RE: IN THE MATTER OF ADVICE
LETTER NO. 1672-ELECTRIC FILED BY
PUBLIC SERVICE COMPANY OF COLORADO TO REVISE ITS COLORADO PUC NO. 7-ELECTRIC TARIFF TO IMPLEMENT A GENERAL RATE SCHEDULE ADJUSTMENT AND OTHER RATE CHANGES EFFECTIVE JULY 18, 2014.

DIRECT TESTIMONY OF JAMES S. DOWNIE

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

June 17, 2014
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * * *

RE: IN THE MATTER OF ADVICE )
LETTER NO. 1672-ELECTRIC FILED BY )
PUBLIC SERVICE COMPANY OF )
COLORADO TO REVISE ITS ) PROCEEDING NO. 14AL-________E
COLORADO PUC NO. 7-ELECTRIC )
TARIFF TO IMPLEMENT A GENERAL )
RATE SCHEDULE ADJUSTMENT AND )
OTHER RATE CHANGES EFFECTIVE )
JULY 18, 2014. )

SUMMARY OF DIRECT TESTIMONY OF JAMES S. DOWNIE

Mr. James S. Downie is the Director, Vegetation Management & Ancillary Programs of Xcel Energy Services Inc. (“XES”). Mr. Downie has responsibility for Public Service Company of Colorado’s (“Public Service,” or “Company”) Vegetation Management program, which primarily consists of vegetation maintenance on all company-owned electric and gas facilities and includes the Company’s Wildfire Protection Initiatives. Mr. Downie is also responsible for Ancillary Programs, which primarily consists of electric distribution and transmission wood pole maintenance.

In his Direct Testimony, Mr. Downie supports the $7 million in 2013 Operations & Maintenance (“O&M”) expenses associated with the Company’s Wildfire Protection Initiatives (“WPI”) that are included in the cost of service for January 1, 2015 through December 31, 2015 Test Year (“Test Year”). He also supports an adjustment made by Company witness Ms. Deborah Blair to shift a portion of the total wildfire protection O&M from distribution to transmission expense to reflect a step change in the focus of our wildfire protection activities going forward. In support of these requests, Mr.
Downie provides an overview of the Company’s Mountain Pine Beetle (“MPB”) hazard tree mitigation activities since 2008 from which the more broadly focused Transmission Wildfire Protection (“TWP”) Initiative evolved. He also describes the TWP initiative and how the Company plans to focus its efforts going forward as between mitigation of hazard trees as a result of bark beetle activity to the protection of transmission facilities from passing wildfire. The TWP initiative not only includes transmission lines, but also substation and communication facilities. Hazard tree mitigation activates focus on the mitigation of hazard trees adjacent to both electric distribution and transmission facilities in the Mountain Pine Beetle epidemic area.

Mr. Downie recommends that the Colorado Public Utilities Commission (“Commission”) approve the level of wildfire protection O&M presented in his testimony as reasonable and necessary to support Public Service’s ability to provide safe and reliable electric service to its customers, and an adjustment to treat approximately 86 percent of wildfire protection O&M as transmission expense and the remainder as distribution expense.
<table>
<thead>
<tr>
<th>Acronym/Defined Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB</td>
<td>Bark Beetle</td>
</tr>
<tr>
<td>CSFS</td>
<td>Colorado State Forest Service</td>
</tr>
<tr>
<td>Commission</td>
<td>Colorado Public Utilities Commission</td>
</tr>
<tr>
<td>FERC</td>
<td>Federal Energy Regulatory Commission</td>
</tr>
<tr>
<td>LiDAR</td>
<td>Light Detection And Ranging</td>
</tr>
<tr>
<td>MPB</td>
<td>Mountain Pine Beetle</td>
</tr>
<tr>
<td>MYP</td>
<td>Multi-Year Plan</td>
</tr>
<tr>
<td>O&amp;M</td>
<td>Operations &amp; Maintenance</td>
</tr>
<tr>
<td>Public Service, or Company</td>
<td>Public Service Company of Colorado</td>
</tr>
<tr>
<td>Test Year</td>
<td>January 1, 2015 through December 31, 2015</td>
</tr>
<tr>
<td>TWP</td>
<td>Transmission Wildfire Protection</td>
</tr>
<tr>
<td>USFS</td>
<td>United States Forest Service</td>
</tr>
<tr>
<td>WPI</td>
<td>Wildfire Protection Initiatives</td>
</tr>
<tr>
<td>Xcel Energy</td>
<td>Xcel Energy Inc.</td>
</tr>
<tr>
<td>XES</td>
<td>Xcel Energy Services Inc.</td>
</tr>
</tbody>
</table>
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * * *

RE: IN THE MATTER OF ADVICE )
LETTER NO. 1672-ELECTRIC FILED BY )
PUBLICE SERVICE COMPANY OF )
COLORADO TO REVISE ITS ) PROCEEDING NO. 14AL-_______E
COLORADO PUC NO. 7-ELECTRIC )
TARIFF TO IMPLEMENT A GENERAL )
RATE SCHEDULE ADJUSTMENT AND )
OTHER RATE CHANGES EFFECTIVE )
JULY 18, 2014. )

DIRECT TESTIMONY OF JAMES S. DOWNIE

1
2
3

I. INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY, AND

RECOMMENDATION

4 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
5 A. My name is James S. Downie. My business address is 10001 W. Hampden Ave,
6 Lakewood, CO.

7 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?
8 A. I am employed by Xcel Energy Services Inc. (“XES”) as the Director, Vegetation
9 Management & Ancillary Programs. XES is a wholly-owned subsidiary of Xcel
10 Energy Inc. (“Xcel Energy”), and provides an array of support services to Public
11 Service Company of Colorado (“Public Service” or “Company”) and the other
12 utility operating company subsidiaries of Xcel Energy on a coordinated basis.

13 Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?
14 A. I am filing testimony on behalf of Public Service.
Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND QUALIFICATIONS.

A. I am responsible for the Vegetation Management program, which primarily consists of vegetation maintenance (generally the removing, felling, pruning, and clearing of trees and brush) on all Company-owned electric and gas facilities and Ancillary Programs, which primarily consists of electric distribution and transmission wood pole maintenance. A statement of my qualifications, duties, and responsibilities is included as Attachment A.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support the $7 million that has been included in the cost of service for the January 1, 2015 through December 31, 2015 Test Year (“Test Year”) presented by Ms. Deborah Blair for our Wildfire Protection Initiatives (“WPI”). Vegetation management involves both our distribution and transmission facilities and therefore a portion of our vegetation management expense is distribution related and another portion is transmission related. Here, while we have maintained our wildfire protection expense at the 2013 level for purposes of developing our Test Year cost of service, we do expect to be focusing more of our efforts on protection of our transmission facilities going forward than we did in 2013. Accordingly I also provide support for the adjustment made by Ms. Blair to allocate a greater proportion of the 2013 wildfire protection Operations & Maintenance (“O&M”) to transmission expense statewide. As Ms. Blair explains, the reallocation of our wildfire protection O&M between distribution and transmission expense has the effect of slightly reducing our total revenue
requirement because a greater portion of our transmission O&M is recovered from
our wholesale customers under rates set by the Federal Energy Regulatory
Commission (“FERC”).

Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?

A. No.

Q. WHAT RECOMMENDATION ARE YOU MAKING IN YOUR TESTIMONY?

A. I recommend that the Colorado Public Utilities Commission (“Commission”) approve the level of distribution and transmission O&M associated with our WPI presented in my testimony as reasonable and necessary to support Public Service’s ability to provide safe and reliable electric service to its customers.
II. WILDFIRE PROTECTION INITIATIVES

Q. PLEASE DESCRIBE THE COMPANY’S WILDFIRE PROTECTION INITIATIVES.

A. Our WPI consists of two primary activities. First, it involves mitigating hazard trees associated with Colorado’s Bark Beetle (“BB”) epidemic, primarily cause by the Mountain Pine Beetle (“MPB”). Second, WPI involves wildfire protection focused on transmission structures, better known as Transmission Wildfire Protection (“TWP”). TWP work primarily consists of reducing fuel load and forest crown closure near transmission structures by physically clearing vegetation and woody debris on the ground, as well as thinning the forest adjacent to the structures. Both activities are also being performed at our telecommunication sites across the state (approximately 20 sites).

Q. HOW HAS THE COMPANY’S WILDFIRE PROTECTION INITIATIVE EVOLVED?

A. The Company’s current WPI evolved out of the work the Company began in 2008 to mitigate the impact of the MPB epidemic. The initial protection initiative was the mitigation of hazard trees adjacent to both electric distribution and transmission facilities in the MPB epidemic area. In 2010 we initiated a comprehensive transmission wildfire hazard risk assessment focused initially on areas within our service territory affected by the MPB epidemic. However, this analysis showed that the susceptibility for wildfire near the Company’s transmission infrastructure was even greater outside the MPB epidemic area.
Also using the 2013 aerial survey results from the Colorado State Forest Service ("CSFS"), we recently modified and expanded the boundaries of the epidemic area to include areas affected by the MPB as well as other bark beetles that are affecting the health of vegetation in the vicinity of our facilities. Our WPI focuses on continuing to mitigate the risk that beetle-killed hazard trees pose to our distribution facilities within the newly defined epidemic area and for our transmission facilities both within and outside the epidemic area. Going forward, however we expect to have a greater focus on our transmission facilities, which as a result of the wildfire risk assessment, have been deemed high or medium risk.

Q. PLEASE DESCRIBE THE COMPANY’S PRIOR EFFORTS TO ADDRESS THE MOUNTAIN PINE BEETLE EPIDEMIC.

A. Beginning in 2008, the Company began an extraordinary initiative to mitigate hazard trees in and near Company transmission and distribution rights-of-way within an area identified as affected by the MPB epidemic. The purpose of these activities was to better protect the Company’s transmission and distribution equipment from the hazards associated with an increased risk of trees falling and contacting conductors associated with declining forest health issues. In Proceeding No. 10A-284E, the Company applied for and received Commission authorization to defer the extraordinary vegetation management O&M costs incurred to address dead or dying trees within the MPB epidemic areas during 2010 and 2011. The Company estimated that it would incur a total of $11 million
in calendar years 2010 and 2011 beyond the level of expenditures necessary for
routine vegetation management.

Q. HOW HAS THE COMPANY TREATED THE ONGOING O&M ASSOCIATED
WITH THE MOUNTAIN PINE BEETLE INITIATIVE SINCE 2011?

A. Under the Settlement Agreement entered into and approved by the Commission
in Proceeding No. 11AL-947E, the Company was permitted to defer 100 percent
of its 2012 expenditures incurred in connection with the MPB epidemic and then
to amortize the resulting regulatory asset over two years beginning on January 1,
2013. In addition to the amortization expense associated with the deferred 2012
MPB O&M expense, $6 million of ongoing O&M expense to address the MPB
epidemic during 2013 and 2014 was included in base rates beginning with the
increase that took effect on January 1, 2013. Public Service agreed to defer any
O&M expenditures related to MPB it incurred during 2013 or 2014 that was over
or under the $6 million amount included in base rates during those years and to
amortize and recover or repay any such over-or under-recovery over a two-year
period commencing on the date new rates take effect following the Commission’s
final decision in this proceeding.

Q. HAVE THE COMPANY’S EXPENDITURES ON THE MPB INITIATIVE
REMAINED AT THE LEVEL OF $6 MILLION DURING 2013 AND 2014 AS
INITIALLY PROJECTED?

A. Generally, yes. However, while we have kept pace with the work necessary to
mitigate the effects of the MPB within the MPB epidemic area, beginning in 2013
as noted above, we began transmission wildfire protection activities and spent
approximately $1 million on transmission wildfire protection in areas outside of the
MPB epidemic areas. During 2014, we expect to further expand our TWP
activities outside the MPB areas and may redirect a portion of the MPB monies to
such activities. We will do that even though this means that we will credit the
MPB deferred account for any expenditures below the $6 million as agreed in the
Proceeding No. 11AL-947E Settlement Agreement.

Q. WHAT LEVEL OF ACTIVITIES DOES THE COMPANY EXPECT AFTER 2014
WITHIN WHAT IS NOW IDENTIFIED AS THE BARK BEETLE EPIDEMIC
AREA?

A. This can be difficult to predict as bark beetle activity is related to a variety of
factors including weather conditions (e.g., drought, extreme temperatures, etc.).
The CSFS 2013 Report on the Health of Colorado’s Forests suggests that
although there has been a decline in MPB activity, the activity of other bark
beetles (e.g., Spruce beetle) is on the rise. Therefore, the Bark Beetle epidemic
area may continue to expand in relationship to the Company’s facilities. This
said, we are predicting a reduction in the amount of future work required inside
the epidemic area as currently defined related to hazard tree mitigation and
transmission wildfire protection. At the same time, we anticipate an increase in
transmission wildfire protection activity throughout the rest of our service territory
primarily due to declining forest heath, but also because of a greater awareness
of risk associated with wildfires in brush/grass areas state-wide. As a result,
going forward we will be devoting a larger portion of wildfire protection O&M on transmission facilities and there will be an increase in the proportion of this O&M accounted for as transmission O&M.

Q. HOW HAS THE COMPANY IDENTIFIED THE TRANSMISSION FACILITIES AS HIGH RISK IN THE EVENT OF WILDFIRES?

A. Beginning in 2010, the Company engaged in a formal transmission wildfire hazard risk assessment. This initiative involved leveraging the expertise of the Company’s subject matter experts such areas such as Transmission Engineering, Vegetation Management and Mapping & Geospatial, as well as subject matter experts outside of the Company, including retention of a fire scientist and various other contractors/consultants. The end result of this work included the identification of approximately 1,600 transmission structures classified as high risk in forested areas throughout the state. Generally, approximate risk for each structure was determined by assessing factors such as line criticality, certain hazard factors (site specific vegetation conditions at each structure and the structure type), and the probability of a fire start (susceptibility).

Q. WHAT IS THE SCOPE OF THE TRANSMISSION WILDFIRE PROTECTION WORK THAT NEEDS TO BE COMPLETED?

A. Transmission wildfire protection may be needed in not only forested areas, but also in grassland and brush areas found throughout the state of Colorado. Some of the proposed work has been developed using a variety of technologies,
including analysis of Light Detection And Ranging ("LiDAR") data and high
resolution imagery. The attached illustration is the output or work prescriptions
identifying specific areas in proximity to each structure with different treatment
requirements (i.e., fuel load reduction/crown closure thinning). Other TWP work is
related to better protecting the poles and structures by the use of fire protection
products applied directly to the pole (e.g., Fire Guard).

Q. **WHY IS WILDFIRE PROTECTION WORK SO IMPORTANT TO ADDRESS
NOW?**

A. Data provided by the United States Forest Service ("USFS") suggests that
decreasing forest health issues across the western United States has resulted in an
increased frequency and severity of wildfires. Major wildfires experienced in 2012
and 2013 across Colorado lend credibility to these trends and predictions as the
Sandborn map accurately predicted locations of these fires. The Company has
hundreds of miles of electric transmission infrastructure located in areas that have
higher wildfire susceptibility ratings. Public Service believes that the increasing
frequency and severity of wildfire occurrences supports the need to proactively
engage in activity related to better ensuring the survivability of critical
infrastructure such as electric transmission facilities. Especially in mountain and
forested areas, these facilities can be particularly difficult and time consuming to
replace in the event of damage/destruction by wildfire.

Also, the Company has been very proactive by reaching an agreement with

the USFS to undertake transmission wildfire protection work for transmission

structures in a way that reduces liability for such work outside of the Company’s rights of way. Per this ground breaking agreement that the USFS is hoping to use as a model throughout the United States, the USFS (subject to appropriations) has agreed to absorb certain costs associated with this work (e.g., environmental studies).

Q. WHAT WAS THE TOTAL COSTS FOR TRANSMISSION AND DISTRIBUTION BOTH INSIDE AND OUTSIDE THE EPIDEMIC AREA IN 2013?

A. In 2013 we spent approximately $7 million on wildfire protection activities both inside and outside the epidemic area. Approximately 57 percent of this total was accounted for as transmission expense and 43 percent was accounted for as distribution expense.

Q. HOW DO YOU EXPECT THE RELATIVE PROPORTIONS OF YOUR O&M EXPENDITURES ON TRANSMISSION AND DISTRIBUTION FACILITIES WILL CHANGE GOING FORWARD?

A. Going forward we expect that approximately 86 percent of our wildfire protection O&M expenditures will focus on improving the survivability of our transmission facilities in the event of a wildfire and 14 percent will be for continued hazard tree mitigation activities on distribution facilities.

Q. IS THIS CHANGE IN FOCUS REFLECTED IN THE TEST YEAR COST OF SERVICE PRESENTED BY MS BLAIR?

A. Yes, it is my understanding that it is.
Q. WHAT IS YOUR UNDERSTANDING OF THE IMPACT OF THIS CHANGE?

A. It is my understanding that the reallocation of a greater portion of our wildfire protection O&M expense to transmission has the effect of reducing our total revenue requirement by approximately $430 thousand because a portion of our transmission total expense is allocated to the federal jurisdiction and recovered from our wholesale customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.
Attachment A
Statement of Qualifications
James S. Downie

I have a Bachelor of Art in Biology and a minor in Environmental Science from Hartwick College in 1988. I maintain accreditations through the International Society of Arboriculture (Certified Arborists and Utility Specialist). I began my employment with Public Service in 1990 in the Forestry Department, responsible for distribution vegetation management and wood pole maintenance across Colorado. As a result of the merger with Southwestern Public Service Company in 1997, I became Manager of Vegetation Management for New Century Energies Services, Inc. After the formation of Xcel Energy Inc, which resulted from the merger of New Century Energies, Inc. and Northern States Power Company, I became the Director of Vegetation Management for Xcel Energy. In approximately 2007, my responsibilities were expanded to include Ancillary Programs, which consists primarily of distribution and transmission wood pole maintenance (inspection, treatment, replacement and reinforcement of wood poles).

In my current position I have responsibility for the strategic and tactical functions of vegetation management and any inspection programs that may fall under the purview of Ancillary Programs (e.g. wood pole maintenance, pad-mounted equipment inspections, transmission structure corrosion inspections, etc.)