

**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)	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
MARCI A. MCKOANE

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

April 16, 2018

**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)	PROCEEDING NO. 16AL-0869E
ACT ("CACJA") RIDER IN ITS COLORADO)	
P.U.C. NO. 8 - ELECTRIC TARIFF)	
EFFECTIVE JANUARY 1, 2017)	

SUMMARY OF THE DIRECT TESTIMONY OF MARCI A. MCKOANE

Ms. Marci A. McKoane is Manager, Regulatory Project Management of Xcel Energy Services Inc ("XES"). In this position she is responsible for directing the project management of all electric utility regulatory filings for Public Service Company of Colorado ("Public Service" or "Company").

In her testimony, Ms. McKoane presents the (1) background of the Clean Air – Clean Jobs Act ("CACJA"), explains the purpose of the CACJA Rider, and introduces the other witnesses supporting Direct Testimony in this proceeding; (2) explains how this filing complies with the Settlement Agreement in the Company's last Phase I Electric Rate Case, Proceeding No. 14AL-0660E ("2014 Rate Case"), the CACJA Rider tariff, Responses to Settlement Questions issued in Decision No. C15-0126-I, and Decision No. C15-0292 approving the Settlement Agreement; (3) provides a summary of the 2017 actual to forecast CACJA Rider revenue requirement variance and explains

why the capital expenditures and variable non-fuel operations and maintenance (“O&M”) expenses included in the 2017 CACJA Rider are reasonable and prudent and that the calculation of the 2017 actual revenue requirement is reasonable; and (4) explains the 2017 CACJA Rider true-up process and, in particular, addresses how the Company will return the O&M adjustment for Cherokee actual water use costs for 2015 and 2016 in Public Service’s November 2018 true-up filing.

Ms. McKoane concludes that the capital expenditures and variable non-fuel O&M for the Eligible CACJA Projects included in the 2017 actual CACJA revenue requirements of \$91,708,605 are reasonable based on Public Service’s prudent implementation of the Eligible CACJA Projects. The 2017 estimate versus actual for the total retail revenue requirement resulted in a percentage difference of only two percent, driven primarily by lower than expected variable non-fuel O&M expenses, lower than expected forecasted capital additions, and the true-up on various ratemaking factors from what was assumed in the 2017 forecasted CACJA revenue requirement to the appropriate factors for the calculation of the 2017 actual CACJA revenue requirements. Ms. McKoane identifies that the 2017 capital expenditures for the Eligible CACJA Projects have remained the same since the Company’s last CACJA, which was accepted by the Colorado Public Utilities Commission (“Commission”). Ms. McKoane explains that because the Company’s first and second April filings were uncontested and accepted by the Commission that presenting the same information in a similar manner is indicia that the Company has complied with all of its filing requirements.

**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) PROCEEDING NO. 16AL-0869E
ACT ("CACJA") RIDER IN ITS COLORADO)
P.U.C. NO. 8 - ELECTRIC TARIFF)
EFFECTIVE JANUARY 1, 2017)

INDEX

<u>SECTION</u>	<u>PAGE</u>
I. INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY, AND CONCLUSION	7
II. BACKGROUND AND PURPOSE OF THE CACJA RIDER.....	11
III. THE COMPANY'S APRIL REPORT COMPLIES WITH THE CACJA RIDER AND SETTLEMENT REQUIREMENTS	21
IV. ACTUAL TO FORECAST CACJA RIDER REVENUE REQUIREMENT VARIANCE...	28
V. CACJA RIDER TRUE-UP PROCESS	32

LIST OF ATTACHMENTS

Attachment MAM-1	Settlement Agreement in Proceeding No. 14AL-0660E
Attachment MAM-2	Decision No. C15-0292 approving the Settlement Agreement in Proceeding No. 14AL-0660E
Attachment MAM-3	CACJA Rider tariff, which was attached as Attachment C to the Settlement Agreement in Proceeding No. 14AL-0660E
Attachment MAM-4	Currently effective CACJA Rider in the Company's P.U.C. No. 8 - Electric Tariff
Attachment MAM-5	Settling Parties' responses to the Settlement questions issued in Decision No. C15-0126-I in Proceeding No. 14AL-0660E

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronyms/Defined Term</u>	<u>Meaning</u>
2014 Rate Case	Phase I Electric Rate Case, Proceeding No. 14AL-0660E
CACJA	Clean Air – Clean Jobs Act
CC	Combined Cycle
Clean Air Act	Federal Clean Air Act
Commission	Colorado Public Utilities Commission
CPCN or CPCNs	Certificate(s) of Public Convenience and Necessity
CWIP	Construction Work in Progress
DPHE	Department of Public Health and Environment
HB	House Bill
O&M	Operations and Maintenance
Public Service or Company	Public Service Company of Colorado
SCR	Selective Catalytic Reduction
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

**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) 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 MARCI A. MCKOANE

**I. INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY, AND
CONCLUSION**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Marci A. McKoane. My business address is 1800 Larimer Street,
Suite 1400, Denver, Colorado.

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

A. I am employed by Xcel Energy Services Inc. ("XES") as Manager, Regulatory
Project Management. 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 "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.

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

2 A. As the Manager, Regulatory Project Management, I am responsible for directing
3 the project management of all electric utility regulatory filings for Public Service. I
4 manage the resources necessary to make timely and complete regulatory filings,
5 including support for the filing of general rate case filings, certificates of need,
6 resource plans, and rate rider filings. I manage staff and processes to ensure
7 appropriate records retention, timely filings, and compliance with all regulatory
8 requirements. A description of my qualifications, duties, and responsibilities is set
9 forth after the conclusion of my testimony in my Statement of Qualifications.

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

11 A. The purpose of my testimony is to: (1) provide background on the Clean Air –
12 Clean Jobs Act (“CACJA”), explain the purpose of the CACJA Rider, and
13 introduce the other witnesses supporting Direct Testimony in this proceeding;
14 (2) explain how this filing complies with the Settlement Agreement in the
15 Company’s last Phase I Electric Rate Case, Proceeding No. 14AL-0660E (“2014
16 Rate Case”), the CACJA Rider tariff, Responses to Settlement Questions issued
17 in Decision No. C15-0126-I, and Decision No. C15-0292 approving the
18 Settlement Agreement; (3) provide a summary of the 2017 actual to forecast
19 CACJA Rider revenue requirement variance and explain why the capital
20 expenditures and variable non-fuel operations and maintenance (“O&M”)
21 expenses included in the 2017 CACJA Rider are reasonable and prudent and

1 that the calculation of the 2017 actual revenue requirement is reasonable; and
2 (4) explain the 2017 CACJA Rider true-up process.

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

5 A. Yes, I am sponsoring Attachments MAM-1 through MAM-5, which were prepared
6 by me or under my direct supervision. Attachment MAM-1 is the Settlement
7 Agreement in the 2014 Rate Case, Attachment MAM-2 is Decision No. C15-0292
8 approving the Settlement Agreement, Attachment MAM-3 is the CACJA Rider
9 tariff approved as part of the Settlement Agreement, Attachment MAM-4 is the
10 currently effective CACJA Rider tariff, and Attachment MAM-5 is the Settling
11 Parties' responses to the Settlement questions issued in Decision No. C15-0126-
12 I.

13 **Q. WHAT CONCLUSIONS ARE YOU MAKING IN YOUR DIRECT TESTIMONY?**

14 A. First, I conclude that Public Service has met its obligations under the CACJA
15 Rider and other applicable orders with respect to this April 16, 2018 filing.

16 Second, I conclude that the actual 2017 CACJA revenue requirement of
17 \$91,708,605 is reasonable. This is a decrease of \$2,352,535 from the
18 \$94,061,140 forecast included in the 2017 CACJA Rider based on Public
19 Service's November 10, 2016 advice letter filing in the instant proceeding
20 (Proceeding No. 16AL-0869E). The drivers of the \$2.4 million variance between
21 the 2017 forecasted revenue requirement included in the CACJA Rider and the
22 2017 actual revenue requirement are summarized later in my Direct Testimony.

1 Other Company witnesses explain the actual 2017 CACJA capital expenditures
2 and variable non-fuel O&M expenses for the eligible CACJA projects, the 2017
3 actual revenue requirement calculation, and the drivers of the difference between
4 the actual and forecasted 2017 CACJA Rider revenue requirement. The
5 Company provides these explanations to fulfill part of our CACJA Rider
6 obligations as set forth later in my Direct Testimony.

1 **II. BACKGROUND AND PURPOSE OF THE CACJA RIDER**

2 **Q. PLEASE PROVIDE A BRIEF HISTORY OF THE CLEAN AIR-CLEAN JOBS**
3 **ACT.**

4 A. In 2010, the Colorado General Assembly enacted House Bill (“HB”) 1365,
5 commonly referred to as the Clean Air - Clean Jobs Act or “CACJA.” In enacting
6 the CACJA, the General Assembly recognized that “a coordinated plan of
7 emission reductions from coal-fired power plants will enable Colorado utilities to
8 meet the requirements of the [Federal Clean Air Act (42 U.S.C. § 7401 et seq.)
9 (“Clean Air Act”)] and protect public health and the environment at a lower cost
10 than a piecemeal approach.”¹ The legislative declaration of the CACJA set forth
11 the three pillars of the legislation: (1) a coordinated plan to address multiple
12 emissions requirements; (2) a plan that considers alternatives to coal-fired
13 generation; and (3) timely cost recovery for the utility charged with implementing
14 the plan.²

15 **Q. WHAT PROCESS DID THE GENERAL ASSEMBLY PROVIDE FOR**
16 **IMPLEMENTATION OF THE CACJA?**

17 A. The CACJA required that utilities take the following steps:

- 18 (1) By August 15, 2010, rate-regulated utilities were to file their
19 CACJA compliance plans with the Commission.
20 (2) Consultation of the rate-regulated utility with the Department of
21 Public Health and Environment (“DPHE”) to design a plan to
22 meet the current and reasonably foreseeable requirements of
23 the Clean Air Act.

¹ C.R.S. § 40-3.2-202 (2016).

² C.R.S. § 40-3.2-202(1)-(3).

1 (3) DPHE was to provide comments on the filing of the rate-
2 regulated utility's plan before the Commission.

3 (4) The Commission was not to approve a plan except after an
4 evidentiary hearing and unless the DPHE has determined
5 the plan is consistent with requirements or future requirements
6 of the Clean Air Act.

7 (5) By December 15, 2010, the Commission would enter an order
8 approving, denying, or modifying the plan.

9 (6) The plan must include a schedule that would result in full
10 implementation on or before December 31, 2017.

11 **Q. DID PUBLIC SERVICE SUBMIT A PLAN ON OR BEFORE AUGUST 15, 2010?**

12 A. Yes. On August 13, 2010, Public Service filed its emissions reduction plan in
13 what became Proceeding No. 10M-245E. This plan contained various
14 alternatives. In Commission Decision Nos. C10-1328 and C11-0121, the
15 Commission modified and approved Public Service's proposed plan. In these
16 decisions, the Commission also provided guidance regarding recovery of the
17 investment costs associated with the implementation of the plan. Subsequently,
18 Public Service filed a series of Certificates for Public Convenience and Necessity
19 ("CPCNs") to implement individual components of the plan.

20 **Q. PLEASE DESCRIBE THE PLAN THAT WAS ULTIMATELY APPROVED BY**
21 **THE COMMISSION.**

22 A. Pursuant to Decision Nos. C10-1328 and C11-0121, the plan approved for
23 implementation contained the following major components:

- 24 • Early retirement of the following coal-fired generation units
25 located in Colorado:
 - 26 ▪ Cherokee Units 1, 2, and 3;
 - 27 ▪ Valmont Unit 5; and
 - 28 ▪ Arapahoe Unit 3.

- Installation of emission control equipment on the following units:
 - Pawnee – Sorbent Injection, Selective Catalytic Reduction (“SCR”) and Scrubber; and
 - Hayden Units 1 & 2 – SCR.
- Construction of the Cherokee 2x1 Combined Cycle (“CC”) facility.
- Repowering Cherokee Unit 4 with Natural Gas.
- Conversion of the Cherokee 2 generator to a Synchronous Condenser.

The CPCNs for the Eligible CACJA Projects are included in Table MAM-1, and the CPCN estimates for the overall CACJA Plan are included in Table MAM-2.

Q. PLEASE ADDRESS THE CACJA’S TREATMENT OF THE FINANCIAL IMPACTS ON UTILITIES IMPLEMENTING EMISSION REDUCTION PLANS.

A. The General Assembly understood that in order to implement the goals of the CACJA, and the emission reduction plan described above, there would be significant financial impacts on utilities subject to the CACJA requirements:

It is imperative that Colorado rate-regulated utilities continue in sound financial condition and remain attractive investments so that sufficient capital is provided to achieve the state’s goals. To that end, the General Assembly finds that the Commission should have additional tools and more flexibility in its regulatory authority to ensure the continued financial health of these utilities.³

³ C.R.S. § 40-3.2-202(3).

1 **Q. IS THE CACJA RIDER ONE OF THESE TOOLS REFERENCED BY THE**
2 **GENERAL ASSEMBLY IN THE CACJA?**

3 A. Yes. HB10-1365 provided several financial provisions associated with
4 implementing a Commission-approved plan. In pertinent part, the CACJA
5 provides as follows:

6 [T]he commission shall employ rate-making mechanisms, in
7 addition to allowing a current return on construction work in
8 progress, that permit rate adjustments, no less frequently
9 than once per year, without requiring the utility to file a
10 general rate case to allow recovery of the approved plan's
11 costs. Such rate-making mechanisms may include a
12 separate rate adjustment clause, regular make-whole rate
13 increases, or other appropriate mechanisms as determined
14 by the commission.⁴

15
16 This provision of the CACJA provides the statutory basis for the CACJA
17 Rider, as it is “a separate rate adjustment clause”

18 **Q. WHY AND WHEN DID THE COMPANY PROPOSE THE INSTITUTION OF THE**
19 **CACJA RIDER?**

20 A. The Company proposed the CACJA Rider in the 2014 Rate Case to recover
21 investments associated with the Company’s emission reduction plan approved by
22 the Commission pursuant to the CACJA. The Company explained in the 2014
23 Rate Case that, absent some timely mechanism to allow for cost recovery of the
24 nearly \$1 billion investment required to complete the approved CACJA projects,
25 Public Service would face significant financial risk. Public Service deferred
26 significant costs for the Construction Work in Progress (“CWIP”) associated with

⁴ C.R.S. § 40-3.2-207(4).

CACJA projects to the 2014 Rate Case as a result of the design of the Multi-Year Plan approved in the Company's prior electric rate case.⁵

Q. PLEASE IDENTIFY THE CACJA PROJECTS ELIGIBLE FOR RECOVERY THROUGH THE CACJA RIDER FOR WHICH THE COMPANY ALREADY HAS A CPCN.

A. The approved projects under the CACJA Rider, which are referred to as "Eligible CACJA Projects" in the tariff, are the:

- Cherokee 2x1 CC plant, including interconnection equipment;
- Pawnee SCR and particulate scrubber;
- Hayden 1 SCR; and
- Hayden 2 SCR.

The Commission granted CPCNs for each Eligible CACJA Project. Table MAM-1 below includes the proceeding number for each CPCN, the project name, the capital expenditures estimated for the project at the time the CPCN application was filed in the relevant proceeding, and the decision and date upon which the Commission granted the CPCN.

⁵ See *generally* Proceeding No. 11AL-947E.

Table MAM-1
Eligible CACJA Projects

<i>Proceeding</i>	<i>Project</i>	<i>Capital Expenditure Estimate⁶</i>	<i>Date Approved</i>
11A-325E	Pawnee Emission Controls	\$238.6 million ⁷	February 14, 2012 (Decision No. C12- 0159)
11A-609E	Cherokee 2X1 CC	\$531.5 million	April 17, 2012 (Decision No. R12-0397) ⁸
11A-917E	Hayden Emission Controls	\$90 million ⁹	July 24, 2012 (Decision No. C12-0843)

Q. PLEASE DESCRIBE THE CACJA RIDER PROCESS AGREED TO BY THE PARTIES IN THE SETTLEMENT AGREEMENT AND APPROVED BY THE COMMISSION.

A. The Settlement Agreement provided for the institution of the CACJA Rider starting with calendar year 2015.¹⁰ The Settlement Agreement states that the CACJA Rider will provide for current recovery of costs for eligible projects through a 13-month average of forecasted costs. The CACJA Rider will be subject to a true-up such that only actual costs are recovered from customers. One component of the true-up amount is the difference (positive or negative) between the actual revenue requirement for a particular year of Eligible CACJA Projects and the forecasted revenue requirement for that particular year. The

⁶ All estimates were plus or minus 20 percent range of accuracy.

⁷ The estimate is in 2010 dollars.

⁸ Decision No. R12-0397 became a decision of the Commission on May 7, 2012 by operation of law.

⁹ This amount represents the Company's share of the Hayden costs of 75.5% and 37.4% for Units 1 and 2 respectively. Company witness Mr. Randy J. Larson discusses this further in his Direct Testimony.

¹⁰ The Settlement Agreement is provided as Attachment MAM-1, and the Commission issued Decision No. C15-0292 on March 31, 2015 approving the Settlement Agreement without modification. A copy of the Decision is provided as Attachment MAM-2.

1 true-up amounts are to be calculated annually and subject to Commission review
2 with the first true-up being applied in 2017 for 2015 costs. I explain the three
3 components of the true-up in more detail later in my testimony.

4 The Settlement Agreement provided for, and the Commission Decision
5 approved, the following CACJA process:

6 To be eligible to be included in the CACJA Rider, a cost must be
7 incurred and associated with a CACJA investment that has either
8 gone into service or will go into service between August 1, 2014
9 and December 31, 2017. The eligible CACJA projects include: the
10 new natural gas combined cycle plant at Cherokee station,
11 including interconnection equipment; the selective catalytic
12 reduction (SCR) and particulate scrubber at Pawnee; and the SCR
13 equipment at Hayden.”¹¹ Further, in the Settlement Agreement the
14 Settling Parties agreed “that the statutory presumption of prudence
15 applies to actual costs incurred in accordance with an approved
16 emission reduction plan. (Sections 40-3.2-205(3) and 40-3.2-
17 201(1)(A), C.R.S.)¹²

18 **Q. WAS THE CACJA TARIFF APPROVED BY THE COMMISSION IN EFFECT**
19 **DURING 2017?**

20 A. Yes. The CACJA Rider tariff, which was included as Attachment C to the
21 Settlement Agreement, was placed in effect on February 13, 2015. The 2017
22 CACJA Rider was designed to collect the 2017 forecasted revenue requirement
23 of \$94,061,140 on an annualized basis. A copy of the approved CACJA Rider
24 tariff is provided as Attachment MAM-3 and a copy of the currently effective
25 CACJA Rider tariff is provided as Attachment MAM-4.

¹¹ Attachment MAM-2, at ¶ 29 (mailed March 31, 2015).

¹² Attachment MAM-1, at p. 14.

Q. HAS PUBLIC SERVICE IMPLEMENTED THE CACJA PROJECTS CONSISTENT WITH ITS INITIAL CPCN ESTIMATES?

A. Yes, on an overall basis. When viewed in totality, Public Service's overall implementation of the CACJA program has been consistent with our initial estimates as shown in Table MAM-2.

**Table MAM-2
 Comparison of CACJA Project
 CPCN Estimates and Actual Capital Expenditures¹³**

Project	CPCN Estimated Forecast	Actual Capital Expenditures	Variance	Status
Cherokee 2 Synchronous ¹⁴ Condenser	\$ 9,478,000	\$ 8,829,540	-\$648,460	Project Complete
Cherokee 2x1 CC	\$531,525,000	\$525,276,249	-\$6,248,751	Project Complete
Cherokee 1 & 2 Retirement ¹⁵	\$ 23,050,000	\$ 21,645,545	-\$1,404,455	Project Complete
Hayden 1 SCR	\$ 55,802,805	\$ 45,146,206	-\$10,656,599	Project Complete
Hayden 2 SCR	\$ 34,040,358	\$ 24,973,676	-\$9,066,682	Project Complete
Pawnee Scrubber and SCR	\$252,044,542	\$271,575,055	+\$19,530,513	Project Complete
Total Capital Expenditures	\$905,940,705	\$897,446,271	-\$8,494,434	

Company witness Mr. Randy Larson describes, with respect to each of the Eligible CACJA Projects, the opportunities that Public Service has taken advantage of to lessen overall project capital expenditures and the reasonableness and prudence of any capital expense overruns or underruns.

¹³ The Actuals are as of December 31, 2017.

¹⁴ These costs were not included in the CACJA Rider; this is included here to reflect how close we were to the \$1B estimate less the cost of the gas pipeline.

¹⁵ *Id.*

1 **Q. WHO ARE THE OTHER COMPANY WITNESSES SUBMITTING DIRECT**
2 **TESTIMONY ON BEHALF OF THE COMPANY IN THIS PROCEEDING?**

3 A. The witnesses submitting Direct Testimony on behalf of the Company and the
4 subject matter of their testimony is provided below:

- 5 • Ms. Deborah A. Blair, Director, Revenue Analysis for XES, explains the
6 derivation of the Company's actual 2017 CACJA revenue requirement,
7 compares the 2017 forecasted and actual revenue requirements, and
8 explains material deviations. In addition, Ms. Blair explains how the
9 Company's process to track and properly account for CACJA O&M
10 expenses prevents double-recovery.
- 11 • Mr. Randy J. Larson, Director, Regional Capital Projects for Xcel Energy
12 Services Inc., supports the Eligible CACJA Projects for which the
13 Company has CPCNs. Mr. Larson provides detailed cost information on
14 the projects, compares the 2017 project life-to-date forecasted and actual
15 capital expenditures, and explains material deviations. He describes the
16 application of Xcel Energy's capital governance process to the Eligible
17 CACJA Projects, the processes and controls that the Company has in
18 place to track and properly account for CACJA capital expenditures and
19 prevent double-recovery, as well as the project oversight used for
20 monitoring capital expenditures included in the 2017 CACJA Rider.

- Ms. Jennifer S. Pytlik, Director, Energy Supply Business Area Finance for XES, supports the 2017 CACJA variable non-fuel O&M expenses¹⁶ from the business area finance perspective. Ms. Pytlik describes these O&M expenses, describes how our forecasts of these expenses were developed, compares the 2017 forecasted and actual variable non-fuel O&M expenses, and explains material deviations. She describes the business area finance processes and controls that the Company has in place to properly account for CACJA expenses. In addition, Ms. Pytlik provides an overview of Xcel Energy's financial budgeting process, as well as the Company's oversight and monitoring of the capital and variable non-fuel O&M expenses included in the 2017 CACJA Rider. She also explains how the Company prevents double-recovery of CACJA variable non-fuel O&M expense.

Q. ARE THESE THE SAME WITNESSES THAT TESTIFIED IN SUPPORT OF THE 2016 CACJA ANNUAL REPORT (PROCEEDING NO. 15AL-0877E)?

A. Yes. These same witnesses testified in Proceeding No. 15AL-0877E, addressing the same topics.

¹⁶ The variable fuel O&M expenses are recovered through the Electric Commodity Adjustment (ECA).

**III. THE COMPANY'S APRIL REPORT COMPLIES WITH THE CACJA
RIDER AND SETTLEMENT REQUIREMENTS**

**Q. WHAT IS THE PURPOSE OF THE ANNUAL APRIL 15 CACJA RIDER
REPORT AS COMPARED TO THE ANNUAL NOVEMBER 1 FILING?**

A. In response to the questions presented by the Commission in Decision No. C15-0126-I regarding the Settlement Agreement presented to the Commission on January 23, 2015, the Settling Parties¹⁷ explained (and agreed) that the CACJA Rider process includes two components. First, the Company makes a November 1 annual filing supporting the forecasted revenue requirement to be recovered over the course of the following calendar year.

Second, Public Service submits an annual filing on or around April 15 reporting CACJA expenditures, comparing forecasted and actual expenditures, and identifying any over- and under-recovery of CACJA costs. Under the CACJA Rider tariff, the Company will reflect the over-recovery or under-recovery of CACJA costs in the CACJA Rider true-up effective two years after the actuals are incurred. The instant filing represents the third April filing under the agreed upon and approved process.¹⁸ The Settling Parties' responses to the Settlement questions issued in Decision No. C15-0126-I are included as Attachment MAM-5.

¹⁷ The Settling Parties are comprised of Public Service, the Staff of the Colorado Public Utilities Commission ("Staff"), the Colorado Office of Consumer Counsel ("OCC"), Colorado Energy Consumers ("CEC"), Colorado Health Care Electric Coordinating Council ("CHECC"), Climax Molybdenum Company and CF&I Steel, L.P. d/b/a Evraz Rocky Mountain Steel (collectively "Climax/Evraz"), Energy Outreach Colorado ("EOC"), the Federal Executive Agencies ("FEA"), the Kroger Co. ("Kroger"), and Wal-Mart Stores, Inc. and Sam's West, Inc. ("Wal-Mart").

¹⁸ Consistent with the April 2016 Filing, it is Public Service's expectation that most issues pertaining to CACJA cost recovery will be addressed in the April filing. Affected parties may object to the April annual

1 **Q. WHAT INFORMATION IS THE COMPANY REQUIRED TO PROVIDE IN THIS**
2 **CACJA RIDER APRIL 15 REPORT FILING?**

3 A. In response to the questions presented by the Commission (as reflected in
4 Attachment MAM-5), the Settling Parties further explained, and agreed, that the
5 April filing would serve at least four purposes.

6 First, the April 15 CACJA Rider filing must provide a detailed review of the
7 previous year's actual CACJA expenditures by Eligible CACJA Project and a
8 comparison of these expenditures with the forecasted expenditures that were
9 used to calculate the previous year's CACJA Rider amount. This detailed review
10 of the actual to forecasted capital expenditures, variable non-fuel O&M
11 expenses, and the resultant revenue requirements are included in the Direct
12 Testimony of Mr. Larson, Ms. Pytlik, and Ms. Blair, respectively.

13 Second, to be eligible for recovery under the CACJA Rider, incurred costs
14 must be "demonstrably tied to specific CACJA Projects, for which the Company
15 already has a CPCN from the Commission." The April filing must give parties an
16 opportunity to assure that requirements of the Settlement Agreement are met,
17 and to make arguments that costs proposed for recovery are not tied to Eligible
18 CACJA Projects, or are otherwise not consistent with the requirements included
19 in Attachment C to the Settlement Agreement. The Eligible CACJA Projects are
20 tied to CPCNs, as reflected in Table MAM-1 and further explained in the Direct
21 Testimony of Mr. Larson.

1 Third, the Settlement Agreement requires that “[n]o cost item associated
2 with any CACJA Project will be used to derive both the CACJA Rider and base
3 rates that would be in effect during the same given time period.” Thus, the
4 Company must provide information to demonstrate compliance with that
5 requirement in the April filing. The explanation for how our accounting processes
6 and controls allow us to accurately isolate the costs eligible for recovery through
7 the CACJA Rider and prevent costs from being recovered in both the CACJA
8 Rider and base rates is included in the Direct Testimonies of Mr. Larson, Ms.
9 Pytlik, and Ms. Blair.

10 Fourth, the Settlement Agreement states that the Company will “provide
11 detailed cost information on an individual project basis” for Eligible CACJA
12 Projects eligible for rider recovery – that is, those that either went into service or
13 are to go into service between August 1, 2014 and December 31, 2017. As the
14 Settlement Agreement provides, this information must include “robust direct
15 testimony justifying expenditures as set out in Decision Nos. C12-0163 and C12-
16 0159.” Accordingly, the instant filing provides information that enables the
17 Commission and interested parties to assess the reasonableness and prudence
18 of Eligible CACJA Project costs in the manner contemplated by those orders.

19 The detailed cost information for capital expenditures and variable non-
20 fuel O&M expenses for the Eligible CACJA Projects, and their in-service dates, is
21 included in the Direct Testimony of Mr. Larson (capital expenditures and in-
22 service dates) and Ms. Pytlik (variable non-fuel O&M expenses). The Company

1 is providing robust direct testimony to comply with these requirements. Company
2 witnesses Mr. Larson and Ms. Pytlik demonstrate that the 2017 CACJA Rider
3 costs are reasonable and prudent by explaining how CACJA activities were
4 undertaken so as to keep costs at appropriate levels. Further, they describe the
5 controls that are in place to ensure costs are reasonable and prudent, the
6 processes and controls in place to ensure costs for CACJA projects are properly
7 accounted for, and the monitoring of CACJA costs that occurs on an ongoing
8 basis.

9 **Q. WERE THE ACTUAL 2017 CACJA REVENUE REQUIREMENTS**
10 **CALCULATED ACCORDING TO THE CACJA RIDER TARIFF AND**
11 **CONSISTENT WITH THE INTENT OF THE SETTLEMENT AGREEMENT?**

12 A. Yes. The actual 2017 CACJA revenue requirement was calculated using the
13 same methodology as Public Service used in the first April 15 filing under the
14 Settlement Agreement (Proceeding No. 14AL-0660E) and was accepted by the
15 Commission on September 23, 2016 in Decision No. C16-0869. Further, the
16 forecasted revenue requirement that was used to calculate the 2017 CACJA
17 Rider was calculated using the same methodology as Public Service's 2015
18 forecasted CACJA Rider revenue requirement which went into effect by
19 operation of law consistent with the November advice letter filing obligation and
20 accepted by the Commission in Proceeding No. 14AL-0660E on September 23,
21 2016 in Decision No. C16-0869, and Public Service's 2016 forecasted CACJA
22 Rider revenue requirement which went into effect by operation of law consistent

1 with the November advice letter filing obligation and became a decision of the
2 Commission on August 8, 2017 by operation of the law, in Proceeding No. 15AL-
3 0877E in Decision No. R17-0587. I note that no Settling Party or other interested
4 party contested or commented on the Company's 2015 forecasted CACJA Rider
5 revenue requirement calculation or the Company's 2015 actual CACJA Rider
6 revenue requirements; the Company's 2016 forecasted and actual CACJA Rider
7 revenue requirements were similarly unopposed.

8 Further, Public Service has utilized the same methodology that was
9 implemented as part of the Settlement Agreement and required in Sheet No.
10 112C of the CACJA Rider tariff in P.U.C. No. 7-Electric Tariff as modified by
11 Sheet No. 144E in P.U.C. No. 8-Electric Tariff adjusted for current ratemaking
12 factors.

13 **Q. ARE THERE ANY OTHER REQUIREMENTS FOR THE APRIL 15 CACJA**
14 **RIDER FILING?**

15 A. Yes. The Settlement Agreement also requires that the April 15 filing include
16 comparisons of the following components of the actual and forecasted 2017
17 CACJA revenue requirements.

- 18 (1) Capital expenditures for each of the eligible CACJA projects;
19 (2) Average plant in-service for each of the eligible CACJA projects;
20 (3) Capital related revenue requirement or "capital costs" for each
21 of the eligible CACJA projects;
22 (4) Variable non-fuel O&M expenses for each of the eligible CACJA
23 projects; and

1 (5) The total revenue requirement for each of the eligible CACJA
2 projects.

3 These tables are included in Ms. Blair's Direct Testimony, and additional
4 information is provided by Mr. Larson and Ms. Pytlik.

5 **Q. YOU MENTIONED THAT THIS WAS PUBLIC SERVICE'S THIRD APRIL**
6 **CACJA FILING. DO YOU HAVE ANY COMMENTS REGARDING PUBLIC**
7 **SERVICE'S FIRST AND SECOND APRIL 15 FILINGS?**

8 A. Yes. Public Service used the same methodology and presents the same types of
9 supporting information in this April filing as it did in the Company's first and
10 second April 15 filings. Public Service believes that since the Company's first
11 April filing was uncontested and accepted by the Commission on September 23,
12 2016 in Decision No. C16-0869, and the second April filing was uncontested and,
13 in Decision No. R17-0587, became a decision of the Commission on August 8,
14 2017 by operation of law, that presenting the same information in a similar
15 manner is indicia that the Company has complied with all of its filing
16 requirements.

17 **Q. HAS THE COMPANY DEMONSTRATED THAT IT HAS MET ITS CACJA**
18 **RIDER OBLIGATIONS?**

19 A. Yes. Building on the discussion earlier in my testimony, the Company
20 demonstrates through the Direct Testimonies of Mr. Larson, Ms. Pytlik, and Ms.
21 Blair that it has met its CACJA Rider obligations included in: (1) the Settlement
22 Agreement in the 2014 Rate Case; (2) Decision No. C15-0292 approving the
23 Settlement Agreement; (3) the CACJA Rider tariff; and (3) the Settling Parties'

1 responses to the Settlement questions issued in Decision No. C15-0126-I. As I
2 noted above, the information provided in this April filing is consistent with Public
3 Service's 2016 filing which went into effect by operation of law consistent with the
4 November advice letter filing obligation and effective on August 8, 2017, in
5 Proceeding No. 15AL-0877E in Decision No. R17-0587, and 2015 April filing,
6 which was accepted in Decision No. C16-0869 in Proceeding No. 14AL-0660E.

1 **IV. ACTUAL TO FORECAST CACJA RIDER REVENUE**
2 **REQUIREMENT VARIANCE**

3 **Q. ARE THE 2017 CACJA ACTUAL REVENUE REQUIREMENTS DIFFERENT**
4 **FROM THE 2017 CACJA RIDER FORECASTED REVENUE**
5 **REQUIREMENTS?**

6 A. Yes. As discussed in more detail by Ms. Blair, the CACJA Rider 2017 actual
7 revenue requirements are approximately \$2.4 million lower than the 2017
8 forecasted revenue requirements for the CACJA Rider.

9 **Q. WHAT IS DRIVING THIS DIFFERENCE?**

10 A. As explained in more detail by Ms. Blair, there are several drivers of the
11 difference between the actual revenue requirement and the forecasted revenue
12 requirement. In short, the decrease in revenue requirement is due to lower than
13 expected variable non-fuel O&M expenses; lower than expected forecasted
14 capital additions; and the true-up on various ratemaking factors from what was
15 assumed in the 2017 forecasted CACJA revenue requirement to the appropriate
16 factors for the calculation of the 2017 CACJA revenue requirements. The main
17 drivers are as follows and are summarized in Table MAM-3.

- 18 • **Variable O&M Savings:** As discussed by Ms. Blair and Ms. Pytlik, Public
19 Service's actual 2017 variable O&M costs for the Eligible CACJA Projects
20 was approximately \$2.3 million less than initially forecasted. Ms. Blair
21 discusses the impact to the 2017 actual CACJA Rider revenue requirement
22 from this decrease and Ms. Pytlik discusses the drivers of this decrease.

- 1 • **Prudent Management of CACJA Projects:** As discussed in detail by Mr.
2 Larson, the overall capital expenditures for the Eligible CACJA Projects were
3 lower than forecasted. Public Service's prudent management of the CACJA
4 Projects resulted in a total savings of approximately \$455,026 on an actual
5 revenue requirements basis when compared with the 2017 forecasted CACJA
6 Rider revenue requirement.
- 7 • **Other:** As described by Ms. Blair, Public Service calculated the 2017
8 forecasted revenue requirements for the CACJA Rider consistent with the
9 Company's 2016 CACJA Rider methodology. Using the same methodology, it
10 was necessary to adjust the weighted cost of capital and retail jurisdictional
11 allocation ratemaking factors used in establishing the 2017 actual CACJA
12 Rider revenue requirements, which accounted for approximately \$437,604
13 increase to the actual revenue requirement when compared to the forecast.
14 Ms. Blair discusses this in more detail in her Direct Testimony.

TABLE MAM-3
Revenue Requirements Variance Factors

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. WHY DO YOU CONCLUDE THAT THE COMPANY'S CAPITAL EXPENDITURES AND VARIABLE NON-FUEL O&M EXPENSES FOR THE ELIGIBLE CACJA PROJECTS ARE PRUDENT AND THE 2017 ACTUAL REVENUE REQUIREMENTS ARE REASONABLE?

A. As Mr. Larson describes in detail, Public Service's implementation of the Eligible CACJA Projects was prudent. The Cherokee 2x1, Pawnee SCR and Scrubber, and the Hayden 1 SCR were completed in 2015 and are operating consistent with their specifications. The Hayden 2 SCR was completed in 2016 on time and under budget.¹⁹ In all, this demonstrates our prudent management of these projects, especially when considering the statutory presumption of prudence which was explicitly retained as applicable to the Eligible CACJA Projects in the Settlement Agreement.

Further, Public Service's actual variable non-fuel O&M expense for the Eligible CACJA Projects was below our forecast, further demonstrating that our management of the Eligible CACJA Projects was more efficient than expected. This resulted in cost savings to our customers of approximately \$2.3 million.

¹⁹ For accounting purposes, Hayden Unit 2 was placed in-service in August 2016, even though the project was physically operational and completed in July 2016.

1 For these reasons, Public Service's implementation of the eligible CACJA
2 Projects is prudent and the actual revenue requirements when compared with the
3 forecasted revenue requirements for the Eligible CACJA Projects are reasonable.

1 **V. CACJA RIDER TRUE-UP PROCESS**

2 **Q. HOW WILL THE COMPANY RETURN THE \$2.4 MILLION OF DECREASED**
3 **ACTUAL 2017 CACJA COSTS TO RATEPAYERS?**

4 A. Under the CACJA Rider tariff, the Company will reflect the over-recovery or
5 under-recovery of 2017 CACJA costs in the CACJA Rider true-up that occurs two
6 years after the actuals are incurred.

7 **Q. HOW WILL THE COMPANY RETURN THE O&M ADJUSTMENT FOR**
8 **CHEROKEE ACTUAL WATER USE COSTS FOR 2016 AND 2015**
9 **DISCUSSED BY MS. PYTLIK?**

10 A. The Company will return the retail portion of the Cherokee actual water use costs
11 of \$64,247 for 2015 and \$212,515 for 2016. Ms. Blair explains what retail
12 allocation of these O&M costs will be included in the revenue requirement. This
13 adjustment and interest will be included in the Company's November 1, 2018
14 filing for true-up.

15 **Q. WHAT IS INCLUDED IN THE 2017 CACJA RIDER TRUE-UP?**

16 A. The 2017 CACJA Rider true-up will be included in the 2019 CACJA forecasted
17 revenue requirement calculations for rates effective January 1, 2019, and will
18 consist of three components: (1) the difference between the 2017 forecasted
19 revenue requirements and the actual revenue requirements; (2) the difference
20 between the 2017 revenues the rider was designed to recover and the actual
21 dollars collected; and (3) interest on the monthly over- or under-recoveries. The
22 difference between the 2017 forecasted revenue requirements and the actual

1 revenue requirements has been explained in this testimony. The other two
2 components of the 2017 CACJA Rider true-up -- the difference between
3 forecasted and actual revenues collected and interest will be included in the
4 November 1, 2018 filing of the 2019 CACJA Rider.

5 **Q. HOW DOES THE COMPANY PROPOSE TO TREAT THE CACJA COSTS AND**
6 **TRUE-UPS GOING FORWARD IN LIGHT OF ITS CURRENT ELECTRIC RATE**
7 **CASE (PROCEEDING NO. 17AL-0649E) DISMISSAL?**

8 A. The Company will continue to recover its CACJA costs in the CACJA Rider per
9 the CACJA tariff. This is consistent with the fact that the current CACJA Rider
10 approved by the Commission in the Company's last electric Phase I rate case,
11 Proceeding No. 14AL-0660E, does not expire until the Company implements
12 newly-effective base rates in the Company's next rate case. The Company plans
13 to propose to roll in investment in Eligible CACJA Projects currently recovered
14 through the CACJA Rider into base rates in the next electric rate case.

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

16 A. Yes, it does.

Statement of Qualifications

Marci A. McKoane

I received my Bachelor of Science degrees in Finance and Marketing in 1994 from the University of Colorado. I began my employment with Xcel Energy Services Inc. ("XES") in 2001 as a Senior Financial Analyst in the Retail Finance department. In that position, I was responsible for the budgeting, forecasting, reporting, monthly close responsibilities, and analytical support of various business areas. I also provided training to employees on financial accounting, reporting, and systems. I was promoted to Key Financial Consultant around 2004. I was primarily responsible for the financial and accounting support of the Customer Care and Bad Debt business areas. In April 2008, I assumed the position of Senior Policy Analyst in the Public Service Regulatory department. I was responsible for managing Public Service Phase I and II Electric and Gas Rate Cases including the development and management of the rate case project plan, conducting weekly team and strategic meetings and other meetings as needed, coordinating preparation of rate case testimony and exhibits, ensuring every filing was accurate and timely, put together presentations to update leadership on case, managed the discovery process to ensure timely and accurate responses, acted as regulatory liaison to external parties for rate case, and reviewed communications, notices and media releases related to the rate cases.

I was promoted to Manager of Rate Cases in March 2012, and this role has evolved into my current role of Manager of Regulatory Project Management for the

electric utility. I am responsible for directing the project management of electric utility regulatory filings for Public Service. I manage the resources necessary to make timely and complete regulatory filings, including support for the filing of general rate case filings, certificates of need, resource plans, and rate rider filings. I manage staff and processes to ensure appropriate records retention, timely filings, and compliance with all regulatory requirements. In addition, I oversee the management of rate case proceedings.

Before working at Xcel Energy, I worked as a Lead Financial/Business Analyst at Qwest Communications, Senior Fund Accountant at Oppenheimer Funds and various other accounting, finance and project management positions.

I submitted testimony for Public Service in Proceeding Nos. 14AL-0309G, 14AL-0660E, 15AL-0887E, 17AL-0649E, and 17A-0797E.

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) PROCEEDING NO. 16AL-0869E
ACT ("CACJA") RIDER IN ITS COLORADO)
P.U.C. NO. 8 - ELECTRIC TARIFF)
EFFECTIVE JANUARY 1, 2017)

AFFIDAVIT OF MARCI A. MCKOANE
ON BEHALF OF
PUBLIC SERVICE COMPANY OF COLORADO

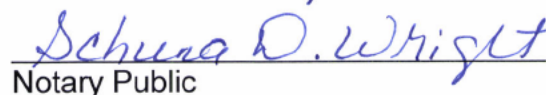
STATE OF COLORADO)
CITY AND COUNTY OF DENVER) SS:

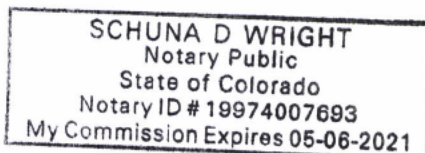
I, Marci A. McKoane, being duly sworn, state that the Direct Testimony and attachments were prepared by me or under my supervision, control, and direction; that the Direct Testimony and attachments are true and correct to the best of my information, knowledge and belief; and that I would give the same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



Marci A. McKoane
Manager, Regulatory Project Management
1800 Larimer Street, Suite 1400
Denver, Colorado 80202

Subscribed and sworn to before me this 16th day of April, 2018.


Notary Public



My Commission expires 5-6-2021