

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

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IN THE MATTER OF ADVICE LETTER NO.)
1727-ELECTRIC FILED BY PUBLIC)
SERVICE COMPANY OF COLORADO TO)
REVISE ITS CLEAN AIR - CLEAN JOBS) PROCEEDING NO. 16AL-0869E
ACT ("CACJA") RIDER IN ITS COLORADO)
P.U.C. NO. 8 – ELECTRIC TARIFF)
EFFECTIVE JANUARY 1, 2017)

**DIRECT TESTIMONY AND ATTACHMENTS OF
DEBORAH A. BLAIR**

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

April 16, 2018

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SUMMARY OF THE DIRECT TESTIMONY OF DEBORAH A. BLAIR

Ms. Deborah A. Blair is Director, Revenue Analysis in the Regulatory Department of Xcel Energy Services Inc. ("XES"), the service company affiliate of Public Service Company of Colorado ("Public Service" or "Company"). In this position, Ms. Blair is responsible for determining the overall revenue levels required by Public Service and Southwestern Public Service Company, Xcel Energy regulated utility subsidiaries.

In her testimony, Ms. Blair explains the derivation of the Company's actual 2017 Clean Air – Clean Jobs Act ("CACJA") eligible project revenue requirements, compares the 2017 forecasted and 2017 actual revenue requirements, and explains material deviations. She also explains how the revenue requirement calculations comply with the CACJA Rider requirements and how the Company's process to track and properly account for CACJA operations and maintenance ("O&M") prevents double-recovery.

Ms. Blair explains that, consistent with the CACJA Rider tariff, the CACJA revenue requirements include the following costs: 1) a return, equal to the

Company's actual weighted average cost of capital, on the net plant balances of the CACJA projects; 2) a return on Construction Work in Progress ("CWIP"); 3) the plant-related ownership costs associated with such plant investment, including depreciation, accumulated deferred income taxes ("ADIT"), and income taxes; 4) the variable non-fuel O&M expenses, including chemical and water expenses; and 5) variable O&M expense savings from Cherokee Unit 3's retirement in 2015. The return on equity ("ROE") used to derive the weighted average cost of capital is the last ROE approved by the Colorado Public Utilities Commission ("Commission"), which is 9.83 percent.

Based on these inputs, Ms. Blair identifies that the 2017 CACJA Rider was based on the forecasted 2017 CACJA revenue requirements of \$94,061,140 and determined, in accordance with the Settlement in the Company's last Electric Phase 1 Rate Case Proceeding No. 14AL-0660E ("2014 Rate Case"), that the 2017 actual CACJA Rider revenue requirements are \$91,708,605, or \$2,352,535 less than the forecasted amount. Ms. Blair discusses how the variance between the 2017 forecasted CACJA Rider revenue requirement and the 2017 actual CACJA revenue requirement is driven by approximately \$2.3 million in reductions to the revenue requirement due to reductions in variable O&M expense of Eligible CACJA Projects from what was forecasted; and an additional \$455,000 in savings due to less than expected capital costs for the eligible projects, as well as \$128,000 in savings due to updating the cost of debt, which was offset by \$566,000 for changes to the jurisdictional allocation factor. Ms. Blair then describes each of the drivers in turn, what they are, how they are calculated, and the impact they have on

the actual 2017 CACJA revenue requirement. This is summarized in the table below:

REVENUE REQUIREMENTS VARIANCE FACTORS

Description	2017 Estimate vs. 2017 Actual Costs
Reduction in Variable Non-Fuel O&M Expenses	\$ (2,335,113)
Net Change in Cherokee Units 5, 6 and 7 Revenue Requirement	\$ 28,950
Change in Pawnee SCR and Scrubber Revenue Requirement	\$ 38,707
Net Change in Hayden Unit 1 SCR Revenue Requirement	\$ 62,974
Net Reduction in Hayden Unit 2 SCR Capital Additions	\$ (585,657)
Update Cost of Debt from 4.46% to 4.42%	\$ (128,246)
Update Jurisdictional Allocation factor	\$ 565,850
2017 Actual CACJA Revenue Requirements Drivers	\$ (2,352,535)

Ms. Blair concludes that the actual 2017 CACJA revenue requirements are just and reasonable based on Public Service's prudent management of Eligible CACJA Projects.

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LIST OF ATTACHMENTS

Attachment DAB-1	2017 Forecasted CACJA Revenue Requirement
Attachment DAB-2	Proceeding No. 14AL-0660E – Earnings Test Sharing Mechanism Calculation Methodologies and Adjustments for 2015 – 2017 Calendar Year Reports
Attachment DAB-3	2017 Actual CACJA Revenue Requirement
Attachment DAB-4	2017 CACJA Actual versus Forecasted Revenue Requirement
Attachment DAB-5	Summary of Cost Drivers

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronyms/Defined Term</u>	<u>Meaning</u>
2011 Electric Rate Case	Proceeding No. 11AL-947E
2014 Rate Case	Phase I Electric Rate Case Proceeding No. 14AL-0660E
2014 Rate Case Settlement	Settlement Agreement in 2014 Rate Case
ADIT	Accumulated Deferred Income Tax
AFUDC	Allowance for Funds Used During Construction
CACJA	Clean Air – Clean Jobs Act
CC	Combined Cycle
Cheyenne	Cheyenne Light, Fuel and Power Company
Commission	Colorado Public Utilities Commission
CWIP	Construction Work in Progress
Earnings Test	Electric Earnings Test Sharing Mechanism
FERC	Federal Energy Regulatory Commission
FERC AFUDC Rate	AFUDC Rate prescribed by the FERC Uniform System of Accounts
GAAP	Generally Accepted Accounting Principles
HTY	Historical Test Year
O&M	Operations and Maintenance
Public Service or Company	Public Service Company of Colorado
ROE	Return on Equity
RORB	Rate of Return on Rate Base
RWIP	Retirement Work in Progress
SCR	Selective Catalytic Reduction
USoA	FERC Uniform System of Accounts
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

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

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

4 A. My name is Deborah A. Blair. My business address is 1800 Larimer Street,
5 Suite 1400, Denver, Colorado 80202.

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"),
8 a wholly-owned subsidiary of Xcel Energy Inc. ("Xcel Energy"), the parent
9 company of Public Service Company of Colorado ("Public Service" or
10 "Company"). The Service Company provides an array of support services for
11 Public Service and the other utility subsidiaries of Xcel Energy. My job title is
12 Director, Revenue Analysis in the Regulatory Department.

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

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

1 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND**
2 **QUALIFICATIONS.**

3 A. My duties and responsibilities include the determination of the overall revenue
4 levels required by Public Service and Southwestern Public Service Company,
5 Xcel Energy regulated utility subsidiaries. A description of my qualifications,
6 duties, and responsibilities is set forth after the conclusion of my testimony in
7 my Statement of Qualifications.

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

9 A. The purpose of my Direct Testimony is to explain the derivation of the
10 Company's actual 2017 Clean Air-Clean Jobs Act ("CACJA") eligible project
11 revenue requirements, compare the 2017 forecasted and actual revenue
12 requirements, and explain material deviations. I also explain how the
13 revenue requirement calculations comply with the CACJA Rider
14 requirements and how the Company's process to track and properly account
15 for CACJA operations and maintenance ("O&M") prevents double-recovery.

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

18 A. Yes, I am sponsoring Attachments DAB-1 through DAB-5, which were
19 prepared by me or under my direct supervision. Attachment DAB-1 is the 2017
20 forecasted CACJA revenue requirements, which established the revenue
21 requirements used to set rates for the CACJA Rider beginning on January 1,
22 2017 as approved by the Commission by operation of law consistent with the
23 November advice letter filing obligation and accepted by the Commission in

1 Proceeding No. 14AL-0660E on September 23, 2016 in Decision No. C16-
2 0869, and filed as required by the CACJA provisions in the Company's P.U.C.
3 No. 7 – Electric Tariff, Sheet No. 112D as modified by P.U.C. No. 8 – Electric
4 Tariff, Sheet No. 144F and Decision No. C15-0292, in Public Service's 2014
5 Rate Case. Attachment DAB-2 is the Earnings Test sharing mechanism
6 calculation methodologies and adjustments for 2015 – 2017 calendar year
7 reports, as approved in the 2014 Rate Case. Attachment DAB-3 is the 2017
8 actual CACJA revenue requirements. Attachment DAB-4 is a comparison of
9 the 2017 actual versus the forecasted CACJA revenue requirements.
10 Attachment DAB-5 is a summary of the drivers of the changes in the 2017
11 actual CACJA revenue requirements as compared to the forecast.

II. OVERVIEW OF THE CACJA REVENUE REQUIREMENTS
CALCULATION

1 **Q. WHAT CACJA PROJECTS ARE INCLUDED IN THE 2017 ACTUAL**
2 **CACJA REVENUE REQUIREMENTS CALCULATION?**

3 A. As defined in the Commission's February 24, 2015 order (Decision No. C15-
4 0292 in Proceeding No. 14AL-0660E) accepting the Settlement Agreement
5 in the 2014 Rate Case ("2014 Rate Case Settlement"), and in the
6 Company's electric tariffs, to be eligible to be included in the CACJA Rider a
7 cost must be incurred and associated with a CACJA investment that either
8 has gone into service or will go into service between August 1, 2014 and
9 December 31, 2017. The Eligible CACJA Projects include: a new natural
10 gas 2X1 Combined Cycle ("CC") plant including interconnection equipment
11 at Cherokee Station, referred to as Cherokee Units 5, 6 and 7; a selective
12 catalytic reduction ("SCR") and particulate scrubber at Pawnee; and SCR
13 equipment at the Hayden Station on Units 1 and 2.

14 **Q. WHAT IS INCLUDED IN THE CALCULATION OF THE CACJA REVENUE**
15 **REQUIREMENTS?**

16 A. In general, the CACJA revenue requirements include the following costs: 1) a
17 return, equal to the Company's actual weighted average cost of capital, on the
18 net plant balances of the CACJA projects; 2) a return on Construction Work in
19 Progress ("CWIP"); 3) the plant-related ownership costs associated with such
20 plant investment, including depreciation, accumulated deferred income taxes
21 ("ADIT"), and income taxes; 4) the variable non-fuel O&M expenses, including
22 chemical and water expenses; and 5) variable O&M expense savings from

1 Cherokee Unit 3's retirement in 2015. Rate base is calculated using a 13-
2 month average methodology. The return on equity ("ROE") used to derive the
3 weighted average cost of capital is the last ROE approved by the Commission,
4 which is 9.83 percent.

5 **Q. DOES THE INCLUSION OF A CURRENT RETURN ON CWIP IN THE**
6 **CACJA RIDER REQUIRE ADDITIONAL REVENUE REQUIREMENT**
7 **CALCULATIONS TO BE PERFORMED?**

8 A. Yes.

9 **Q. PLEASE ELABORATE.**

10 A. There are several items included in the calculation of the CACJA revenue
11 requirement associated with including CWIP in rate base. The following is
12 included in the calculation:

- 13 • Pre-funded Allowance for Funds Used During Construction ("AFUDC");
- 14 • Excess AFUDC; and,
- 15 • ADIT and Deferred Income Tax expense associated with interest on
- 16 CWIP.

17 **Q. PLEASE EXPLAIN PRE-FUNDED AFUDC.**

18 A. Under the CACJA Rider, CWIP associated with the Eligible CACJA Projects
19 is included in rate base and earns a current return in the CACJA revenue
20 requirements beginning on January 1, 2015. Because the Company is
21 receiving a current return on the CACJA CWIP balance through the CACJA
22 Rider, without an AFUDC offset to earnings, the Company cannot continue
23 accruing AFUDC once recovery of that return begins. However, for book

1 purposes, the Company continues to record AFUDC as required by
2 Generally Accepted Accounting Principles ("GAAP") and the FERC Uniform
3 System of Accounts ("USoA"). To ensure that the Company is not collecting
4 in rates both its financing costs through the current return on CWIP and also
5 by accruing AFUDC for the applicable CACJA CWIP work orders (as
6 required by GAAP and the USoA), it calculates what is referred to as "Pre-
7 funded AFUDC." Pre-funded AFUDC is recorded as a Deferred Liability on
8 the Company's books and records, and is also included as a reduction to
9 rate base for the CACJA revenue requirements.

10 **Q. HOW DOES PRE-FUNDED AFUDC ACCOMPLISH ITS PURPOSE?**

11 A. The Pre-funded AFUDC amount effectively offsets what would otherwise
12 appear as accrued AFUDC for the CACJA projects in the CWIP and Plant in-
13 Service balances in rate base. This prevents double-recovery of the
14 Company's financing costs while ensuring our books and records are still
15 compliant with requirements of GAAP and the USoA. In other words, the Pre-
16 funded AFUDC calculation ensures that 1) future rate base calculations are
17 correct and there is no double-recovery of financing costs; 2) the income
18 statement and balance sheet will also be correct for financial presentations;
19 and 3) the Company will have complied with the FERC rules regarding the
20 recording of AFUDC to construction.

21 **Q. HOW WAS PRE-FUNDED AFUDC CALCULATED?**

22 A. The Company calculated Pre-funded AFUDC on capital expenditures that
23 were included in the CACJA CWIP balance, beginning on the effective date

1 of the CACJA Rider (January 1, 2015), when a current return on CWIP for
2 Eligible CACJA Projects through the CACJA Rider began. Prior to January
3 1, 2015, AFUDC was accumulated in the CWIP balances, and as the
4 Eligible CACJA projects are placed in-service, will be included in those Plant
5 in-Service balances. In addition to the Pre-funded AFUDC credits in rate
6 base, there are also related adjustments to CWIP, Accumulated Reserve for
7 Depreciation, ADIT, depreciation expense, and income taxes.

8 **Q. IS THIS TREATMENT OF PRE-FUNDED AFUDC CONSISTENT WITH**
9 **PUBLIC SERVICE'S CALCULATION OF THE REVENUE REQUIREMENTS**
10 **FOR THE 2016 CACJA RIDER REVENUE REQUIREMENT?**

11 A. Yes. Public Service has utilized Pre-funded AFUDC for the 2017 CACJA Rider
12 revenue requirement calculation in the same manner as we did for the 2016
13 CACJA Rider revenue requirements calculation. Decision No. R17-0587
14 accepting Public Service's 2016 CACJA Rider revenue requirements
15 calculation became the decision of the Commission on August 8, 2017, by
16 operation of law.

17 **Q. PLEASE EXPLAIN EXCESS AFUDC.**

18 A. In Decision No. C12-0494, in Proceeding No. 11AL-947E ("2011 Electric Rate
19 Case"), the Commission approved a Settlement Agreement in which the
20 Company agreed to not include CACJA CWIP in rate base during the term of
21 the Multi-Year Plan (through 2014), but was instead allowed to accumulate
22 AFUDC on the CACJA projects at a rate equal to the Rate of Return on Rate
23 Base ("RORB"), instead of the AFUDC rate prescribed by the FERC Uniform

1 System of Accounts ("FERC AFUDC rate") until either: 1) the specific facility is
2 reflected as plant in service in rate base (when the AFUDC would be included
3 as rate base); or 2) the CWIP associated with the facility is included in rate
4 base with a current return as part of a future Phase 1 rate case (as authorized
5 under the CACJA Rider). The RORB rate is greater than the FERC AFUDC
6 rate, which results in a difference, which is termed "Excess AFUDC." In other
7 words, Excess AFUDC is the amount of AFUDC we record in excess of that
8 under the FERC AFUDC rate, because the 2011 Electric Rate Case
9 Settlement authorized the Company to calculate AFUDC using the RORB rate
10 rather than the FERC AFUDC rate. As with Pre-funded AFUDC, there are
11 related adjustments to Depreciation, ADIT, depreciation expense, and income
12 taxes related to the Excess AFUDC.

13 **Q. IS PUBLIC SERVICE'S APPLICATION OF EXCESS AFUDC CONSISTENT**
14 **WITH ITS CALCULATION OF THE 2016 CACJA RIDER REVENUE**
15 **REQUIREMENTS?**

16 A. Yes. Public Service has utilized Excess AFUDC for the 2017 CACJA Rider
17 revenue requirement calculation in the same manner as we did for the 2016
18 CACJA Rider revenue requirements calculation. Decision No. R17-0587
19 accepting Public Service's 2016 CACJA Rider revenue requirements
20 calculation became the decision of the Commission on August 8, 2017, by
21 operation of law.

1 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO ADIT AND DEFERRED**
2 **INCOME TAXES FOR INTEREST ON CWIP.**

3 A. In Decision No. C93-1346, in Proceeding No. 93S-001EG, the Commission
4 approved a Stipulation that stated the interest deduction in the calculation of
5 income taxes should be synchronized with total rate base, and for regulatory
6 purposes, a Deferred Tax expense debit and an equal Deferred Tax Reserve
7 credit, are calculated on the synchronized interest derived from interest
8 bearing CWIP. As such, an adjustment is included in the CACJA revenue
9 requirements to include interest on CWIP in the ADIT balance in rate base and
10 the deferred income tax expense.

11 **Q. IS PUBLIC SERVICE'S ADJUSTMENT TO ADIT AND DEFERRED INCOME**
12 **TAXES FOR INTEREST ON CWIP CONSISTENT WITH ITS CALCULATION**
13 **OF THE 2016 CACJA RIDER REVENUE REQUIREMENTS?**

14 A. Yes. Public Service's adjustment to ADIT and Deferred Income Taxes for
15 interest on CWIP for the 2017 CACJA Rider revenue requirement calculation
16 was done in the same manner as we did for the 2016 CACJA Rider revenue
17 requirements calculation. Decision No. R17-0587 accepting Public Service's
18 2016 CACJA Rider revenue requirements calculation became the decision of
19 the Commission on August 8, 2017, by operation of law.

III. 2017 CACJA REVENUE REQUIREMENTS

1 **Q. PLEASE EXPLAIN THE INPUTS USED TO CALCULATE THE 2017**
2 **CACJA RIDER FORECASTED REVENUE REQUIREMENTS.**

3 A. The forecasted 2017 CACJA Rider revenue requirements were calculated
4 using the variable non-fuel O&M expenses and Plant in-Service schedules
5 generated from the Company's financial budget and forecast process, and
6 filed in the 2017 CACJA Rider November 10, 2016 advice letter filing in the
7 instant proceeding. The forecasted 2017 CACJA Rider revenue requirements
8 were developed in the same manner as Public Service developed its revenue
9 requirements for the 2016 CACJA Rider revenue requirements and in
10 accordance with the 2014 Rate Case Settlement Agreement from that case. I
11 have attached a copy of the forecasted 2017 CACJA Rider revenue
12 requirements to this testimony for convenience, as Attachment DAB-1.

13 **Q. PLEASE EXPLAIN THE INPUTS USED TO CALCULATE THE 2017**
14 **ACTUAL CACJA REVENUE REQUIREMENTS.**

15 A. The actual 2017 CACJA revenue requirements were calculated using the
16 actual CACJA project capital expenditures and program costs identified and
17 tracked through our accounting system. For each CACJA project, we track
18 the capital expenditures through our plant accounting system as described
19 further by Company witness Mr. Randy J. Larson. As the projects are placed
20 in-service, we track the Plant in-Service balances and other plant-related
21 costs, by project (i.e., depreciation, deferred taxes, Pre-funded AFUDC, and
22 Excess AFUDC). We track the variable non-fuel O&M expenses through our

1 accounting system, as discussed by Company witness Ms. Jennifer S.
2 Pytlik. These inputs were developed in the same manner and using the
3 same methodology as was done for Public Service's 2016 CACJA Rider
4 revenue requirements calculations.

5 **Q. ARE ANY OF THE ELIGIBLE CACJA PROJECT COSTS BEING**
6 **RECOVERED IN BASE RATES?**

7 A. No. All of the Eligible CACJA Project costs are being recovered through the
8 CACJA Rider. I note, however, that due to the use of a historical test year
9 (Calendar Year 2013) to establish base rates as part of the 2014 Rate Case
10 Settlement Agreement, some of the variable non-fuel O&M expenses for
11 Cherokee Unit 3 are included in base rates. I discuss how we treated these
12 costs to ensure no double-recovery and that all of the savings due to the
13 shutdown of Cherokee Unit 3 are accruing to the benefit of customers later
14 in my testimony.

15 **Q. HOW DOES THE COMPANY ENSURE THAT COSTS IN THE CACJA**
16 **RIDER ARE NOT ALSO BEING RECOVERED IN BASE RATES?**

17 A. As previously discussed, the Company is tracking the capital and variable non-
18 fuel O&M expenses associated with the Eligible CACJA Projects through our
19 accounting system. This information is provided to my department to calculate
20 both the CACJA revenue requirement and the Electric Earnings Test Sharing
21 Mechanism ("Earnings Test") for calendar years 2015 through 2017. As
22 required by the Earnings Test Calculation Methodologies and Adjustments –
23 which is provided as Attachment DAB-2 for reference – the Company is

1 required to eliminate the CWIP, Plant in-Service costs, and variable non-fuel
2 O&M expenses otherwise reflected in the CACJA Rider from the Earnings
3 Test calculations. By utilizing the CACJA Rider to recover CACJA costs and
4 the requirement to eliminate these costs from the Earnings Test, we must
5 perform the relevant calculations utilizing the same information, which provides
6 yet another opportunity to review the data and ensure no double-recovery.

7 **Q. IS THE METHOD USED TO ENSURE THAT CACJA COSTS ARE NOT**
8 **DOUBLE RECOVERED THE SAME AS THAT USED BY PUBLIC SERVICE**
9 **IN THE CALCULATION OF ITS 2016 CACJA RIDER REVENUE**
10 **REQUIREMENTS?**

11 A. Yes.

12 **Q. PLEASE SUMMARIZE THE RESULTS OF THE 2017 ACTUAL CACJA**
13 **REVENUE REQUIREMENTS CALCULATION.**

14 A. The 2017 actual CACJA total revenue requirements were \$91,708,605 as
15 presented in Attachment DAB-3. The revenue requirements were based on
16 the current authorized ROE of 9.83 percent. As required by the 2014 Rate
17 Case Settlement, until the effective date of approved rates resulting from the
18 2017 Rate Case, the electric department rate riders, including the CACJA
19 Rider, will be calculated based on the actual capital structure, but in no case
20 will the equity portion be higher than 56.00 percent. The actual equity ratio
21 for 2017 is 56.29 percent. However, for purposes of calculating the 2017
22 actual CACJA revenue requirements, and to be in compliance with the 2014
23 Rate Case Settlement, the Company lowered the equity ratio to 56.00

1 percent. This is consistent with the Company's method for calculating the
2 2016 CACJA Rider revenue requirements.

**IV. RECONCILIATION OF 2017 CACJA FORECASTED REVENUE
REQUIREMENT TO THE ACTUAL REVENUE REQUIREMENT**

1 **Q. PLEASE COMPARE THE 2017 CACJA FORECASTED REVENUE**
2 **REQUIREMENT AND ACTUAL REVENUE REQUIREMENT.**

3 A. The 2017 CACJA Rider was based on the forecasted 2017 CACJA revenue
4 requirements of \$94,061,140. The 2017 actual CACJA revenue
5 requirements are \$91,708,605 or \$2,352,535 less than the forecasted
6 amount. A detailed comparison of the forecasted versus the actual 2017
7 CACJA revenue requirements calculation is provided as Attachment DAB-4,
8 and a summary of the drivers is provided as Attachment DAB-5. Below is a
9 summary of the total revenue requirement estimate versus the actual
10 differences for each CACJA project:

11 **Table DAB-1**
12 **2017 Total Retail Revenue Requirement Estimate Versus Actual**

	2017 Estimate	2017 Actual	Difference	Percent
Hayden Unit 1	\$ 5,238,624	\$ 4,754,470	\$ (484,154)	-9.24%
Hayden Unit 2	\$ 3,225,263	\$ 2,775,438	\$ (449,825)	-13.95%
Cherokee	\$ 56,924,226	\$ 56,454,992	\$ (469,234)	-0.82%
Pawnee	\$ 28,673,027	\$ 27,723,705	\$ (949,322)	-3.31%
TOTAL	\$ 94,061,140	\$ 91,708,605	\$ (2,352,535)	-2.50%

**Q. PLEASE DESCRIBE THE IMPACT TO THIS REVENUE REQUIREMENT
VARIANCE FROM CAPITAL RELATED ITEMS.**

1 A. Table DAB-2 below identifies the changes in the revenue requirements
2 driven by changes in amounts of capital expenditures. I discuss this in more
3 detail later in my testimony. As Mr. Larson explains in his Direct Testimony,
4 all of the CACJA projects were completed before the end of 2016 and the
5 forecasted 2017 CACJA Rider revenue requirements were based on the
6 completed projects' costs. There is only some minor capital expenditure
7 adjustments from project closeout after the projects were placed in-service
8 that slightly lowered the total project costs from the 2017 forecast. Public
9 Service's prudent management of these projects, especially for the capital
10 expenditures for the installation of SCR technology at Hayden Unit 2 results
11 in these variances. Mr. Larson discusses how the capital expenditures for
12 the Hayden Unit 2 SCR project were prudently completed under the
13 forecasted capital expenditures used to calculate the forecasted 2017
14 CACJA Rider revenue requirements.

Table DAB-2

2017 Capital-Related Retail Revenue Requirements Estimate Versus Actual

	2017 Estimate	2017 Actual	Difference	Percent
Hayden Unit 1	\$ 4,197,426	\$ 4,283,264	\$ 85,838	2.05%
Hayden Unit 2	\$ 3,225,263	\$ 2,652,112	\$ (573,151)	-17.77%
Cherokee	\$ 56,525,136	\$ 56,828,741	\$ 303,605	0.54%
Pawnee	\$ 25,708,784	\$ 25,865,063	\$ 156,279	0.61%
TOTAL	\$ 89,656,609	\$ 89,629,180	\$ (27,429)	-0.03%

1 **Q. PLEASE DESCRIBE THE IMPACT TO THE REVENUE REQUIREMENTS**
 2 **VARIANCE FROM VARIABLE O&M EXPENSE RELATED ITEMS.**

3 A. Table DAB-3 below identifies the changes in the revenue requirements
 4 driven by changes in variable non-fuel O&M expenses. Company witness
 5 Ms. Jennifer Pytlik discusses the drivers for the variances in non-fuel O&M
 6 expenses in her Direct Testimony and I discuss the revenue requirements
 7 impacts of these variances in more detail later in my testimony.

8 **Table DAB-3**

9 **2017 Retail¹ Variable Non-Fuel O&M Expenses Estimate Versus Actual**

	2017 Estimate	2017 Actual	Difference	Percent
Hayden Unit 1	\$ 1,041,198	\$ 471,206	\$ (569,992)	-54.74%
Hayden Unit 2	\$ 0	\$ 123,326	\$ 123,326	100.00%
Cherokee	\$ 1,817,500	\$ 1,044,661	\$ (772,839)	-42.52%
Pawnee	\$ 2,964,243	\$ 1,858,642	\$ (1,105,601)	-37.30%
Subtotal	\$ 5,822,941	\$ 3,497,835	\$ (2,325,106)	-39.93%
Cherokee 3	\$ (1,418,410)	\$ (1,418,410)	\$ 0	0.0%
TOTAL	\$ 4,404,531	\$ 2,079,425	\$ (2,325,106)	-52.79%

10 **Q. WHAT ARE THE DIFFERENCES IN LIFE-TO-DATE CAPITAL**
 11 **EXPENDITURES BETWEEN THE 2017 ESTIMATE AND THE ACTUALS?**

12 A. The life-to-date capital expenditure differences between the 2017 estimate
 13 and the actuals are in the Table DAB-4 below:

¹ Variable O&M expenses in the CACJA revenue requirements have a retail jurisdictional allocation applied to the Total Company amounts, and therefore the values in Table DAB-3 will differ from the variable O&M expenses referenced by Ms. Pytlik. The 2017 Retail Allocation is approximately 91%.

Table DAB-4

2017 Life to Date Capital Expenditures Estimate Versus Actual²

	2017 Estimate	2017 Actual	Difference	Percent
Hayden Unit 1	\$ 45,332,570	\$ 45,146,206	\$ (186,364)	-0.41%
Hayden Unit 2	\$ 30,479,389	\$ 24,973,676	\$ (5,505,713)	-18.06%
Cherokee	\$ 520,749,716	\$ 520,695,182	\$ (54,534)	-0.01%
Pawnee	\$ 271,575,055	\$ 271,575,055	\$ 0	0.00%
TOTAL	\$ 868,136,730	\$ 862,390,119	\$ (5,746,611)	-0.66%

Q. WHAT ARE THE DIFFERENCES IN THE PLANT IN SERVICE AND CWIP BALANCES IN THE 2017 ESTIMATE VERSUS THE ACTUALS?

A. The differences in the total Company Plant in-Service and CWIP balances in the 2017 estimate versus the actuals are shown in Table DAB-5 below. I note that as co-owners of the Hayden Plant, Company Plant In-Service balances reflect Public Service's portion of the Hayden Plant plus internal loadings. Mr. Larson describes this further in his Direct Testimony.

Table DAB-5

2017 Plant in-Service and CWIP Estimate Versus Actual³

	2017 Estimate	2017 Actual	Difference	Percent
Hayden Unit 1	\$ 49,401,023	\$ 49,218,732	\$ (182,291)	-0.37%
Hayden Unit 2	\$ 33,097,491	\$ 27,390,059	\$ (5,707,432)	-17.24%
Cherokee	\$ 583,937,851	\$ 583,883,317	\$ (54,534)	-0.01%
Pawnee	\$ 288,880,540	\$ 288,880,540	\$ 0	0.00%
TOTAL	\$ 955,316,905	\$ 949,372,648	\$ (5,944,257)	-0.62%

² The amounts shown include both capital expenditures and Retirement Work in Progress ("RWIP") expenditures.

³ The Plant in-Service and CWIP balances are based on a 13-month average methodology.

1 **Q. WHAT ARE THE DRIVERS OF THE VARIANCE BETWEEN THE ACTUAL**
2 **2017 CACJA REVENUE REQUIREMENT AND THE FORECASTED 2017**
3 **CACJA RIDER REVENUE REQUIREMENT?**

4 A. There are several factors contributing to the overall net decrease in the 2017
5 actual CACJA revenue requirement from the forecasted amount. In general,
6 these drivers can be considered in three groupings: (1) lower than expected
7 variable non-fuel O&M expenses; (2) lower than expected forecasted capital
8 additions; and (3) the true-up on various ratemaking factors from what was
9 assumed in the 2017 forecasted CACJA revenue requirement to the
10 appropriate factors for the calculation of the 2017 actual CACJA revenue
11 requirements.

12 Some of the differences between the actual revenue requirements
13 and the forecasted revenue requirements are due to a reduction in project
14 capital and variable O&M expenses. Offsetting these reductions is a change
15 in the retail jurisdictional allocation factor that results in an overall net
16 decrease in the actual CACJA 2017 revenue requirements when compared
17 to the 2017 forecasted CACJA revenue requirements.

1 The major drivers I list above can be further broken down as follows:

- 2 • Reduction in variable non-fuel O&M expenses;
- 3 • Minor reductions in the Cherokee Units 5, 6 and 7, and Hayden Unit 1
4 capital additions, offset with minor increases in depreciation expense
5 (including Pawnee);
- 6
- 7 • Reduction in the Hayden Unit 2 capital additions;
- 8 • Truing-Up of ratemaking factors:
 - 9 ▪ Lower cost of debt in the Weighted Average Cost of Capital;
 - 10 and,
 - 11
 - 12 ▪ Update to the retail jurisdictional allocation factor.

13 Table DAB-6 summarizes the impact of these drivers, which is also
14 presented on Attachment DAB-5:

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1

Table DAB-6

Description	2017 Estimate vs. 2017 Actual Costs
Reduction in Variable Non-Fuel O&M Expenses	\$ (2,335,113)
Net Change in Cherokee Units 5, 6 and 7 Revenue Requirement	\$ 28,950
Change in Pawnee SCR and Scrubber Revenue Requirement	\$ 38,707
Net Change in Hayden Unit 1 SCR Revenue Requirement	\$ 62,974
Net Change in Hayden Unit 2 SCR Capital Additions	\$ (585,657)
Update Cost of Debt from 4.46% to 4.42%	\$ (128,246)
Update Jurisdictional Allocation factor	\$ 565,850
2017 Actual CACJA Revenue Requirements Drivers	\$ (2,352,535)

2

A. Impact of Changes in Capital and O&M Expenses

3 **Q.**

4

5

6

WHAT WERE THE CHANGES IN CAPITAL EXPENDITURES AND O&M EXPENSES THAT IMPACTED THE ACTUAL 2017 CACJA REVENUE REQUIREMENT WHEN COMPARED TO THE 2017 CACJA FORECASTED REVENUE REQUIREMENT?

7 **A.**

8

9

10

11

12

13

14

Actual capital expenditures for the Pawnee SCR and Scrubber were the same as expected. Actual capital expenditures for the Cherokee Units 5, 6, and 7 and Hayden Unit 1 SCR projects were slightly less than expected. Actual capital expenditures for the Hayden Unit 2 SCR project were less than expected. Additionally, actual variable non-fuel O&M expenses, that are eligible for recovery through the CACJA Rider, were less than forecasted. Mr. Larson and Ms. Pytlik describe these items in detail in their Direct Testimony.

Direct Testimony and Attachments of Deborah A. Blair
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1 asset upgrades, the actual capital expenditures are \$520.7 million, which are
2 also shown above in Table DAB-7.

3 **Q. WHAT ARE THE TOTAL PLANT ADDITIONS IN THE 2017 ACTUAL**
4 **CACJA REVENUE REQUIREMENTS FOR CHEROKEE UNITS 5, 6, AND**
5 **7?**

6 A. Below is a summary of the 2017 Cherokee Units 5, 6, and 7 plant additions:

7 **Table DAB-8**

<u>Cherokee Units 5, 6 and 7</u>	2017 Estimate	2017 Actual	Difference
Capital Expenditures	\$ 520,781,649	\$ 520,727,115	\$ (54,534)
AFUDC	\$ 63,156,203	\$ 63,156,203	\$ 0
Total Plant Additions	\$ 583,937,852	\$ 583,883,318	\$ (54,534)

8 The total plant additions shown in Table DAB-8 above are the sum of the
9 ending Plant in-Service and CWIP balances at December 2017. The 2017
10 total Company net change in Plant in-Service and CWIP actual balances in
11 rate base related to the Cherokee Units 5, 6, and 7, as compared to the
12 forecast, is a reduction to rate base of approximately \$55,000 on a total
13 Company basis.

14 **Q. HAVE THERE BEEN OTHER CAPITAL-RELATED CHANGES IN THE 2017**
15 **ACTUAL CACJA REVENUE REQUIREMENTS RELATED TO CHEROKEE**
16 **UNITS 5, 6, AND 7?**

17 A. Yes. There are several small changes to other plant-related costs associated
18 with Cherokee Units 5, 6, and 7. Those changes are in depreciation

1 expense, accumulated reserve for depreciation, ADIT, deferred income tax
2 expenses, and Pre-funded AFUDC amounts. The result of these changes
3 was a slight increase in the revenue requirement.

4 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THESE PLANT**
5 **AND PLANT-RELATED CHANGES?**

6 A. The plant and plant-related changes result in a slight increase in the 2017
7 actual CACJA revenue requirement when compared to the 2017 forecasted
8 CACJA Rider revenue requirement of approximately \$29,000.

9 **Q. WERE THERE ANY CHANGES IN THE FORECASTED CAPITAL**
10 **EXPENDITURES OF THE PAWNEE SCR AND SCRUBBER PROJECT?**

11 A. No. The Pawnee SCR and Scrubber overall project costs were exactly equal
12 to what was estimated. The total project costs, which include capital and
13 Retirement Work in Progress ("RWIP") expenditures, are shown below:

14 **Table DAB-9**

<u>Pawnee SCR & Scrubber</u>	2017 Estimate	2017 Actual	Difference
Capital Expenditures	\$ 266,317,860	\$ 266,317,860	\$ 0
RWIP Expenditures	\$ 5,257,195	\$ 5,257,195	\$ 0
Total Project Costs	\$ 271,575,055	\$ 271,575,055	\$ 0

15 The capital expenditures close to Plant in-Service and the RWIP
16 expenditures close to Accumulated Reserve for Depreciation as a reduction
17 in that balance.

1 Q. ARE THE ACTUAL TOTAL PROJECT COSTS PRESENTED IN TABLE
2 DAB-9 CONSISTENT WITH INFORMATION PRESENTED BY MR.
3 LARSON?

4 A. Yes. Mr. Larson states that the life to date actual project costs of the
5 Pawnee SCR and Scrubber project is \$271.6 million, which is also shown in
6 Table DAB-9.

7 Q. WHAT ARE THE TOTAL PLANT ADDITIONS IN THE 2017 ACTUAL
8 CACJA REVENUE REQUIREMENTS FOR THE PAWNEE SCR AND
9 SCRUBBER?

10 A. The total plant additions are shown below:

11 **Table DAB-10**

<u>Pawnee SCR & Scrubber</u>	2017 Estimate	2017 Actual	Difference
Capital Expenditures	\$ 266,317,860	\$ 266,317,860	\$ 0
AFUDC	\$ 22,562,679	\$ 22,562,679	\$ 0
Total Plant Additions	\$ 288,880,540	\$ 288,880,540	\$ 0

12 The total plant additions shown in Table DAB-10 are the ending Plant in-
13 Service balances at December 2017.

14 Q. HAVE THERE BEEN OTHER CAPITAL-RELATED CHANGES IN THE 2017
15 ACTUAL CACJA REVENUE REQUIREMENTS RELATED TO PAWNEE
16 SCR AND SCRUBBER PROJECT?

17 A. Yes. There several small changes to other plant-related costs associated
18 with Pawnee SCR and Scrubber. Those changes are in depreciation

1 expense, accumulated reserve for depreciation, ADIT, deferred income tax
2 expenses, and Pre-funded AFUDC amounts. The result of these changes
3 was a slight increase in the revenue requirement.

4 **Q. OVERALL, WHAT IS THE IMPACT ON THE 2017 ACTUAL CACJA**
5 **REVENUE REQUIREMENTS RELATED TO THE PAWNEE SCR AND**
6 **SCRUBBER PROJECT?**

7 A. The changes in the costs of the Pawnee SCR and Scrubber project slightly
8 increased the 2017 actual CACJA revenue requirement by approximately
9 \$39,000.

10 **Q. PLEASE DESCRIBE THE LOWER THAN FORECASTED CAPITAL**
11 **EXPENDITURES OF THE HAYDEN UNIT 1 SCR PROJECT.**

12 A. The Hayden Unit 1 SCR overall project costs were approximately \$186,000
13 lower than estimated, which includes capital and Retirement Work in
14 Progress ("RWIP") expenditures, as shown below:

15 **Table DAB-11**

<u>Hayden Unit 1 SCR</u>	2017 Estimate	2017 Actual	Difference
Capital Expenditures	\$ 45,105,894	\$ 44,923,603	\$ (182,291)
RWIP Expenditures	\$ 226,675	\$ 222,603	\$ (4,072)
Total Project Costs	\$ 45,332,569	\$ 45,146,206	\$ (186,363)

16 The capital expenditures close to Plant in-Service and the RWIP
17 expenditures close to Accumulated Reserve for Depreciation as a reduction
18 in that balance.

1 **Q. ARE THE ACTUAL TOTAL PROJECT COSTS PRESENTED IN TABLE**
2 **DAB-11 CONSISTENT WITH INFORMATION PRESENTED BY MR.**
3 **LARSON?**

4 A. Yes. Mr. Larson states that the life to date actual project costs of the Hayden
5 Unit 1 SCR project is \$45.1 million, which is also shown in Table DAB-11.

6 **Q. WHAT ARE THE TOTAL PLANT ADDITIONS IN THE 2017 ACTUAL**
7 **CACJA REVENUE REQUIREMENTS FOR THE HAYDEN UNIT 1 SCR?**

8 A. The total plant additions are shown below:

9 **Table DAB-12**

<u>Hayden Unit 1 SCR</u>	2017 Estimate	2017 Actual	Difference
Capital Expenditures	\$ 45,105,894	\$ 44,923,603	\$ (182,291)
AFUDC	\$ 4,295,129	\$ 4,295,129	\$ 0
Total Plant Additions	\$ 49,401,023	\$ 49,218,732	\$ (182,291)

10 The total plant additions shown in Table DAB-12 are the ending Plant in-
11 Service balances at December 2017. The 2017 total Company net change
12 in Plant in-Service balances in rate base related to the Hayden Unit 1 SCR
13 project, as compared to the forecast, is a reduction to rate base of
14 approximately \$182,000, on a total Company basis.

1 **Q. HAVE THERE BEEN OTHER CAPITAL-RELATED CHANGES IN THE 2017**
2 **ACTUAL CACJA REVENUE REQUIREMENTS RELATED TO HAYDEN**
3 **UNIT 1 SCR PROJECT?**

4 A. Yes. There are several small changes to other plant-related costs associated
5 with Hayden Unit 1 SCR. Those changes are in depreciation expense,
6 accumulated reserve for depreciation, ADIT, deferred income tax expenses,
7 and Pre-funded AFUDC amounts. The result of these changes was a slight
8 increase in the revenue requirement.

9 **Q. OVERALL WHAT IS THE IMPACT ON THE 2017 ACTUAL CACJA**
10 **REVENUE REQUIREMENTS RELATED TO THE HAYDEN UNIT 1 SCR**
11 **PROJECT?**

12 A. The changes in the costs of the Hayden Unit 1 SCR project slightly
13 increased the 2017 actual CACJA revenue requirement by approximately
14 \$63,000.

15 **Q. PLEASE DESCRIBE THE LOWER THAN FORECASTED CAPITAL**
16 **EXPENDITURES OF THE HAYDEN UNIT 2 SCR PROJECT.**

17 A. The Hayden Unit 2 SCR project overall project costs were \$5.5 million lower
18 than estimated, which includes capital and RWIP expenditures, as shown
19 below:

1

Table DAB-13

<u>Hayden Unit 2 SCR</u>	2017 Estimate	2017 Actual	Difference
Capital Expenditures	\$ 30,479,389	\$ 24,950,919	\$ (5,528,470)
RWIP Expenditures	\$ 0	\$ 22,757	\$ 22,757
Total Project Costs	\$ 30,479,389	\$ 24,973,676	\$ (5,505,713)

2 The capital expenditures close to Plant in-Service and the RWIP
3 expenditures close to Accumulated Reserve for Depreciation as a reduction
4 in that balance.

5 **Q. ARE THE ACTUAL CAPITAL EXPENDITURES PRESENTED IN TABLE**
6 **DAB-13 CONSISTENT WITH INFORMATION PRESENTED BY MR.**
7 **LARSON?**

8 A. Yes. Mr. Larson states that the life to date actual project costs of the Hayden
9 Unit 2 SCR project is \$25.0 million, which is also shown in Table DAB-13.

10 **Q. HAVE THERE BEEN CHANGES IN THE 2017 ACTUAL CACJA**
11 **REVENUE REQUIREMENTS RELATED TO THE HAYDEN UNIT 2 SCR**
12 **PROJECT?**

13 A. Yes. There are changes in the 2017 actual CACJA revenue requirements
14 due to changes in overall costs. Below is a summary of the 2017 plant
15 additions for Hayden Unit 2:

1

Table DAB-14

<u>Hayden Unit 2 SCR</u>	2017 Estimate	2017 Actual	Difference
Capital Expenditures	\$ 30,479,389	\$ 24,950,919	\$ (5,528,470)
AFUDC	\$ 2,618,102	\$ 2,469,893	\$ (148,209)
Total Plant Additions	\$ 33,097,491	\$ 27,420,812	\$ (5,676,679)

2 The Hayden Unit 2 plant additions shown in Table DAB-14 are the ending
3 Plant in-Service balances at December 2017. The 2017 total Company net
4 change in Plant in-Service and CWIP actual balances in rate base related to
5 the Hayden Unit 2, as compared to the forecast, is a reduction to rate base
6 of \$5.7 million, on a total Company basis.

7 Overall the impact on the 2017 actual CACJA revenue requirements
8 related to the changes in the Hayden Unit 2 SCR project, including the
9 changes in capital expenditures, net of AFUDC, is a net decrease of
10 approximately \$586,000.

11 **Q. PLEASE SUMMARIZE THE CHANGE IN VARIABLE NON-FUEL O&M**
12 **EXPENSES IN THE 2017 ACTUAL CACJA REVENUE REQUIREMENTS**
13 **THAN WAS FORECASTED.**

14 A. As discussed by Ms. Pytlik, the 2017 actual variable non-fuel O&M
15 expenses are \$2.6 million less than forecasted. Below is a summary of the
16 variable non-fuel O&M expense changes, on a total Company basis:

1

Table DAB-15

<u>Variable Non-Fuel O&M</u>	2017 Estimate	2017 Actual	Difference
Pawnee SCR and Scrubber	\$ 3,261,851	\$ 2,032,762	\$ (1,229,089)
Cherokee Units 5, 6 and 7	\$ 1,999,975	\$ 1,142,527	\$ (857,448)
Hayden Units 1 and 2 SCR	\$ 1,145,734	\$ 650,228	\$ (495,506)
Total Variable Non-Fuel O&M	\$ 6,407,560	\$ 3,825,517	\$ (2,582,043)

2

3 The retail jurisdictional change in the variable non-fuel O&M expenses is
 4 \$2.3 million.

5 **Q. WHAT HAS BEEN INCLUDED IN THE 2017 ACTUAL CACJA REVENUE**
 6 **REQUIREMENTS FOR THE CHEROKEE UNIT 3 VARIABLE NON-FUEL**
 7 **O&M EXPENSE SAVINGS THAT RESULTED FROM RETIRING**
 8 **CHEROKEE UNIT 3 EARLIER THAN ANTICIPATED?**

9 A. As required by the CACJA Rider tariff, once Cherokee Unit 3 is retired, the
 10 CACJA Rider calculation will reflect the variable non-fuel O&M expense
 11 savings from the retirement of the Cherokee Unit 3. Our currently effective
 12 base rates reflect a full year of Cherokee Unit 3 variable non-fuel O&M
 13 expense due to the use of the 2013 historical test year ("HTY") in setting
 14 base rates. This means that our base rates reflect a full year of Cherokee
 15 Unit 3 variable non-fuel O&M expenses equal to \$1,418,410. Cherokee Unit
 16 3 was retired in August 2015. Therefore, we have made an adjustment in
 17 the 2017 actual CACJA revenue requirements to include 100 percent of

1 these savings (reflected as a credit to O&M expenses). We also included
2 this same amount in the 2017 forecasted CACJA revenue requirements.

3 **Q. IS THERE ANYTHING FURTHER YOU WOULD LIKE TO ADD**
4 **CONCERNING O&M EXPENSE?**

5 A. Yes, as discussed by Ms. Pytlik, in preparing the 2017 variable non-fuel
6 O&M expenses for this filing, we found we needed to adjust the Cherokee
7 actual water use costs for 2015 and 2016. The retail portion of these
8 adjustments are \$58,000 for 2015 and \$195,000 for 2016, based on the
9 retail jurisdictional allocation factors included in the 2015 and 2016 CAJCA
10 true-up filings.⁵

11 **Q. HOW WILL THE COMPANY RETURN THESE O&M ADJUSTMENTS FOR**
12 **CHEROKEE ACTUAL WATER USE COSTS FOR 2016 AND 2015?**

13 A. The Company will return the retail portion of the Cherokee actual water use
14 costs, with interest, in the Company's November 1, 2018 filing for true-up.
15 The estimated interest on these amounts is approximately \$61,000.

16 **Q. WHAT IS THE OVERALL REVENUE REQUIREMENT IMPACT OF**
17 **LOWER CAPITAL AND O&M EXPENSES OF THE ELIGIBLE CACJA**
18 **PROJECTS?**

19 A. The lower capital and O&M expenses of the Eligible CACJA Projects results
20 in a decrease to the 2017 actual CACJA revenue requirement of \$2.9 million
21 when compared to the forecasted 2017 CACJA Rider revenue requirement.

⁵ The 2015 adjustment is \$64,247 multiplied by 91% retail jurisdictional allocation factor. The 2016 adjustment is \$212,515 multiplied by 92% retail jurisdictional allocation factor.

1 **B. Adjustments to Revenue Requirement Calculations**

2 **Q. WHAT REVENUE REQUIREMENTS CALCULATIONS DOES THIS**
3 **SECTION OF YOUR TESTIMONY DESCRIBE?**

4 A. To ensure that the actual CACJA revenue requirements reflect all of the
5 Commission-approved components with the values actually approved by the
6 Commission and to develop the actual CACJA revenue requirement, it was
7 necessary to adjust the following ratemaking factors used in establishing the
8 2017 actual CACJA Rider revenue requirements:

- 9 • Weighted cost of capital; and
- 10 • Retail Jurisdictional allocation factors.

11 **Q. HAS THE COMPANY UPDATED THE WEIGHTED COST OF CAPITAL FOR**
12 **THE CALCULATION OF THE 2017 ACTUAL REVENUE REQUIREMENT?**

13 A. Yes. To ensure that the 2017 actual CACJA revenue requirement is consistent
14 with the requirements of the 2014 Rate Case Settlement Agreement and other
15 Commission orders, the calculation of the 2017 actual CACJA revenue
16 requirement includes updates to the weighted cost of capital. Public Service
17 used the same methodology for its calculation of its 2016 CACJA Rider
18 revenue requirements.

1 **Q. WHAT CAPITAL STRUCTURE WAS USED IN THE CALCULATION OF**
2 **THE 2017 ACTUAL CACJA REVENUE REQUIREMENTS?**

3 A. The capital structure used in the calculation of the 2017 actual CACJA
4 revenue requirements is shown below:

5 **Table DAB-16**

	Ratio	Rate	Cost
Long-Term Debt	44.00%	4.42%	1.95%
Equity	56.00%	9.83%	5.50%
Weighted Cost of Capital			7.45%

6 **Q. WHAT IS THE BASIS FOR THE EQUITY RATIO SHOWN IN TABLE DAB-**
7 **16?**

8 A. The equity component of the capital structure shown in Table DAB-16 is based
9 on the 2014 Rate Case Settlement Agreement, which requires that we use the
10 actual equity ratio, but in no case can the equity ratio be higher than 56
11 percent. The actual 2017 equity is 56.29 percent; therefore, we used 56.00
12 percent in the 2017 actual CACJA revenue requirements calculation, which is
13 the same as was used in the forecast.

14 **Q. WHAT IS THE BASIS FOR THE ROE SHOWN IN TABLE DAB-16?**

15 A. The ROE of 9.83 percent is the latest ROE approved by the Commission,
16 which is the same as was used in the forecast.

1 **Q. WHAT IS THE BASIS FOR THE COST OF DEBT SHOWN IN TABLE DAB-**
2 **156?**

3 A. The cost of debt of 4.42 percent is the actual cost of debt for 2017.

4 **Q. HAS THE COST OF DEBT CHANGED FROM THE FORECAST?**

5 A. Yes. In the 2017 forecasted CACJA revenue requirements, the cost of debt
6 was 4.46 percent.

7 **Q. WHAT ARE THE PRIMARY DIFFERENCES IN THE 2017 ACTUAL COST**
8 **OF DEBT AS COMPARED TO WHAT WAS USED FOR THE FORECAST?**

9 A. The cost of debt used for the forecast assumed a new issuance of a \$400
10 million bond at an interest rate of 4.125 percent, when in fact the actual
11 interest rate came in at 3.80 percent. This lowered the debt costs. The
12 impact of this change is to lower the 2017 actual CACJA revenue
13 requirements by approximately \$128,000.

14 **Q. HAS THE COMPANY UPDATED THE RETAIL JURISDICTIONAL**
15 **ALLOCATION FACTORS FOR THE CALCULATION OF THE 2017**
16 **ACTUAL CACJA REVENUE REQUIREMENTS?**

17 A. Yes. The retail jurisdictional production demand allocator was updated for
18 actual data in the 2017 actual CACJA revenue requirements. The actual 2017
19 retail jurisdictional production demand allocator was greater than the 2017
20 estimate, resulting in an increase in the 2017 CACJA revenue requirements.
21 The reason for the change was a reduction in the actual 2017 wholesale loads
22 from the estimate. The revenue requirement impact of this change is an
23 increase of \$566,000.

**V. RECONCILIATION OF 2017 ACTUAL CACJA REVENUE REQUIREMENTS
VERSUS 2016 ACTUAL REVENUE REQUIREMENTS**

**Q. PLEASE COMPARE THE 2017 CACJA ACTUAL REVENUE
REQUIREMENT AND 2016 ACTUAL REVENUE REQUIREMENT.**

A. The 2016 actual CACJA revenue requirement was \$95,649,458. The 2017 actual CACJA revenue requirement is \$91,708,605, or \$3,940,853 less than the 2016 actual amount. Below is a summary of the total revenue requirements 2016 versus the 2017 actual differences for each CACJA project:

Table DAB-17
2016 Total Retail Revenue Requirement Actual Versus 2017 Actual

	2016 Actual	2017 Actual	Difference	Percent
Hayden	\$ 8,179,905	\$ 7,529,908	\$ (649,997)	-7.95%
Cherokee	\$ 58,328,032	\$ 56,454,992	\$ (1,873,040)	-3.21%
Pawnee	\$ 29,141,521	\$ 27,723,705	\$ (1,417,816)	-4.87%
TOTAL	\$ 95,649,458	\$ 91,708,605	\$ (3,940,853)	-4.12%

**Q. WHAT ARE THE PRIMARY DRIVERS OF THE DIFFERENCES DETAILED
ON TABLE DAB-17?**

A. The primary driver of the difference in the 2017 actual CACJA revenue requirements as compared to the 2016 actuals is due to having less rate base in 2017 than in 2016. There is an additional year of depreciation and ADIT that have been added to the 2017 rate base, which both have the effect of lowering rate base. As a result of less rate base in the 2017 actual CACJA revenue requirements as compared to the 2016 actuals, there is

- 1 also less income tax expense. These reductions were partially offset by
- 2 small increases in depreciation expense and O&M expenses.

VI. SUMMARY AND CONCLUSION

Q. PLEASE SUMMARIZE THE DRIVERS OF THE DECREASE IN THE 2017 CACJA REVENUE REQUIREMENTS FROM THE FORECAST.

A. Overall, the 2017 actual CACJA revenue requirements are \$2.3 million lower than forecasted. The detailed drivers of this change have been discussed in this testimony, and are presented on Attachment DAB-5. Table DAB-18 summarizes these drivers.

Table DAB-18

Variable O&M Savings	\$ (2,335,113)
Prudent Management of the CACJA Projects	\$ (455,026)
Other	\$ 437,604
Actual to Forecast Variance	\$ (2,352,535)

Q. WHAT DO YOU CONCLUDE FROM YOUR DIRECT TESTIMONY?

A. I conclude that the actual 2017 CACJA revenue requirements are just and reasonable based on Public Service's prudent management of Eligible CACJA Projects and that there is no double-recovery of costs.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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 Colorado Public Utilities Commission ("Commission") in Docket 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, and 17AL-0649E. I have testified before the Wyoming Public Service Commission in Docket No. 30005-GR-97-51 and have submitted written testimony in Docket 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, 02-04001-UT and 15-00343-UT. I have testified before the Public Utility Commission of Texas in Docket No. 43695 and have submitted written testimony in Docket Nos. 21190, 27052, 42042, and 45291. I have testified before the Federal Energy Regulatory Commission ("FERC") in Docket No. EL05-19-002, and have submitted written testimony in Docket 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, and ER16-180-000.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * * *

IN THE MATTER OF ADVICE LETTER NO.)
1727-ELECTRIC FILED BY PUBLIC)
SERVICE COMPANY OF COLORADO TO)
REVISE ITS CLEAN AIR - CLEAN JOBS)
ACT ("CACJA") RIDER IN ITS COLORADO)
P.U.C. NO. 8 - ELECTRIC TARIFF)
EFFECTIVE JANUARY 1, 2017)

PROCEEDING NO. 16AL-0869E

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

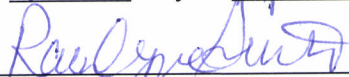
STATE OF COLORADO)
CITY AND COUNTY OF DENVER) SS:

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.



Deborah A. Blair
Director, Revenue Analysis
1800 Larimer Street, Suite 1400
Denver, Colorado 80202

Subscribed and sworn to before me this 13th day of April, 2018.



Notary Public

My Commission expires 9/10/19

