

DOCKET NO. 51802

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

**UPDATE TESTIMONY
of
THOMAS K. ANSON**

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: AnsonRRUpdate.doc; Total Pages: 16)

Table of Contents

GLOSSARY OF ACRONYMS AND DEFINED TERMS.....	2
LIST OF ATTACHMENTS	3
I. WITNESS IDENTIFICATION	4
II. PURPOSE AND SUMMARY OF UPDATED TESTIMONY	5
III. UPDATED TESTIMONY OPINIONS	9
IV. CONCLUSION.....	13
AFFIDAVIT OF THOMAS K. ANSON.....	14
CERTIFICATE OF SERVICE	15
TESTIMONY ATTACHMENTS:	
Attachment TKA-RR-U1(CD).....	16

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Baker Botts	Baker Botts L.L.P.
Coffin	Coffin Renner LLP
Courtney	Courtney, Countiss, Brian & Bailey, L.L.P.
Eversheds	Eversheds Sutherland (US) LLP
Hinkle	Hinkle Shanor LLP
SPS	Southwestern Public Service Company, a New Mexico corporation
Winstead	Winstead PC
WTW	Willis Towers Watson

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
TKA-RR-U1(CD)	Updated Workpapers (<i>Provided on CD</i>)

**UPDATE TESTIMONY
OF
THOMAS K. ANSON**

I. WITNESS IDENTIFICATION

1

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Thomas K. Anson. My business address is 720 Brazos Street, Suite
4 700, Austin, Texas 78701.

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

6 A. I am filing testimony on behalf of the applicant, Southwestern Public Service
7 Company, a New Mexico corporation (“SPS”).

8 **Q. ARE YOU THE SAME THOMAS K. ANSON WHO FILED DIRECT**
9 **TESTIMONY ON BEHALF OF SPS IN THIS DOCKET?**

10 A. Yes.

1 **II. PURPOSE AND SUMMARY OF UPDATED TESTIMONY**

2 **Q. WHAT IS PURPOSE OF THIS UPDATE TESTIMONY?**

3 A. The purpose of my testimony is to update my initial direct testimony regarding the
4 external rate case expenses for this comprehensive rate case, the Docket No. 51625
5 fuel factor case,¹ and the Docket No. 51644 net surcharge case.² In my initial direct
6 testimony, I anticipated that updated direct testimony would be necessary as
7 additional rate case expense information became available. Given that even with
8 this updated testimony the rate case expenses being incurred are still at a relatively
9 early stage, I anticipate that additional testimony or affidavits will be necessary at
10 a later stage as additional rate case expense information becomes available.

11 **Q. WAS THIS UPDATE TESTIMONY PREPARED BY YOU OR UNDER**
12 **YOUR DIRECTION AND SUPERVISION?**

13 A. Yes. This update testimony was prepared by me or under my direction and
14 supervision. The information contained in this update testimony is true and correct
15 to the best of my knowledge, information, and belief after reasonable inquiry.

16 **Q. DO YOU SPONSOR ANY EXHIBITS IN REGARD TO THIS UPDATE**
17 **TESTIMONY?**

18 A. No. This update testimony does not have any exhibits because of the relatively
19 early stage of the process relative to the incurrence of rate case expenses. I
20 anticipate later sponsoring exhibits in connection with additional testimony or

¹ *Application of Southwestern Pub. Serv. Co. for Authority to Revise its Fuel Factor Formulas; Change its Fuel Factors; and for Related Relief*, Docket No. 51625 (pending).

² *Application of Southwestern Pub. Serv. Co. for Authority to Implement a Net Surcharge Associated with Docket No. 49831*, Docket No. 51644 (pending).

1 affidavits which will provide summaries of the rate case expenses incurred, any
2 specific amounts which I recommend should not be recovered, and the resulting
3 amounts which I do recommend for recovery.

4 **Q. DO YOU HAVE ANY WORKPAPERS FOR THIS UPDATE TESTIMONY?**

5 A. Yes. The workpapers are the relevant documents which I have been provided by
6 SPS and reviewed by me to date in connection with my evaluation and
7 determinations regarding the law firms and outside consultants that are working on
8 this rate case. The workpapers are being separately filed in this case.

9 **Q. WHAT STANDARDS DID YOU APPLY TO DETERMINE WHETHER**
10 **SPECIFIC RATE CASE EXPENSES ARE REASONABLE AND**
11 **RECOVERABLE?**

12 A. I followed the Public Utility Commission of Texas Rule 25.245 in light of the
13 rulemaking order adopting it, and with guidance from the precedent referenced in
14 my initial direct testimony, with regard to the rate case expenses incurred and
15 related information which I have reviewed to date. I will continue to follow those
16 standards as I review additional rate case expense information and provide
17 additional testimony or affidavits regarding rate case expenses.

18 **Q. PLEASE SUMMARIZE THIS UPDATED TESTIMONY.**

19 A. In my initial direct testimony, I addressed whether the services of the law firms and
20 outside consultants are necessary and that their rates are reasonable, and expressed
21 the opinion that they were. This updated testimony will not repeat the initial direct
22 testimony, but instead relies upon it and builds upon it. There is an outside
23 consultant firm in addition to those discussed in my initial direct testimony whose
24 services I have reviewed and which I will address in this updated testimony,

1 For this updated testimony, I have examined and evaluated the rate case
2 expense information provided to me by SPS for review regarding this rate case and
3 regarding the other two rate dockets. Such rate case expense information remains
4 subject to future evaluation and potential adjustments by me as additional rate case
5 expense documentation and information are later provided to me on the external
6 services. Therefore, in this updated testimony I am providing a preliminary opinion
7 that the rate case expenses reviewed to date were in fact incurred and, subject to
8 further investigation as to their particular aspects, the rate case expenses were in
9 general necessary, reasonable, warranted, and not extreme, excessive, or
10 disproportionate. As I indicated regarding exhibits, at a later stage I will detail any
11 specific amounts I recommend not be recovered and accordingly indicate the
12 amounts which I do recommend be recovered.

13 **Q. WHAT LAW FIRM INVOICE INFORMATION FOR LEGAL SERVICES**
14 **TO SPS DID YOU REVIEW FOR THIS UPDATED TESTIMONY?**

15 A. I reviewed invoice information provided to me by SPS for the legal services
16 provided for this comprehensive rate case by the following law firms: Eversheds
17 Sutherland (US) LLP (“Eversheds”); Winstead PC (“Winstead”); Courtney,
18 Countiss, Brian & Bailey, L.L.P. (“Courtney”); and Hinkle Shanor LLP (“Hinkle”).
19 I reviewed invoice information provided to me by SPS for the legal services
20 provided for the fuel factor proceeding by the law firm of Baker Botts L.L.P.
21 (“Baker Botts”). I reviewed invoice information provided to me for the legal
22 services provided for the net surcharge proceeding by the law firm of Coffin Renner

1 LLP (“Coffin”). The law firms’ invoice information provided to me by SPS and
2 reviewed by me to date are included in the workpapers.

3 **Q. WHAT FIRM INVOICE INFORMATION FOR CONSULTING SERVICES**
4 **TO SPS DID YOU REVIEW FOR THIS UPDATED TESTIMONY?**

5 A. I reviewed invoice information provided to me by SPS for the consulting services
6 provided for this comprehensive rate case by the following:

- 7 • ScottMadden, Inc.;
- 8 • Deloitte & Touche LLP; and
- 9 • Willis Towers Watson.

10 The consulting firms’ invoice information provided to me by SPS and reviewed by
11 me to date are included in the workpapers. Willis Towers Watson is the firm that I
12 had not reviewed in connection with my initial direct testimony.

1 **III. UPDATED TESTIMONY OPINIONS**

2 **Q. WHAT DID YOU DETERMINE FROM YOUR REVIEW OF THE LAW**
3 **FIRM INVOICE INFORMATION?**

4 A. I found that the law firm invoice information was sufficient to allow me on a
5 preliminary basis to reasonably identify the nature, extent, and difficulty of the legal
6 work being performed, and to form a preliminary judgment about the
7 reasonableness of the time and labor required and spent to date with regard to the
8 information I have so far reviewed.

9 This legal invoice information included the date, service descriptions, and
10 timekeeper hourly rates. The invoice information reviewed to date appears to have
11 been calculated correctly, with no double billings or inconsistencies found. It
12 appears that none of the charges should have been assigned to other matters.

13 Regarding out-of-pocket or other expenses in addition to fees incurred by
14 the law firms, those are a matter of my ongoing investigation, and will be a matter
15 to be addressed at a later date in the exhibits which I previously described.

16 Subject to that ongoing inquiry, my preliminary opinion in this updated
17 testimony is that the time spent, tasks performed, and fees charged which I have
18 reviewed to date by the foregoing law firms are necessary, reasonable, warranted,
19 and thus not extreme or excessive.

20 This is based upon my review and evaluation of the invoices and supporting
21 documentation provided to me to date, and such factors as the fact that the utility
22 has the burden of proof on all the numerous and often complex elements of its rate
23 case, and the other matters regarding what the utility is required to do for rate cases

1 that I described in my initial direct testimony. And of course there is the
2 significance of the rate cases to the utility.

3 This updated testimony only addresses a portion of the total work that will
4 be performed for the rate cases. Therefore, as I have previously noted, this updated
5 testimony is subject to further review based upon additional information, which
6 will be addressed at a later date.

7 **Q. IS IT NECESSARY AND REASONABLE FOR SPS TO EMPLOY WILLIS**
8 **TOWERS WATSON AS AN OUTSIDE CONSULTANTS FOR THIS CASE?**

9 A. Yes. SPS, as well as other utilities, have engaged Willis Towers Watson (“WTW,”
10 and formerly known as Towers Watson), a leading global advisory company, to
11 perform employee compensation studies for use in rate cases (as well to support
12 rate case discovery regarding such studies). SPS first engaged WTW in 2011.

13 **Q. HOW DID YOU EVALUATE WHAT IS BEING CHARGED BY WTW?**

14 A. Based on my understanding of the issues in this rate case, prior testimony regarding
15 this consulting firm’s experience, competence, and charges to SPS,³ and additional
16 due diligence when necessary, I was able to evaluate the reasonableness of what is
17 being charged by this outside consultant for its work in this rate case.

18 **Q. WHAT IS YOUR CONCLUSION REGARDING WHAT IS BEING**
19 **CHARGED BY WTW IN THIS CASE?**

20 A. The outside consultant firm is qualified and has experience in the specific technical
21 issues in which it is providing consulting services, and in my opinion what it is
22 charging is reasonable for this type of services, and thus not extreme or excessive.

³ E.g., *Review of Rate Case Expenses Incurred by Southwestern Pub. Serv. Co. and Municipalities in Docket 43695*, Docket No. 44498, Direct Testimony of J. Kay Trostle at pp. 49-50 (Feb. 26, 2016), available at <http://interchange.puc.texas.gov/search/documents/?controlNumber=44498&itemNumber=29>.

1 **Q. WHAT DID YOU DETERMINE FROM YOUR REVIEW OF THE**
2 **CONSULTANT FIRMS' INVOICE INFORMATION THAT YOU WERE**
3 **ABLE TO REVIEW TO DATE?**

4 A. I found that the consultant invoice information was sufficient to allow me on a
5 preliminary basis to reasonably identify the nature, extent, and difficulty of the
6 consultant work being performed, and to form a preliminary judgment about the
7 reasonableness of the time and labor required and spent to date with regard to the
8 information I have so far reviewed.

9 I note, as I have in rate case expense testimony I have provided in other
10 cases, that the task description of consultant invoices can often be more generic and
11 provide less specificity than compared to law firm invoices. Based on my
12 experience, this is common practice. Generally, the work performed by the
13 consultants is typically very detailed, with work often focused upon a single issue,
14 and work on a single issue or a rate filing schedule may take several days. In
15 descriptive terms, the work performed in developing one schedule versus another
16 would typically look the same. More detail on a daily basis would, in most
17 instances, add little. I have seen that difference between the law firm and consultant
18 invoices I have reviewed so far, and when I need more information about any
19 particular entries I will investigate it further, in order to further form my opinion as
20 to the reasonableness of the consultants' invoices, including any specific
21 adjustment in the exhibits to be provided at a later stage.

22 The consultant invoice information I have reviewed so far appears on a
23 preliminary basis to be consistent with the professional services engagements, and

1 where appropriate includes the date and timekeeper involved. The invoice
2 information reviewed to date appears to have been calculated correctly, with no
3 double billings or inconsistencies found. It appears that none of the charges should
4 have been assigned to other matters.

5 Regarding out-of-pocket or other expenses in addition to the professional
6 services fees incurred by the consulting firms, those are a matter of my ongoing
7 investigation, and will be a matter to be addressed at a later date in the exhibits
8 which I previously described.

9 Subject to that ongoing inquiry, my preliminary opinion in this updated
10 testimony is that the time spent, tasks performed, and professional services fees
11 charged which I have reviewed to date by the foregoing consultant firms are
12 necessary, reasonable, warranted, and thus not extreme or excessive.

13 This is based upon my review and evaluation of the invoices and supporting
14 documentation provided to me to date, and such factors as the fact that the utility
15 has the burden of proof on all the numerous and often complex elements of its rate
16 case, and the other matters regarding what the utility is required to do for rate cases
17 that I described in my initial direct testimony. And of course there is the
18 significance of the rate cases to the utility.

19 This updated testimony only addresses a portion of the total work that will
20 be performed for the rate cases. Therefore, as I have previously noted, this updated
21 testimony is subject to further review based upon additional information, including
22 work provided by other consultants whose invoice information has not yet been
23 available for review, which will be addressed at a later date.

1 **IV. CONCLUSION**

2 **Q. WHAT IS YOUR CONCLUSION IN THIS UPDATED TESTIMONY?**

3 A. Based on the information provided to me by SPS and reviewed by me to date, and
4 under the criteria in Substantive Rule 25.245, subject to my ongoing investigation,
5 my preliminary opinion is that the external rate case expenses reviewed so far were
6 incurred, are in general necessary, reasonable, and warranted, without duplication
7 of services or testimony, and not extreme, excessive, unwarranted, or
8 disproportionate in relation to the nature and scope of the rate cases. Again, this
9 update testimony is subject to the fact that additional rate case expenses will be
10 incurred and reviewed, and that I will be preparing exhibits at a later stage in which
11 I identify any amounts I recommend not be recovered and the amounts which I do
12 recommend be recovered.

13 **Q. DOES THIS CONCLUDE YOUR UPDATE TESTIMONY IN THIS CASE?**

14 A. Yes, it does.

AFFIDAVIT OF THOMAS K. ANSON

THE STATE OF TEXAS)
COUNTY OF TRAVIS)

This day, Thomas K. Anson, the affiant, appeared in person before me, a notary public, who knows the affiant to be the person whose signature appears below. The affiant stated under oath:

“My name is Thomas K. Anson. I am of legal age and a resident of the State of Texas. The foregoing testimony is offered by me is true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true, and correct.”

Thomas K Anson

Signed on 2021/03/18 10:23:40 -7:00

Thomas K. Anson

SUBSCRIBED AND SWORN TO BEFORE ME, notary public, on this the
__18__ day of March 2021.

Notary Public, State of Texas



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

Workpapers of Thomas K. Anson

Docket No. 51802

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

TKA-RR-U1(CD) is provided in electronic format