

**NOTICE OF CONFIDENTIALITY:
AN ATTACHMENT TO THIS TESTIMONY HAVE BEEN FILED UNDER SEAL.**

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

* * * * *

RE: IN THE MATTER OF ADVICE)
LETTER NO. 912-GAS FILED BY)
PUBLIC SERVICE COMPANY OF)
COLORADO TO REVISE ITS) PROCEEDING NO. 17AL-____G
COLORADO PUC NO. 6-GAS TARIFF)
TO IMPLEMENT A GENERAL RATE)
SCHEDULE ADJUSTMENT AND)
OTHER RATE CHANGES EFFECTIVE)
ON 30-DAYS NOTICE.)

**CONFIDENTIAL DIRECT TESTIMONY AND ATTACHMENTS OF
ADAM R. DIETENBERGER**

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

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AN ATTACHMENT TO THIS TESTIMONY HAVE BEEN FILED UNDER SEAL**

Confidential: Confidential Attachment ARD-4

June 2, 2017

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SUMMARY OF THE DIRECT TESTIMONY OF ADAM R. DIETENBERGER

1 Mr. Adam R. Dietenberger is Senior Manager, Service Company Accounting and
2 Cash Processes of Xcel Energy Services Inc. (“XES” or “Service Company”), the
3 service company affiliate of Public Service Company of Colorado (“Public Service” or
4 “Company”). In this position, Mr. Dietenberger, has responsibility for oversight of XES
5 administration, including accounting, billing, allocations, policies and procedures,
6 service agreements, internal audits, external audits, and external reporting to state and
7 federal regulatory agencies. He is also responsible for the publication of the cost
8 assignment and allocation manuals and fully distributed cost studies in those
9 jurisdictions where these items are required such as Colorado.

10 In his Direct Testimony, Mr. Dietenberger describes the organizational structure
11 of Xcel Energy Inc. (“Xcel Energy”), the utility holding company parent of Public Service
12 and XES, and explains how that organizational structure affects the flow of costs,
13 specifically to Public Service, to ensure that Public Service’s regulated gas, electric, and

1 thermal utility divisions are not subsidizing non-regulated activities. Mr. Dietenberger
2 specifically explains the role of XES, and discusses the impact of the implementation of
3 a new general ledger system on the processing of costs.

4 Mr. Dietenberger also presents the Public Service Cost Assignment and
5 Allocation Manual (“CAAM”), together with the allocation methods and percentages that
6 were used in preparing the January 1, 2016 through December 31, 2016 Historical Test
7 Year Cost of Service (“2016 HTY”) and the Multi-Year Plan (“MYP”) period of January 1,
8 2018 through December 31, 2020, which includes the 2018, 2019, and 2020 Cost of
9 Service presented by Mr. Steven Berman. Lastly, Mr. Dietenberger sponsors the
10 Company’s Fully Distributed Cost (“FDC”) Study showing all the costs that have been
11 assigned and allocated to Public Service’s non-regulated activities.

12 Mr. Dietenberger recommends that the Commission approve the CAAM and FDC
13 study as a reasonable basis for appropriately assigning or allocating costs to Public
14 Service’s gas division for purposes of the 2016 HTY and MYP covering the period of
15 2018 through 2020 presented by Mr. Berman. He further requests that the Commission
16 approve the allocation methods as detailed in the CAAM.

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LIST OF ATTACHMENTS

Attachment ARD-1	Public Service Company's Cost Assignment and Allocation Manual (CAAM) dated December 2016
Attachment ARD-2	Comparison Document that identifies all modifications to the CAAM since it was last filed in Proceeding No. 15AL-0135G
Attachment ARD-3	Public Service Company's Fully Distributed Cost Study, page 1
Confidential Attachment ARD-4	Public Service Company's Fully Distributed Cost Study, page 2 (CONFIDENTIAL, filed under seal)
Attachment ARD-5	Redacted copy of Public Service Company's Fully Distributed Cost Study, page 2
Attachment ARD-6	XES Allocating Cost Center Allocation Methods and Percentages
Attachment ARD-7	IT FERC Allocation Methods and Percentages
Attachment ARD-8	Utility Allocation Methods and Percentages
Attachment ARD-9	Non-regulated Activity Allocation Methods and Percentages

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
2016 HTY	The January 1, 2016 through December 31, 2016 Historical Test Year Cost of Service
A&G	Administrative and General
CAAM	Cost Assignment and Allocation Manual
CEO	Chief Executive Officer
Commission	Colorado Public Utilities Commission
CWIP	Construction Work in Progress
FDC	Fully Distributed Cost
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
JDE	J. D. Edwards
MYP	Multi-Year Plan period of January 1, 2018 through December 31, 2020, which includes the 2018, 2019, and 2020 Test Years.
NOPR	Notice of Proposed Rulemaking
NSPM	Northern States Power Company, a Minnesota corporation
NSPW	Northern States Power Company, a Wisconsin corporation
O&M	Operations and Maintenance
Operating Companies	Public Service, NSPM, NSPW, and SPS
Operating Company	One of the Operating Companies
Proceeding No. 02S-315EG	2002 Gas Phase I Rate Case
Proceeding No. 06A-555EG	2006 Cost Assignment Allocation Model Proceeding

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Proceeding No. 15AL-0135G	2015 Gas Phase I Rate Case
PUHCA 1935	The Public Utility Holding Company Act of 1935
PUHCA 2005	The Public Utility Holding Company Act of 2005, 18 Code of Federal Regulation Parts 365 and 366
Public Service or the Company	Public Service Company of Colorado
RIS	Rate Information System
RWIP	Retirement Work in Progress
SCADA	Supervisory Control and Data Acquisition
SEC	Securities and Exchange Commission
SKF	Statistical Key Figure
SPS	Southwestern Public Service Company
USoA	Uniform System of Accounts
WBS	Work Breakdown Structures
WGI	WestGas InterState, Inc.
Xcel Energy	Xcel Energy Inc.
XES or Service Company	Xcel Energy Services Inc.
XEST	Xcel Energy Southwest Transmission Company, LLC
XETD	Xcel Energy Transmission Development Company, LLC
XEWT	Xcel Energy West Transmission Company, LLC

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DIRECT TESTIMONY AND ATTACHMENTS OF ADAM R. DIETENBERGER

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

3 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

7 A. I am employed by Xcel Energy Services Inc. (“XES” or “Service Company”) as
8 Senior Manager, Service Company Accounting and Cash Processes. XES is a
9 wholly-owned subsidiary of Xcel Energy Inc. (“Xcel Energy”), and provides an
10 array of support services to Public Service Company of Colorado (“Public

1 Service” or the “Company”) and the other utility Operating Companies and
2 affiliates within the Xcel Energy holding company system¹.

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

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

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

6 A. As the Senior Manager, Service Company Accounting and Cash Processes, my
7 responsibilities include the general administration of XES, including accounting,
8 billing, allocations, policies and procedures, service agreements, internal audits,
9 external audits, and external reporting to state and federal regulatory agencies. I
10 am also responsible for: 1) the publication of cost assignment and allocation
11 manuals in each jurisdiction, where required, such as in Colorado; 2) the
12 updating and maintenance of system processes for shared corporate services
13 allocations and internal order allocations for all of the Xcel Energy Operating
14 Companies and affiliates where such allocations are necessary; and 3) Xcel
15 Energy’s Cash Processes group, which is responsible for monitoring and
16 reconciling the cash activity, long-term debt, and other related items for all Xcel

¹ Xcel Energy is the public utility holding company parent of four utility operating companies: Public Service; Northern States Power Company, a Minnesota corporation (“NSPM”); Northern States Power Company, a Wisconsin corporation (“NSPW”); and Southwestern Public Service Company (“SPS”) (collectively the “Operating Companies” and each individually an “Operating Company”). Xcel Energy’s owns a natural gas pipeline company, WestGas InterState, Inc. (“WGI”). Through a subsidiary, Xcel Energy Transmission Holding Company, LLC, Xcel Energy owns three transmission-only operating companies: Xcel Energy Southwest Transmission Company, LLC (“XEST”); Xcel Energy Transmission Development Company, LLC (“XETD”); and Xcel Energy West Transmission Company, LLC (“XEW”); all of which are either currently regulated by the Federal Energy Regulatory Commission (“FERC”) or expected to be regulated by FERC. In addition Xcel Energy owns several other subsidiaries.

1 Energy Operating Companies and affiliates. A statement of my qualifications,
2 duties and responsibilities is included below in my Statement of Qualifications.

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

4 A. In my testimony, I provide the following information:

- 5 • In Section II – I provide a list of definitions of specific terms and processes
6 that I use throughout my testimony to support the Company’s cost
7 allocations and fully distributed cost study.
- 8 • In Section III – I describe the Xcel Energy Holding Company structure and
9 organizational structure to provide the necessary context to understand
10 the flow of transactions within Xcel Energy companies (primarily the
11 Service Company) and Public Service.
- 12 • In Section IV - I describe the use of the new SAP general ledger system,
13 which replaces the Company’s previous J. D. Edwards (“JDE”) general
14 ledger system, and its treatment of cost assignments and allocations
15 within the Xcel Energy system. I also provide explanations and
16 comparisons of the processing of transactions in the Company’s previous
17 JDE general ledger system to the SAP general ledger system. Both
18 systems were designed to ensure that costs are assigned to the
19 appropriate Operating Company or affiliate and utility and that Public
20 Service’s regulated utility operations are not subsidizing its non-regulated
21 activities, among other things.
- 22 • In Section V - I provide an overview of the flow of costs in the general
23 ledger system including how the costs ultimately reside on Public
24 Service’s books and records.
- 25 • In Section VI – I describe the Service Company, its history and operations,
26 and the administration of the allocation methods, allocation statistics,
27 allocation percentages or ratios, and allocation pools.

- 1 • In Sections VII and VIII – I explain the cost allocation rules and the history
2 of the cost allocation rules as they apply to Public Service’s Cost
3 Assignment and Allocation Manual (“CAAM”) and its Fully Distributed Cost
4 (“FDC”) Study, which we are filing in compliance with Commission Rule
5 4500 *et seq.*
- 6 • In Sections IX and X – I sponsor Public Service’s CAAM dated December
7 2016, a copy of which is included as Attachment ARD-1, as well as
8 support the cost assignment and allocation methods and the percentages
9 used in preparing the January 1, 2016 through December 31, 2016
10 Historical Test Year Cost of Service (“2016 HTY”) and the Multi-Year Plan
11 (“MYP”), which includes the 2018, 2019 and 2020 test years. Additionally,
12 I provide a comparison document that identifies all significant
13 modifications to the CAAM, since it was last filed and approved in
14 Proceeding No. 15AL-0135G as Attachment ARD-2.
- 15 • In Section X – I sponsor the Company’s FDC Study applicable to the 2016
16 HTY, a copy of which is included as Attachment ARD-3 and Confidential
17 Attachment ARD-4.

18 **Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR DIRECT**
19 **TESTIMONY?**

20 A. Yes, I am sponsoring Attachments ARD-1 through ARD-9 and Confidential
21 Attachment ARD-4, which were prepared by me or under my direct supervision.

22 A brief description of each attachment is listed below:

- 23 • Attachment ARD-1 – Public Service Company’s CAAM dated December
24 2016: a complete copy of the December 2016 CAAM that has been
25 updated to reflect the SAP general ledger that went live on January 1,
26 2016.

- 1 • Attachment ARD-2 – Comparison Document that identifies all significant
2 modifications to the CAAM since it was last filed in 2015 Gas Phase I Rate
3 Case (“Proceeding No. 15AL-0135G”): a red-lined copy of the December
4 2016 CAAM when compared to the December 2014 CAAM.
- 5 • Attachment ARD-3 – Public Service Company’s FDC Study, page 1: the
6 attachment shows the split of Public Service’s costs between the gas,
7 electric, and thermal utility divisions and the non-regulated activities by
8 FERC account.
- 9 • Confidential Attachment ARD-4 – Public Service’s FDC Study, page 2
10 (CONFIDENTIAL, filed under seal): page 2 of the FDC Study lists the non-
11 regulated activities of Public Service and includes the amounts for each
12 category of costs, and is therefore confidential.
- 13 • Attachment ARD-5 – Redacted copy of Public Service’s FDC Study, page
14 2 (Public Version): this version of page 2 is the same as Confidential
15 Attachment ARD-4, but redacts the amounts for each category of costs.
- 16 • Attachment ARD-6 – XES Allocating Cost Center Methods and
17 Percentages: this attachment includes a list of the XES allocating cost
18 centers used to allocate XES charges to the Operating Companies and
19 affiliates. It includes the allocation method, statistics and percentages to
20 charge each Operating Company and affiliate and also includes the
21 comparative JDE three-digit subledger codes.
- 22 • Attachment ARD-7 – IT FERC Allocation Methods and Percentages: this
23 attachment includes a list of the five internal orders used to allocate
24 certain IT costs, the allocation methods used, an explanation of the
25 reasonableness of each allocation method, and the percentages allocated
26 to the applicable FERC accounts.
- 27 • Attachment ARD-8 – Utility Allocation Methods and Percentages: this
28 attachment includes a list of the Utility Operation and Maintenance
29 (“O&M”) allocations and the Utility Non-O&M allocations, the allocation

1 methods, an explanation of the reasonableness of each allocation method,
2 and the percentages allocated to each utility.

- 3 • Attachment ARD-9 – Non-regulated Activity Allocation Methods and
4 Percentages: this attachment includes a list of the non-regulated activity
5 allocations, the allocation methods, the reasonableness of each allocation
6 method, and the percentages applied to each non-regulated activity.

7 **Q. WHAT RECOMMENDATIONS ARE YOU MAKING IN YOUR DIRECT**
8 **TESTIMONY?**

9 A. I recommend that the Colorado Public Utilities Commission (“Commission”)
10 approve the CAAM and FDC study as a reasonable basis for appropriately
11 assigning or allocating costs to the Public Service gas utility division for purposes
12 of the 2016 HTY and the MYP presented by Mr. Berman. I further recommend
13 that the Commission approve the allocation methods as detailed in the CAAM
14 (see Attachment ARD-1).

II. DEFINITIONS

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

A. Yes. For ease of reading and reference, the following capitalized terms used throughout my testimony will have the following definitions:

- **Allocated Charges:** The terms **Allocated Charges** and **Indirect Charges** are interchangeable when used in this document. These charges occur when the costs for services cannot be directly assigned to a specific Operating Company or affiliate and are therefore allocated to the Operating Companies and affiliates that benefit from the services based on the appropriate allocation methods by XES.
- **Allocating Cost Center in SAP:** An allocating cost center is used to collect costs that will be allocated to other cost centers, internal orders, or work breakdown structures (“WBS”).
- **Allocation Methods or Formulas:** Allocation methods or formulas are the basis for assigning costs to an affiliate and result from using a single allocation ratio or the average of two or more allocation ratios. Examples of allocation methods or formulas include: **Number of Customers; Number of Employees; Revenues; and Assets.**
- **Allocation Percentages or Ratios:** Each set of allocation statistics is used to calculate an allocation percentage or ratio. For example, the employee ratio uses the number of employees for each affiliate to the total number of employees for all affiliates to determine the percentage of services chargeable to each affiliate.
- **Allocation Statistics:** Allocation statistics are the actual numerical inputs used to derive the allocation ratios or percentages. Examples of statistics are: the dollar amount of assets, the count of

1 employees, the dollar amount of revenues, the number of
2 customers, the number of invoice transactions, megawatt hours of
3 generation, and the number of customer bills.

- 4 • Assessment Process in SAP: The process used by the SAP
5 general ledger system to allocate costs from an allocating cost
6 center to the receiving cost element (e.g., Final Cost Center,
7 Internal Order, WBS element).
- 8 • Common Costs: the term common costs in the context of this
9 document means those costs that are applicable to the three utility
10 divisions (e.g., gas, electric, or thermal) and the non-regulated
11 activities in Public Service.
 - 12 ○ Public Service Common Costs – For example, an invoice for
13 general mail service charged to FERC account 921 on
14 Public Service benefits all three utility divisions and the non-
15 regulated activities. In order to make sure each utility division
16 gets a share of the cost for rate-making purposes, utility
17 allocations are used to allocate a portion of the cost to each
18 utility using the three-factor allocator defined in Section VII,
19 Utility Allocations of the CAAM (see Attachment ARD-1).
20 Because these costs were charged to FERC account 921 as
21 common costs, they are also included in the calculation of
22 the non-regulated activity A&G overhead as defined in
23 Section VIII, Non-regulated Activity Allocations of the CAAM.
 - 24 ○ Service Company Common Costs – If similar corporate
25 general mail service charges were allocated from the
26 Service Company to Public Service and charged to FERC
27 account 921, they would be treated as common costs
28 benefitting the three utility divisions (e.g., gas, electric, and
29 thermal) and the non-regulated activities. These charges

1 would also go through the Utility Allocations and the Non-
2 regulated activity allocations described above.

- 3 • Cost Center in SAP: An organizational unit that represents a
4 defined functional location where costs are incurred.
- 5 • Cost Element in SAP: Term to describe an organizational unit in
6 SAP that is used to track costs in the accounting system as they
7 move through the various processing steps.
- 8 • Direct Charges: Direct charges occur when an employee of any
9 affiliate including XES can clearly identify that the service being
10 rendered is for the benefit of a specific Operating Company or
11 affiliate.
- 12 • Final Cost Center in SAP: A cost center defined by business area,
13 Operating Company or affiliate, and profit center.
- 14 • Indirect Charges: The terms Indirect Charges and Allocated
15 Charges are interchangeable when used in this document. These
16 charges occur when the cost for services cannot be directly
17 assigned to a specific Operating Company or affiliate and are
18 therefore allocated to the Operating Companies and affiliates that
19 benefit from the services based on the appropriate allocation
20 methods.
- 21 • Internal Orders in SAP: Internal orders are required for all
22 transactions that are booked to an income statement account. All
23 internal orders have settlement rules assigned at the time they are
24 created. The settlement rules determine how the costs will be
25 treated during the month-end close process in SAP. For example, if
26 the settlement rule states that the costs in a specific internal order
27 are to settle to an internal order on an Operating Company or
28 affiliate, the costs are direct charged to that Operating Company or
29 affiliate. If the settlement rule states that the costs in a specific

1 internal order are indirect or allocated Service Company charges,
2 the Service Company internal order will settle to an Allocating Cost
3 Center in the Service Company. The Allocating Cost Center will
4 then go through the Assessment process to charge the costs to the
5 appropriate legal entities. Each internal order is associated with
6 only one Operating Company or affiliate.

- 7 • Native Costs: Charges that originate in Public Service, benefit
8 Public Service, and remain on Public Service's books and records.
- 9 • Profit Center in SAP: An SAP data element that identifies the state
10 (e.g., Colorado) and utility (e.g., gas, electric, thermal, or common)
11 or Joint Venture Owner (e.g., Hayden Joint Venture).
- 12 • Receiving Cost Element in SAP: A generic term for a cost element
13 that receives costs when a settlement or assessment process is
14 run.
- 15 • Service Billing in JDE: All costs that were billable in JDE required a
16 subledger value to be included in the accounting string. The
17 allocation methods, allocation statistics, and allocation percentages
18 were associated with the indirect or allocated subledger codes and
19 applied to the costs in the Service Billing process. For example, a
20 three-digit subledger value identified the cost as an indirect
21 allocation and as such, the system applied the assigned allocation
22 percentages when billing it to the appropriate Operating Companies
23 and affiliates. If a six-digit subledger value was used, the charge
24 was direct billed to a specific Operating Company or affiliate.
- 25 • Settlement Process in SAP: All costs recorded in an internal order
26 are processed through the settlement process to move them from
27 the internal order to a cost element (final cost center, allocating cost
28 center, internal order, etc.). The settlement process will move the
29 costs both within an Operating Company or affiliate and between

1 Operating Companies and affiliates depending on the settlement
2 rule of the internal order. This process captures: (1) native costs
3 within an Operating Company or affiliate; (2) XES direct and
4 indirect billings to the Operating Companies and affiliates; (3)
5 billings between an Operating Company and an affiliate other than
6 XES (intercompany billings); and (4) billings between departments
7 or business areas within an Operating Company or affiliate.

- 8 • Statistical Key Figure (“SKF”) in SAP: The method by which the
9 allocation percentages or ratios are organized in the accounting
10 system and linked to allocating cost centers to facilitate the
11 performance of the assessment process to allocate or distribute
12 costs.
- 13 • Subledgers in JDE: The subledger identified the type of cost (direct
14 or indirect) and how it should be treated by service billing. A three-
15 digit subledger value identified the cost as an indirect allocation and
16 a six-digit subledger value identified the cost as a direct charge.
17 Various subledger values (i.e., three-digit, five-digit, six-digit, and
18 eight-digit) were used to capture costs in JDE. Based on these
19 values, the JDE system applied the related allocation percentages
20 or directly charged the transactions to the Operating Companies
21 and affiliates in the Service Billing process.
- 22 • Three-digit Allocation in JDE: Once the system identified the costs
23 as needing to be allocated, it applied the allocation percentages to
24 the costs on a monthly basis to bill the appropriate legal entities.
- 25 • Work Breakdown Structures in SAP: Hierarchical cost collectors
26 representing work performed that includes various attributes to be
27 used for the reporting of costs.

1 **III. XCEL ENERGY OPERATIONS**

2 **Q. PLEASE DESCRIBE THE XCEL ENERGY HOLDING COMPANY**
3 **STRUCTURE.**

4 A. Xcel Energy is the public utility holding company parent of four utility operating
5 companies: Public Service; Northern States Power Company, a Minnesota
6 corporation (“NSPM”); Northern States Power Company, a Wisconsin corporation
7 (“NSPW”); and Southwestern Public Service Company (“SPS”) (collectively the
8 “Operating Companies” and each individually an “Operating Company”). Xcel
9 Energy owns a natural gas transmission pipeline company, WestGas Interstate,
10 Inc. (“WGI”). Through a subsidiary, Xcel Energy Transmission Holding Company,
11 LLC, Xcel Energy owns three transmission-only operating companies: Xcel
12 Energy Southwest Transmission Company, LLC (“XEST”); Xcel Energy
13 Transmission Development Company, LLC (“XEDT”); and Xcel Energy West
14 Transmission Company, LLC (“XEWT”), all of which are either currently regulated
15 by the FERC or expected to be regulated by FERC. Over the past several years,
16 Xcel Energy has reduced the number of its non-regulated business activities, and
17 divested itself of most of its non-regulated subsidiaries. A complete list of Xcel
18 Energy subsidiaries as of December 2016 is provided in Section III of the CAAM
19 (see Attachment ARD-1).

1 **Q. DOES THE XCEL ENERGY HOLDING COMPANY STRUCTURE INCLUDE A**
2 **CENTRALIZED SERVICE COMPANY?**

3 A. Yes. XES is the centralized service company for Xcel Energy. I explain the role of
4 XES in Section VI of my Direct Testimony.

5 **Q. PLEASE DESCRIBE HOW XCEL ENERGY MANAGES ITS BUSINESS.**

6 A. Xcel Energy takes both the individual company management (e.g., Public
7 Service) and the functional organization management (business area,
8 organization, and department) into consideration when managing its business.
9 Xcel Energy is currently organized into the business areas and cost centers as
10 listed below. A brief description is included with each business area and cost
11 center.

- 12 • Chief Executive Office (“CEO”): the operations of the CEO office;
- 13 • Energy Supply: all generation and related operations;
- 14 • Distribution Operations: distribution and all related operations;
- 15 • Gas Systems: gas operations;
- 16 • Transmission: transmission and substation operations;
- 17 • Operations Services: fuels, commercial operations, and supply chain;
- 18 • Utilities and Corporate Services: business systems or information
19 technology operations, human resources, customer services,
20 marketing and communications, regulatory affairs, Chief Administrative
21 Office, property services, enterprise security, aviation, and safety and
22 group presidents;
- 23 • Corporate Secretary and Executive Services: internal and external
24 communications, compliance related activities, Corporate Secretary,
25 public relations and advertising;

- Financial Operations: financial services, such as the controller's organization, treasury, audit services, tax services, risk management, Chief Financial Officer, investor relations, and financial management;
- General Counsel: all legal and claims services, corporate policy, and supporting implementation of corporate strategy;
- Nuclear: all nuclear generation and related operations (not applicable to Public Service);
- Benefits Related: corporate-managed employee benefits; and
- Corporate Other: corporate-managed costs, such as company use credits and first set credits.

All of the above are business areas except Benefits Related and Corporate Other which are costs centers.

Within Xcel Energy, most employees belong to, or are associated with, both an Operating Company or XES and a business area. For example, a gas pipeline welder will be an employee of Public Service and also be associated with the Gas Systems business area. An accountant will be an employee of XES and also be associated with the Financial Operations business area.

1 **IV. SAP GENERAL LEDGER**

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

4 A. Since its last Gas Phase I Rate Case, Proceeding No. 15AL-0135G, the
5 Company has made a change to its accounting system. Specifically, in January
6 2016, Xcel Energy, the Service Company, the utility Operating Companies, and
7 their affiliates began using the SAP general ledger system, which replaced the
8 JDE general ledger system, as the system of record for financial transactions. In
9 this section, I will discuss the flow of costs within the holding company system
10 and how that flow affects costs for Public Service, I will also provide a
11 comparison of the JDE terminology and processing with the SAP terminology
12 and processing. My intent is to provide assurance that the two systems process
13 the costs in a very similar manner.

14 **Q. DID THE IMPLEMENTATION OF SAP RESULT IN ANY CHANGES TO THE**
15 **LEGAL ENTITIES OR FUNCTIONAL ORGANIZATIONS AS DESCRIBED IN**
16 **THE PREVIOUS SECTION?**

17 A. No. As part of the implementation of the SAP general ledger, there were no
18 changes in either the legal entities or functional organizations.

1 **Q. DID THE IMPLEMENTATION OF SAP RESULT IN ANY CHANGES TO THE**
2 **FLOW OF ACCOUNTING TRANSACTIONS OR THE ALLOCATION**
3 **PROCESS?**

4 A. As part of the implementation of the SAP general ledger, system functionality
5 was designed to be very similar to JDE. However, as with any new system, the
6 terminology and process steps may differ somewhat from one system to another.
7 For example, the three-digit subledger 110 in JDE was used to capture and
8 allocate executive management costs based on revenues, assets and number of
9 employees. In SAP, there is an equivalent allocating cost center, 200063, that is
10 used to capture and allocate executive management costs and allocate the same
11 costs based on the same allocation method, the same allocation statistics, and
12 the same allocation percentages or ratios stored in and associated with each
13 SKF. The implementation of SAP has not changed the methodologies or
14 underlying statistics for these indirect allocations.

15 **Q. PLEASE RECONCILE THE TERMS USED BY JDE AND SAP?**

16 A. Table ARD-D-1 below links the JDE terms and processes with the comparable
17 SAP terms and processes.

Table ARD-D-1: Comparison of JDE and SAP Terms

Terminology or Process	JDE	SAP
Cost pools for direct non-billable charges	Business Units with blank subledgers	Internal Orders
Cost Pools for direct billable charges	Six-digit subledgers	Internal Orders that settle to internal orders on other affiliates or to other departments
Cost Pools for indirect billable charges	Three-digit and five-digit subledgers	Internal Orders that settle to Allocating Cost Centers
Billing Process	Service Billing	Settlement Process
Allocation Process	Service Billing	Assessment Process
Allocation Method	Allocation Methods or Formulas	Allocation Methods or Formulas
Allocation Statistics	Allocation Statistics	Allocation Statistics
Allocation Percentages	Allocation Percentages	SKF's include the allocation percentages and are linked to assessment cycles

1 **V. COST FLOW**

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

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

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

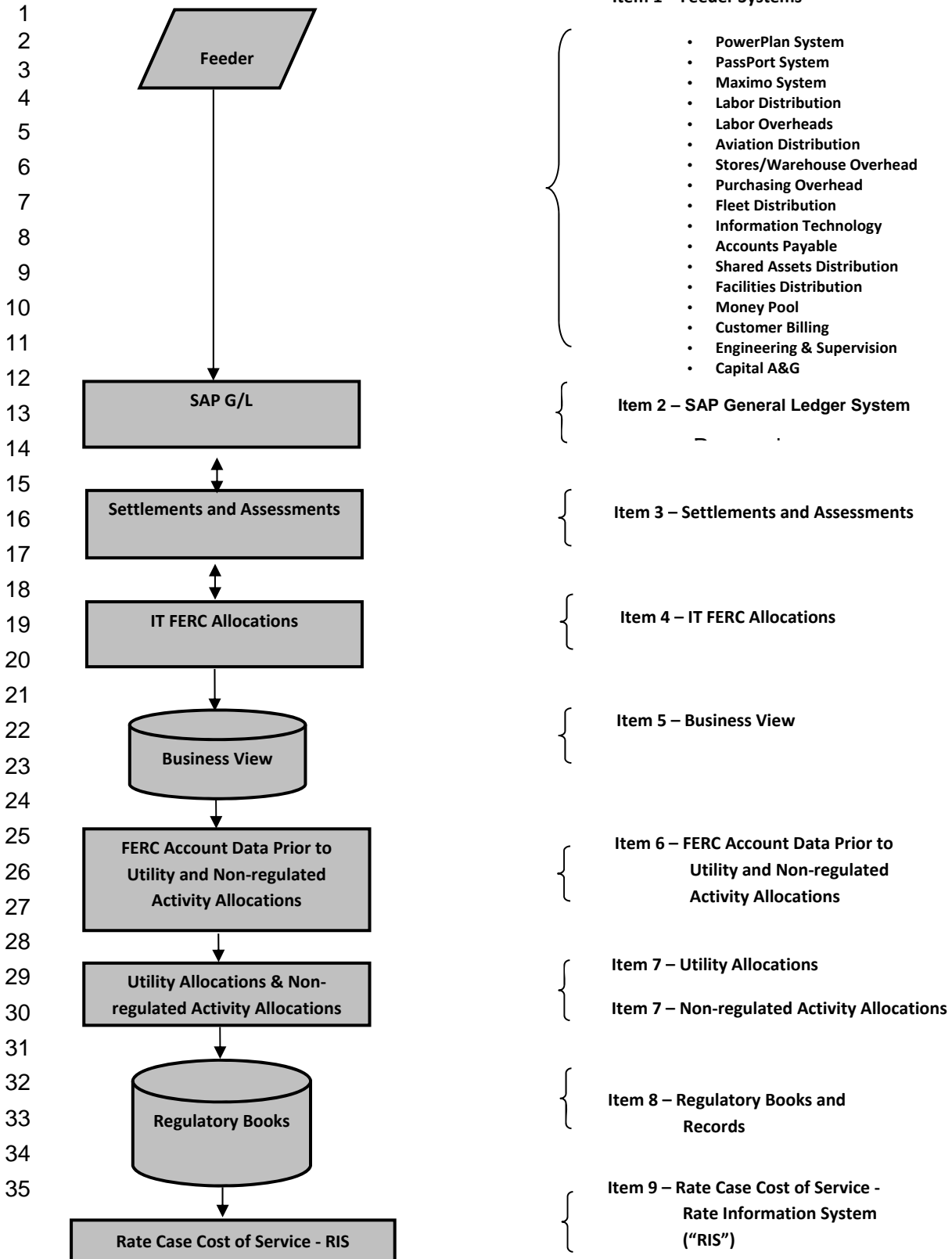
11 A. All charges originate in an Operating Company or affiliate within the Xcel Energy
12 holding company system. Most of Xcel Energy's costs originate in the Operating
13 Companies and the Service Company. To describe the flow of costs, this
14 response has been separated into four categories of costs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

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

1 electric, and thermal utilities as well as allocate a portion to Public Service's non-
2 regulated activities. The Public Service specific allocations are explained in Part
3 D.

4 The high-level flowchart that is presented in the CAAM in Addendum A to
5 Section V has been inserted into the testimony below as Figure ARD-D-1 to first
6 provide a pictorial view of the overall high level accounting process. Following the
7 flowchart is the explanation of the four key categories, Parts A, B, C, and D. The
8 explanation of each category references the Item number that it relates to on the
9 flowchart and includes a comparison of the JDE process to the SAP process as
10 well as a diagram of the SAP process.

Figure ARD-D-1



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

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

9 **A. Part A**

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

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

1 Public Service are also native costs. However, they are common costs to all
2 three utilities and the non-regulated activities.

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

10 In JDE, each transaction that belonged on Public Service's books was
11 recorded using a Public Service business unit with a blank subledger, and the
12 business unit in combination with the balance of the accounting string designated
13 whether this charge was for the gas utility, the electric utility, the thermal utility, or
14 the non-regulated activities.

15 In SAP for this same transaction, the costs are recorded in a Public
16 Service internal order. The internal order has a settlement rule tied to it that
17 identifies the costs in this internal order as Public Service costs. Because the
18 SAP settlement rule has the costs settling to a final cost center on Public
19 Service's books and the associated final profit center has been defined as
20 belonging to Public Service and only used for transactions related to the gas
21 utility, these are Public Service native gas utility costs. The information on the

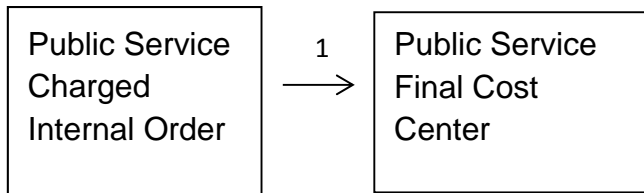
1 settlement rule with each internal order will also identify the costs as belonging to
2 the gas, electric, thermal utility, or the non-regulated activities.

3 **Q. UNDER SAP, CAN YOU EXPLAIN THE COST FLOW OF PUBLIC SERVICE'S**
4 **NATIVE CHARGES?**

5 A. Figure ARD-D-2 below is a flow chart that shows the cost flow of Public Service
6 native charges. Example 1 is for an O&M transaction and Example 2 is for a
7 capital transaction.

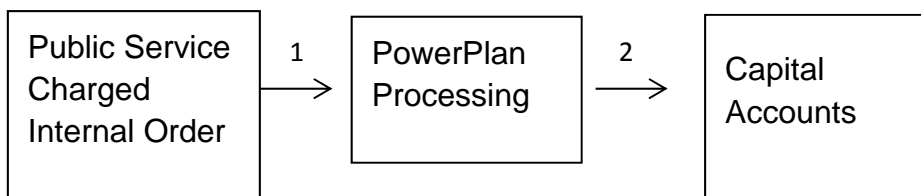
8 **Figure ARD-D-2: Cost Flow of Native Charges**

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



- 13 1. Settlement from the Public Service Internal Order to the Final Cost Center
14 (Note: There may be further settlements from one internal order to another
15 internal order or to an allocating cost center.)
16

17 **Example 2: Processing for Public Service Native Capital Transactions**



- 21 1. Charges transferred to PowerPlan for processing
22 2. Charges posted back from PowerPlan to Construction Work in Progress
23 ("CWIP")/Retirement Work in Progress ("RWIP")

24 Where Public Service native costs are identified as common costs that
25 support multiple utility divisions (e.g., gas, electric, and thermal) or support both

1 regulated and non-regulated activities, it is necessary to allocate those costs
2 among the gas, electric, and thermal utility divisions and the non-regulated
3 activities in accordance with cost allocation methods described in the CAAM (see
4 Attachment ARD-1) and explained in Part D below. Examples of Public Service
5 native costs that cannot be directly assigned to a particular utility within Public
6 Service include such expense items as external auditing fees, Administration and
7 General (“A&G”) expenses, and customer service expenses. Examples of costs
8 billed from the Service Company that cannot be directly assigned to a particular
9 utility within Public Service include such expense items as executive
10 management service, corporate secretary services, etc. For a more detailed
11 explanation of common costs see the Common Cost definition in Section II of my
12 Direct Testimony.

13 **B. Part B**

14 **Q. PLEASE DESCRIBE BILLINGS FROM XES?**

15 A. In Item 3 (Settlements and Assessments) in Figure ARD-D-3, XES bills the
16 shared or common administrative and management services to Xcel Energy and
17 its Operating Companies and affiliates. The services provided to Public Service
18 by XES include, but are not limited to, executive management, accounting,
19 financial reporting, finance, treasury, corporate communications, property
20 services, human resources, information technology, environmental, legal,
21 regulatory, customer services, engineering, generation resource planning,
22 distribution and transmission management and support, and energy supply

1 management and support. The purpose of the Service Company billings is to
2 both charge the appropriate Operating Company or affiliate and if possible charge
3 a specific utility division (e.g., gas, electric, or thermal) or the non-regulated
4 activities. However, both the direct charges and the allocated charges from the
5 Service Company can be billed as common costs benefiting more than one utility
6 within Public Service. When the Service Company settlement process is
7 complete as described below, all the charges that were on the XES internal order
8 would be on the internal order of an Operating Company or affiliate's books as
9 defined by the settlement rule. XES direct charges and XES allocated charges
10 are discussed separately below.

11 Additional information about the Service Company is included in Section
12 VI of my Direct Testimony.

13 **Q. PLEASE EXPLAIN HOW COSTS ARE DIRECTLY ASSIGNED FROM XES TO**
14 **PUBLIC SERVICE.**

15 A. If the charge can be clearly identified as related to a service being rendered for
16 the benefit of only Public Service, the costs from XES can be directly charged to
17 Public Service. The same applies to services benefiting only one of the other
18 Operating Companies or affiliates.

19 In JDE, the Service Company costs that were to be billed directly to an
20 Operating Company or affiliate would have both a business unit and a six-digit
21 subledger that the Service Billing process would use to create the transactions to
22 bill the costs to the appropriate Operating Company or affiliate for the total costs.

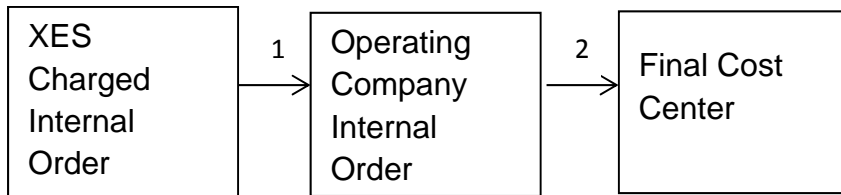
1 In SAP the charges are to an internal order. The internal order has a
2 settlement rule directing those costs to a related internal order on a specific
3 Operating Company or affiliate.

4 **Q. UNDER SAP, CAN YOU EXPLAIN THE COST FLOW OF XES' DIRECT**
5 **CHARGES?**

6 A. Figure ARD-D-3 below is a flow chart that shows the cost flow of XES direct
7 charges. Example 3 is an O&M transaction and Example 4 is a capital
8 transaction.

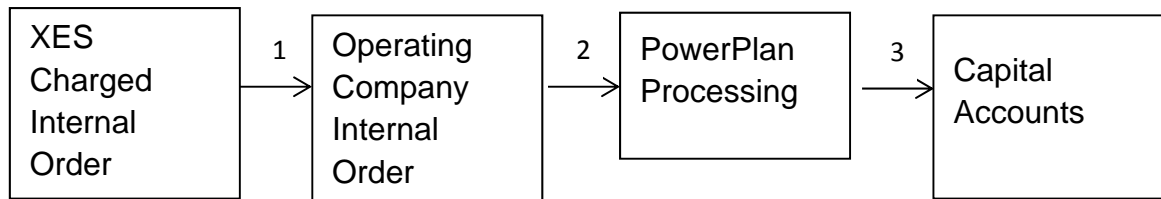
9 **Figure ARD-D-3: Cost Flow of XES Direct Charges**

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



- 14 A. Settlement of direct charges for a XES internal order to an Operating
15 Company internal order
- 16 B. Settlement from the Operating Company internal order to the Final Cost
17 Center (Note: There could be further settlements from an internal order to
18 another internal order or to an allocating cost center.)

Example 4: Processing XES Direct Charge Capital Transaction



1. Settlement of direct charges for a XES internal order to an Operating Company internal order
2. Charges transferred to PowerPlan for processing
3. Charges posted back from PowerPlan to Construction Work in Progress (“CWIP”)/Retirement Work in Progress (“RWIP”)

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

A. If the charge is an allocated or indirect charge because it benefits more than one Operating Company or affiliate, including Public Service, a portion of the charge will be allocated to Public Service as defined by the Service Company (see Section VI of my Direct Testimony).

In JDE, if the Service Company costs were to be allocated among the Operating Companies or affiliates, the business unit would have a subledger indicating that the costs need to be allocated. In the month-end close process, allocation percentages, following a defined allocation method, and the related statistics, would have been applied to the transactions to perform the allocation of the costs. The Service Billing process would then have created the transactions to bill the costs to the Operating Companies or affiliates for their relative portion of the total costs.

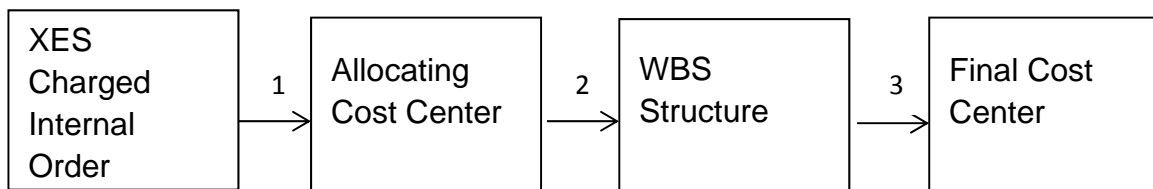
1 In SAP, the indirect or allocated costs are initially captured in a Service
2 Company internal order. Each internal order with indirect costs would have a
3 settlement rule that would settle the costs to an allocating cost center. An
4 allocating cost center can receive costs from more than one internal order. Each
5 allocating cost center has an assigned assessment that ties it to a SKF, which
6 contains the allocation percentages or ratios that were developed following a
7 defined allocation method and the related statistics. The assessment process
8 applies the allocation ratio in the SKF to the costs in the allocating cost center to
9 create the transactions on the Operating Companies or affiliates for their relative
10 portion of the total costs.

11 **Q. UNDER SAP, CAN YOU EXPLAIN THE COST FLOW OF XES' ALLOCATED**
12 **CHARGES?**

13 A. Figure ARD-D-4 below is a flow chart that shows the cost flow of XES allocated
14 charges.

15 **Figure ARD-D-4: Cost Flow of Allocated Charges**

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



- 20
- 21
- 22
- 23
- 24
1. Settlement of indirect charges for a XES internal order to the Allocating Cost Center
 2. Assessment of charges using the SKF percentages to Operating Companies or affiliate specific WBS structures
 3. Settlement of charges to the Final Cost Center

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

3 A. Yes, consistent with the processing in JDE, the costs for IT software projects are
4 allocated from XES to the Operating Companies and affiliates. This process
5 allocates both the capital and O&M costs for these projects.

6 In JDE, a five-digit work order was used to collect the costs and allocate
7 these costs among the Xcel Energy Operating Companies and affiliates
8 benefitting from the use of the software. The work order collected the capital and
9 O&M costs related to the project. The allocation of the O&M portion of the
10 charges was established based on the most cost causative relationship between
11 the services being provided by the software and the affiliates benefitting from
12 those services. The allocation of the capital charges was based on a
13 determination by the Capital Asset Accounting group and followed the
14 capitalization policies to allocate the capital costs of the software to the
15 appropriate Operating Company.

16 In SAP, an Internal Order is used to collect the costs and allocate these
17 costs among the Xcel Energy Operating Companies and affiliates benefitting
18 from the use of the software. The internal order collects all the costs and applies
19 an O&M/Capital split to the charges. The first step in the process is to determine
20 the portion of costs that are O&M versus the portion of costs that are capital.
21 Once this is completed, the allocation of the O&M portion of the charges are
22 allocated based on the most cost causative relationship between the services

1 being provided and the legal entities benefiting from those services. The
2 allocation utilizes the existing allocating cost centers used for all other indirect
3 allocations as shown in Figure ARD-D-4. The allocation of the capital charges is
4 based on a determination by the Capital Asset Accounting group and follows the
5 capitalization policies to allocate the capital costs of the software to the
6 appropriate Operating Company. The resulting capital costs are direct charges
7 and follow the cost flow shown in Figure ARD-D-3.

8 Ms. Melissa Ostrom further addresses the allocation of capital charges for
9 IT software projects in her testimony.

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

12 A. Once the XES charges have been directly charged or allocated to the Operating
13 Companies or affiliates, all the charges are on the appropriate Operating
14 Company or affiliates books as defined by the settlement rule or assessment
15 process. Final settlement(s) are performed to move the costs to a final cost
16 center on that Operating Company or affiliate.

17 The costs are either directly assigned to a profit center that has a specific
18 utility designation or to a profit center that has a common designation of Public
19 Service. When the XES charges billed to Public Service are identified as
20 common costs that may support both the regulated and non-regulated activities
21 within Public Service, they are recorded in a common utility profit center and it is
22 necessary to allocate those costs among the utility divisions (gas, electric, and

1 thermal) and the non-regulated activities in accordance with cost allocation
2 methods described in the CAAM (see Attachment ARD-1) and explained in Part
3 D below.

4 **C. Part C**

5 **Q. PLEASE DESCRIBE BILLINGS FROM AND TO OTHER AFFILIATES AND**
6 **INTERDEPARTMENTAL BILLINGS?**

7 A. In Item 3 (Settlement and Assessments) in Figure ARD-D-1, Public Service may
8 provide services to and bill affiliates other than XES, and affiliates other than
9 XES may provide services to and bill costs to Public Service. These are often
10 referred to as intercompany charges and are always direct charges to the
11 receiving affiliate. These costs are first recorded on the books of the Operating
12 Company or affiliate providing the service and are then charged to the Operating
13 Company or affiliate receiving the service. For example, Public Service
14 employees may assist SPS with storm restoration work, or SPS employees may
15 help Public Service with storm restoration work and Public Service may provide
16 gas operations support to WGI, which does not have any employees. These
17 affiliate costs directly billed to Public Service may be billed directly to the electric,
18 gas or thermal utility.

19 In JDE this was accomplished by using a subledger code that designated
20 the Operating Company or affiliate to be billed. The Service Billing process would
21 bill the costs to the Operating Company or affiliate receiving the service.

1 In SAP, the use of an internal order accomplishes this billing in a very
2 similar manner. The charges are recorded on an internal order that will designate
3 the Operating Company or affiliate that should receive the service and through
4 the settlement process, the costs will be recorded on the receiving company's
5 books.

6 In addition to intercompany charges, there are sometimes
7 interdepartmental charges within Public Service where one department may
8 provide services to and bill another department within Public Service. These
9 charges are always direct charges and therefore follow the same processing as a
10 Public Service intercompany charge. For example, a Transmission department
11 may provide services to an Energy Supply department.

12 Any common costs billed to Public Service as an intercompany charge or
13 an interdepartmental charge may be identified as common costs that support
14 both the regulated and non-regulated activities within Public Service. These costs
15 are recorded in a profit center that has been designated as common and it is
16 necessary to allocate those costs among the utility divisions (gas, electric, and
17 thermal) and the non-regulated activities in accordance with cost allocation
18 methods described in the CAAM (see Attachment ARD-1) and explained in Part
19 D below.

1 **D. Part D**

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

4 A. In Item 7 (Utility Allocations) in Figure ARD-D-1 above, after all Public Service
5 native costs have been recorded on its books (see Part A); all appropriate
6 charges from the Service Company have been recorded on Public Service's
7 books (see Part B); and all intercompany and interdepartmental charges have
8 been recorded on Public Service's books (see Part C), any charges identified as
9 common costs that support multiple utility divisions (gas, electric, and thermal) or
10 support both regulated and non-regulated activities are allocated. It is necessary
11 to allocate these costs among the utility divisions (gas, electric, and thermal) and
12 the non-regulated activities in accordance with the cost allocation methods
13 described in Section IX of my Direct Testimony in the subsections titled Utility
14 Allocations and Non-regulated Activity Allocations and in Sections VI, VII, and
15 VIII of the CAAM (see Attachment ARD-1).

16 Examples of Public Service common native costs that cannot be directly
17 assigned to a gas, electric or thermal utility division within Public Service include
18 such expense items as external auditing fees, A&G expenses, and customer
19 service expenses. Examples of costs billed from the Service Company that
20 cannot be directly assigned to a particular utility within Public Service include
21 such expense items as executive management services, corporate
22 communication services, corporate secretary services, etc.

1 In JDE, if the full accounting string charged these costs as a common
2 cost, the costs would be allocated among the gas, electric, and thermal utilities,
3 and if applicable a portion would be allocated to the non-regulated activities using
4 the methods described in the CAAM.

5 In SAP for this same transaction, the costs are recorded in a Public
6 Service internal order. The internal order has a settlement rule tied to it that
7 identifies the costs in this internal order as Public Service costs. Because the
8 SAP settlement rule has the costs settling to a final cost center on Public
9 Service's books that has a profit center that is defined as Public Service and also
10 designated as common, these are Public Service common utility costs. The
11 common costs are then allocated to the gas, electric, and thermal utility divisions
12 per the CAAM rules.

13 As described in the CAAM, there are several methods used to allocate
14 common costs on Public Service's books. For example, costs incurred by Public
15 Service that are common to the electric, gas and thermal utilities are allocated
16 using Utility Allocations. Customer Accounting and A&G costs associated with
17 non-regulated activities are allocated to the non-regulated activities using Non-
18 regulated Activity Allocations. Certain IT costs are allocated using the IT
19 allocations. These types of allocations are explained in the CAAM (see
20 Attachment ARD-1) and addressed in greater detail in Section VII of my Direct
21 Testimony.

1 **Q. ARE THERE OTHER ITEMS ON FIGURE ARD-D-1 THAT YOU HAVE NOT**
2 **EXPLAINED?**

3 A. Yes. These items are described below:

- 4 • Information Technology (“IT”) FERC Allocations (Item 4) – These
5 allocations are currently used to allocate certain IT costs that support
6 multiple utility processes to the appropriate FERC functional accounts
7 related to these processes. Public Service has five systems that are
8 allocated using this process, which are described in Section VI of the
9 CAAM (see Attachment ARD-1).
- 10 • Business View (Item 5) - The business view of the SAP general ledger
11 provides the Generally Accepted Accounting Principles (“GAAP”) view of
12 the accounting transactions necessary to prepare the external financial
13 statements and the information necessary for the business areas to
14 manage the business.
- 15 • FERC Account Data Prior to Utility and Non-regulated Allocations (Item
16 6) – The pre-allocated FERC view of the SAP general ledger is available
17 at this stage. The following utility allocations and non-regulated activity
18 allocations are necessary for common costs to be allocated to the gas,
19 electric and thermal utilities and if appropriate to be allocated to the non-
20 regulated activities.
- 21 • Regulatory Books and Records (Item 8) – After all the above processes
22 are complete, the result is the FERC books and records of Public
23 Service.
- 24 • Rate Case Cost of Service - RIS (Item 9) – The FERC books and records
25 are the starting point for the preparation of a cost of service study to be
26 used in a gas, electric or thermal rate case filing.

1 **VI. SERVICE COMPANY OVERVIEW**

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

3 A. In this section, I provide an explanation of the Service Company, its history and
4 operations, and the administration of the allocation methods, allocation statistics,
5 allocation ratios and percentages, and allocation pools that are specific to the
6 Service Company.

7 **Q. PLEASE DESCRIBE THE SERVICE COMPANY HISTORY.**

8 A. The Public Utility Holding Company Act of 1935 (“PUHCA 1935”), which was
9 administered by the Securities and Exchange Commission (“SEC”), provided for
10 the initial formation of service companies within registered public utility holding
11 company systems where efficiencies could be achieved through the
12 consolidation of common administrative, management, and support services. A
13 key requirement applicable to service companies under PUHCA 1935 and the
14 related SEC regulations was that a service company generally had to charge
15 utility affiliates on an “at cost” basis. The term “at cost” means that XES earns no
16 profit on the service.

17 To accomplish the original objectives of service companies under PUHCA
18 1935, and the current Public Utility Holding Company Act of 2005, 18 Code of
19 Federal Regulation Parts 365 and 366 (“PUHCA 2005”), which is administered by
20 the FERC and supersedes PUHCA 1935, employees who provide services to
21 more than one affiliate within the Xcel Energy holding company system are
22 employed by XES. XES provides the shared or common administrative,

1 management, and support services to Xcel Energy and its Operating Companies
2 and affiliates.

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

5 A. XES's goal is to direct charge as much as possible to the Operating Companies
6 and affiliates who use its services. Those costs that cannot be directly charged to
7 a specific affiliate are allocated to the appropriate affiliates in accordance with
8 allocation methods reflected in XES most recently filed FERC Form 60 for the
9 year ended December 31, 2016 and in Public Service's Service Agreement with
10 XES.

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

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

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

19 A. No. When an internal order is established, the settlement rule is created and all
20 transactions charged to that internal order can only be direct charged or allocated
21 to either O&M or capital as determined by the settlement rule.

1 For example, an employee in Financial Operations within XES can charge
2 an internal order that settles specifically to an internal order on Public Service for
3 work that has been performed, but that same employee must charge a different
4 internal order for a charge that is to be allocated. The transaction to be allocated
5 would flow to an allocating cost center and then be allocated in the assessment
6 process based on the SKF that contains the allocation percentages that tie to
7 that allocating cost center.

8 **Q. HAVE YOU INCLUDED A LIST OF THE XES ALLOCATING COST CENTERS**
9 **THAT ALLOCATE COSTS TO THE OPERATING COMPANIES AND**
10 **AFFILIATES?**

11 A. Yes. Attachment ARD-6 includes the XES allocating cost centers, including the
12 allocation methods, allocation statistics and the allocation percentages for each
13 allocating cost center used in the 2016 HTY. This attachment also provides the
14 comparative JDE three-digit allocators so that it is easy to see that the allocation
15 methods, statistics, and percentages would be the same under either the JDE or
16 the SAP general ledger system.

17 **Q. PLEASE DESCRIBE THE PROCESS XES UNDERTAKES TO UPDATE ITS**
18 **ALLOCATIONS.**

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

20 **Allocation Methods** – XES updates its allocation methods as it is
21 necessary to support the operations of the business. There is already an
22 extensive list of allocation methods and XES has not had to add very many since

1 the initial list was developed when the SEC still regulated XES under PUHCA
2 1935. The current allocation methods have been reported to the FERC under
3 PUHCA 2005 since 2005. As allocation methods are added or deleted, the
4 updated list is provided in Table D of the CAAM (see Attachment ARD-1) in each
5 rate case filing.

6 **Allocation Statistics and Allocation Percentages** – XES annually
7 updates all statistics and percentages for use starting with April business. These
8 updates are based on the prior calendar year statistics. With this update, new
9 percentages are calculated and loaded into the system in the SKF to be applied
10 to the designated allocating cost centers. For example, the allocation statistics
11 and allocation percentages used for the first three months of 2016 are based on
12 the 2014 calendar year statistics that were implemented in April of 2015, and the
13 allocation statistics and allocation percentages used for the last nine months of
14 2016 are based on the 2015 calendar year statistics that were implemented in
15 April of 2016. This April updated information is also used in the budget creation
16 because it is based on the most current statistics available when the budget is
17 developed.

18 XES may also update the statistics used in the allocation percentages to
19 determine new allocation percentages throughout the year if there is a significant
20 change in the statistics. These updates are usually driven by the addition or
21 deletion of a company in the Xcel Energy system.

1 **Allocation Pools** – The allocating cost centers used for actuals are
2 automatically updated each month and are based on the expenses incurred each
3 month. The allocation pools used in the budget are based on the results of the
4 budget creation.

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

7 A. As a part of each rate case and as required by Commission rules, XES updates
8 the CAAM to ensure that it is representative of the allocations in use. Section IX
9 of the CAAM includes an overview of the XES allocations and Table D in Section
10 IX of the CAAM (see Attachment ARD-1) lists all XES allocating cost centers and
11 their associated allocation methods, as well as a description of the services
12 provided in each allocating cost center.

13 **Q. WHAT DOES XES DO TO ENSURE ITS COSTS ARE RECORDED AND**
14 **BUDGETED CORRECTLY?**

15 A. The following steps are taken to ensure that XES costs are recorded correctly:

- 16 • XES Policies and Procedures have been developed and implemented and
17 are made available on the Xcel Energy internal website for access by all Xcel
18 Energy personnel;
- 19 • Personnel within the Financial Performance and Controls organization and
20 the Service Company Accounting department, regularly review XES actual
21 and budgeted charges and may request adjustments where necessary;
- 22 • Service Company employees are required to complete online training through
23 Xcel Energy's Learning Management System, an online training tool. Training

- 1 can also be provided either in a classroom setting, online via Xcel Energy's
2 internal website with computer-based training, or on an individual basis;
- 3 • The FERC reviews XES's FERC Form No. 60 submissions and may review
4 allocations during audits; and
- Independent external auditors, Deloitte, annually audit the books and records
 of Xcel Energy and its affiliates.

1 **VII. COST ALLOCATION RULES**

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

4 A. To identify the Cost Allocation Rules that Public Service has applied in this filing
5 in the preparation of its CAAM and its FDC Study.

6 **Q. HAS THE COMPANY PREPARED ITS CAAM AND FDC STUDY IN**
7 **ACCORDANCE WITH THE COMMISSION'S CURRENT COST ALLOCATION**
8 **RULES?**

9 A. Yes. The CAAM and FDC Study that the Company is submitting in this
10 proceeding are consistent with cost allocation rules of Commission Rule 4500, *et*
11 *seq.*

12 **Q. WHAT IS THE PURPOSE OF THE COMMISSION'S COST ALLOCATION**
13 **RULES?**

14 A. These rules require electric and gas utilities to report, and have approved, cost
15 allocation methodologies to account for investments, expenses, and revenues
16 when the utility engages in both regulated and non-regulated services in
17 Colorado, as required by Commission Rule 4500 *et seq.* The establishment of
18 cost assignment and allocation principles assists the Commission in setting just
19 and reasonable rates and ensures that utilities, including Public Service, do not
20 use ratepayer funds to subsidize non-regulated activities. See Commission Rule
21 4500 *et seq.*

22 Consistent with Commission rules, the Company has modified its CAAM,

1 as necessary, to update information. These modifications are discussed in
2 Section IX of my testimony.

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

4 A. According to Commission Rule 4501(d), the Cost Assignment and Allocation
5 Manual is defined as:

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

14
15 **Q. WHAT DO THE COMMISSION RULES REQUIRE SPECIFICALLY FOR A
16 CAAM?**

17 A. The Commission requires each utility to maintain on file an approved CAAM that
18 “describes and explains the calculation methods the utility uses to segregate and
19 account for revenues, expenses, assets, liabilities and rate base cost
20 components assigned or allocated to Colorado jurisdictional activities.”
21 Commission Rule 4503(a). The CAAM must include calculation methods for the
22 segregation and accounting for costs between and among jurisdictions; between
23 regulated and non-regulated activities; and between and among utility divisions. I
24 identify more specific requirements in Commission Rule 4503(b) and each
25 section of the CAAM that addresses those requirements as follows:

- 1 • Parts (I) and (III) of Rule 4503(b) require a listing of all regulated or non-
2 regulated divisions of Public Service and the regulated or non-regulated
3 activities conducted by each division; and a listing and description in sufficient
4 detail (in accordance with the regulations) of each regulated and non-
5 regulated activity offered by Public Service. See CAAM, Section II, Regulated
6 and Non-regulated Divisions and Activities.
- 7 • Part (II) of Commission Rule 4503(b) requires a listing of all regulated or non-
8 regulated affiliates of Public Service and identification of the affiliates that
9 allocate or assign costs to and from the Company. See CAAM, Section III,
10 Corporate Organization.
- 11 • Parts (IV) and (V) of Commission Rule 4503(b) require: a listing of the
12 revenues, expenses, assets, liabilities, and rate base items by Uniform
13 System of Accounts (“USoA”) account number that the Company proposes to
14 include in its revenue requirement for Colorado jurisdictional activities,
15 including those items that are partially or exclusively allocated or assigned to
16 Colorado; and a detailed description showing how the revenues, expenses,
17 assets, liabilities, and rate base items by account and sub-account are
18 assigned and/or allocated to Public Service’s non-regulated activities, along
19 with a description of the methods used to perform the assignment and
20 allocations. See CAAM, Section IV, Assignments and Allocations by FERC
21 Account; CAAM, Section V, Cost Assignment and Allocation Process; CAAM,
22 Section VI, IT FERC Allocations; CAAM, Section VII, Utility Allocations; and
23 CAAM, Section VIII, Non-regulated Activity Allocations.
- 24 • Parts (VI) and (VII) of Commission Rule 4503(b) require a description of each
25 transaction between Public Service and a non-regulated activity which
26 occurred since Public Service’s prior CAAM was filed and, for each
27 transaction, a statement as to whether, for this Commission’s jurisdictional
28 cost assignment and allocation purposes, the value of the transaction is at
29 cost or market as applicable; and a description of the basis for how the

1 assignment or allocation is made. See CAAM, Section IV, Assignments and
2 Allocations by FERC Account; CAAM, Section V, Cost Assignment and
3 Allocation Process; CAAM, Section VI, IT FERC Allocations; CAAM, Section
4 VII, Utility Allocations; CAAM, Section VIII, Non-regulated Activity Allocations;
5 and the FDC Study included as Attachment ARD-3 and Confidential
6 Attachment ARD-4.

- 7 • Part (VIII) of Commission Rule 4503(b) requires specific cost assignments or
8 allocations that are under the jurisdiction of another authority, with a written
9 description of the prescribed methods. See CAAM, Section IX, Service
10 Company Assignments and Allocations.

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

12 A. According to Commission Rule 4501(g), a “Fully-Distributed Cost Study” is
13 defined as:

14 [A] cost study that reflects the result of the fully distributed
15 revenues, expenses, assets, liabilities and rate base amounts for
16 the Colorado utility to and from the different activities, jurisdictions,
17 divisions, and affiliates using cost accounting, engineering, and
18 economic concepts, methods, and standards.

20 **Q. WHAT DO THE COMMISSION RULES REQUIRE SPECIFICALLY FOR A FDC
21 STUDY?**

22 A. Pursuant to Commission Rule 4504(a), Public Service is required to submit its
23 FDC Study when filing its CAAM. When filed with a rate case, the FDC Study
24 shall be based on the same test year used in the utility’s rate case filing. See
25 Commission Rule 4504(d). The FDC Study is required to identify all non-
26 regulated activities provided by each division in Colorado, showing the revenues,
27 expenses, assets, liabilities, and rate base items assigned and allocated to each

1 non-regulated activity. See Commission Rule 4504(b). For each division of Public
2 Service (gas, electric, and thermal), the FDC Study also must include a summary
3 of the assigned and allocated costs. See *Id.* As required by the Commission
4 rules, the FDC Study also identifies non-regulated costs by account number, sub-
5 account number, and account description.

1 **VIII. THE HISTORY OF THE COST ASSIGNMENT AND ALLOCATION MANUAL**
2 **AND THE FDC STUDY**

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

5 A. To provide a brief history of Public Service's CAAM and FDC Study.

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

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

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

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

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

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

1 **IX. THE COST ASSIGNMENT AND ALLOCATION MANUAL**

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

4 A. In this section I sponsor Public Service's CAAM dated December 2016, a copy of
5 which is included as Attachment ARD-1 as well as the cost assignment and
6 allocation methods and the percentages used in developing the 2016 HTY and
7 the MYP.

8 **Q. HOW HAVE YOU ADDRESSED THE COST ALLOCATION METHODS USED**
9 **IN THE 2016 HTY AND THE MYP THROUGHOUT YOUR TESTIMONY?**

10 A. As required by Commission Rules 4503(f) and 4504(d), Public Service has
11 prepared its 2016 HTY CAAM and FDC Study based on the cost allocation
12 methods used for January 1, 2016 to December 31, 2016 consistent with the
13 data used in the 2016 HTY.

14 Because the 2016 HTY is the basis for developing the MYP, the 2016
15 HTY cost allocation methods are inherently included in the MYP. This is the
16 same practice the Company uses in preparing its budget and the same practice
17 used in the Company's multi-year gas case filed in Proceeding No. 15AL-0135G.

18 The Company uses historical data in calculating its allocations for both
19 budget purposes and for MYP purposes. The Company's historical experience
20 and annual reviews performed during updates have shown that there is minimal
21 change in the allocation percentages on a year to year basis. As a result, the
22 Company has determined that the 2016 HTY cost allocations are a reasonable

1 and representative basis for MYP purposes. In addition, many of the statistics
2 used in updating the allocation percentages are not forecasted, the volume of the
3 statistical data across all of the Operating Companies is not readily available, and
4 it takes approximately three months to perform the annual updates.

5 **Q. HAS THE COMPANY UPDATED ITS CAAM SINCE THE COMMISSION**
6 **APPROVED THE INITIAL CAAM, DATED NOVEMBER 21, 2006, IN**
7 **PROCEEDING NO. 06A-555EG?**

8 A. Yes, the Company has filed an updated CAAM with each of its natural gas and
9 electric Phase 1 rate cases. Most recently, we filed an updated CAAM that was
10 approved in our last Gas Phase I Rate Case, Proceeding No. 15AL-0135G.

11 **Q. HAS THE COMPANY UPDATED ITS CAAM SINCE IT WAS APPROVED IN**
12 **PROCEEDING NO. 15AL-0135G?**

13 A. Yes. The CAAM being filed in this proceeding, dated December 2016, has been
14 updated and is applicable to the 2016 HTY and the MYP presented by Mr.
15 Berman. The CAAM filed in this proceeding has one key update in that it has
16 been updated to reflect the new SAP general ledger terminology and processes.
17 The remaining modifications do not propose a significant change to the
18 Company's cost assignment and allocation process. Attachment ARD-2 to my
19 Direct Testimony is a comparison document that identifies all significant
20 modifications to the CAAM, since it was last filed and approved in Proceeding
21 No. 15AL-0135G.

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

4 A. Yes. The allocation methods included in the CAAM for XES costs were initially
5 developed and approved by the SEC under PUHCA 1935. We also have reported
6 our allocation methods to FERC under PUHCA 2005 through the filing of the
7 annual FERC Form No. 60. Additionally, the FERC periodically initiates audits in
8 the normal course of business that can include a review of cost allocations and
9 intercompany transactions. The FERC announced on February 6, 2017 the
10 initiation of an Xcel Energy audit that will include these items among others.

11 **Q. PLEASE PROVIDE A HIGH LEVEL OVERVIEW OF THE CONTENTS OF THE**
12 **COMPANY'S DECEMBER 2016 CAAM.**

13 A. The following is a description of the sections included in Public Service's
14 December 2016 CAAM:

- 15 • Section I – Introduction: provides an introduction to the CAAM, as well as
16 definitions for abbreviations, acronyms or terms used in the document.
- 17 • Section II – Regulated and Non-regulated Divisions and Activities: describes
18 Public Service's regulated gas, electric, and thermal utility divisions and
19 activities, incidental services, and non-regulated activities.
- 20 • Section III – Corporate Organization: provides an overview of Public Service
21 and lists the regulated and non-regulated affiliates in the Xcel Energy holding
22 company system, including Public Service's subsidiaries, as well as identifies
23 the affiliates with whom Public Service has transactions.

- 1 • Section IV – Assignments and Allocations by FERC Account: lists the
2 accounts Public Service includes in its revenue requirement for Colorado
3 jurisdictional activities and specifies how those FERC accounts and sub-
4 accounts are assigned and/or allocated to Public Service’s non-regulated
5 activities, along with a description of the methods used to perform the
6 assignments or allocations.
- 7 • Section V – Cost Assignment and Allocation Process: provides an overview of
8 the cost assignment and allocation principles used by Public Service and the
9 accounting processes within the monthly close and within SAP, including both
10 system generated processes and manual processes, used to assign and
11 allocate costs between the regulated utility divisions and non-regulated
12 activities of Public Service.
- 13 • Section VI – IT FERC Allocations: explains the allocation process and
14 methods used within Public Service to allocate certain information technology
15 costs that support multiple utility processes to the appropriate FERC
16 functional accounts related to those processes.
- 17 • Section VII – Utility Allocations: explains the utility allocations and the
18 allocation methods used within Public Service to allocate common or shared
19 costs among gas, electric, and thermal utility divisions and non-regulated
20 activities.
- 21 • Section VIII – Non-regulated Activity Allocations: explains the allocation
22 methods used to allocate A&G and Customer Accounting costs to the non-
23 regulated activities.
- 24 • Section IX – Service Company Assignments and Allocations: lists the
25 allocation methods used by XES to allocate costs among the Xcel Energy
26 holding company system of companies.

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

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

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

7 **A. IT FERC Allocations**

8 **Q. WHAT IS THE PURPOSE OF THE IT FERC ALLOCATIONS?**

9 A. IT FERC Allocations apply only to certain information technology system costs
10 that are billed from XES to the Public Service and benefit more than one
11 functional area within Public Service. These labor and non-labor O&M costs are
12 for systems that process information for activities that should be recorded in
13 several FERC functional accounts, such as: (1) the Gas Supervisory Control and
14 Data Acquisition (“SCADA”) system, which exercises load dispatching for the
15 distribution and transmission of natural gas, resulting in the allocation of costs for
16 the transmission and distribution gas systems and (2) the Maximo system, an
17 inventory and work management system used by Energy Supply, to track costs
18 for generation and assists in allocation of costs to steam, hydro, nonutility, and
19 other power generation operations. There are five systems used in Public
20 Service that fall under the IT allocation process, and they are described in
21 Section VI of the CAAM (see Attachment ARD-1).

1 **Q. WHEN ARE THE COMPANY'S IT FERC ALLOCATIONS UPDATED?**

2 A. Public Service's IT FERC allocation percentages are updated on an annual basis
3 using the prior calendar year actual statistics (these updates become effective for
4 April business forward). As is explained below, the process of updating
5 allocations based upon the prior calendar year statistics and changes in
6 processes is carried through to the other types of allocations, including utility
7 allocations and non-regulated activity allocations.

8 **Q. HAVE THE 2016 HTY IT FERC ALLOCATION METHODS AND ALLOCATION
9 PERCENTAGES BEEN PROVIDED?**

10 A. Yes. The 2016 HTY IT FERC allocation methods are explained in Section VI of
11 the CAAM (see Attachment ARD-1). In addition, the IT FERC allocation internal
12 orders and the associated allocation methods and percentages used for
13 purposes of the 2016 HTY and MYP are provided in Attachment ARD-7.

14 **B. Utility Allocations**

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

16 A. Common O&M utility allocations within Public Service are developed to allocate
17 common (gas, electric, and thermal) costs that are recorded in A&G FERC
18 accounts 920 to 935 to the gas, electric, and thermal utility divisions and to
19 allocate common (gas, electric, and thermal) costs that are recorded in FERC
20 accounts 901 to 917 for customer accounting, customer information, and sales
21 costs to the gas, electric, and thermal utility divisions.

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

2 A. Common O&M utility allocations are performed on a monthly basis after all
3 transactions have been recorded. Any records with a “common” designator for
4 Public Service within SAP are allocated based on the allocation method
5 developed for each specific pool of costs. The common utility cost pools are
6 programmed into the system based on a specific FERC account or a combination
7 of FERC accounts. For example, common costs in FERC account 925, Injuries
8 and Damages, and FERC account 926, Pensions and Benefits, are allocated to
9 the gas, electric, and thermal utility divisions based on the labor allocation
10 method, because the costs in the pool have a cost causative relationship with
11 labor. Section VII of the CAAM (see Attachment ARD-1) explains the allocation
12 method used for each of the allocation pools for common costs recorded in
13 FERC accounts 901 to 935.

14 **Q. HAVE THE 2016 HTY O&M UTILITY ALLOCATION METHODS AND**
15 **ALLOCATION PERCENTAGES BEEN PROVIDED?**

16 A. Yes. The 2016 HTY O&M utility allocation methods are explained in Section VII
17 of the CAAM. In addition, the 2016 HTY O&M utility allocation methods and
18 percentages are provided in the schedule included as Attachment ARD-8. These
19 same O&M utility allocations are used for the MYP.

1 **Q. HAVE THE 2016 HTY UTILITY RATE BASE AND NON-O&M ALLOCATION**
2 **METHODS AND ALLOCATION PERCENTAGES BEEN PROVIDED?**

3 A. The utility rate base and non-O&M allocation methods used for the 2016 HTY
4 and MYP are explained in Section VII of the CAAM (see Attachment ARD-1).
5 However, Mr. Berman discusses the common plant allocation percentages used
6 to develop the 2016 HTY and the MYP.

7 **C. Non-regulated Activity Allocations**

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

9 A. Non-regulated activity allocations ensure that the billed costs for services
10 provided to non-regulated activities represent a fully distributed cost and that gas,
11 electric, and thermal utility divisions are not subsidizing the non-regulated
12 activities.

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

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

16 **Q. HOW ARE PUBLIC SERVICE'S NON-REGULATED ACTIVITIES SEPARATED**
17 **FROM ITS REGULATED UTILITY ACTIVITIES TO ENSURE THEIR COSTS**
18 **ARE NOT INCLUDED IN THE UTILITY REVENUE REQUIREMENTS**
19 **CALCULATION?**

20 A. The costs of Public Service's non-regulated activities are separated through the
21 use of specific SAP Cost Centers. The specific SAP Cost Centers are identified
22 as non-regulated and have a non-utility FERC account assignment that ensures

1 costs are recorded appropriately. As a result, these costs are excluded from
2 utility revenue requirements calculations.

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

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

16 Public Service employees working on Public Service's non-regulated
17 activities also charge their labor costs through labor distribution to the non-
18 regulated activity account. These expenses are also linked to FERC account
19 417.1, Nonutility Expenses, and are not recorded in Public Service's utility O&M
20 accounts.

21 Labor-related overheads (*e.g.*, pensions, benefits, non-productive time,
22 and workers' compensation) and facilities costs are programmed to follow labor

1 costs and also will be recorded in the non-regulated activity accounts that are
2 linked to FERC account 417.1, Nonutility Expenses. The labor-related overheads
3 are described in more detail in Section V of the CAAM along with other
4 overheads.

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

7 A. The Commission approved the use of an A&G allocator based on the ratio of
8 common costs (*i.e.*, costs not directly assigned to gas, electric, or thermal utility
9 divisions) in FERC accounts 920 to 935 to total Public Service labor in
10 Proceeding No. 06A-555EG, Decision No. C06-1358. The allocation percentage
11 is then applied to labor charged to each non-regulated activity to determine the
12 A&G overhead to be allocated to that activity.

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

15 A. No.

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

18 A. In Proceeding No. 06A-555EG, Decision No. C06-1358, the Commission
19 approved the use of a customer accounting allocator based on the ratio of
20 common costs in FERC accounts 901 to 917, excluding the amounts recorded in
21 FERC accounts: 902, Meter Reading Expenses; 904, Uncollectible Accounts;
22 and Demand-Side Management costs included in account 908, to total revenues,

1 excluding trading revenues. The specific exclusions include accounts that are
2 unrelated to the Company's non-regulated activities.

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

5 A. No.

6 **Q. HAVE THE 2016 HTY NON-REGULATED ACTIVITY ALLOCATION METHODS**
7 **AND ALLOCATION PERCENTAGES BEEN SUPPLIED?**

8 A. Yes. The 2016 HTY non-regulated allocation methods are explained in Section
9 VII of the CAAM (see Attachment ARD-1). In addition, the allocation percentages
10 used for purposes of the 2016 HTY are provided in the schedule included as
11 Attachment ARD-9. These are the same non-regulated allocations that have
12 been used for the MYP.

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

15 A. Yes. The CAAM demonstrates that for the 2016 HTY the Company has not used
16 ratepayer funds to subsidize non-regulated activities.

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

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

4 A. In this section I sponsor the Company's FDC Study applicable to the 2016 HTY,
5 a copy of which is included as Attachment ARD-3, Confidential Attachment ARD-
6 4, and Attachment ARD-5.

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

9 A. Yes.

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

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

21 Attachment ARD-3 is in the form of an income statement and balance
22 sheet and shows the results of the Company's assignment and allocation of the

1 major categories of revenues, expenses, and investment among the gas, electric,
2 and thermal utility divisions, and the nonutility divisions for the 2016 HTY.
3 Confidential Attachment ARD-4 shows the detailed breakdown of revenues,
4 expenses, and investment assigned and allocated to the Company's non-
5 regulated activities. The non-regulated products and services are identified
6 across the top of the report, starting in the second column. Each product or
7 service has one or more SAP cost centers that identify where costs are recorded
8 for that non-regulated product or service. The first column on the page provides
9 the line item information by SAP account and description of the type of cost
10 incurred. The A&G and Customer Accounting overhead loadings are shown near
11 the bottom of the report. For the current proceeding the A&G and Customer
12 Accounting overhead loadings were manually calculated for the 2016 HTY
13 activity and an adjustment in the amount of \$233,581 for the gas utility portion
14 was included in the cost of service provided by Mr. Berman. The Company is
15 currently evaluating options to have the overhead calculated within the general
16 ledger system

17 **Q. DOES THE FDC STUDY DEMONSTRATE THAT PUBLIC SERVICE HAS**
18 **COMPLIED WITH COMMISSION RULE 4502?**

19 A. Yes. The FDC Study demonstrates that all appropriate revenues, expenses,
20 assets, liabilities and rate base items for the 2016 HTY have been appropriately
21 assigned and allocated and that the Company has complied with the cost
22 allocation principles established in Commission Rule 4502.

1 Q. **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2 A. Yes.

Statement of Qualifications

Adam R. Dietenberger

I received a Bachelor of Science degree, with majors in accounting and finance, from the University of Minnesota in 2004. I also hold an active CPA certificate from the State of Minnesota.

My current position with XES is Senior Manager, Service Company Accounting and Cash Processes. I am responsible for the general administration of XES, including accounting, billing, allocations, policies and procedures, service agreements, internal audits, external audits and external reporting to state and federal regulatory agencies. Additionally, I manage Xcel Energy's Cash Processes group, which is responsible for monitoring and reconciling the cash activity, long term debt and other related items for all Xcel Energy affiliates and subsidiaries.

I have been employed by XES since May 2008, first as a Senior Accountant, then as a Corporate Accounting Consultant, then as Manager, Corporate Accounting.

Prior to joining XES, I was employed by Deloitte LLP where I performed financial statement audits for companies in various industries including energy and utilities, healthcare, and manufacturing.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * *

RE: IN THE MATTER OF ADVICE LETTER)
NO. 912-GAS FILED BY PUBLIC SERVICE)
COMPANY OF COLORADO TO REVISE)
ITS COLORADO PUC NO. 6-GAS TARIFF) PROCEEDING NO. 17AL-___G
TO IMPLEMENT A GENERAL RATE)
SCHEDULE ADJUSTMENT AND OTHER)
RATE CHANGES EFFECTIVE ON 30-DAYS)
NOTICE.

AFFIDAVIT OF ADAM R. DIETENBERGER
PUBLIC SERVICE COMPANY OF COLORADO

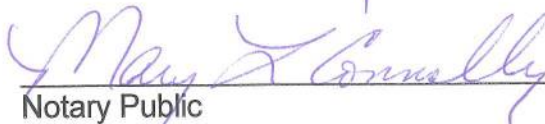
I, Adam R. Dietenberger, being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Testimony and attachments are true and correct to the best of my information, knowledge and belief; and that I would give the same testimony orally and would present the same attachments if asked under oath.

Dated at Minneapolis, Minnesota, this twenty third day of May 2017.



Adam R. Dietenberger
Senior Manager, Service Company Accounting
and Cash Processes

Subscribed and sworn to before me this 23rd day of May, 2017.


Notary Public

My Commission expires 1/31/2021

