

DOCKET NO. 51802

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

**UPDATE TESTIMONY
of
JEFFREY A. BUTLER**

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: ButlerRRUpdate.docx; Total Pages: 21)

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¹ For ease of cross-referencing this update testimony with the original direct testimony filed on February 8, 2021, the sections and subsections in this update testimony correspond with the original sections and subsections in the original direct testimony.

Attachment JAB-RR-UC (*filename: JAB-RR-UABCD.xlsx*)..... 19

Attachment JAB-RR-UD (*filename: JAB-RR-UABCD.xlsx*) 20

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
JOA	Joint Operating Agreement
MWh or MWH	megawatt hour
OS	Operations Services
VP	Vice President
SPS	Southwestern Public Service Company, a New Mexico corporation
Total Company or total company	Total SPS (before any jurisdictional allocation)
Update Period	October 1, 2020 through December 31, 2020
Updated Test Year	January 1, 2020 through December 31, 2020
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
JAB-RR-UA (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Billing Method (Filename: JAB-RR-UABCD.xlsx)
JAB-RR-UB(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method, and FERC Account (Filename: JAB-RR-UABCD.xlsx)
JAB-RR-UC (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account (Filename: JAB-RR-UABCD.xlsx)
JAB-RR-UD (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account (Filename: JAB-RR-UABCD.xlsx)

**UPDATE TESTIMONY
OF
JEFFREY A. BUTLER**

I. WITNESS IDENTIFICATION

1

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

3 A. My name is Jeffrey A. Butler. My business address is 1800 Larimer Street, Suite
4 1000, Denver, Colorado 80202.

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

6 A. I am employed by Xcel Energy Services Inc. (“XES”) as a Regulatory Consultant.

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

8 A. I am filing testimony on behalf of Southwestern Public Service Company, a New
9 Mexico corporation (“SPS”).

10 **Q. Are you the same Jeffrey A. Butler who filed direct testimony on behalf of SPS**
11 **in this docket?**

12 A. Yes.

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

3 **Q. What is your assignment in this update testimony?**

4 A. As explained in SPS’s direct testimony, SPS is using an Updated Test Year in this
5 case. The Updated Test Year is the period from January 1, 2020 through December
6 31, 2020. Because of the timing of the filing of this case, certain costs for the period
7 from October 1, 2020 through December 31, 2020 (“Update Period”) in my direct
8 testimony were estimated. My assignment in this update testimony is to replace
9 those estimated costs with actual costs. The result of this update is that the Updated
10 Test Year now consists of only actual information, and no estimates. For ease of
11 cross-referencing this update testimony with the my direct testimony filed on
12 February 8, 2021, the sections and subsections in this update testimony correspond
13 with the original sections and subsections in my direct testimony.

14 Regarding the Operations Services (“OS”) Senior Vice President (“VP”) –
15 Commercial Operations affiliate costs I support, my direct testimony provided
16 actual figures for October and November 2020 and estimated figures for December
17 2020 based on the forecasted budget. In this testimony, I replace the December
18 2020 estimates with actuals. In addition, the October through December 2020
19 expenses have now gone through the full pro forma adjustment review process.
20 Thus, I provide updated figures for those Update Period expenses. My update
21 testimony includes Attachments JAB-RR-UA through JAB-RR-UD in support of
22 the OS Senior VP – Commercial Operations affiliate costs I support.

23 **Q. Please summarize your update testimony and recommendations.**

24 A. ***Affiliate Costs*** – The estimated Updated Test Year costs for the services of the OS
25 Senior VP – Commercial Operations affiliate class that SPS sought to recover were

1 \$3,498,013 (total SPS before jurisdictional allocations, or “total company”). The
2 actual Updated Test Year costs for the services of the OS Senior VP – Commercial
3 Operations affiliate class that SPS seeks to recover are \$3,579,558. The actual
4 Updated Test Year amount increased primarily due to a remapping of certain costs
5 related to trading that were inadvertently mapped to the ES VP Operations affiliate
6 class, instead of to the OS Senior VP – Commercial Operations affiliate class, in
7 the direct testimony. Please refer to Attachments JAB-RR-UA through JAB-RR-
8 UD. In addition to providing updated SPS numbers, those attachments also reflect
9 the total updated XES class expenses for the OS Senior VP – Commercial
10 Operations affiliate class. The actual costs are reasonable and necessary for the
11 reasons I provided in my direct testimony.

12 **Q. Were Attachments JAB-RR-UA through JAB-RR-UD prepared by you or**
13 **under your direct supervision and control?**

14 A. Attachments JAB-RR-UA through JAB-RR-UD were prepared as described by
15 SPS witness Ross L. Baumgarten. My staff and I have reviewed these attachments
16 and I believe them to be accurate. Although the information I have described also
17 is present in Mr. Baumgarten’s attachments, I have presented this information in
18 the attachments to my update testimony for the convenience of those reviewing it.

- 1 **Q. Are there updated exclusions for the OS Senior VP – Commercial Operations**
2 **affiliate class?**
- 3 A. Yes. The actual exclusions are provided on Attachment JAB-RR-UC.
- 4 **Q. Are there updated pro forma adjustments to SPS’s per book expenses for the**
5 **OS Senior VP – Commercial Operations affiliate class?**
- 6 A. Yes. As I mentioned in my direct testimony, pro forma adjustments are revisions
7 to Updated Test Year expenses for known and measurable changes. Pro forma
8 adjustments are shown on Attachment JAB-RR-UA, Column J, and on Attachment
9 JAB-RR-UB, Column M. The details for the pro forma adjustments, including the
10 witness or witnesses who sponsor each pro forma adjustment, are provided in
11 Attachment JAB-RR-UD.
- 12 **Q. Attachment JAB-RR-UD shows that you sponsor pro forma adjustments for**
13 **expenses for the OS Senior VP – Commercial Operations affiliate class during**
14 **the Updated Test Year that result in a net decrease for the OS Senior VP –**
15 **Commercial Operations affiliate class of \$1,912.63. Please explain the**
16 **adjustments.**
- 17 A. The adjustments that I sponsor: remove the costs not benefiting SPS (a decrease of
18 \$311.36); remove costs for alcoholic beverage and premium coffee purchases (a
19 decrease of \$1,025.90); and remove costs for life events and holiday meals (a
20 decrease of \$575.37).
- 21 **C. The OS Senior VP – Commercial Operations Class of Services are**
22 **Provided at a Reasonable Cost**
- 23 **Q. What is the purpose of this section of your update testimony?**
- 24 A. In this section of my direct testimony, several numbers were based on estimates for
25 the Update Period. In this update testimony, I replace those estimates with actual

1 numbers, and explain that the actual costs for the OS Senior VP – Commercial
2 Operations affiliate class are reasonable.

3 *1. Additional Evidence*

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

6 A. Yes. Of the Updated Test Year costs for the OS Senior VP – Commercial
7 Operations class, 92.11% are compensation and benefits costs for XES personnel.
8 SPS witnesses Michael P. Deselich and Richard R. Schrubbe establish that the level
9 of Xcel Energy’s compensation and benefits is reasonable and necessary.

10 *3. Cost Trends*

11 **Q. Please quantify the actual per book charges from XES to SPS for the OS**
12 **Senior VP – Commercial Operations class of services for the three years**
13 **preceding the Updated Test Year and for the Updated Test Year.**

14 A. Table JAB-RR-U2 shows the actual per book affiliate charges for the years from
15 2017-2019 and for the Updated Test Year. Those charges also appear on Column
16 I on Attachment JAB-RR-UA).

17 **Table JAB-RR-U2**

	(Per Book) Charges Over Time				
Class of Services	2017	2018	2019	Updated Test Year (Estimated)	Updated Test Year (Actual)
OS Senior VP – Commercial Operations	\$2,861,655	\$2,699,047	\$4,524,625	\$3,498,013	\$4,286,682

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

2 A. The estimated Updated Test Year amount matches the amount provided in my
3 direct testimony. Due to the remapping of certain costs discussed above, the 2017,
4 2018, 2019, and the actual Test Year amounts for the OS Senior VP – Commerical
5 Operations charges changed. As described in my direct testimony, these charges
6 to SPS vary from year to year as a function of SPP and SPS system conditions and
7 the amount of labor that is allocated to SPS commensurate with the level of SPS-
8 related work which impacts the variations in costs between each of the periods.

9 4. *Staffing Trends*

10 **Q. Please provide the staffing levels for the OS Senior VP – Commercial**
11 **Operations class of services for the three fiscal years preceding the end of the**
12 **Updated Test Year and the Updated Test Year.**

13 A. Table JAB-RR-U3 shows the average end-of-month staffing levels for the OS
14 Senior VP – Commerical Operations class of services.

15 **Table JAB-RR-U3**

	Average of End of Month # of Staff				
Class of Services	2017	2018	2019	Updated Test Year (Estimated)	Updated Test Year (Actual)
OS Senior VP – Commercial Operations	94	98	98	97	100

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

17 A. The estimated Updated Test Year amount matches the amount provided in my
18 direct testimony. Due to the remapping of certain costs discussed above, the 2017,

2018, 2019, and the actual Test Year staffing levels for the OS Senior VP – Commercial Operations changed slightly as compared to my direct testimony. OS Senior VP – Commercial Operations continually reviews its staffing levels to ensure it is appropriate for the commensurate workload.

D. The Costs for the OS Senior VP – Commercial Operations Class of Services are Priced in a Fair Manner

Q. Have any of the predominant allocation methods for the OS Senior VP – Commercial Operations affiliate operation and maintenance expenses changed?

A. Yes. While the majority of the predominant allocation methods have remained the same, the percentages and amounts have changed and the allocation method “Assets, Revenue, & Number of Employees” was added due to the remapping of certain trading costs from the ES VP Operations affiliate class to the OS Senior VP – Commercial Operations affiliate class. The changes are as follows:

Table JAB-RR-U4

Allocation Method	Estimated Percentage of XES Charges to SPS/Amount Requested (total company) in Direct Testimony	Actual Percentage of XES Charges to SPS/Amount Requested (total company) in Update Filing
Direct Billing	75.45% / \$2,639,281	69.92% / \$2,502,946
Joint Operating Agreement	16.75% / \$585,897	19.58% / \$701,023
Megawatt Hours Sold	5.15% / \$180,003	4.17% / \$149,222
MWH Generation	2.65% / \$92,832	2.69% / \$96,416
Assets/Revenues/No. of Employees	N/A	3.63% / \$129,951

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

4 A. The three factor allocation using assets, revenue, and number of employees
5 produces an allocation of costs that recognizes the complexity, risk, and overall
6 business activity levels that drives the costs included in the cost centers and
7 measures the benefits received from those activities. For the cost centers billed
8 using this allocator, there is no one specific cost driver for the support tasks and
9 services provided, and the services benefit multiple Xcel Energy affiliates. For
10 example, the costs associated with labor and non-labor costs of providing
11 management support to the Operations organization, which are collected in Cost
12 Center 200063, are allocated using this method. Within the Xcel Energy holding
13 company group, those legal entities that have proportionately more assets,
14 revenues, and employees will generally have more focus placed on their operations
15 due to those subsidiaries’ relative influence on the consolidated business balance
16 sheet, income statement, and statement of cash flow, and the subsidiaries will
17 benefit accordingly from the services provided. Thus, allocating these costs based
18 upon the average of the total asset ratio, revenue ratio, and employee ratio is
19 appropriate because it allocates costs in accordance with cost causation and benefits
20 received. Mr. Baumgarten discusses this allocation method in more detail in his
21 testimony. For the cost centers that assign costs based upon this billing method,
22 the per unit amounts charged by XES to SPS as a result of the application of this
23 allocation method are no higher than the unit amounts billed by XES to other

1 affiliates for the same or similar services and represent the actual costs of the
2 services.

3 **Q. Does this conclude your pre-filed update testimony?**

4 A. Yes.

AFFIDAVIT

STATE OF COLORADO)

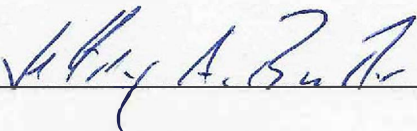
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COUNTY OF JEFFERSON)

JEFFREY A. BUTLER, first being sworn on his oath, states:

I am the witness identified in the preceding Update Testimony. I have read the Update Testimony and the accompanying attachment(s) and am familiar with the contents. Based upon my personal knowledge, the facts stated in the testimony are true.

In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the Update Testimony are true, valid, and accurate.



JEFFREY A. BUTLER

Subscribed and sworn to before me this 17 day of March 2021 by
JEFFREY A. BUTLER.



Notary Public, State of Colorado

My Commission Expires:

12/17/2023



CERTIFICATE OF SERVICE

I certify that on the 25th day of March 2021, notice of the filing of the foregoing update testimony with the PUCT was served on all parties of record by electronic service and was posted to SPS's file sharing platform.

/s/ Jeremiah W. Cunningham

Southwestern Public Service Company

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Line No.	Affiliate Class	Billing Method (Cost Center)	Allocation Method	Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	Exclusions	Per Book	Pro Forms	Requested Amount (Total Company)	% of Class Charges
1	OS Senior VP - Commercial Operations	200063 - Executive - Corporate Governance	Assets/Revenue/No. of Employees	\$ 981,313.52	\$ 854,567.80	\$ 126,745.72	\$ (47.33)	\$ 126,698.39	\$ 3,252.92	\$ 129,951.31	3.63%
2	OS Senior VP - Commercial Operations	200134 - Proprietary Trading - Front/Mid Office FERC 557	Joint Operating Agreement Peak Hour Megawatt Load Ratio	6,394,329.09	5,025,392.67	1,368,936.42	(459.12)	1,368,477.30	(787,630.31)	580,846.99	16.23%
3	OS Senior VP - Commercial Operations	200136 - Energy Markets - Fuel	MWH Generation	395,807.25	301,967.23	93,840.02	(49.28)	93,790.74	2,625.17	96,415.91	2.69%
4	OS Senior VP - Commercial Operations	200146 - Energy Markets - Regulated Trading	MWH Hours Sold	560,890.57	413,523.81	147,366.76	(886.17)	146,480.59	2,741.22	149,221.81	4.17%
5	OS Senior VP - Commercial Operations	200174 - Generation Trading/Native Hedge - Mid Office FERC 557	Joint Operating Agreement Labor Hours Ratio	489,804.00	373,128.27	116,675.73	-	116,675.73	3,500.27	120,176.00	3.36%
6	OS Senior VP - Commercial Operations	Direct	Direct	9,952,756.71	7,509,420.77	2,443,335.94	(8,776.63)	2,434,559.31	68,386.19	2,502,945.50	69.92%
7	OS Senior VP - Commercial Operations	Commercial Operations Total		\$ 18,774,901.14	\$ 14,478,000.55	\$ 4,296,900.59	\$ (10,218.53)	\$ 4,286,682.06	\$ (707,124.53)	\$ 3,579,557.53	100.00%
8	Total Witness Jeffrey A. Butler			\$ 18,774,901.14	\$ 14,478,000.55	\$ 4,296,900.59	\$ (10,218.53)	\$ 4,286,682.06	\$ (707,124.53)	\$ 3,579,557.53	
	Amounts may not add or tie to other schedules due to rounding										

Southwestern Public Service Company

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

Jeffrey A. Butler

Docket No. 51802

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

JAB-RR-UB(CD) is provided in electronic format.

Southwestern Public Service Company

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Exclusions	(E) Exclusions (Total Company)
1	OS Senior VP - Commercial Operations	417.1 - Expenses of nonutility operations	Below the Line	\$ (6,800.26)
2	OS Senior VP - Commercial Operations	426.1 - Donations	Below the Line	(218.17)
3	OS Senior VP - Commercial Operations	426.5 - Other Deductions	Below the Line	(3,200.10)
4	OS Senior VP - Commercial Operations Total			<u>\$ (10,218.53)</u>
5	Total Witness Jeffrey A. Butler			<u><u>\$ (10,218.53)</u></u>

Amounts may not add or tie to other schedules due to rounding

Southwestern Public Service Company

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
1	OS Senior VP - Commercial Operations	501 - Fuel	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 14,197.89
2	OS Senior VP - Commercial Operations	501 - Fuel	Business Area Adjustment	Jeffrey A. Butler	(15.13)
3	OS Senior VP - Commercial Operations	549 - Miscellaneous other power generation expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	1,746.75
4	OS Senior VP - Commercial Operations	556 - System control and load dispatching	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	27,609.93
5	OS Senior VP - Commercial Operations	556 - System control and load dispatching	Business Area Adjustment	Jeffrey A. Butler	(137.00)
6	OS Senior VP - Commercial Operations	557 - Other expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	22,563.98
7	OS Senior VP - Commercial Operations	557 - Other expenses	Business Area Adjustment	Jeffrey A. Butler	(452.18)
8	OS Senior VP - Commercial Operations	557 - Other expenses	SIP Expense	Michael P. Deselich	(801,243.84)
9	OS Senior VP - Commercial Operations	561.7 - Generation interconnection studies	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	3,495.49
10	OS Senior VP - Commercial Operations	566 - Miscellaneous transmission expenses	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	(0.00)
11	OS Senior VP - Commercial Operations	566 - Miscellaneous transmission expenses	Business Area Adjustment	Jeffrey A. Butler	(86.80)

Southwestern Public Service Company

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

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
12	OS Senior VP - Commercial Operations	575.1 - Operation Supervision	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	3,500.17
13	OS Senior VP - Commercial Operations	575.1 - Operation Supervision	Business Area Adjustment	Jeffrey A. Butler	(59.87)
14	OS Senior VP - Commercial Operations	575.2 - Day-ahead and real-time market administration	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	7,885.03
15	OS Senior VP - Commercial Operations	575.5 - Ancillary services market administration	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	375.17
16	OS Senior VP - Commercial Operations	575.6 - Market monitoring and compliance	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	661.88
17	OS Senior VP - Commercial Operations	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	13,995.65
18	OS Senior VP - Commercial Operations	920 - Administrative and general salaries	Business Area Adjustment	Jeffrey A. Butler	(305.49)
19	OS Senior VP - Commercial Operations	921 - Office supplies and expenses	Business Area Adjustment	Jeffrey A. Butler	(856.16)
20	OS Senior VP - Commercial Operations Total				\$ (707,124.53)
21	Total Witness Jeffrey A. Butler				\$ (707,124.53)
	Amounts may not add or tie to other schedules due to rounding				