explain the adjustments you sponsor or co-sponsor.**

21 A. The pro forma adjustments that I sponsor or co-sponsor primarily relate to
22 decreasing the AIP expense to target (a reduction of \$158,137.14); removing LTI
23 costs (a reduction of \$5,586,084.57). In addition, I sponsor an adjustment to
24 account for base wage increases, which added \$3,322.24 in costs allocated to SPS

1 and an adjustment to Pension & Benefits, which adds \$836,158.00 in costs
2 allocated to SPS.

3 **B. The SS Company Benefits Class of Services are Necessary**
4 **Services**

5 **Q. Are the services that are grouped in the SS Company Benefits affiliate class**
6 **necessary for SPS's operations?**

7 A. Yes. Appropriate management of a workforce involves providing answers to
8 employee questions regarding compensation and benefits programs. The costs of
9 responding to questions from SPS and XES employees who support SPS's
10 operations are captured in this affiliate class, and they are necessary costs of doing
11 business. This is a function required by all utilities and without which SPS would
12 not be able to provide electric service to its customers.

13 **Q. What are the specific services that are provided to SPS in the SS Company**
14 **Benefits affiliate class?**

15 A. The specific services that are provided to SPS in the SS Company Benefits class
16 are those associated with the HR service center. The HR service center provides a
17 call center that allows employees and retirees of Xcel Energy subsidiaries,
18 including those of SPS, to get information regarding compensation and benefits.
19 In addition, the HR service center administers annual benefits enrollment.

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

23 A. No. Within XES, none of the services grouped in the SS Company Benefits
24 affiliate class are duplicated elsewhere. No other Xcel Energy subsidiary

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

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

5 A. Yes. The services included in the SS Company Benefits class benefit SPS
6 customers in many ways. Providing services and information to SPS and XES
7 employees regarding their benefits and compensation assists in retaining the
8 workforce needed to bring safe and reliable electric service to customers.

9 **C. The SS Company Benefits Class of Services is Provided at a**
10 **Reasonable Cost**

11 **Q. Are the costs of the SS Company Benefits class of services reasonable?**

12 A. Yes. The costs of the SS Company Benefits class of services are reasonable. The
13 centralized organizational structure through which these services are provided
14 results in economies of scale and allows personnel and their expertise to be
15 leveraged across the Xcel Energy legal entities, reducing duplication of effort and
16 maximizing efficiency. In addition, the department's costs are controlled through
17 the budgeting process and rigorous review of expenditures.

18 *1. Additional Evidence*

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

21 A. Yes. Of the estimated Updated Test Year costs for the SS Company Benefits
22 affiliate class, 99% consist of compensation and benefits for XES personnel. My
23 testimony establishes that the level of Xcel Energy's compensation and benefits is

1 reasonable and necessary. As I discussed earlier in my testimony, Xcel Energy's
2 compensation costs are a reasonable and necessary expense. Mr. Schrubbe also
3 establishes that the compensation and benefit costs are a reasonable and necessary
4 expense.

5 *2. Budget Planning*

6 **Q. Is a budget planning process applicable to the SS Company Benefits**
7 **department affiliate class costs?**

8 A. Yes. Annual O&M budgets are created using guidelines developed at the
9 corporate level. The SS Company Benefits department budget, as it relates to the
10 HR service center, is reviewed as part of the overall HR budget, while the benefit
11 costs that are reflected in this class are reviewed by the Finance organization. The
12 budgeting process is discussed in more detail by Mr. Dietenberger.

13 **Q. During the fiscal year, does the SS Company Benefits department monitor its**
14 **actual expenditures versus its budget?**

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

1 **Q. Are employees within the SS Company Benefits department held accountable**
2 **for deviations from the budget?**

3 A. Yes. Embedded within the expectations and responsibilities of all HR and
4 Finance employees who are responsible for the SS Company Benefits department
5 budget is accountability to manage this budget. Any deviations from the budget
6 are evaluated at the appropriate level of management as outlined in the previous
7 answer. Failure to meet these expectations may affect their performance
8 evaluation and overall compensation.

9 **3. Cost Trends**

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

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

18 **Table MPD-RR-13**

Class of Services	2017	2018	2019	Updated Test Year (Estimated)
SS Company Benefits	\$25,468,578	\$24,390,552	\$26,324,291	\$25,454,443

1 **Q. Please comment on the trend shown in Table MPD-RR-13.**

2 A. The affiliate charges from 2017 through the Updated Test Year have varied from
3 year to year. This variance is to be expected as the SS Company Benefits class
4 includes expenses that fluctuate based on employee healthcare expenses, incentive
5 payments, pension distributions, long-term disability claims, and the like.

6 *4. Staffing Trends*

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

10 A. As the following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
11 years) and for the Updated Test Year, the average of the end of month staffing
12 levels for the SS Company Benefits class of services has remained fairly constant
13 over this period of time.

14 **Table MPD-RR-14**

	Average End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
SS Company Benefits	10	10	11	11

15 *5. Cost Control and Process Improvement Initiatives*

16 **Q. Separate from the budget planning process, does the SS Company Benefits**
17 **department take any steps to control its costs or to improve its services?**

18 A. Yes. The plans, initiatives and staffing of the SS Company Benefits department
19 are continually reviewed to ensure they are appropriate and to identify and

1 implement improvements. Staffing levels are increased only when it becomes
2 apparent that there will be a long-term need for a specific type of expertise
3 required to accommodate new work taken in by the Service Center or a major
4 initiative requiring a specialized skill set. Conversely, staff is decreased if certain
5 work is no longer required or when there is an opportunity to maximize the use of
6 a higher level talent.

7 **D. The Costs for the SS Company Benefits Class of Services are**
8 **Priced in a Fair Manner**

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

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

20 **Q. How are the costs of the SS Company Benefits affiliate class billed to SPS?**

21 A. My Attachment MPD-RR-B(CD) shows all of the costs in this class broken out by
22 activity and, in conjunction with Columns C in my Attachment MPD-RR-A,
23 shows the billing method associated with each activity. My Attachment

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

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

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

13 A. Approximately 75.85% of the requested XES charges to SPS for this class were
14 charged using one of the following allocation methods:

- 15 • Direct – 38.97% of XES charges to SPS – \$8,001,840.82;
- 16 • Assets, Revenue, and Number of Employees – 31.91% of XES
17 charges to SPS – \$6,552,362.39; and
- 18 • Number of Employees – 4.97% of XES charges to SPS –
19 \$1,020,499.67.

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

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

1 allocator that tracks the relevant cost drivers. In either situation, the cost centers
2 charged using the “Direct Billing” method are appropriate because the assignment
3 of costs is in accordance with the distribution of benefits for the services received.
4 For example, the costs of providing consulting support for equal employment
5 opportunities, affirmative action, fitness for duty, and workforce relations are
6 assigned using the “Direct Billing” method. The cost of these services benefitted
7 SPS, the work was performed specifically for SPS alone, and the cost driver was
8 the service provided to SPS employees. Thus, the “Direct Billing” method is
9 appropriate because it assigns costs in accordance with cost causation and benefits
10 received. For the cost centers that assign costs using Direct Billing, the per unit
11 amounts charged by XES to SPS are no higher than the unit amounts billed by
12 XES to other affiliates for the same or similar services and represent the actual
13 costs of the services.

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

17 A. The three factor allocation method using assets, revenue, and employees produces
18 an allocation of costs that recognizes the complexity, risk, and overall business
19 activity levels that drive the costs included in the cost centers and measures the
20 benefits received from those activities. For the cost centers billed using this
21 allocator, there is no one specific cost driver for the support tasks and services
22 provided, and the services benefit multiple Xcel Energy affiliates. For example,
23 the costs of the LTI program, collected in Cost Center 200063, are assigned using

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

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

17 A. For the cost centers that use the “Number of Employees” method as the allocator,
18 the costs are driven by the services provided to all employees. For example, Cost
19 Center 200166, which uses the “Number of Employees” method as the allocator,
20 captures labor costs associated with the HR service center call center which
21 answers employee questions regarding benefits and compensation. Thus, this cost
22 center allocates costs among the Xcel Energy legal entities based upon the
23 proportionate share of employees of each Xcel Energy legal entity (i.e., the

1 number of employees of a particular legal entity as a percentage of the total
2 number of employees of all of the legal entities). This allocation reflects cost
3 causation and the distribution of the benefits of the services received. For the cost
4 centers that assign costs based upon this allocation method, the per unit amounts
5 charged by XES to SPS as a result of the application of this allocation method are
6 no higher than the unit amounts billed by XES to other affiliates for the same or
7 similar services and represent the actual costs of the services.

8 **Q. You have covered the allocation methods used to bill 75.85% of the costs**
9 **associated with this affiliate class. Why have you not specifically covered the**
10 **remaining 24.15% of the costs of this class?**

11 A. I have described the predominant allocation methods associated with this affiliate
12 class. The remaining costs are billed using 27 different allocators, no one of
13 which is used to bill more than 6.04% of the costs. The cost centers (billing
14 methods) used to charge the remaining 24.15% of the costs in this class are
15 presented in my Attachment MPD-RR-B(CD), discussed earlier. A reader may
16 reference that attachment and then refer to the specific cost center (billing
17 method) summary provided in Mr. Baumgarten's Attachment RLB-RR-12 for an
18 explanation of the particular allocators used and the cost drivers for the activities
19 reflected in that particular cost center. Generally speaking, these allocation
20 methods produce an allocation of costs that recognizes the overall business
21 activity levels that drive the costs included in those cost centers. For example, the
22 costs of Energy Supply Operation Supervision & Engineering, collected in Cost
23 Center 200138, are assigned using one of these allocation methods. Mr.

1 Baumgarten discusses these allocation methods in more detail in his testimony, as
2 well as other SPS witnesses. For the cost centers that assign costs based upon
3 these allocation methods, the per unit amounts charged by XES to SPS as a result
4 of 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, as described by their respective SPS witnesses.

1 **IX. AFFILIATE EXPENSES FOR THE ENTERPRISE**
2 **TRAINING CLASS OF SERVICES**

3 **A. Summary of Affiliate Expenses for the Enterprise Training Class**
4 **of Services**

5 **Q. Where does the Enterprise Training affiliate class fit into the overall affiliate**
6 **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. As seen on that attachment, the Enterprise
10 Training class was part of the Benefits Related cost center during the Updated
11 Test Year. Attachment MPD-RR-3 to my testimony is an organization chart
12 showing the Human Resources & Employee Services organization, which
13 includes Enterprise Training function.

14 **Q. What services are grouped into the Enterprise Training class?**

15 A. The services grouped in the Enterprise Training class are responsible for leading
16 continuous improvement and maturation of the content development and learning
17 administration teams.

18 **Q. What is the dollar amount of the Test Year XES charges that SPS requests,**
19 **on a Total Company basis, for the Enterprise Training affiliate class?**

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

1

Table MPD-RR-15

Requested Amount of XES Class Expenses Billed to SPS (Total Company)				
Class of Services	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Enterprise Training	\$9,871,965	\$1,743,473	63.81%	36.19%

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

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

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

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

12 **Q. Are there any exclusions to the XES billings to SPS for the Enterprise**
13 **Training affiliate class?**

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

1 will provide actual exclusions to replace any estimated exclusions included in my
2 original attachment.

3 **Q. Are there any pro forma adjustments to SPS's per book expenses for the**
4 **Enterprise Training affiliate class?**

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

15 **Q. Attachment MPD-RR-D shows that you are a sponsor or co-sponsor for**
16 **expenses for the Enterprise Training affiliate class during the first nine**
17 **months of the Updated Test Year for pro forma adjustments that result in a**
18 **net increase for the Enterprise Training affiliate class of \$37,609.47. Please**
19 **explain the adjustments you sponsor or co-sponsor.**

20 A. The pro forma adjustments that I sponsor or co-sponsor primarily relate to an
21 increase of \$37,713.72 to reflect the base salary increases for SPS employees that
22 will be effective following the Updated Test Year and a reduction of \$104.25 for
23 labor and office supplies that should not have been allocated to SPS .

1 **B. The Enterprise Training Class of Services are Necessary Services**

2 **Q. Are the services that are grouped in the Enterprise Training affiliate class**
3 **necessary for SPS's operations?**

4 A. Yes.

5 **Q. What are the specific services that are provided to SPS by the Enterprise**
6 **Training affiliate class?**

7 A. As described above, the services in the Enterprise Training class are responsible
8 for continuous improvement and maturation of the content development and
9 learning administration teams. They (1) drive standardization of instructional
10 design, content development, and contract resource utilization across the
11 enterprise; (2) develop and execute the governance and process surrounding
12 learning tools and processes for virtual and Instructor Led Training development,
13 delivery, and administration; and (3) work in collaboration with Training
14 Leadership to execute a well-designed, strategic plan that spans the multiple
15 facets of the larger organization.

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

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

1 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
2 **Enterprise Training affiliate class of services?**

3 A. Yes. Centralizing the Enterprise Training affiliate provides training consistency
4 across Xcel Energy, while consolidating resources into a more efficient and
5 effective class of service. This affiliate class includes training of SPS personnel
6 working throughout the Texas retail customer territory.

7 **C. The Enterprise Training Class of Services is Provided at a**
8 **Reasonable Cost**

9 **Q. Are the costs of the Enterprise Training class of services reasonable?**

10 A. Yes. The costs of the Enterprise Training class of services are reasonable. The
11 centralized organizational structure through which these services are provided
12 results in economies of scale and allows personnel and their expertise to be
13 leveraged across the Xcel Energy legal entities, reducing duplication of effort and
14 maximizing efficiency. In addition, the department's costs are controlled through
15 the budgeting process and rigorous review of expenditures.

16 *1. Additional Evidence*

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

19 A. Yes. Of the estimated Updated Test Year costs for the Enterprise Training
20 affiliate class, over 99% consist of compensation and benefits for XES personnel.
21 My testimony establishes that the level of Xcel Energy's compensation and
22 benefits is reasonable and necessary. As I discussed earlier in my testimony, Xcel
23 Energy's compensation costs are a reasonable and necessary expense. Mr.

1 Schrubbe also establishes that the compensation and benefit costs are a reasonable
2 and necessary expense.

3 *2. Budget Planning*

4 **Q. Is a budget planning process applicable to the Enterprise Training**
5 **department affiliate class costs?**

6 A. Yes. Annual O&M budgets are created using guidelines developed at the
7 corporate level. The Enterprise Training department budget, as it relates to the
8 HR service center, is reviewed as part of the overall HR budget, while the benefit
9 costs that are reflected in this class are reviewed by the Finance organization. The
10 budgeting process is discussed in more detail by Mr. Dietenberger.

11 **Q. During the fiscal year, does the Enterprise Training department monitor its**
12 **actual expenditures versus its budget?**

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

20 **Q. Are employees within the Enterprise Training department held accountable**
21 **for deviations from the budget?**

22 A. Yes. Embedded within the expectations and responsibilities of all HR and
23 Finance employees who are responsible for the Enterprise Training department
24 budget is accountability to manage this budget. Any deviations from the budget

are evaluated at the appropriate level of management as outlined in the previous answer. Failure to meet these expectations may affect their performance evaluation and overall compensation.

3. Cost Trends

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

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

Table MPD-RR-16

Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Enterprise Training	\$1,336,470	\$1,331,632	\$1,580,804	\$1,705,864

Q. Please comment on the trend shown in Table MPD-RR-16.

A. There was very little change between 2017 and 2018. The small and steady increase between 2018 and the Updated Test Year was primarily related to additional employees being included in this class due to organizational changes and the associated compensation and benefits.

1 4. *Staffing Trends*

2 **Q. Please provide the staffing levels for the Enterprise Training class of services**
3 **for the three fiscal years preceding the end of the Updated Test Year and the**
4 **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 Enterprise Training class of services remained relatively constant
8 from 2017 through 2019. The Updated Test Year staffing increases reflect
9 organizational changes related to the establishment of this affiliate class.

10 **Table MPD-RR-17**

	Average End of Month # of Staff			
Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Enterprise Training	64	61	63	74

11 5. *Cost Control and Process Improvement Initiatives*

12 **Q. Separate from the budget planning process, does the Enterprise Training**
13 **department take any steps to control its costs or to improve its services?**

14 A. Yes. The plans, initiatives, and staffing of the Enterprise Training department are
15 continually reviewed to ensure they are appropriate and to identify and implement
16 improvements. Staffing levels are increased only when it becomes apparent that
17 there will be a long-term need for a specific type of expertise required to
18 accommodate new work taken in by the Service Center or a major initiative
19 requiring a specialized skill set. Conversely, staff is decreased if certain work is

1 no longer required or when there is an opportunity to maximize the use of a
2 higher level talent.

3 **D. The Costs for the Enterprise Training Class of Services are Priced**
4 **in a Fair Manner**

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

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

16 **Q. How are the costs of the Enterprise Training affiliate class billed to SPS?**

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

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

1 provided for the first nine months. In the event the predominant billing methods
2 and associated allocation methods for the Enterprise Training affiliate O&M
3 expenses on my updated Attachments MPD-RR-A and MPD-RR-B(CD) differ
4 from those discussed below, I will explain those differences in supplemental
5 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 Enterprise Training affiliate class of services?**

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

- 10 • Direct – 63.81% of XES charges to SPS – \$1,112,516.47 and
- 11 • Number of Employees – 36.16% of XES charges to SPS –
12 \$630,524.17.

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

15 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
16 normally reflect work that was performed specifically for SPS only. In some
17 cases, however, the direct billing occurred after the application of an off-line
18 allocator that tracks the relevant cost drivers. In either situation, the cost centers
19 charged using the “Direct Billing” method are appropriate because the assignment
20 of costs is in accordance with the distribution of benefits for the services received.
21 For example, the costs of providing consulting support for equal employment
22 opportunities, affirmative action, fitness for duty, and workforce relations are
23 assigned using the “Direct Billing” method. The cost of these services benefitted

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

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

11 A. For the cost centers that use the “Number of Employees” method as the allocator,
12 the costs are driven by the services provided to all employees. For example, Cost
13 Center 200166, which uses the “Number of Employees” method as the allocator,
14 captures labor costs associated with the HR service center call center which
15 answers employee questions regarding benefits and compensation. Thus, this cost
16 center allocates costs among the Xcel Energy legal entities based upon the
17 proportionate share of employees of each Xcel Energy legal entity (i.e., the
18 number of employees of a particular legal entity as a percentage of the total
19 number of employees of all of the legal entities). This allocation reflects cost
20 causation and the distribution of the benefits of the services received. For the cost
21 centers that assign costs based upon this allocation method, the per unit amounts
22 charged by XES to SPS as a result of the application of this allocation method 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 **Q. Does this conclude your pre-filed direct testimony?**

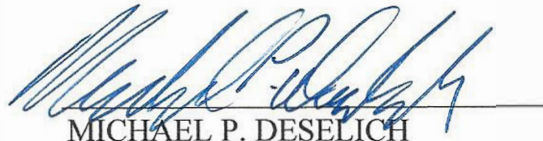
4 A. Yes.

AFFIDAVIT

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN)

MICHAEL P. DESELICH first being sworn on his oath, states:

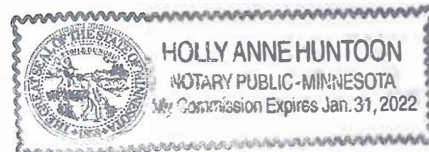
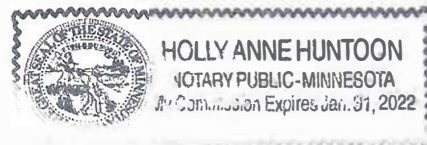
I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachment(s) and am familiar with the contents. Based upon my personal knowledge, the facts stated in the testimony are true. In addition, in my judgment and based upon my professional experience,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


MICHAEL P. DESELICH

Subscribed and sworn to before me this 29 day of January, 2021 by
MICHAEL P. DESELICH.


Notary Public, State of Minnesota

My Commission Expires: JAN 31, 2022



Attachment MPD-RR-1(CONF)

**Pages 1 through 24
of
Attachment MPD-RR-1(CONF)
Competitive Total Direct Compensation
Analysis (2020 Willis Towers Watson Study)
Are
Confidential Protected Information**

**CONFIDENTIAL PROTECTED MATERIALS
PROVIDED PURSUANT TO PROTECTIVE ORDER**



XCEL ENERGY NON-BARGAINING, EXEMPT EMPLOYEE ANNUAL INCENTIVE PROGRAM

Program Year: January 1 – December 31, 2020

CONTENTS

Introduction and Purpose of the Annual Incentive Program 2
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INTRODUCTION

Xcel Energy Inc. (individually and collectively with its affiliates and subsidiaries, “Xcel Energy” or “the Company”) offers a market-based total cash compensation package. Your total cash compensation includes your base salary and the opportunity to earn an annual incentive when the Company achieves its goals.

- Base salary is the fixed component of your total cash compensation. Generally, it does not change unless you have a change in your job (such as a promotion), change in your status (such as full time to part time), or have a change in pay (such as an earned base pay increase).
- Xcel Energy’s Annual Incentive Program (the “Program”) is the variable component of your total cash compensation.
- Variable compensation is not guaranteed pay as it is subject to achievement of goals, including your own performance, and your contribution to team or company results.

The Program will be in effect from January 1 to December 31, 2020 (the “Program Year”), unless amended to end at an earlier date or terminated. In order for the Program to pay out year-end incentive awards in the Program Year, Xcel Energy must meet certain operating goals and an affordability objective. Your incentive award is primarily based on corporate goal achievement and discretionary based on your individual contributions and performance.

The purpose of this document is to provide a high-level overview of the annual incentive program components and to outline the eligibility and administrative framework of the program. More detailed information regarding the program components can be found in XpressNET under Benefits/Pay/Incentives/Annual Incentive.

PURPOSE OF THE PROGRAM

Incentive Programs are a variable portion of employee total cash compensation and are directly aligned with the achievement of certain corporate KPIs in addition to your individual contributions and performance.

Xcel Energy uses the Program to align employees’ goals with corporate and business area objectives, and to recognize and reward employees for results that contribute to the achievement of Xcel Energy’s key performance indicators (or KPIs), including those focused on reliability, our customers and our employees. It is also used to motivate employees to enhance the customer experience, innovate and drive continuous improvement.

The Program also supports the Company’s position as an employer of choice by:

- Offering a market-competitive total cash compensation package;
- Fostering the growth and development of employees; and
- Enabling the Company to attract, retain, motivate and reward employees whose performance and contribution meets or exceeds Company expectations.

PARTICIPATION

The Program applies to regular, full and part-time status employees who are exempt, non-bargaining employees.

Newly hired or rehired employees must be actively employed by and working for Xcel Energy prior to October 1 of the Program Year to be eligible to participate in the Year-End Award portion of the Program for that Program Year.

Participants must also be actively employed by Xcel Energy on the day Program award payments are made in order to receive an incentive award under the program.

- Exceptions to active employment on the date awards are paid include: Involuntary Termination (with severance); Retirement; Death; Disability; or Qualified Leave of Absence.

For additional information regarding participation in the Program, see “Program Administration” beginning on page 7.

PERFORMANCE COMPONENTS

The Program for 2020 is based on two performance components, Corporate and Individual:

Level	Component	Timing of Opportunity
Corporate	Corporate Scorecard KPIs align to the priorities of Enhancing the Customer Experience, Keeping Bills Low, Safety and Reliability. Specific goals are listed on XpressNet at http://xpressnet/Our Company/Planning and Performance/High Level Scorecards	Year-end
Individual	a) Year-End Award individual contributions and performance that can be aligned to your performance goals as determined with your manager	Year-end
	b) I Deliver Award	Time Relevant
	c) Innovator Award	Time Relevant

INCENTIVE TARGETS

Incentive targets are based on salary grade and correspond to varying weights or percentages for the corporate and individual performance components, as shown below.

Salary Plans and Grades ¹			Incentive Target	Components Weights ²	
Exempt	Engineer	Trader		Corporate	Individual
N, O	--	--	6%	10%	90%
--	A, B	--	8%		
P, Q	C	001	10%	20%	80%
--	D, E	--	12%	30%	70%
R, S, T	--	002-006	15%		
U, V	--	--	20%	40%	60%
W	--	--	25%		
X	--	--	30%		

¹ Does not represent all salary plans. Other grades and salary structures will be mapped accordingly. Eligibility for each participant is determined by salary plan or grade as tracked in the Human Resources information systems and not based on job title.

² Generally no award will be paid to an employee who was or is on a Performance Improvement Plan (PIP) or was or is part of any other performance improvement or disciplinary process during or after the Program Year. However, managers will have the discretion to provide awards to these employees in situations where the employee has demonstrated sufficient improvement in performance.

The year-end incentive is subject to proration based on an employee's eligible position(s) during the Program Year. For additional information on prorated awards, see page 9.

For an employee on a Developmental (or Rotational) Assignment, his or her annual incentive target percentage is based on the salary grade of the job held prior to accepting the Developmental (or Rotational) Assignment position.

The payout range for achievement of year-end incentive award goals (unless otherwise noted on the scorecard) can be anywhere from zero percent (0%) to one hundred fifty percent (150%), as noted on the following page. In no circumstance will the year-end incentive paid exceed 150% of the employee's year-end incentive opportunity.

There is no maximum payout restriction for the I Deliver and Innovator awards. That could result in an employee earning a total annual incentive payout greater than 150% of their incentive target by earning one or more of these awards based on superior contributions and performance.

PROGRAM COMPONENTS**Corporate Scorecard – KPI**

The 2020 corporate scorecard goals focus on three priorities: Enhancing the Customer Experience, Keeping Bills Low, Safety, and Reliability.

Priority	Key Performance Indicator	Threshold (50%)	Target (100%)	Maximum (150%)	KPI Weight
Enhance Customer Experience	Customer Satisfaction <i>(JD Power residential survey)</i>	729	741	753	20%
	Wind Deployment <i>(Steel for Fuel)</i>	Capital Variance at +2%	Capital Variance at 0%	Capital Variance at -2%	20%
Keep Bills Low	Employee Safety¹ <i>(safety culture)</i>	Declining	Steady/Improving	Significant Improvement	20%
Safety and Reliability	Public Safety <i>(gas emergency response)</i>	90%	95%	99%	20%
	Electric System Reliability <i>(SAIDI)</i>	99	92	85	20%

¹ If, during the year, an event resulting in an employee fatality occurs in the course of business and the Company has achieved threshold or better performance, the KPI result's contribution to the corporate scorecard performance will be decreased to threshold. If, during the year, an event resulting in an employee fatality does not occur and the Company experiences both of the following conditions:

- 1) No employee has direct personal contact with an energized primary electric system that results in a DART Recordable injury; and
- 2) No employee experiences an unplanned natural gas ignition while working on company owned equipment that results in a DART Recordable injury.

Then, if the Company has achieved target or better performance, the KPI result's contribution to the corporate scorecard performance will be increased to maximum. If the Company has achieved results at threshold or better but below target, the KPI result's contribution to the corporate scorecard performance will be increased to target.

Threshold = 82, Target = 86, Maximum = 89.

Results are calculated in this manner:

Goal Achievement	Payout
Below Threshold	0%
Threshold to Target	50 % - 99.99% (based on a linear interpolation)
Target	100%
Target to Maximum	100.1%-149.99% (based on a linear interpolation)
Maximum	150%

Results will be rounded to the second decimal.

The Individual Component

The purpose of the Individual Component is to focus and reward employees for their individual performance and contribution to team or company results during the Program Year and to motivate them to enhance the customer experience, innovate and drive continuous improvement. The Individual Component is comprised of three separate opportunities: Year-End Award, I Deliver Award and the Innovator Award.

Year-End Award: Your manager has discretion to determine your year-end individual component award from within a range of 0% to 150% of your year-end individual opportunity based on your contributions and performance over the Program Year.

Having an individual award range allows management to recognize and differentiate employees based on their level of contribution and performance, consistent with the Company's pay-for-performance philosophy. Differentiation occurs at all levels based on relative contribution and performance as well as the AIP budget available to the business area.

The Year-End Award represents the largest portion of an eligible employee's individual component opportunity.

I Deliver Award: Eligible employees or teams can be nominated for an I Deliver award. These awards allow management to provide timely rewards to eligible employees and teams who deliver greater than expected results that have an impact at a team or department level and are linked to supporting the company strategy. The exceptional work should stand out compared to what is expected from the individual in the course of performing his or her job and link to a benefit for our customers. Nominations are reviewed and approved by a designated group of management on a monthly basis.

Innovator Award: Eligible employees or teams can be nominated for an Innovator award. These awards provide timely rewards to eligible employees or teams who implement innovative, high-impact solutions or processes that result in measurable savings or significant customer benefits at a company-wide level. All Innovator Award nominations are reviewed and approved by a designated group of management on a quarterly basis.

FUNDING THE PROGRAM

A prudent element of the Program is making sure the Company has the ability to pay for the annual incentives. Before the Year-End Award component of the Program will pay, an affordability trigger must be met as described below.

Earnings Per Share Determines Affordability

An affordability trigger, based on EPS at \$2.73, must be achieved before any Year-End Award can be paid. The 2020 EPS is based on continuing operations and shall be adjusted to exclude the positive or negative earnings impacts for any one-time, unusual events if the impact of the event exceeds \$20 million on an after-tax basis.

The funding allocated to the I Deliver and Innovator awards are not subject to an affordability trigger.

The Corporate Scorecard results can be multiplied by a funding factor based on EPS. The funding factor is selected by the CEO from an assessment of results and is within the following funding guidelines:

- 50% - 100% for \$2.73 to \$2.78
- 100% - 150% for \$2.79+

In no case will a Year-End Award payment be greater than 150% of the year-end incentive opportunity. However, an employee could earn a total annual incentive payout greater than 150% of their incentive target if they are nominated and earn one or more I Deliver or Innovator awards during the course of the program year.

PROGRAM ADMINISTRATION

Effective date of Program The Annual Incentive Program covers a performance period of January 1 to December 31, 2020 and becomes effective at the start of that performance period (January 1). This is defined as the Program Year. The scorecard goals, as defined by the KPIs, are communicated to employee participants at or near the start of the performance period.

Approval and Timing of Payment After the 2020 financial statements are released, the Governance, Compensation & Nominating Committee of the Xcel Energy Inc. Board of Directors will review financial and corporate results. Actual Year-End Award payments will be made no later than two and a half months following the end of the relevant Program Year.

I Deliver and Innovator awards are reviewed and approved by Company management on a periodic basis. Award payments will be made as soon as administratively feasible after awards have been approved.

Form of Payment Annual incentive awards are paid in cash and payment will be made separately from the normal payment of wages. No deferrals can be made to the 401(k) Retirement Savings Program from annual incentive awards. Eligible employees may defer all or a portion of their Year-End Awards into the Xcel Energy Deferred Compensation Plan ("DCP," see descriptions for details on eligibility). In addition, the Company, at its discretion, may allow deductions to be made from year-end incentive payments to Health Savings Accounts (HSA) as allowable under IRS regulations. The Company will deduct all legally required withholdings on cash payments, DCP deferral elections and/or HSA deduction.

Eligibility

You must be considered a regular, non-bargaining exempt (full- or part-time) employee of Xcel Energy at any point during the Program Year.

Non-Exempt employees are not eligible for the Year-End and I Deliver awards but are eligible to receive an Innovator Award. Funding for Innovator Awards for non-exempt employees will come from sources outside of the Program.

Bargaining Unit employees, employees considered “temporary” and/or are interns, and independent contractors are not eligible to participate in the Program.

Status Changes. If an employee’s status changes from:

- Temporary to regular status prior to October 1st of the Program Year, the year-end portion of the incentive will be prorated based on the number of days worked after becoming a regular status employee.
- Temporary to regular status after October 1st, the employee will not be eligible to participate in the year-end portion of the incentive for that Program Year.
- Non-bargaining to bargaining or vice versa, the year-end incentive will be prorated based on the number of days worked in an eligible non-bargaining status.

Hired or Rehired During Program Year. New employees, including independent contractors hired as employees, hired or rehired during the Program Year must be hired or rehired and actively employed by and working for Xcel Energy prior to October 1 of the Program Year to be eligible to participate in the year-end portion of the incentive for that year.

It is recommended that an employee has completed at least one quarter of employment before being nominated for an I Deliver or Innovator award.

Employed on Last Day of Program Year and Date of Payment. You must be an active employee of Xcel Energy on December 31, 2020, and you must have continuous service through the day the year-end incentive award is paid, unless one of the following applies:

- Retirement, death, long-term disability (LTD), Qualified Leave of Absence (unpaid military leave and personal leave), involuntary termination with severance – Eligible for a prorated year-end incentive award based on individual performance during the length of qualifying active service (number of calendar days of service divided by number of calendar days in the Program Year) during the Program Year. Final Year-End Awards will be calculated and paid at the same time Year-End Awards are paid to active participants. Deferral and payment elections become null and void.

Employed on Date of Payment. You must have continuous service through the date of I Deliver and Innovator awards are paid, unless one of the following applies:

- Retirement, death, long-term disability (LTD), Qualified Leave of Absence (unpaid military leave and personal leave), involuntary termination with severance. I Deliver and Innovator awards will be paid at the same time these awards are paid to active participants.

If you are terminated for any other reason (e.g., voluntary resignation or involuntary termination for cause) during the Program Year, you lose all rights to any incentive through the date of your termination and will receive no award.

Generally no award will be paid to an employee who was or is on a Performance Improvement Plan (PIP) or was or is part of any other performance improvement or disciplinary process during or after the Program Year. However, managers will have the discretion to provide awards to these employees in situations where the employee has demonstrated sufficient improvement in performance.

If you participate in any other Xcel Energy incentive or commission program, or any incentive program established specifically as an alternative to this Program, you are not eligible to participate in the Xcel Energy Non-bargaining Exempt Employee Annual Incentive Program without prior approval. Additionally, I Deliver and Innovator Awards cannot be used to reward employees for actions covered under another type of program or agreement. The Executive Vice President, Chief Human Resources Officer or his/her designee or successor will resolve any disputes related to Program participation and administration.

Calendar Days All references in this Program booklet to number of calendar days will be based on 365 days in the year (including leap years).

Award Proration

This list contains the most common proration scenarios. As additional situations arise that impact award proration they will be administered consistent with the scenarios outlined below and program administration practices.

Year-end incentive awards for the Program Year are prorated as follows:

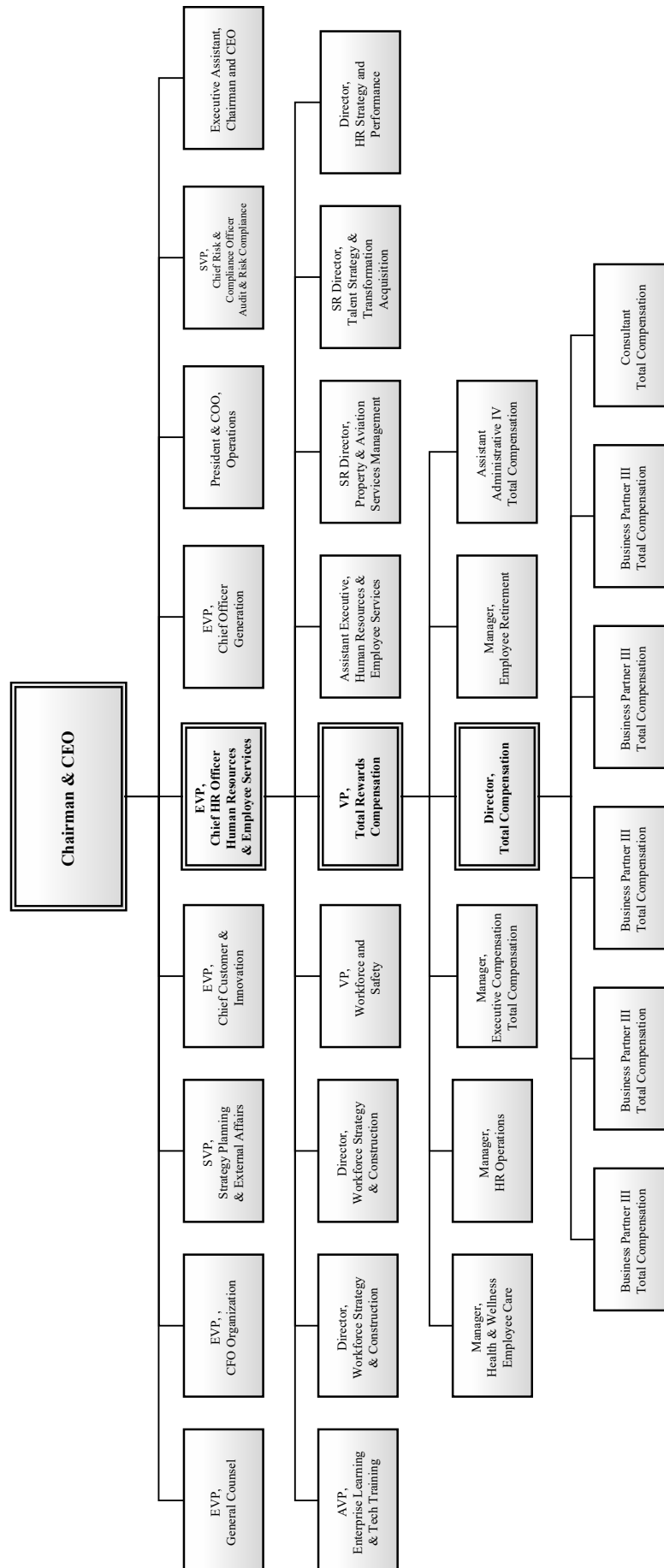
- An eligible employee who is hired or who is transferred to/from /between an eligible position(s) during the Program Year is eligible for a Year-End Award based on the number of calendar days employed in a qualifying position. Award basis (incentive target and salary grade) is described on page 4.

- An eligible employee who retires, dies, qualifies for long-term disability (LTD), takes a leave of absence or is involuntarily terminated with severance is eligible for a Year-End Award based on the number of calendar days actively employed by Xcel Energy in an AIP eligible position.
- An eligible employee who changes from full-time to part-time status, or vice versa, is eligible for a Year-End Award based on the period of time within each status. An award range attributable to the full-time service period will be calculated in the same manner as awards are calculated for other full-time employees. In addition, an award range for the part-time service will be calculated in the same manner as other part-time employees. The results of these calculations will be added together and paid as one incentive award.
- An eligible employee who changes salary plans, incentive targets or has an annual salary change will receive a Year-End Award calculated for each period. The results of these calculations will be added together and paid as one incentive award.
- An employee who voluntarily resigns from Xcel Energy during the Program Year but is rehired and actively working prior to October 1st of the Program Year, forfeits any year-end incentive through the date the employee resigned. However, the employee is eligible for a prorated Year-End Award based on the number of days worked from the rehire date through the end of the Program Year, as long as the employee remains continuously employed through the date the year-end incentive payment is made.

INCENTIVE AWARD PROGRAM RELATED INFORMATION

Chief Executive Officer	The Chief Executive Officer (or designee) will have full discretion and final authority to adopt, amend, alter or rescind the Program without advance notice for any reason at his/her sole discretion based upon financial or operating conditions or otherwise.
No Right to Continued Employment	No individual shall have any claim or right to be granted an award under the Program, and the granting of an award shall not be construed as giving the participant the right of continued employment with Xcel Energy.

Southwestern Public Service Company
Organization Chart – Human Resources & Employee Services
As of September 30, 2020



Southwestern Public Service Company

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

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
1	Enterprise Training	200122 - Transmission Electric Supervision & Engineering (S&E) FERC 560	Electric Transmission Plant	\$ 5,047.36	\$ 3,521.49	\$ 1,525.87	\$ -	\$ 1,525.87	\$ 20.96	\$ 1,546.83	0.09%
2	Enterprise Training	200137 - Energy Supply Miscellaneous Power Expense FERC 506, 539, & 549	MWH Generation	(6,293.91)	(4,774.92)	(1,518.99)	-	(1,518.99)	(45.57)	(1,564.56)	-0.09%
3	Enterprise Training	200138 - Energy Supply Operation Supervision & Engineering (S&E) FERC 500, 535, & 546	MWH Generation	1,897.06	1,440.68	456.38	-	456.38	(6.04)	450.34	0.03%
4	Enterprise Training	200166 - Human Resources (Diversity/Safety/Employee Relations)	Number of Employees	4,236,036.85	3,617,479.84	618,557.01	(18.42)	618,538.59	11,985.58	630,524.17	36.16%
5	Enterprise Training	Direct	Direct	5,635,277.47	4,541,995.54	1,093,281.93	(6,420.00)	1,086,861.93	25,654.54	1,112,516.47	63.81%
6	Enterprise Training Total			\$ 9,871,964.83	\$ 8,159,662.63	\$ 1,712,302.20	\$ (6,438.42)	\$ 1,705,863.78	\$ 37,609.47	\$ 1,743,473.25	100.00%
7	Human Resources	200073 - Human Resources (HR) - Corporate Governance	Assets/Revenue/No. of employees	\$ 1,448,185.37	\$ 1,261,289.93	\$ 186,895.44	\$ -	\$ 186,895.44	\$ 8,090.21	\$ 194,985.65	10.97%
8	Human Resources	200164 - Payroll	Number of Employees	223,454.02	190,758.65	32,695.37	-	32,695.37	438.16	33,133.53	1.86%
9	Human Resources	200166 - Human Resources (Diversity/Safety/Employee Relations)	Number of Employees	9,677,901.93	8,267,790.25	1,410,111.68	(8,114.78)	1,401,996.90	47,470.89	1,449,467.79	81.51%
10	Human Resources	Direct	Direct	679,835.12	582,167.99	97,667.13	-	97,667.13	2,930.01	100,597.14	5.66%
11	Human Resources Total			\$ 12,029,376.44	\$ 10,302,006.82	\$ 1,727,369.62	\$ (8,114.78)	\$ 1,719,254.84	\$ 58,929.28	\$ 1,778,184.12	100.00%
12	SS Company Benefits	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 70,570,422.36	\$ 61,456,326.42	\$ 9,114,095.94	\$ -	\$ 9,114,095.94	\$ (5,557,661.31)	\$ 3,556,434.63	17.32%
13	SS Company Benefits	200064 - Shareholder - Corporate Governance	Assets/Revenue/No. of employees	11.23	9.79	1.44	-	1.44	0.03	1.47	0.00%
14	SS Company Benefits	200065 - Investor Relations - Corporate Governance	Assets/Revenue/No. of employees	147,158.60	128,151.14	19,007.46	-	19,007.46	835.27	19,842.73	0.10%

Southwestern Public Service Company

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Exclusions	Per Book	Pro Forms	Requested Amount (Total Company)	% of Class Charges
15	SS Company Benefits	200066 - Accounting, Reporting & Tax - Corporate Governance	Assets/Revenue/No. of employees	4,231,660.00	3,685,168.73	546,491.27	-	546,491.27	21,521.83	568,013.10	2.77%
16	SS Company Benefits	200067 - Audit Services - Corporate Governance	Assets/Revenue/No. of employees	623,572.92	543,031.30	80,541.62	-	80,541.62	3,311.11	83,852.73	0.41%
17	SS Company Benefits	200068 - Corporate Finance, Treasury & Cash Management - Corporate Governance	Assets/Revenue/No. of employees	809,081.42	704,602.46	104,478.96	-	104,478.96	4,216.78	108,695.74	0.53%
18	SS Company Benefits	200069 - Risk Management - Corporate Governance	Assets/Revenue/No. of employees	126,695.45	110,331.78	16,363.67	-	16,363.67	568.89	16,932.56	0.08%
19	SS Company Benefits	200070 - Corporate Strategy & Business Development - Corporate Governance	Assets/Revenue/No. of employees	471,617.44	410,683.68	60,933.76	-	60,933.76	2,199.95	63,133.71	0.31%
20	SS Company Benefits	200071 - Legal - Corporate Governance	Assets/Revenue/No. of employees	2,133,888.35	1,858,315.85	275,572.50	-	275,572.50	11,007.82	286,580.32	1.40%
21	SS Company Benefits	200072 - Communications - Corporate Governance	Assets/Revenue/No. of employees	830,602.86	723,344.89	107,257.97	-	107,257.97	4,013.09	111,271.06	0.54%
22	SS Company Benefits	200073 - Human Resources (HR) - Corporate Governance	Assets/Revenue/No. of employees	1,135,409.15	988,789.36	146,619.79	-	146,619.79	5,755.57	152,375.36	0.74%
23	SS Company Benefits	200074 - Corporate Systems - Corporate Governance	Assets/Revenue/No. of employees	4,619,403.36	4,022,843.76	596,559.60	-	596,559.60	23,328.93	619,888.53	3.02%
24	SS Company Benefits	200075 - Board of Directors - Corporate Governance	Assets/Revenue/No. of employees	559.12	486.88	72.24	-	72.24	2.93	75.17	0.00%
25	SS Company Benefits	200076 - Xcel Foundation	Assets/Revenue/No. of employees	61,103.94	53,171.30	7,932.64	-	7,932.64	(7,932.64)	-	0.00%
26	SS Company Benefits	200077 - Branding	Assets/Revenue/No. of employees	479,841.83	417,548.60	62,293.23	-	62,293.23	2,333.94	64,627.17	0.31%
27	SS Company Benefits	200078 - Governmental Affairs	Assets/Revenue/No. of employees	442,580.39	385,250.96	57,329.43	-	57,329.43	2,235.93	59,565.36	0.29%
28	SS Company Benefits	200079 - Federal Lobbying	Assets/Revenue/No. of employees	198,387.76	172,611.77	25,775.99	(20,802.65)	4,973.34	-	4,973.34	0.02%
29	SS Company Benefits	200080 - Capital Asset Accounting	Assets/Revenue/No. of employees	22,024.77	18,802.53	3,222.24	-	3,222.24	102.96	3,325.20	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) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
30	SS Company Benefits	200081 - Accounting, Reporting, & Taxes	Assets/Revenue/No. of employees	5,360.25	4,574.42	785.83	-	785.83	76.04	861.87	0.00%
31	SS Company Benefits	200086 - Legal & Claims Services	Assets/Revenue/No. of employees	1,977.89	1,687.39	290.50	-	290.50	9.17	299.67	0.00%
32	SS Company Benefits	200087 - Accounting, Reporting & Tax - Regulated	Assets/Revenue/No. of employees	2,428,449.17	2,071,435.33	357,013.84	-	357,013.84	14,304.42	371,318.26	1.81%
33	SS Company Benefits	200088 - Accounting, Reporting, Tax & Audit Services - Regulated Electric	Assets/Revenue/No. of employees	428,769.97	365,727.61	63,042.36	-	63,042.36	2,541.90	65,584.26	0.32%
34	SS Company Benefits	200089 - Audit Services - OpCo's & TransCo's	Assets/Revenue/No. of employees	33,608.41	28,669.62	4,938.79	-	4,938.79	237.66	5,176.45	0.03%
35	SS Company Benefits	200090 - Risk Management - OpCo's & TransCo's	Assets/Revenue/No. of employees	987,966.32	842,699.03	145,267.29	-	145,267.29	5,682.26	150,949.55	0.74%
36	SS Company Benefits	200091 - Captive Insurance	Assets/Revenue/No. of employees	108,666.44	92,746.26	15,920.18	-	15,920.18	623.61	16,543.79	0.08%
37	SS Company Benefits	200092 - Corporate Strategy & Business Development	Assets/Revenue/No. of employees	455,139.81	388,209.69	66,930.12	-	66,930.12	2,601.65	69,531.77	0.34%
38	SS Company Benefits	200093 - Legal - OpCo's & TransCo's	Assets/Revenue/No. of employees	187,909.71	160,281.31	27,628.40	-	27,628.40	1,048.32	28,676.72	0.14%
39	SS Company Benefits	200096 - Energy Markets - Business Services	Assets/Revenue/No. of employees	507,564.62	432,906.23	74,658.39	-	74,658.39	2,746.80	77,405.19	0.38%
40	SS Company Benefits	200097 - Accounting and Finance Software Applications Maintenance	Assets/Revenue/No. of employees	1,031.04	879.18	151.86	-	151.86	3.56	155.42	0.00%
41	SS Company Benefits	200098 - Electric Transmission FERC 566	Assets/Revenue/No. of employees	(5,557.09)	(4,741.07)	(816.02)	-	(816.02)	3.95	(812.07)	0.00%
42	SS Company Benefits	200100 - Accounting, Reporting, Tax & Audit Services - Regulated Gas	Assets/Revenue/No. of employees	120,607.36	120,607.36	-	-	-	-	-	0.00%
43	SS Company Benefits	200101 - Legal Gas	Assets/Revenue/No. of employees	2,641.99	2,641.99	-	-	-	-	-	0.00%
44	SS Company Benefits	200104 - Accounting & Reporting - PSCo & SPS	Assets/Revenue/No. of employees	152,087.27	106,203.37	45,883.90	-	45,883.90	1,199.43	47,083.33	0.23%

Southwestern Public Service Company

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

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
45	SS Company Benefits	200105 - Accounting & Reporting - NSPM & NSPW	Assets/Revenue/No. of employees	120,780.75	120,780.75	-	-	-	-	-	0.00%
46	SS Company Benefits	200106 - Accounting & Reporting Electric - NSPM & NSPW	Assets/Revenue/No. of employees	311,607.22	311,607.22	-	-	-	-	-	0.00%
47	SS Company Benefits	200107 - Legal - NSPM & NSPW	Assets/Revenue/No. of employees	11,964.62	11,964.62	-	-	-	-	-	0.00%
48	SS Company Benefits	200108 - Advanced Metering Infrastructure (AMI)	No. of AMI Meters	17,821.63	17,821.63	-	-	-	-	-	0.00%
49	SS Company Benefits	200111 - Enterprise Application Integration (EAI)	Avg of Select Set Softwr Alltrrs	41.43	36.78	4.65	-	4.65	0.18	4.83	0.00%
50	SS Company Benefits	200112 - Mainframe Charges	Avg of Select Set Softwr Alltrrs	1,310.70	1,218.84	91.86	-	91.86	4.69	96.55	0.00%
51	SS Company Benefits	200115 - Miscellaneous Applications	Average of All Software Percent	189,125.94	168,985.94	20,140.00	-	20,140.00	882.50	21,022.50	0.10%
52	SS Company Benefits	200116 - Distribution Electric Supervision & Engineering (S&E) FERC 580	Electric Distribution Plant	236,387.89	207,956.05	28,431.84	-	28,431.84	955.27	29,387.11	0.14%
53	SS Company Benefits	200117 - Distribution Electric Metering FERC 586	Electric Distribution Plant	31,064.84	27,333.23	3,731.61	-	3,731.61	67.91	3,799.52	0.02%
54	SS Company Benefits	200118 - Distribution Electric Load Dispatching/EMS FERC 581	Electric Distribution Plant	2,574.38	2,263.65	310.73	-	310.73	14.18	324.91	0.00%
55	SS Company Benefits	200119 - Distribution Electric & Gas Miscellaneous FERC 588 & 880	Elec Dist Plant Gas Dist Plant	11,648.71	10,632.46	1,016.25	-	1,016.25	61.86	1,078.11	0.01%
56	SS Company Benefits	200121 - Distribution Electric & Gas and Transmission Gas Miscellaneous FERC 588, 880, & 859	ElecDspPlnt GasTranPlnt GasDspPlnt	26.51	24.38	2.13	-	2.13	0.11	2.24	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 Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
57	SS Company Benefits	200122 - Transmission Electric Supervision & Engineering (S&E) FERC 560	Electric Transmission Plant	2,135,731.32	1,488,006.93	647,724.39	-	647,724.39	25,550.57	673,274.96	3.28%
58	SS Company Benefits	200123 - Transmission Electric Reliability, Planning, & Standards Development FERC 561.5	Electric Transmission Plant	3,821.56	2,687.02	1,134.54	-	1,134.54	14.34	1,148.88	0.01%
59	SS Company Benefits	200124 - Transmission Electric Load Dispatch-Monitor and Operate Transmission System FERC 561.2	Electric Transmission Plant	58,263.36	40,584.78	17,678.58	-	17,678.58	642.85	18,321.43	0.09%
60	SS Company Benefits	200125 - Transmission Electric Supervision & Engineering (S&E) NSPM & NSPW FERC 560	Electric Transmission Plant	1,164,877.88	1,164,877.88	-	-	-	-	-	0.00%
61	SS Company Benefits	200126 - Utilities Group Administrative & General (A&G) FERC 921	ElcTm ElcDst GasTm GasDst Pnt	306,055.76	255,433.07	50,622.69	-	50,622.69	2,049.02	52,671.71	0.26%
62	SS Company Benefits	200127 - Distribution Gas Supervision & Engineering (S&E) FERC 870	Gas Distribution Plant	713,699.76	713,699.76	-	-	-	-	-	0.00%
63	SS Company Benefits	200129 - Distribution Gas Meters and House Regulators FERC 878	Gas Distribution Plant	(51.60)	(51.60)	-	-	-	-	-	0.00%
64	SS Company Benefits	200130 - Transmission Gas Supervision & Engineering (S&E) FERC 850	Gas Transmission Plant	301,570.65	301,570.65	-	-	-	-	-	0.00%
65	SS Company Benefits	200131 - Distribution & Transmission Gas System Control and Load Dispatching FERC 851 & 871	Gas Trans Plant Gas Dist Plant	328,764.53	328,764.53	-	-	-	-	-	0.00%
66	SS Company Benefits	200132 - Payment and Reporting	Invoice Transactions	430,269.43	385,240.66	45,028.77	-	45,028.77	1,768.43	46,797.20	0.23%
67	SS Company Benefits	200133 - Proprietary Trading - Back Office	Joint Operating Agreement	65,020.13	51,100.28	13,919.85	-	13,919.85	581.59	14,501.44	0.07%

Southwestern Public Service Company

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

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
68	SS Company Benefits	200134 - Proprietary Trading - Front/Mid Office FERC 557	Joint Operating Agreement	1,201,242.14	944,073.06	257,169.08	-	257,169.08	10,176.71	267,345.79	1.30%
69	SS Company Benefits	200135 - Energy Supply Business Resources	MWH Generation	271.32	206.61	64.71	-	64.71	2.64	67.35	0.00%
70	SS Company Benefits	200136 - Energy Markets - Fuel	MWH Generation	371,196.21	283,219.26	87,976.95	-	87,976.95	3,597.73	91,574.68	0.45%
71	SS Company Benefits	200137 - Energy Supply Miscellaneous Power Expense FERC 506, 539, & 549	MWH Generation	94,725.36	72,399.67	22,325.69	-	22,325.69	950.73	23,276.42	0.11%
72	SS Company Benefits	200138 - Energy Supply Operation Supervision & Engineering (S&E) FERC 500, 535, & 546	MWH Generation	2,813,383.12	2,151,818.85	661,564.27	-	661,564.27	26,251.34	687,815.61	3.35%
73	SS Company Benefits	200139 - Energy Supply Maintenance Supervision & Engineering (S&E) FERC 510, 541, & 551	MWH Generation	129,495.89	99,133.33	30,362.56	-	30,362.56	1,157.25	31,519.81	0.15%
74	SS Company Benefits	200141 - Energy Supply Operation Supervision & Engineering (S&E) PSCO & SPS FERC 500, 535, & 546	MWH Generation	467.78	285.15	182.63	-	182.63	7.49	190.12	0.00%
75	SS Company Benefits	200142 - Energy Supply Maintenance Supervision & Engineering (S&E) PSCO & SPS FERC 510, 541, & 551	MWH Generation	22,222.75	13,669.24	8,553.51	-	8,553.51	351.03	8,904.54	0.04%
76	SS Company Benefits	200143 - Energy Supply Miscellaneous Power Expense NSPM & NSPW FERC 506, 539, & 549	MWH Generation	70,035.35	70,035.35	-	-	-	-	-	0.00%
77	SS Company Benefits	200144 - Energy Supply Operation Supervision & Engineering (S&E) NSPM & NSPW FERC 500, 535, & 546	MWH Generation	70,910.20	70,910.20	-	-	-	-	-	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 Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
78	SS Company Benefits	200146 - Energy Markets - Regulated Trading	MWH Hours Sold	216,854.18	159,896.74	56,957.44	-	56,957.44	2,062.48	59,019.92	0.29%
79	SS Company Benefits	200147 - Business Objects	Number of Business Objects Users	260,770.41	231,537.67	29,232.74	-	29,232.74	1,138.20	30,370.94	0.15%
80	SS Company Benefits	200148 - Business Systems	Number of Computers	9,002,969.31	7,811,457.25	1,191,512.06	-	1,191,512.06	48,680.50	1,240,192.56	6.04%
81	SS Company Benefits	200149 - Customer & Enterprise Solutions (CES)	Number of Computers Customers Empl	34.53	30.53	4.00	-	4.00	0.20	4.20	0.00%
82	SS Company Benefits	200151 - Customer Billing FERC 903	Number of Customer Bills	2,251,761.74	2,061,522.27	190,239.47	-	190,239.47	7,484.73	197,724.20	0.96%
83	SS Company Benefits	200152 - Customer Care 902	Number of Customers	396,413.78	368,969.97	27,443.81	-	27,443.81	1,089.07	28,532.88	0.14%
84	SS Company Benefits	200153 - Customer Safety Advertising & Information Costs	Number of Customers	68,943.85	64,162.52	4,781.33	-	4,781.33	198.78	4,980.11	0.02%
85	SS Company Benefits	200154 - Customer Service Information Technology (IT) FERC 903	Number of Customers	1,916.64	1,783.92	132.72	-	132.72	10.06	142.78	0.00%
86	SS Company Benefits	200155 - Customer Care FERC 903	Number of Customers	8,252,211.95	7,679,946.72	572,265.23	-	572,265.23	22,601.55	594,866.78	2.90%
87	SS Company Benefits	200156 - Customer Care FERC 901	Number of Customers	137,941.15	128,375.61	9,565.54	-	9,565.54	373.47	9,939.01	0.05%
88	SS Company Benefits	200160 - Customer Care NSPM & NSPW FERC 903	Number of Customers	127,938.14	127,938.14	-	-	-	-	-	0.00%
89	SS Company Benefits	200161 - Customer Care Low Income Assistance FERC 908	Number of Residential Customers	164,190.29	150,732.01	13,458.28	-	13,458.28	522.19	13,980.47	0.07%
90	SS Company Benefits	200162 - Call Logging and Quality Management (CL/QM) FERC 903	Number of Cust Number of Contacts	69.45	61.54	7.91	-	7.91	0.28	8.19	0.00%
91	SS Company Benefits	200163 - Employee Communications	Number of Employees	414,522.46	354,244.25	60,278.21	-	60,278.21	2,549.27	62,827.48	0.31%
92	SS Company Benefits	200164 - Payroll	Number of Employees	264,767.98	226,221.13	38,546.85	-	38,546.85	3,354.88	41,901.73	0.20%
93	SS Company Benefits	200165 - Employee Management Systems	Number of Employees	931,247.17	795,801.02	135,446.15	-	135,446.15	5,243.48	140,689.63	0.69%

Southwestern Public Service Company

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

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Forms	(K) Requested Amount (Total Company)	(L) % of Class Charges
94	SS Company Benefits	200166 - Human Resources (Diversity/Safety/Employee Relations)	Number of Employees	5,115,328.71	4,370,106.45	745,222.26	-	745,222.26	29,857.79	775,080.05	3.77%
95	SS Company Benefits	200167 - e-Business	Number of Employees	5.21	4.45	0.76	-	0.76	0.01	0.77	0.00%
96	SS Company Benefits	200169 - Energy Supply Systems Miscellaneous FERC 417.1, 506, 539, & 549	Number of Maximo Users	3,339.58	2,674.03	665.55	-	665.55	290.72	956.27	0.00%
97	SS Company Benefits	200170 - Meter Reading and Monitoring Systems FERC 902	Number of Meters	33,693.98	31,430.42	2,263.56	-	2,263.56	87.08	2,350.64	0.01%
98	SS Company Benefits	200171 - Customer Resource System (CRS) FERC 903	Number of Mtrs Number of Cntracts	537,873.89	477,408.61	60,465.28	-	60,465.28	2,481.19	62,946.47	0.31%
99	SS Company Benefits	200172 - Network	Phones Radios Computers	1,562,010.63	1,357,456.09	204,554.54	-	204,554.54	7,883.94	212,438.48	1.03%
100	SS Company Benefits	200173 - Generation Trading/Native Hedge - Back Office	Prop Trading Hours	828.54	631.17	197.37	-	197.37	10.37	207.74	0.00%
101	SS Company Benefits	200174 - Generation Trading/Native Hedge - Mid Office FERC 557	Prop Trading Hours	114,604.08	87,304.35	27,299.73	-	27,299.73	1,068.41	28,368.14	0.14%
102	SS Company Benefits	200176 - Marketing & Sales	Revenue	826,884.06	705,133.68	121,750.38	-	121,750.38	4,998.06	126,748.44	0.62%
103	SS Company Benefits	200177 - Rates & Regulation - Electric	Revenue	678,754.20	527,943.83	150,810.37	-	150,810.37	5,866.99	156,677.36	0.76%
104	SS Company Benefits	200178 - Rates & Regulation	Revenue	410,355.06	318,874.84	91,480.22	-	91,480.22	3,526.17	95,006.39	0.46%
105	SS Company Benefits	200180 - EMS-Shared (Energy Management System-SCADA) FERC 556, 561.2, & 581	Elec Prod Elec Trns Elec Dst Plnt	414,732.21	339,552.46	75,179.75	-	75,179.75	3,017.70	78,197.45	0.38%
106	SS Company Benefits	200181 - Energy Supply Environmental Policy & Services	Electric PTD Gas TD Plant	253,894.18	213,421.13	40,473.05	-	40,473.05	1,546.20	42,019.25	0.20%
107	SS Company Benefits	200184 - PowerPlan	Total Plant	283.16	240.26	42.90	-	42.90	3.52	46.42	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 Formas	(K) Requested Amount (Total Company)	(L) % of Class Charges
108	SS Company Benefits	Direct	Direct	40,821,137.40	33,115,530.02	7,705,607.38	(4,922.07)	7,700,685.31	301,155.51	8,001,840.82	38.97%
109	SS Company Benefits Total			\$176,802,849.55	\$151,322,682.23	\$25,480,167.32	\$ (25,724.72)	\$25,454,442.60	\$ (4,920,888.90)	\$ 20,533,553.70	100.00%
110	Total Witness Michael P. Deselich			\$198,704,190.82	\$169,784,351.68	\$28,919,839.14	\$ (40,277.92)	\$28,879,561.22	\$ (4,824,350.15)	\$ 24,055,211.07	
	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

Michael P. Deselich

2021 TX Rate Case

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

MPD-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	Enterprise Training	426.1 - Donations	Below the Line	\$ (6,000.00)
2	Enterprise Training	426.5 - Other Deductions	Below the Line	(438.42)
3	Enterprise Training Total			\$ (6,438.42)
4	Human Resources	426.1 - Donations	Below the Line	\$ (5,972.69)
5	Human Resources	426.5 - Other Deductions	Below the Line	(2,142.09)
6	Human Resources Total			\$ (8,114.78)
7	SS Company Benefits	417.1 - Expenses of nonutility operations	Below the Line	\$ (4,743.20)
8	SS Company Benefits	426.4 - Expenditures for certain civic, political and related activities	Below the Line	(20,981.52)
9	SS Company Benefits Total			\$ (25,724.72)
10	Total Witness Michael P. Deselich			\$ (40,277.92)
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
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	Enterprise Training	500 - Operation supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 7.12
2	Enterprise Training	500 - Operation supervision and engineering	Business Area Adjustment	Michael P. Deselich	(11.89)
3	Enterprise Training	506 - Miscellaneous steam power expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	8,633.54
4	Enterprise Training	546 - Operation supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	1.91
5	Enterprise Training	546 - Operation supervision and engineering	Business Area Adjustment	Michael P. Deselich	(3.18)
6	Enterprise Training	549 - Miscellaneous other power generation expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	(4.69)
7	Enterprise Training	560 - Operation supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	20.96
8	Enterprise Training	566 - Miscellaneous transmission expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	9,054.84
9	Enterprise Training	588 - Miscellaneous distribution expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	5,747.62
10	Enterprise Training	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	14,252.41
11	Enterprise Training	921 - Office supplies and expenses	Business Area Adjustment	Michael P. Deselich	(89.18)
12	Enterprise Training Total				\$ 37,609.47
13	Human Resources	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 44,965.50
14	Human Resources	921 - Office supplies and expenses	Business Area Adjustment	Michael P. Deselich	(205.81)
15	Human Resources	930.1 - General advertising expenses	Advertising	Stephanie N. Niemi	14,169.59

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC
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)
16	Human Resources Total				\$ 58,929.28
17	SS Company Benefits	408.1 - Tax Other Than Income Tax - Payroll	Foundation	William A. Grant	\$ (1,532.20)
18	SS Company Benefits	500 - Operation supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00
19	SS Company Benefits	500 - Operation supervision and engineering	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(6,942.62)
20	SS Company Benefits	500 - Operation supervision and engineering	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.58
21	SS Company Benefits	501 - Fuel	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(4,743.05)
22	SS Company Benefits	501 - Fuel	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.00)
23	SS Company Benefits	502 - Steam expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.08
24	SS Company Benefits	502 - Steam expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(12.81)
25	SS Company Benefits	502 - Steam expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	58.99
26	SS Company Benefits	505 - Electric expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.10
27	SS Company Benefits	505 - Electric expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(18.33)
28	SS Company Benefits	505 - Electric expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	74.40
29	SS Company Benefits	506 - Miscellaneous steam power expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.20
30	SS Company Benefits	506 - Miscellaneous steam power expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(7,695.24)

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC
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)
31	SS Company Benefits	506 - Miscellaneous steam power expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	147.03
32	SS Company Benefits	510 - Maintenance supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00
33	SS Company Benefits	510 - Maintenance supervision and engineering	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(301.69)
34	SS Company Benefits	510 - Maintenance supervision and engineering	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	3.52
35	SS Company Benefits	511 - Maintenance of structures	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.18
36	SS Company Benefits	511 - Maintenance of structures	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(28.20)
37	SS Company Benefits	511 - Maintenance of structures	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	135.50
38	SS Company Benefits	512 - Maintenance of boiler plant	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.27
39	SS Company Benefits	512 - Maintenance of boiler plant	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(2,530.31)
40	SS Company Benefits	512 - Maintenance of boiler plant	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	197.14
41	SS Company Benefits	513 - Maintenance of electric plant	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.25
42	SS Company Benefits	513 - Maintenance of electric plant	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(1,282.91)
43	SS Company Benefits	513 - Maintenance of electric plant	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	194.27
44	SS Company Benefits	514 - Maintenance of miscellaneous steam plant	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.26
45	SS Company Benefits	514 - Maintenance of miscellaneous steam plant	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(38.81)

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC
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)
46	SS Company Benefits	514 - Maintenance of miscellaneous steam plant	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	186.97
47	SS Company Benefits	546 - Operation supervision and engineering	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(1,529.12)
48	SS Company Benefits	548 - Generation Expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.02)
49	SS Company Benefits	548 - Generation Expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.05
50	SS Company Benefits	549 - Miscellaneous other power generation expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.30
51	SS Company Benefits	549 - Miscellaneous other power generation expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(687.51)
52	SS Company Benefits	549 - Miscellaneous other power generation expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	220.64
53	SS Company Benefits	551 - Maintenance supervision and engineering	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(1,209.64)
54	SS Company Benefits	552 - Maintenance of structures	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.01
55	SS Company Benefits	552 - Maintenance of structures	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.75)
56	SS Company Benefits	552 - Maintenance of structures	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	5.80
57	SS Company Benefits	553 - Maintenance of generating and electric plant	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.04
58	SS Company Benefits	553 - Maintenance of generating and electric plant	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(1,169.44)
59	SS Company Benefits	553 - Maintenance of generating and electric plant	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	29.13

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC
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)
60	SS Company Benefits	554 - Maintenance of miscellaneous other power generation plant	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.18
61	SS Company Benefits	554 - Maintenance of miscellaneous other power generation plant	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(19.79)
62	SS Company Benefits	554 - Maintenance of miscellaneous other power generation plant	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	135.89
63	SS Company Benefits	556 - System control and load dispatching	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(2,782.25)
64	SS Company Benefits	557 - Other expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(5,546.17)
65	SS Company Benefits	560 - Operation supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.03
66	SS Company Benefits	560 - Operation supervision and engineering	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(19,132.95)
67	SS Company Benefits	560 - Operation supervision and engineering	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	21.76
68	SS Company Benefits	561.2 - Load dispatch-Monitor and operate transmiss system	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00
69	SS Company Benefits	561.2 - Load dispatch-Monitor and operate transmiss system	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(692.11)
70	SS Company Benefits	561.2 - Load dispatch-Monitor and operate transmiss system	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.70
71	SS Company Benefits	561.5 - Reliability planning and standards development	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(8.05)
72	SS Company Benefits	561.6 - Transmission service studies	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC
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)
73	SS Company Benefits	561.6 - Transmission service studies	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.72)
74	SS Company Benefits	561.6 - Transmission service studies	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	2.22
75	SS Company Benefits	561.7 - Generation interconnection studies	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(506.77)
76	SS Company Benefits	562 - Station expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00
77	SS Company Benefits	562 - Station expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(1.28)
78	SS Company Benefits	562 - Station expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	1.28
79	SS Company Benefits	563 - Overhead line expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.10
80	SS Company Benefits	563 - Overhead line expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(20.81)
81	SS Company Benefits	563 - Overhead line expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	74.05
82	SS Company Benefits	566 - Miscellaneous transmission expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.03
83	SS Company Benefits	566 - Miscellaneous transmission expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(1,962.78)
84	SS Company Benefits	566 - Miscellaneous transmission expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	25.43
85	SS Company Benefits	570 - Maintenance of station equipment	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.04
86	SS Company Benefits	570 - Maintenance of station equipment	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(3.87)
87	SS Company Benefits	570 - Maintenance of station equipment	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	28.22

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Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC
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)
88	SS Company Benefits	571 - Maintenance of overhead lines	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.03
89	SS Company Benefits	571 - Maintenance of overhead lines	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(151.36)
90	SS Company Benefits	571 - Maintenance of overhead lines	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	26.97
91	SS Company Benefits	575.1 - Operation Supervision	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(519.09)
92	SS Company Benefits	575.2 - Day-ahead and real-time market administration	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(996.56)
93	SS Company Benefits	575.5 - Ancillary services market administration	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(51.26)
94	SS Company Benefits	575.6 - Market monitoring and compliance	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(74.90)
95	SS Company Benefits	580 - Operation supervision and engineering	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.12
96	SS Company Benefits	580 - Operation supervision and engineering	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(1,710.06)
97	SS Company Benefits	580 - Operation supervision and engineering	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	86.78
98	SS Company Benefits	581 - Load dispatching	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(187.07)
99	SS Company Benefits	582 - Distribution Operation Station Expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00
100	SS Company Benefits	582 - Distribution Operation Station Expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(32.83)
101	SS Company Benefits	582 - Distribution Operation Station Expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.50
102	SS Company Benefits	583 - Overhead line expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.10

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Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC
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)
103	SS Company Benefits	583 - Overhead line expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(156.28)
104	SS Company Benefits	583 - Overhead line expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	67.83
105	SS Company Benefits	584 - Underground Line Expense	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00
106	SS Company Benefits	584 - Underground Line Expense	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.10)
107	SS Company Benefits	584 - Underground Line Expense	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.55
108	SS Company Benefits	585 - Street Lighting and Signal System Expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00
109	SS Company Benefits	585 - Street Lighting and Signal System Expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(64.89)
110	SS Company Benefits	585 - Street Lighting and Signal System Expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	2.31
111	SS Company Benefits	586 - Meter expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.04
112	SS Company Benefits	586 - Meter expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(496.85)
113	SS Company Benefits	586 - Meter expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	27.81
114	SS Company Benefits	587 - Distribution Operation Customer Installations expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.09)
115	SS Company Benefits	587 - Distribution Operation Customer Installations expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.07
116	SS Company Benefits	588 - Miscellaneous distribution expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.15
117	SS Company Benefits	588 - Miscellaneous distribution expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(2,481.45)

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Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC
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(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
118	SS Company Benefits	588 - Miscellaneous distribution expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	111.88
119	SS Company Benefits	590 - Maintenance supervision and engineering	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(73.13)
120	SS Company Benefits	592 - Distribution Maintenance of Station Equipment	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.02
121	SS Company Benefits	592 - Distribution Maintenance of Station Equipment	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(2.88)
122	SS Company Benefits	592 - Distribution Maintenance of Station Equipment	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	15.01
123	SS Company Benefits	593 - Maintenance of overhead lines	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.28
124	SS Company Benefits	593 - Maintenance of overhead lines	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(580.03)
125	SS Company Benefits	593 - Maintenance of overhead lines	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	205.55
126	SS Company Benefits	594 - Maintenance of Underground Lines	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00
127	SS Company Benefits	594 - Maintenance of Underground Lines	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.04)
128	SS Company Benefits	594 - Maintenance of Underground Lines	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.51
129	SS Company Benefits	596 - Maintenance of Street Lighting and Signal Systems	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.02
130	SS Company Benefits	596 - Maintenance of Street Lighting and Signal Systems	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(1.56)
131	SS Company Benefits	596 - Maintenance of Street Lighting and Signal Systems	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	12.29
132	SS Company Benefits	598 - Maintenance of Miscellaneous Distribution Plant	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00

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Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC
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(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
133	SS Company Benefits	598 - Maintenance of Miscellaneous Distribution Plant	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.00)
134	SS Company Benefits	901 - Supervision	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(91.48)
135	SS Company Benefits	902 - Meter reading expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.27
136	SS Company Benefits	902 - Meter reading expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(325.11)
137	SS Company Benefits	902 - Meter reading expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	192.38
138	SS Company Benefits	903 - Customer records and collection expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.06
139	SS Company Benefits	903 - Customer records and collection expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(7,747.11)
140	SS Company Benefits	903 - Customer records and collection expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	42.43
141	SS Company Benefits	905 - Miscellaneous Customer Accounts Expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(44.94)
142	SS Company Benefits	908 - Customer assistance expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.04
143	SS Company Benefits	908 - Customer assistance expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(266.83)
144	SS Company Benefits	908 - Customer assistance expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	26.20
145	SS Company Benefits	910 - Miscellaneous customer service and informational expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(28.34)
146	SS Company Benefits	912 - Sales Demo & Sales	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.00
147	SS Company Benefits	912 - Sales Demo & Sales	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(27.42)

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(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
148	SS Company Benefits	912 - Sales Demo & Sales	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	1.97
149	SS Company Benefits	916 - Miscellaneous Sales Expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(2.07)
150	SS Company Benefits	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	2,182.43
151	SS Company Benefits	920 - Administrative and general salaries	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(83,096.42)
152	SS Company Benefits	920 - Administrative and general salaries	Foundation	William A. Grant	(2,437.99)
153	SS Company Benefits	920 - Administrative and general salaries	LTI	Stephanie N. Niemi/Michael P. Deselich	(5,586,084.57)
154	SS Company Benefits	920 - Administrative and general salaries	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	16,857.95
155	SS Company Benefits	921 - Office supplies and expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.16
156	SS Company Benefits	921 - Office supplies and expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(25.01)
157	SS Company Benefits	921 - Office supplies and expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	115.80
158	SS Company Benefits	925 - Injuries & Damages	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.00)
159	SS Company Benefits	925 - Injuries & Damages	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.03
160	SS Company Benefits	925 - Injuries & Damages	Foundation	William A. Grant	(20.30)
161	SS Company Benefits	925 - Injuries & Damages	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.07)
162	SS Company Benefits	926 - Employee pensions and benefits	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	1,136.36

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(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
163	SS Company Benefits	926 - Employee pensions and benefits	Executive Perquisites	Stephanie N. Niemi	(8,214.79)
164	SS Company Benefits	926 - Employee pensions and benefits	Foundation	William A. Grant	(3,942.15)
165	SS Company Benefits	926 - Employee pensions and benefits	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	816,757.30
166	SS Company Benefits	928 - Regulatory Commission Expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	0.09
167	SS Company Benefits	928 - Regulatory Commission Expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(33.49)
168	SS Company Benefits	928 - Regulatory Commission Expenses	P&B Adjustment	Stephanie N. Niemi/Michael P. Deselich	62.39
169	SS Company Benefits	930.2 - Miscellaneous general expenses	Annual Incentive Target Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.51)
170	SS Company Benefits Total				\$ (4,920,888.90)
171	Total Witness Michael P. Deselich				\$ (4,824,350.15)
	Amounts may not add or tie to other schedules due to rounding				