BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF ADVICE NO. 1828-ELECTRIC OF PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO P.U.C. NO. 8 - ELECTRIC TARIFF TO IMPLEMENT AN ADVANCED GRID RIDER TO BE EFFECTIVE ON AUGUST 17, 2020	**) PROCEEDING NO. 20AL-XXXXE**

<u>DIRECT TESTIMONY AND ATTACHMENTS OF DEBORAH A. BLAIR</u>

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

July 17, 2020

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

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IN THE MATTER OF ADVICE NO. 1828-	**)**	
ELECTRIC OF PUBLIC SERVICE	**)**	
COMPANY OF COLORADO TO REVISE	**)**	
ITS COLORADO P.U.C. NO. 8 -	**)**	**PROCEEDING NO. 20AL-XXXXE**
ELECTRIC TARIFF TO IMPLEMENT AN	**)**	
ADVANCED GRID RIDER TO BE	**)**	
EFFECTIVE ON AUGUST 17, 2020	**)**	

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym/Defined Term	Meaning
2019 Electric Rate Case	Proceeding No. 19AL-0268E
AGIS	Advanced Grid Intelligence and Security
AGR	Advanced Grid Rider
AMI	Advanced Metering Infrastructure
AMR	Automatic Meter Reading
Commission	Colorado Public Utilities Commission
CPCN	Certificate of Public Convenience and Necessity
CWIP	Construction Work in Progress
FAN	Field Area Network
FERC	Federal Energy Regulatory Commission
O&M	Operations and Maintenance
PSIA	Pipeline Safety Integrity Adjustment
Public Service or Company	Public Service Company of Colorado
TCA	Transmission Cost Adjustment
TCJA	Tax Cuts and Jobs Act
XES	Xcel Energy Services Inc.
Xcel Energy	Xcel Energy Inc.

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

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IN THE MATTER OF ADVICE NO. 1828-	**)**	
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DIRECT TESTIMONY AND ATTACHMENTS OF DEBORAH A. BLAIR

I. INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY, AND RECOMMENDATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Deborah A. Blair. My business address is 1800 Larimer Street, Denver, Colorado 80202.

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

A. I am employed by Xcel Energy Services Inc. (“XES”) as Director, Revenue Analysis. XES is a wholly owned subsidiary of Xcel Energy Inc. (“Xcel Energy”) and provides an array of support services to Public Service Company of Colorado (“Public Service” or the “Company”) and the other utility operating company subsidiaries of Xcel Energy on a coordinated basis.

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

A. I am testifying on behalf of Public Service.

Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND QUALIFICATIONS.

A. As Director, Revenue Analysis, I am responsible for determining the overall revenue levels required by Public Service and Southwestern Public Service Company, another Xcel Energy regulated utility subsidiary. I lead a team of analysts who develop revenue requirement models to support the rates charged by Public Service. I direct, review, and analyze the revenue requirements that support the base rates, rate riders, and Federal Energy Regulatory Commission ("FERC") formula rates used by Public Service. A description of my qualifications, duties, and responsibilities is set forth in my Statement of Qualifications at the conclusion of my testimony.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my Direct Testimony is to present the Company's annual revenue requirement associated with its Advanced Grid Intelligence and Security ("AGIS") initiative, for which the Company proposes to recover costs through its proposed Advanced Grid Rider ("AGR"). Specifically, I present the 2021 revenue requirement forecast that contains AGIS capital in service and O&M through the end of 2021, to the extent these amounts are not already included in base rates. I present current estimates of revenue requirements for 2022 through 2025 for illustrative purposes, to depict the current anticipated scope of annual AGR costs. I also describe how the AGIS annual revenue requirement will be updated and adjusted over the course of the five-year term of the AGR, explain what components of revenue requirements the Company is proposing to include in the AGR, and describe the AGR true-up process.

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

A. Yes, I am sponsoring Attachments DAB-1 through DAB-3, which were prepared by me or under my direct supervision. The attachments are as follows:

- Attachment DAB-1: AGR Revenue Requirement – 2021 through 2025;
- Attachment DAB-2: AGIS costs in Base Rates; and
- Attachment DAB-3: Regulatory Asset Balance of Deferred AGIS costs.

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

A. I recommend that the Colorado Public Utilities Commission ("Commission"):

- Approve Public Service's forecasted 2021 AGIS revenue requirement to be recovered through the AGR; and
- Approve cost recovery through the AGR of amounts incurred to support the AGIS initiative and approved for deferral in Decision No. C17-0556, which approved the Unopposed Comprehensive Settlement Agreement in Proceeding No. 16A-0588E (the "AGIS CPCN Settlement").[1]

[1] The Company filed an application requesting a Certificate of Public Convenience and Necessity ("CPCN") for certain AGIS projects through Proceeding No. 16A-0588E filed August 2, 2016 (the "AGIS CPCN Proceeding").

II. AGR REVENUE REQUIREMENT CALCULATION AND TRUE-UP

Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR DIRECT TESTIMONY?

A. In this section of my Direct Testimony, I present the presently anticipated 2021-2025 revenue requirements associated with the AGIS initiative. Specifically, Attachment DAB-1 presents the revenue requirement for 2021-2025, to the extent these amounts are not already included in base rates. As previously noted, revenue requirements for years 2022-2025 are for illustrative purposes only, and Public Service will request approval of the revenue requirement for those years in subsequent filings.

Q. HOW IS PUBLIC SERVICE PROPOSING TO RECOVER THE COSTS INCURRED AS PART OF ITS AGR?

A. Public Service is proposing to recover eligible AGIS costs incurred through a separate cost adjustment mechanism, similar to the manner in which pipeline system costs are recovered through the Pipeline System Integrity Adjustment (“PSIA”). Company witness Mr. Steven P. Berman sponsors the proposed AGR tariff, discussing the mechanics of the adjustment and policy drivers supporting the Company’s proposal in his Direct Testimony. Company witnesses Mr. Chad S. Nickell sponsors the AGIS Distribution project costs and Mr. Wendall A. Reimer sponsors the Company’s AGIS Business Systems project costs. Company witness Ms. Laurie A. Wold describes the capital asset accounting matters associated with the AGR.

A. Project Costs Included in Revenue Requirement

Q. WHAT PROJECT COSTS ARE INCLUDED IN THE AGIS ANNUAL REVENUE REQUIREMENT?

A. The AGR includes incremental and eligible capital and O&M costs for the AGIS projects. Mr. Berman discusses the scope of the AGR, and Mr. Nickell and Mr. Reimer discuss eligible projects and project costs in detail in their Direct Testimonies. The AGIS costs are primarily distribution-related and software costs (intangible plant).

Q. WHAT DO YOU MEAN BY INCREMENTAL COSTS?

A. The revenue requirement I present includes the eligible accumulated capital additions and O&M costs for 2021 through 2025 that are associated with the AGIS initiative, and which are above the level of costs currently in base rates, as shown on Attachment DAB-1. As Mr. Berman explains, certain AGIS capital costs placed in service in 2018 and 2019 are included in base rates as a result of the Company's 2019 Phase I Electric Rate Case, Proceeding No. 19AL-0268E ("2019 Electric Rate Case").[2] Further, the Company has been permitted to defer and recover certain AGIS expenses as a result of the AGIS CPCN Settlement and 2019 Electric Rate Case discussed by Mr. Berman. The amount of AGIS costs in base rates, including the plant in-service balances, plant-related costs, and O&M expense amounts, and the resulting revenue requirements, are presented in Attachment DAB-2 to my Direct Testimony.

[2] The test year in the 2019 Electric Rate Case was the 12 months ending August 31, 2019.

Q. WHAT INCREMENTAL COSTS IS THE COMPANY INCLUDING IN ITS 2021 FORECAST?

A. With respect to capital, the Company's 2021 AGIS projects plant in-service forecast includes the incremental, rolling balance of capital additions that have been forecasted to be placed in-service in 2021. In addition, there is a small amount of Plant Held for Future Use associated with the Field Area Network ("FAN") project that is estimated to be classified to plant in-service in April 2021 that is included in the 2021 AGR revenue requirement. The Company also proposes to include its 2021 incremental O&M expense, which reflects the O&M expense over and above the level reflected in base rates approved as part of the Company's 2019 Electric Rate Case, as described in the Direct Testimonies of Mr. Nickell and Mr. Reimer. These incremental costs included in the 2021 forecast are net of the amounts include in base rates, as I describe in more detail later in my Direct Testimony.

Q. HOW DO YOU CALCULATE WHAT COSTS CONSTITUTE INCREMENTAL COSTS ELIGIBLE FOR INCLUSION IN THE AGR?

A. Once the annual revenue requirement is calculated, the amount of AGIS costs already included in base rates is subtracted so that the revenues recovered through the AGR represent only costs that are incremental to, or in addition to, those already reflected in base rates.

Q. HOW ARE THE AGIS CAPITAL PROJECTS CLASSIFIED IN THE COMPANY'S BOOKS AND RECORDS?

A. As presented by Ms. Wold, most of the AGIS capital projects are classified as electric distribution, general, or intangible plant assets. However, a portion of the FAN and Other AGIS projects are classified as common general assets. This is the appropriate classification, because the components will ultimately benefit Public Service's electric and gas customers. However, the benefit to the Gas Department and gas customers will not occur when the asset is initially put into service. Therefore, the Company has reclassified 100 percent of these assets to the Electric Department in the AGR revenue requirement. This approach is consistent with how these assets were treated in the Company's 2019 Electric Rate Case, and the Company's 2020 Gas Rate Case (Proceeding No. 20AL-0049G).

Q. CAN YOU PLEASE PROVIDE ADDITIONAL INFORMATION REGARDING INCREMENTAL O&M COSTS INCLUDED IN THE AGR?

A. Yes. The O&M expenses included in the revenue requirement are external costs not already reflected in the Company's base rates. All internal labor costs have been excluded as they are already reflected in base rates.

Q. PLEASE SUMMARIZE THE O&M EXPENSE AND GROSS PLANT IN-SERVICE BALACES IN BASE RATES AS COMPARED TO THE AGR.

A. I provide a comparison of the O&M expenses and gross plant in-service balances included in base rates as compared to the amounts included in the AGR in Table DAB-D-1 below:

TABLE DAB-D-1
O&M Expense and Gross Plant in-Service Comparison

	Amount In Base Rates (2019 Electric Rate Case)	2021	2022	2023	2024	2025
O&M Expense	$ 12,367,797	$ 15,696,528	$ 12,683,059	$ 14,192,138	$ 14,749,439	$ 13,509,154
Gross Plant in-Service	$ 61,550,267	$370,943,167	$562,848,566	$697,892,930	$813,283,757	$843,227,730

B. Revenue Requirement Calculation

Q. WHAT ARE THE COMPONENTS OF THE REVENUE REQUIREMENT CALCULATION FOR THE COMPANY'S AGR?

A. The AGR annual revenue requirement includes a return on capital investments, equal to the Company's weighted average cost of capital, and the plant-related ownership costs associated with such investments, including depreciation and amortization, accumulated deferred income taxes, and income tax expense. Incremental O&M expenses are also included in the AGR annual revenue requirement. The capital costs included in rate base will use a 13-month average methodology, as the adjustment is calculated using a forecasted test year with a true-up.

In addition, the AGR annual revenue requirement will include three additional amounts: 1) a credit for any amounts charged to the other operating companies in the Xcel Energy system that are using those AGIS assets owned by the Company, referred to as shared assets; 2) the regulatory asset and related amortization of previously deferred costs as approved by the Commission in the AGIS CPCN Settlement; and 3) the regulatory asset and related amortization of the early retirement of legacy meters. I describe these three additional amounts later in my Direct Testimony.

Q. IS CONSTRUCTION WORK IN PROGRESS ("CWIP") INCLUDED IN THE AGR REVENUE REQUIREMENT?

A. No. The Company is not proposing to recover CWIP through the AGR. Only AGIS capital costs that are in-service are included in the revenue requirement as eligible costs. Most of the AGIS distribution capital projects that will be placed into service have short construction cycles and will be in-serviced through routine structures. Since most of these assets will be placed in service in the same month that construction begins, the Company determined that the extra complexity of including CWIP in rate base is not necessary. In addition, most of the Company's current rider recovery mechanisms, except for the Transmission Cost Adjustment ("TCA"), do not include CWIP in rate base in the revenue requirements.

Q. WHAT IS A ROUTINE STRUCTURE?

A. Routine structures are typically used for repeatable, high-volume work where assets become used and useful on a very short time cycle. Most work orders that are set up to capture routine cost structures are opened and completed in a single day and the remaining ones are generally completed in two or three days. In addition, the costs associated with each individual work order are relatively small. Meter installations are an example of the type of work performed under routine structures. The reason routine structures are used is because the administrative burden of making each individual work order a stand-alone project would be cost prohibitive.

Q. WHAT IS PUBLIC SERVICE PROPOSING FOR THE CAPITAL STRUCTURE FOR ITS AGR REVENUE REQUIREMENT?

A. Public Service is proposing a 13-month average capital structure composed of long-term debt and equity, which will initially be an estimate for each year and will then be updated to actual in the true-up. Since the Company is not proposing to recover CWIP, it would not be appropriate to include short-term debt in the capital structure. And given the short construction cycle of the assets, financing the construction using short-term debt is not necessary. Therefore, including short-term debt in the capital structure of the AGR would not be reflective of the financing costs of the AGIS assets.

Q. WHAT IS PUBLIC SERVICE PROPOSING FOR THE COST OF DEBT AND THE COST OF EQUITY USED IN THE AGIS REVENUE REQUIREMENT?

A. For 2021 and subsequent years, Public Service is proposing to use the actual 13-month average embedded cost of long-term debt, and the return on equity approved in the 2019 Electric Rate Case of 9.30 percent. If there is a subsequent Phase I electric rate case before the AGR expires, the most recently approved return on equity will be used to forecast and/or true-up the annual AGR revenue requirement.

Q. HOW IS THE INCOME TAX EXPENSE CALCULATED IN THE AGR REVENUE REQUIREMENT?

A. Income tax expense is calculated by starting with the required earnings and then subtracting synchronized interest expense and adding taxable temporary additions/deductions (these are also known as "Schedule M items") to arrive at taxable income. The state and federal income tax rates are then applied to the taxable income to arrive at the current income tax expense. Deferred income tax expense is added to arrive at total tax expense. The federal income tax rate reflects the 21 percent rate effective January 1, 2018, with the enactment of the Tax Cuts and Jobs Act ("TCJA"). The state income tax rate reflects the 4.63 percent Colorado state income tax rate only. I have not included the California state income tax rate into the AGR income tax calculation. This is consistent with the Commission's recent Decision Addressing Applications for Rehearing, Reargument, or Reconsideration (Decision No. C20-0505, mailed date July 14, 2020) in the Company's 2019 Electric Rate Case. The Commission clarified that the California state income taxes should be recovered as an expense item in base rates rather than through the income tax expense calculation. Additionally, the Company incurs California state income taxes specifically in connection with certain renewable energy credit sales transactions that are not related to the AGIS work; therefore, inclusion of California state income tax in the AGIS revenue requirement would be inappropriate.

Q. HOW ARE THE AGIS COSTS ASSIGNED TO THE RETAIL JURISDICTION?

A. The AGIS costs are assigned 100 percent to the retail jurisdiction, as these costs only benefit our retail customers. This methodology is consistent with the methodology presented in the Company's 2019 Electric Rate Case, approved by the Commission.

Q. PLEASE DESCRIBE THE ADDITIONAL AMOUNTS INCLUDED IN THE AGR ANNUAL REVENUE REQUIREMENT PRESENTED IN THIS CASE.

A. As previously noted, the AGIS annual revenue requirement will include three additional amounts: 1) a credit for any amounts charged to the other operating companies in the Xcel Energy system that are using those AGIS assets owned by the Company, referred to as shared assets; 2) the regulatory asset and related amortization of previously deferred costs as approved by the Commission in the AGIS CPCN Settlement; and 3) the regulatory asset and related amortization of the early retirement of legacy meters. I will discuss each of these in turn.

Q. FIRST, PLEASE DISCUSS THE SHARED ASSET CREDIT THAT REDUCES THE REVENUE REQUIREMENT.

A. As discussed in the Direct Testimony of Ms. Wold, the Advanced Metering Infrastructure ("AMI") head-end software investment is owned by Public Service and recorded on Public Service's books. However, it will be used to support the initiatives of other Xcel Energy operating companies as they roll out AMI and is considered a shared asset. Public Service's costs of the AMI head-end software that will be charged to other Xcel Energy operating companies according to their share of the asset will include book depreciation, tax depreciation, related deferred taxes, removal cost recovery, property taxes, and Public Service's authorized return on investment or carrying costs. When these amounts are charged to the other Xcel Energy operating companies for the use of this asset, the shared asset credit is recorded to FERC Account 922, Administrative Expenses Transferred – Credit. Attachment LJW-3 to Ms. Wold's Direct Testimony provides the estimated shared asset costs that are included as a credit to the AGR revenue requirement.

Q. SECOND, PLEASE DISCUSS THE PREVIOUSLY DEFERRED AGIS CPCN COSTS.

A. As approved by the Commission in the AGIS CPCN Settlement, in April 2018 the Company started deferring costs associated with AMI, IVVO, and the associated portion of the FAN. The Company has set up deferred accounting for capital and O&M for AMI, IVVO, and associated FAN costs, and program management costs. The capital investment cost the Company is deferring is the depreciation expense. In addition, once the capital investment was greater than $50 million, the Company started deferring interest on the regulatory asset consistent with the AGIS CPCN Settlement. In the 2019 Electric Rate Case, the Company amortized the O&M portion of the regulatory asset balance as of December 31, 2018 over a three-year period that started with the effective date of rates on February 25, 2020.

Q. HAS THE COMPANY CONTINUED DEFERRING AGIS CPCN PROJECT COSTS SINCE DECEMBER 31, 2018?

A. Yes. The Company has continued deferring AGIS CPCN capital and O&M costs since December 31, 2018, consistent with the AGIS CPCN Settlement that states "Settling Parties agree to continued deferred accounting for operations and maintenance ("O&M") expenses as well as capital investments beyond the first rate case in which those costs could be included in base rates."[3]

A summary of the regulatory asset balance included in the AGR rate base is provided as Attachment DAB-3. Specifically, the Company is only requesting to include the regulatory asset associated with the O&M costs in rate base in the AGR revenue requirements, since we have already included interest in the deferred balance on the capital and there is no time value of money for depreciation expense. However, the Company is proposing to amortize the total regulatory asset balance as discussed below.

Q. WHAT IS THE BALANCE OF THE REGULATORY ASSET PUBLIC SERVICE IS INCLUDING IN RATE BASE IN THE 2021 AGR REVENUE REQUIREMENT?

A. The 2021 AGR revenue requirement includes the deferred AGIS CPCN O&M expense regulatory asset balance in rate base of $5,111,667, which is the 13-month average balance as of December 31, 2021. The balance is based on the actual deferred balance through May 31, 2020. AGIS costs deferred after May

[3] Unopposed Comprehensive Settlement Agreement approved by Decision No. C 17-0556 in Proceeding No. 16A-0588E, p. 5.

31, 2020 through the effective date of the AGR will be included in the true-up of the 2021 AGR true-up (described later in my Direct Testimony), and the total deferred balance will be amortized in subsequent years in the AGR, as proposed in this case.

Q. HAS AN AMORTIZATION EXPENSE ASSOCIATED WITH THE AGIS CPCN REGULATORY ASSET BEEN INCLUDED IN THE AGR REVENUE REQUIREMENT?

A. Yes. The 2021 AGR revenue requirement includes amortization expense of $5,375,550 associated with the total AGIS CPCN regulatory asset, which reflects both the O&M and the capital-related regulatory assets. This is based on a three-year amortization of the May 31, 2020 balance. This amortization amount will change in subsequent years as the costs deferred after May 31, 2020 are included in the regulatory asset balance and begin amortization. The specific beginning and end date of the three-year (36-month) amortization period will depend on the timing when the AGR is approved and placed into effect, as the amortization period will start with the effective date of the AGR.

Q. UNDER WHAT CIRCUMSTANCES WILL THE COMPANY DISCONTINUE THE AGIS CPCN COST DEFERRAL?

A. It will no longer be necessary to defer AGIS CPCN costs once the AGR goes into effect and provides for current cost recovery of those AGIS costs. At the time and to the extent the Company begins receiving AGR cost recovery, it will discontinue the deferral to ensure that AGIS CPCN costs are either being deferred or being recovered in the AGR (but not both).

Q. THIRD, PLEASE DISCUSS THE REGULATORY ASSET AND RELATED AMORTIZATION OF THE EARLY RETIREMENT OF LEGACY METERS.

A. As discussed by Ms. Wold, the Company has not fully depreciated its Automatic Meter Reading ("AMR") meters, referred to as "legacy meters," that will be replaced by AMI meters. Therefore, in order to recover the remaining value of these legacy meters, the Company will create a regulatory asset to recover these costs, which is estimated on Attachment LJW-4 to Ms. Wold's Direct Testimony. In addition, Ms. Wold supports the proposed amortization period for cost recovery of this regulatory asset. The 13-month average of the unamortized regulatory asset is included in rate base and the annual amortization expense is included in the AGR revenue requirement beginning in 2025.

Q. HOW MIGHT THE AGR REVENUE REQUIREMENT BE IMPACTED IF PUBLIC SERVICE FILES AND THE COMMISSION APPROVES A RATE CASE DURING THE PROPOSED FIVE-YEAR AGR PERIOD?

A. If Public Service files and the Commission approves a Phase I electric rate case during the five-year AGR period, the Company proposes that any AGIS projects that are completed, in-service, and have been through a prudence review by Commission Staff in the year after in-servicing, be transferred to base rates. Any remaining AGIS costs (capital and O&M expenses) that have not been through this process would continue to be recovered through the AGR.

Conversely, there are currently AGIS costs in base rates for O&M and capital for in-service portions of AGIS projects (like ADMS). Depending on the timing of project completion and the Company's next Phase I electric rate case, it may be appropriate to move these costs from base rates to the AGR so that all the costs associated with a particular project are in the AGR or base rates but not split between the two. Ultimately, the Company would make any such proposal in the context of a Phase I electric rate case where base rates and the AGR could be adjusted simultaneously to ensure the Company is recovering no more or less than it is entitled to receive.

C. AGR True-Up Process

Q. HOW WILL THE COMPANY ADJUST AND UPDATE THE AGR REVENUE REQUIREMENT TO ENSURE THE AGR RECOVERS THE ACTUAL AMOUNT OF ELIGIBLE AGIS COSTS INCURRED?

A. The AGR will utilize forecasted information to calculate the next projected calendar year revenue requirement, which is then charged for the upcoming year. Public Service proposes to revise its projected revenue requirement annually, with a filing to the Commission on or before November 15 to reflect the forecasted revenue requirement for the upcoming calendar year beginning on January 1. Like other riders such as the TCA or PSIA, after the conclusion of each year the AGR is effective, an annual true-up will be used to reconcile the projected revenue requirement for the previous year to the actual revenue required for the same year. Public Service proposes to make a true-up filing for each AGR year on or before April 15 of the following year. The true-up adjustment from that year would also be included in the subsequent November 15 forecasted revenue requirement.

Q. CAN YOU PROVIDE AN ILLUSTRATIVE EXAMPLE OF HOW THIS WILL WORK?

A. Yes. I will use 2021 as an example of how the true-up will work. For the purpose of this illustration, assume the 2021 projected revenue requirement was $20 million. The actual 2021 revenue requirement was $18 million and actual 2021 collections were $19 million. Table DAB-D-2 provides details of this illustrative true-up example:

Table DAB-D-2
Illustrative Example

2021 Projected Revenue Requirement (A)	$20 million
2021 Actual Revenue Requirement (B)	$18 million
2021 Actual Revenue Collections (C)	$19 million
2021 Revenue Requirement True-Up (B) – (A)	($2 million)
2021 Revenue True-Up (A) – (C)	$1 million
2021 Total True-Up – Over-collection	($1 million)

In this instance, the total true-up adjustment is an over-collection of $1 million. The difference between the projected revenue requirement and the actual revenue requirement is a $2 million over-collection. However, that is offset by the difference in projected collections versus actual collections. The projected rates were set with the goal of collecting $20 million. However, only $19 million was collected due to fewer actual billing determinants compared to the projected billing determinants used to set rates. The difference in billing determinants results in a $1 million under-collection, with the net being a $1 million over-collection.

This calculation of the true-up of the 2021 AGR will occur in the spring of 2022 with the calculation being filed by April 15, 2022. The $1 million over-collection will then be included in the November 15, 2022 filing that presents the projected revenue requirement and rates to be charged in 2023. The 2023 revenue requirement is reduced by the $1 million true-up adjustment from 2021.

Q. IS PUBLIC SERVICE PROPOSING TO INCLUDE ANY INTEREST OR CARRYING COSTS ON THE TRUE-UP ADJUSTMENT?

A. Yes. Public Service is proposing to include a carrying cost (interest) on the true-up adjustment balance, both over and under, based on the after tax WACC used to calculate the actual revenue requirement. The carrying cost will be calculated monthly by multiplying the monthly true-up adjustment by the after tax WACC, and then dividing by 12.

Q. WHY IS IT REASONABLE TO PERMIT THE COMPANY TO INCLUDE CARRYING COSTS AT THE COMMISSION-APPROVED AFTER-TAX WACC?

A. Carrying costs are appropriate due to the timing in the application of the true-up balance to the AGR rates. That is, there will be a somewhat significant lag for the true-up of the AGR revenue requirement. For example, under Public Service's proposal, the 2021 true-up will be calculated and reviewed in 2022 and then collected/returned in 2023. This results in a two-year difference between when the true-up is first calculated and when it is included in the AGR rates. Accordingly, reasonable carrying charges (which are symmetrical between Public Service and its customers) recognize the time value of money to both the Company and its customers.

D. AGR Revenue Requirement

Q. HAS THE COMPANY CALCULATED AN AGR REVENUE REQUIREMENT FOR PURPOSES OF PRESENTING ITS ANTICIPATED AGR COSTS?

A. Yes. Using the budget presented by Mr. Nickell and Mr. Reimer, I have calculated the presently forecasted revenue requirement for each year of the plan. The revenue requirement for each of the years is presented in Attachment DAB-1 and summarized below on Table DAB-D-3. At this time, Public Service is requesting approval of the 2021 revenue requirement, which includes the shared asset credit and amortization of the deferred amounts as described above. The revenue requirements for the years 2022 through 2025 are provided for illustrative purposes, as Public Service will request approval each of those years on an annual basis in its annual November 15 advice letter filings I discussed earlier.

TABLE DAB-D-3
ANNUAL AGR REVENUE REQUIREMENT

	2021	2022	2023	2024	2025
Rate Base	$ 322,642,633	$ 468,225,392	$ 547,679,667	$ 600,745,751	$ 618,267,225
WACC	6.97%	6.95%	6.96%	6.98%	6.99%
Required Earnings	$ 22,488,191	$ 32,541,665	$ 38,118,505	$ 41,932,053	$ 43,216,879
Gross Taxes	$ 5,802,596	$ 8,360,140	$ 9,718,550	$ 10,695,214	$ 10,994,028
Depreciation	$ 26,646,248	$ 38,642,448	$ 47,366,276	$ 55,644,523	$ 58,628,230
O&M	$ 15,696,528	$ 12,683,059	$ 14,192,138	$ 14,749,439	$ 13,509,154
Shared Asset Credit	$ (4,045,518)	$ (9,719,088)	$ (12,766,999)	$ (14,414,448)	$ (15,571,198)
Amortization of Amounts Deferred Under the CPCN Settlement	$ 5,375,550	$ 5,375,550	$ 5,375,550	$ -	$ -
Amortization of Legacy Meter Regulatory Asset	$ -	$ -	$ -	$ -	$ 7,003,809
Total Revenue Requirement	$ 71,963,596	$ 87,883,774	$ 102,004,020	$ 108,606,782	$ 117,780,902
Amount in Base Rates	$ (19,252,507)	$ (19,252,507)	$ (19,252,507)	$ (19,252,507)	$ (19,252,507)
Net Revenue Requirement	$ 52,711,089	$ 68,631,267	$ 82,751,513	$ 89,354,276	$ 98,528,395

Q. YOU MENTIONED EARLIER THAT THE AGR USES A CALENDAR YEAR TEST YEAR. HOW IS PUBLIC SERVICE PROPOSING TO RECOVER THE 2021 REVENUE REQUIREMENT IF THE AGR IS APPROVED AFTER JANUARY 1, 2021?

A. The 2021 revenue requirement is calculated based on the full calendar year (including the rolling balance of plant, which includes incremental capital expenditures from 2019 and 2020), but Public Service will not start billing for the rider until after the applicable AGR tariff is approved by the Commission. In terms of the 2021 true-up calculation, Public Service will calculate an actual revenue requirement for 2021, and the true-up adjustment will be included in the April 15, 2022 filing to be collected through 2023.

As an illustrative example, assume the AGR were to go into effect on May 1, 2021. Public Service would start billing customers under the AGR on May 1, based on the Company's 2021 revenue requirement. In 2022, the actual 2021 revenue requirement for the calendar year will be calculated and a true-up adjustment will result (which would be reflected in the Company's annual April 15, 2022 filing). The first true-up adjustment, for 2021, will be prorated to reflect only the period that the AGR was in effect in 2021 (May 1, 2021 through December 31, 2021). The true-up will be included in the rate for 2023 filed November 15, 2022.

In addition, as previously mentioned the AGIS CPCN deferral will continue until the effective date of rates of the AGR – in this illustrative example, through April 30, 2021. Any additional deferral amounts through April 30, 2021 will be included in the regulatory asset balance that will be amortized over the remaining two-year amortization period, through April 30, 2024 and included in the AGR beginning in 2022. In sum, the Company has designed the AGR to ensure appropriate cost recovery for actual AGIS project costs from the time of inception through 2025.

III. CONCLUSION

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. I recommend the Commission approve the 2021 AGIS revenue requirement as presented in this Direct Testimony, including recovery of amounts approved for deferral through the Commission's approval of the AGIS CPCN Settlement. As discussed above, Public Service will request approval of the revenue requirements for the years 2022 through 2025 annually beginning in 2021.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Statement of Qualifications

Deborah A. Blair

I graduated from Colorado State University in 1981 with a Bachelor of Science degree in Business Administration, with an emphasis in accounting. I began my career with Public Service in June 1981 in the Accounting Division. I held several positions in the Accounting Division including the Cheyenne Light, Fuel and Power Company ("Cheyenne") accountant and the Public Service accountant. Cheyenne was formerly a wholly-owned subsidiary of Public Service, but became an operating utility subsidiary of New Century Energies, Inc. upon the completion of the merger between Public Service and Southwestern Public Service Company in 1997, and then became an operating utility subsidiary of Xcel Energy Inc. Cheyenne has since been sold and is no longer a subsidiary of Xcel Energy Inc. In 1982, I accepted a position as a Rate Accountant in the Revenue Requirements Department of Public Service. In 1989, I was promoted to Supervisor, Revenue Reporting and in 1994 was promoted to Unit Manager, Revenue Requirements, both of Public Service. In May 1997, I was promoted to the position of Director, Regulatory Support Services for New Century Services, Inc. In August 2000, I accepted my current position of Director, Revenue Analysis of Xcel Energy Services Inc.

I have testified before the Commission in Proceeding Nos. 93I-199EG, 95S-041E, 95A-531EG, 96S-290G, 97A-299EG, 97S-366G, 98A-262EG, 98A-511E, 98S-518G, 99A-037E, 99A-377EG, 99A-557E, 00A-351E, 06S-234EG, 07A-469E, 08A-497EG, 08S-520E, 09AL-299E, 10AL-963G, 11AL-947E, 12A-782E, 12AL-1264ST, 12AL-1268G, 12AL-1269ST,14AL-0660E, 15AL-0135G, 15A-0589E, 15AL-0877E, 16A-0117E, 16AL-0869E, 17AL-0649E, 19AL-0268E, and 20AL-0049G. I have testified before the Wyoming Public

Service Commission in Proceeding No. 30005-GR-97-51 and have submitted written testimony in Proceeding Nos. 20003-EA-95-40, 30005-GA-95-39, 20003-EA-99-53 and 30005-GA-99-69. I have submitted written testimony before the New Mexico Public Regulation Commission in Case Nos. 2798, 3116, 3849, and 15-00343-UT, and before the Public Utility Commission of Texas in Proceeding Nos. 21190, 27052, 42042, 43695, and 45291.

I have testified before the FERC in Proceeding No. EL05-19-002, and have submitted written testimony in Proceeding Nos. ER96-713-000, ER00-536-000, ER03-971-000, ER04-1174-000, ER06-274-000, ER07-1415-000, ER08-313-000, ER08-527-000 ER08-749-000, ER10-192-000, ER10-992-000, ER11-2853-000, ER12-1589-000, ER14-1969-000, ER15-949-000, ER16-180-000, and ER19-1613-000.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * * *

IN THE MATTER OF ADVICE NO. 1828-ELECTRIC OF PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO P.U.C. NO. 8 - ELECTRIC TARIFF TO IMPLEMENT AN ADVANCED GRID RIDER TO BE EFFECTIVE ON AUGUST 17, 2020	**) PROCEEDING NO. 20AL-XXXXE**

AFFIDAVIT OF DEBORAH A. BLAIR
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

I, Deborah A. Blair, being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Direct 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 Denver, Colorado, this 16 day of July 2020.

Debora A Blair
Deborah A. Blair
Director, Revenue Analysis

Subscribed and sworn to before me this 16th day of July, 2020.

SCHUNA D WRIGHT
Notary Public
State of Colorado
Notary ID # 19974007693
My Commission Expires 05-06-2021

Schuna D. Wright
Notary Public

My Commission expires May 6, 2021