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

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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 OTHER CHANGES EFFECTIVE JULY 18, 2014.	**)**	**PROCEEDING NO. 14AL-0660E**
IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF ITS ARAPAHOE DECOMMISSIONING AND DISMANTLING PLAN.	**)**	**PROCEEDING NO. 14A-0680E**

REBUTTAL TESTIMONY AND ATTACHMENT OF MARK R. FOX

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

December 17, 2014

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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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 OTHER CHANGES EFFECTIVE JULY 18, 2014.	**)**	**PROCEEDING NO. 14AL-0660E**
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SUMMARY OF REBUTTAL TESTIMONY OF MARK R. FOX

Mr. Mark R. Fox is the General Manager, Power Production, Public Service Company of Colorado ("Public Service" or "Company"), and submitted direct testimony in this proceeding.

In his rebuttal testimony, Mr. Fox responds to issues raised by Colorado Energy Consumers ("CEC"), Colorado Healthcare Electric Coordinating Council ("CHECC"), CF&I Steel, L.P. d/b/a Rocky Mountain Steel, and Climax Molybdenum Company ("CLIMAX"), and Federal Executive Agencies ("FEA") in Answer Testimony with respect to the need for the Company's Generation Performance Benchmarking Plan. Mr. Fox notes the purpose of the plan and the incentives it is intended to create. In particular, Mr. Fox explains why the Equivalent Availability Factor Performance Mechanism ("EAFPM") metric is based on the historic performance data of the coal and combined cycle plants whose performance is being measured, rather than on the historic performance data of coal and combined cycle plants of other utilities operating elsewhere in the country, as proposed by Office of Consumer Counsel witness Mr. Chris Neil. Other issues raised regarding the plan are addressed by Company witnesses Jackson and Landrum.

Mr. Fox also addresses the Staff for the Colorado Public Utilities Commission witness Mr. Gene Camp's proposed adjustment to Public Service's 2015 Test Year labor costs to reflect his perception of the labor impact of Clean Air-Clean Jobs Act ("CACJA") plant closings. Mr. Fox notes that this proposed adjustment does not accurately reflect the expectations or representations of the Company in the CACJA proceedings. Finally, Mr. Fox addresses OCC witness Mr. David Peterson's proposal to reduce the amount of base commodities included in the 2015 Test Year, noting that the increase in base commodities appropriately reflects new emission controls at our Pawnee, Cherokee, and Hayden stations.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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REBUTTAL TESTIMONY AND ATTACHMENT OF MARK R. FOX

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LIST OF ATTACHMENTS

Attachment No. MRF-6	Company's Supplemental response to Discovery Request CEC3-6

GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym/Defined Term	Meaning
2015 Test Year	January 1, 2015 through December 31, 2015
ALJ	Administrative Law Judge
CACJA	Clean Air Clean-Jobs Act
CEC	Colorado Energy Consumers
CHECC	Colorado Healthcare Energy Coordinating Council
CLIMAX	Climax Molybdenum Company
CPUC	Colorado Public Utilities Commission
EAF	Equivalent Availability Factor
EAFPM	Equivalent Availability Factor Performance Mechanism
ECA	Electric Cost Adjustment
FEA	Federal Executive Agencies
GADS	Generating Availability Data System
NERC	North American Electric Reliability Corporation
O&M	Operations & Maintenance
OCC	Colorado Office of Consumer Counsel
Public Service or Company	Public Service Company of Colorado
RMEC	Rocky Mountain Energy Center
Staff	Staff of the Colorado Public Utilities Commission

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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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 OTHER CHANGES EFFECTIVE JULY 18, 2014.	**)**	**PROCEEDING NO. 14AL-0660E**
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REBUTTAL TESTIMONY AND ATTACHMENT OF MARK R. FOX

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

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Mark R. Fox. My business address is 5460 W. 60th Avenue, Arvada, Colorado 80003.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY AND ATTACHMENTS IN THIS PROCEEDING?

A. Yes. I submitted Direct Testimony and Attachments in this case on behalf of Public Service Company of Colorado (“Public Service” or “Company”) as part of the Company’s original filing on June 10, 2014.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The first purpose of my testimony is to address the objections of Colorado Energy Consumers ("CEC") witness Mr. Kevin Higgins, Colorado Healthcare Electric Coordinating Council ("CHECC") witness Mr. Jeffrey Pollock, CF&I Steel, L.P. d/b/a Rocky Mountain Steel, and Climax Molybdenum Company ("CLIMAX") witness Mr. Lane Kollen, and Federal Executive Agencies ("FEA") witness Mr. Stephen Rackers to the Company having any Generation Performance Benchmarking Plan at all. I also explain why the EAFPM metric is based on the historic performance data of the coal and combined cycle plants whose performance is being measured, rather than on the historic performance data of coal and combined cycle plants of other utilities operating elsewhere in the country, as proposed by the OCC. The Staff of the Colorado Public Utilities Commission ("Staff") also propose some adjustments to our EAFPM, which Public Service Witness Jon Landrum addresses in his Rebuttal Testimony.

In addition, I explain why Staff witness Mr. Gene Camp's proposed adjustment to our 2015 Test Year labor costs based on Clean Air, Clean Jobs Act ("CACJA") plant closings is inappropriate, and why our 2015 Test Year base commodities expense should be accepted as known and measurable despite the claim of OCC witness Mr. David Peterson.

Finally, Mr. Higgins has proposed to adjust our historic 2013 generation overhaul expense to reflect a four-year average of costs rather than our actual 2013 expenses. Public Service witness Mr. Gregory Robinson addresses the mechanics of this adjustment in his Rebuttal Testimony. I add from an Energy

Supply operational perspective, that we have proposed using 2013 generation overhaul costs – as well as generation operation costs, which tend to correlate to generation overhaul expenses – because they represent a reasonable level of O&M expense for the 2015 Test Year and beyond, with very few adjustments for known changes that can be measured with some certainty.

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

A. Yes. I am sponsoring Attachment No. MRF-6.

Q. WHAT RECOMMENDATIONS ARE YOU MAKING?

A. In the event the Commission agrees that the Company should put a generation performance plan in place, I recommend that the EAFPM metric should be based on the historic performance data of our coal and gas plants included in the plan rather than on the national average historic performance of coal and combined cycle plants operated by other utilities in other areas of the country as proposed by the OCC. I also recommend that Staff's proposed adjustment to our 2015 Test Year labor costs based on CACJA plant closings be rejected, and that our 2015 Test Year base commodities expense be accepted as known and measurable despite the OCC's claim to the contrary.

II. NEED FOR GENERATION PERFORMANCE BENCHMARKING PLAN

Q. WHY HAS THE COMPANY PROPOSED ITS GENERATION PERFORMANCE BENCHMARKING PLAN?

A. As Public Service witness Ms. Alice K. Jackson explained in her Direct Testimony,[1] we have proposed the plan to address concerns that our efforts to aggressively control O&M expenses might adversely affect our service quality over time. Using historical data regarding the availability of our coal plants and combined cycle gas plants to meet our customer load, our generation performance plan establishes the average range of availability for these plants. It then rewards the Company $3 million when the coal and combined cycle plants' availability is greater than the historical availability range, and penalizes the Company $3 million when their overall availability is less than the range. There is no reward or penalty when the plants' availability falls within the historic average range of availability. The plan thus uses a carrot and a stick approach to incentivize Public Service to maintain or improve the performance of its generation fleet while closely managing O&M expenses so they do not increase beyond the level proposed in this case. We did not propose the plan because we believe there is any problem in our generation fleets' performance that necessitates it, but rather because of the concern that efforts to control O&M might affect operations in the future.

Q. WHAT ARE THE OBJECTIONS TO THE COMPANY'S GENERATION PERFORMANCE BENCHMARKING PLAN AS A WHOLE?

A. The objections are varied. For instance, Mr. Kollen questions whether there

[1] Jackson Direct Testimony at page 57, lines 1-13.

is any evidence that Public Service will not properly operate and maintain its generation fleet, and objects that the plan would merely encourage greater O&M expenses for greater performance with customers paying for the increased expenses in addition to the performance award.[2]

Mr. Pollock expresses the same concern that Public Service's customers will pay higher rates if the Company incurs greater O&M expenses just to achieve a 0.1% improvement in generation plant availability to earn a reward.[3] Mr. Pollock therefore proposes an alternative to our Generation Performance Benchmarking Plan, arguing the Commission should consider ECA mechanisms that would incentivize the Company to reduce the cost of energy for customers.[4] Mr. Neil also takes this position, supporting a performance mechanism that rewards the Company if low-cost generating units generate more energy and thereby reduce the production of energy from higher cost generating units or avoid the need to purchase higher cost power, with the fuel and O&M cost savings split between ratepayers and shareholders.

FEA Witness Mr. Rackers objects to our Generation Performance Benchmarking Plan on the grounds that it is merely a mechanism to increase the profits of off-system sales for the benefit of shareholders.[5] Mr. Rackers also suggests that our generation performance plan could actually incentivize the Company to keep generation units available for operation when the units

[2] Kollen Answer Testimony at page 23, lines 12-15, and page 24, lines 4-6.
[3] Pollock Answer Testimony at page 26, lines 3-7.
[4] Pollock Answer Testimony at 26, line 13, through page 29, line 15.
[5] Rackers Answer Testimony at page 15, line 21 through page 16, line 10.

should instead be taken off-line for planned preventive maintenance.[6]

Q. WHAT IS YOUR RESPONSE TO THE OBJECTION BY MR. KOLLEN THAT THERE IS NO NEED FOR THE GENERATION PERFORMANCE BENCHMARKING PLAN BECAUSE THERE IS NO EVIDENCE THAT THE COMPANY IS NOT PROPERLY OPERATING AND MAINTAINING ITS GENERATION FLEET?

A. We agree that there is no evidence of improper operation and maintenance of our generation fleet, and for that reason agree that a generation performance plan may not be needed. We only proposed the plan because we believed that there is a concern that our efforts to keep O&M levels flat – as reflected in our proposal in this case to set rates at historic 2013 levels with minor adjustments – could disincentivize the Company from maintaining the availability of our coal and combined cycle units. If the Commission does not share that concern or believes the concern does not warrant the adoption of our proposed incentive mechanism, there would then be no need to adopt the plan.

Q. WILL THE GENERATION PERFORMANCE PLAN MOTIVATE THE COMPANY TO INCUR GREATER PLANT O&M COSTS JUST TO OBTAIN A MARGINAL IMPROVEMENT IN GENERATION UNIT AVAILABILITY, AS CLAIMED BY MR. KOLLEN AND MR. POLLOCK?

A. I acknowledge the concern, but note that I believe it is somewhat theoretical, given the modest levels of the incentives and disincentives we are proposing relative to our actual O&M levels. The plan related O&M expense reflected in

[6] Rackers Answer Testimony at page 16, lines 11-21.

the 2015 Test Year is $176.1 million, while the maximum reward we can receive is $3 million. I think in this context, what is going to primarily drive our O&M expenditures is our assessment of the needs of the plants, whereas the incentive will give us a modest inducement to focus on plant operations that we would not otherwise have

Q. WHAT IS YOUR RESPONSE TO MR. RACKERS' CONCERNS THAT PUBLIC SERVICE IS ALREADY INCENTED TO KEEP THE PLANTS OPERATING THROUGH MARGIN SHARING FOR SHORT-TERM SALES, AND THE GENERATION PERFORMANCE BENCHMARKING PLAN IS AN INCENTIVE TO KEEP PLANTS RUNNING IN SPITE OF MAINTENANCE NEEDS?

A. With respect to Mr. Racker's observation that the Company receives an incentive to make short-term sales from its system through Commission approved margin sharing (10%), our GPBP focuses on increasing the availability of our coal and combined cycle gas units to maximize the opportunity for them to be economically dispatched to meet our customer load whereas our approved margin-sharing for short-term sales provides an incentive for a multitude of activities that lead to those sales. Any "generation book" off-system sales from those units occur only after our customers' energy needs are met. And as Mr. Rackers notes, the profits of such sales above a certain level are split, with customer's receiving 90% of the profits to shareholders' 10%. As a consequence, even in the event that our generation performance plan should result in increased off-system sales, this works to our customers' advantage, contrary to Mr. Rackers claims.

As for his second concern, I would reiterate my response to Mr. Pollock's concern. The level of the incentive/disincentive are not so high that they should skew our decision making regarding plant operations.

III. EQUIVALENT AVAILABILITY FACTOR PERFORMANCE MECHANISM ADJUSTMENT

Q. WHAT ADJUSTMENTS TO THE EAFPM WERE PROPOSED IN ANSWER TESTIMONY?

A. Staff witness Ms. Podein agrees with the framework of our plan, but proposes specific adjustments to our EAFPM to modify the timeframe used to calculate the historic average availability of a plant in one instance, and in other instances to substitute generic availability estimates used in resource planning and the CACJA proceedings rather than the plants' actual historic availability as the EAF metric.[7] Mr. Landrum addresses Ms. Podein's proposed adjustments in his Rebuttal Testimony. OCC witness Mr. Neil opposes our plan generally, but proposes specific adjustments to our EAFPM in the event the Commission believes that a generation performance plan should be adopted.[8]

Q. PLEASE DESCRIBE MR. NEIL'S RECOMMENDATIONS.

A. As discussed earlier, Mr. Neil opposes our generation performance plan. However, in the event the Commission decides that the Company should operate under such a plan he suggests that the EAF should not be based on the range of availability established by the historical performance of the Company units covered by the plan. Rather, Mr. Neil proposes to utilize the national average availability of units of a comparable size based on national GADS data.[9]

[7] Podein Answer Testimony at page 3, lines 7-19.
[8] Neil Answer Testimony at page 41, lines 1-5.
[9] Neil Answer Testimony at page 41, lines 1-5.

Q. WHAT IS MR. NEIL'S RATIONALE FOR THIS PROPOSAL?

A. Mr. Neil believes using national GADS data would provide the benefit of a larger data set to establish a baseline EAF for the Company's units, specifically noting that the performance data for Public Service's own units would only be a small portion of the total data used to determine the EAF.

Q. DO YOU AGREE WITH THIS RATIONALE?

A. No. Mr. Neil's averaging proposal does not account for differences in plant design and technology, utility operating systems and generation portfolios, customer load profiles and demand curves, weather and ambient operating conditions, and unit age and O&M history.

Mr. Neil presented this same argument in our 2012 ECA cost recovery proceeding, claiming that the greater 2012 forced outage rates for Comanche 3 and Pawnee compared to GADS national average forced outage rates for similarly sized units justified a disallowance of the costs associated with the higher outage rates.[10] The Administrative Law Judge rejected this argument, noting that in the absence of information on the actual units used to establish GADS national average outage rate, including age, location, operating weather conditions, equipment design, and median forced outage rate, among other things, there was no data that showed how or why the GADS forced outage rates for units similarly sized to Comanche 3 and Pawnee were relevant to the forced outage rates of Comanche 3 and Pawnee.[11] Mr. Neil has not provided any information to alter the conclusion that the availability of Public Service

[10] Landrum Supplemental Direct, Attachment JTL-5 at ¶ 63.
[11] Landrum Supplemental Direct, Attachment JTL-5 at ¶ 68.

generation units cannot be properly measured by reference to national GADS data that only identifies units by size and fuel type.

IV. CACJA-RELATED O&M LABOR WORKFORCE

Q. DO ANY WITNESSES RAISE ISSUES WITH THE LEVEL OF ENERGY SUPPLY'S WORKFORCE IN THE COMPANY'S 2015 TEST YEAR?.

A. Yes, Mr. Gene Camp recommends that there should be a reduction in our workforce by 23.6 FTEs based on our implementation of our CACJA compliance plan. Mr. Camp focuses on two plants, Arapahoe, which was retired at the end of 2013, and Cherokee, and derives the reduction level by comparing the Company's end of year 2014 employee level at Cherokee (100 FTEs employees) to the combined 2013 staffing levels at Arapahoe and Cherokee (47.0 FTEs and 76.6 FTEs), respectively. CEC witness Higgins likewise suggests that the Energy Supply business unit should have reduced its workforce as a consequence of CACJA plant closures.[12]

Q. DOES THE COMPANY BELIEVE CACJA-RELATED STAFFING CHANGES NECESSITATE AN ADJUSTMENT TO THE 2015 TEST YEAR O&M LEVELS THE COMPANY IS PROPOSING IN THIS CASE?

A. My understanding is that they do not because overall employee levels of the Company as a whole are going up, but Ms. Lowenthal is the witness who provides that information. However, I do believe that Mr. Camp's and Mr. Higgins' testimony leaves a misimpression that should be corrected.

Q. PLEASE EXPLAIN.

A. In the course of discovery, Staff read our response to Discovery Request CEC3-6 as asserting that the Company made a commitment under CACJA that there would be no reduction in the Company's workforce due to plant closures, and

[12] Higgins Answer Testimony at page 42 et seq.

issued Discovery Request CPUC 34-4 asking us to identify where in the record of the CACJA proceedings we had made that commitment and the Commission had accepted the commitment. We responded that we were filing a supplemental response to CEC3-6 clarifying that the Company had not made a commitment there would be no workforce reduction as a result of CACJA-related plant closures, but rather that the workforce reductions would be achieved through a combination of employee transfers, reassignments, and retirements rather than involuntary terminations, as explained in the Direct Testimony of Stephen Mills in the CACJA proceedings. We also explained that the Company had followed this approach, which has resulted in reductions in our total plant workforce.

Mr. Camp relies upon our original response, but does not acknowledge our correction. Mr. Higgins quotes from both in an attempt to support his apparent position that the Company is not aggressively trying to control labor costs. I have attached a copy of our corrected response to Discovery Request CEC3-6 as Attachment No. MRF-6 to my testimony. I think both sets of testimony leave a misimpression regarding our approach to staffing reductions as a consequence of our implementation of our CACJA compliance plan. As Mr. Mills testified in the CACJA proceeding (Proceeding No. 11A-303E), we recognized that there would be a reduction in workforce at our plants as a result of CACJA implementation, but that we were seeking to manage these reductions through a staged approach.

Q. CAN YOU ELABORATE ON MR. MILLS' TESTIMONY IN THE CACJA PROCEEDINGS REGARDING WORKFORCE REDUCTIONS DUE TO PLANT CLOSURES?

A. Yes, and in fairness, I note that Mr. Camp included Mr. Mills' testimony as Attachment GLC-02 to his testimony. Mr. Mills informed the Commission that the Company had developed a plan to address the displacement of plant workforce resulting from the closure of generating units or stations pursuant to our CACJA compliance plan through transfers, reassignments, and the departure of employees from the Company due to retirement or for other reasons.

Pursuant to this staged approach, the Company indicated that it would retain qualified, skilled employees to operate and maintain the Company's plants, and that reassignments among the plants would be used to achieve the "correct skill mix. One of the bases of the plan was that the Company was anticipating it would experience a high level of employee retirements during the implementation of the CACJA compliance plan, and that workforce reductions would be handled in conjunction with the retirements. The Company also believed that there would be normal attrition. The expected result was that staffing levels would remain elevated until the expected workforce attrition through retirements was fully realized.

Q. HAS THE COMPANY FOLLOWED THE STAGED APPROACH THAT MR. MILLS' EXPLAINED TO THE COMMISSION IN THE CACJA PROCEEDING?

A. Yes, the Company has followed the approach that Mr. Mills outlined in the CACJA proceeding, reducing our total plant workforce through retirements and normal workforce reductions over time rather than by eliminating a specific number of employees pursuant to the specific timing of specific plant closures. We continue to believe this approach is prudent and reasonable for the reasons that Mr. Mills explained when the Commission addressed our CACJA plan.

V. TEST YEAR BASE COMMODITIES ADJUSTMENT

Q. DO YOU AGREE WITH OCC WITNESS MR. DAVID PETERSON'S PROPOSAL TO ADJUST THE INCREASE IN CACJA-RELATED BASE COMMODITIES THAT ARE INCLUDED IN THE 2015 TEST YEAR?

A. No. Mr. Peterson's proposal is that only the 2014 CACJA-related increase in base commodities should be included in the 2015 Test Year. The 2014 increase is $1,861,744, associated with the installation of the new scrubber at our Pawnee station, which went into service in August 2014.

Q. WHAT IS THE INCREASE IN CACJA-RELATED BASE COMMODITIES THAT THE COMPANY INCLUDED IN THE 2015 TEST YEAR?

A. As set forth at page 42 of my Direct Testimony, the Company anticipates our base commodities expense will increase by $7.2 million as a result of new emission controls at our Pawnee, Cherokee, and Hayden stations. While Mr. Peterson's adjustment captures part of the 2015 Test Year increase in CACJA-related base commodities at Pawnee, it misses the known and measurable increase in CACJA-related base commodities in the 2015 Test Year as a result of the new emission controls for Cherokee Units 5, 6, and 7 and Hayden Unit 1, which are being placed into service in 2015. Mr. Peterson's adjustment should be rejected because it does not recognize the known and measurable increase in our base commodities during the 2015 Test Year as a result of the new emission controls at the Pawnee, Cherokee, and Hayden stations.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

RE: Advice No. 1672 – Electric Filed by Public Service Company of Colorado on June 17, 2014	)))))	**Third Discovery Requests of the CEC – Michelle Brandt King Served on Public Service Company**
Docket No. 14AL-0660E	)	**August 13, 2014**

DISCOVERY REQUEST CEC3-6:

Please indicate whether the Company has removed the labor expenses associated with the Arapahoe generating station from test year expenses, due to plant retirement in 2013. If so, please provide the dollar amount of the adjustment and cite to the location in the Company's filing where this adjustment is depicted. If not, please explain why the Company has not removed labor expenses associated with Arapahoe employees from test year expenses, although it has removed non-labor O&M expenses.

RESPONSE:

The Company has not removed labor expenses associated with Arapahoe employees from test year expenses because the Company's commitment under the Clean Air Clean Jobs Act was that there would not be a reduction in force for union employees caused by the closure of units and plants, but that reductions would be made through transfers, reassignments of employees to other business units or by an employees' decision to leave employment with Public Service. We strive to retain our most highly skilled employees in our workforce by reassigning them to other plants where there are vacancies or where we anticipate there will be vacancies in the near future due to impending employee retirements, etc. This strategy is used not only to maintain the high quality of our workforce, but also to minimize severance costs obligations to the Company.

The 2013 headcount levels and thus the labor dollars are reasonable to use as the basis for the Test Year for Energy Supply Public Service plants without a downward adjustment for Arapahoe because the average headcount for Public Service Energy Supply in 2013 is lower than what is expected in 2015.

Sponsor: Mark Fox **Response Date:** August 25, 2014

SUPPLEMENTAL RESPONSE:

In developing our response to Discovery Request No. CPUC4-4, the Company has concluded it must correct its response to this Discovery Request regarding the Company's "commitment" referenced above that there would not be a reduction in our workforce as a result of the closure of generation units and plants pursuant to our CACJA compliance plant. As discussed in our response to Discovery Request No. CPUC34-2, the Company informed the Commission through the testimony of Steven Mills in Proceeding No. 10M-245E that it had developed a plan which would reduce the Company's workforce

SUPPLEMENTAL RESPONSE TO DISCOVERY REQUEST CEC3-6 CONT'D:

as a result of CACJA-related generating unit and station closures. This would be achieved through a combination of employee transfers, reassignments, and retirements. This approach avoids relying on involuntary terminations to reduce our workforce pursuant to our CACJA compliance plan. Supplemental Attachment CEC3-6.A1 is a copy of Mr. Mills Direct Testimony in Proceeding No. 10M-245E.

The Company therefore did not make a commitment that there would not be a reduction in our workforce as a result of our CACJA compliance plan. The Company is following the approach outlined by Mr. Mills, and it has resulted in reductions in our total plant workforce through retirements and normal workforce reductions.

Attachment:
Supplemental CEC3-6.A1

Sponsor: Steven Mills **Response Date:** September 29, 2014

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

IN THE MATTER OF COMMISSION CONSIDERATION OF PUBLIC SERVICE COMPANY OF COLORADO PLAN IN COMPLIANCE WITH HOUSE BILL 10-1365, "CLEAN AIR-CLEAN JOBS ACT."	**)))))**	**DOCKET NO. 10M-245E**

DIRECT TESTIMONY OF STEVEN H. MILLS

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

August 13, 2010

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

IN THE MATTER OF COMMISSION	**)**	
CONSIDERATION OF PUBLIC SERVICE	**)**	
COMPANY OF COLORADO PLAN IN	**)**	**DOCKET NO. 10M-245E**
COMPLIANCE WITH HOUSE BILL 10-1365,	**)**	
“CLEAN AIR-CLEAN JOBS ACT.”	**)**	

DIRECT TESTIMONY OF STEVEN H. MILLS

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Steven H. Mills. My business address is 1800 Larimer, Suite 1400, Denver, CO 80202.

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

A. I am employed by Public Service Company of Colorado (“Public Service” or “Company”), a wholly-owned subsidiary of Xcel Energy Inc. My job title is Project Executive Clean Air-Clean Jobs Act.

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

A. I am testifying on behalf of Public Service.

Q. HAVE YOU INCLUDED A DESCRIPTION OF YOUR QUALIFICATIONS, DUTIES, AND RESPONSIBILITIES?

A. Yes. A description of my qualifications, duties, and responsibilities is included as Attachment A.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my Direct Testimony is to describe the workforce impacts to the Company relative to the various scenarios, retirements, repowering, or new construction of facilities to meet the emission reduction objectives of the Clean Air-Clean Jobs Act ("CACJA").

Q. WERE YOU INVOLVED IN THE DEVELOPMENT OF THE COMPANY'S EMISSIONS REDUCTION PLAN?

A. Yes, I was. I was the Project Executive responsible to oversee and coordinate the various Company departments involved in the development of the Company's emissions reduction that has been prepared to comply with the CACJA.

Q. WHAT PORTION OF THE PLAN DID YOU PREPARE?

A. I did not prepare a specific portion of the plan. However, I was responsible for the coordination of the overall plan development process for the Company. I led a number of meetings and participated in discussions regarding the various scenarios, schedules, staffing needs, and workforce planning issues for the period of January 1, 2011 through January 1, 2018 related to the Company's implementation of the CACJA. This information was also used to support labor costs for the various scenarios for each facility.

Q. WHY DID THE WORKFORCE PLANNING ACTIVITY START WITH JANUARY 1, 2011?

A. The workforce planning team also is responsible for the transition to Company ownership of the Calpine Rocky Mountain Energy Center and Blue

Spruce Energy Center generating stations that the Company is planning to acquire at the end of 2010, subject to this Commission's approval in Docket No. 10A-327E and other closing conditions. The timing of this acquisition and its direct impact on current Company employees in the Denver metro facilities required that potential new hires and the reassignment of employees between facilities be coordinated in conjunction with actions taken pursuant to CACJA to facilitate long-term staffing adjustments in the metro area generation units. In essence, it does not make sense to continue to hire employees or undertake any reductions at any facility without evaluating the Company's overall resource needs. In other words, through an appropriate staged approach, it may be possible to shift workers who are not required at one plant to another where they are required.

Q. WHAT SPECIFIC ISSUES WERE CONSIDERED IN THE WORKFORCE PLANNING PROCESS?

A. The specific issues addressed in the planning process included defining the number of employees, the job classifications, the training requirements, and the type of facility composition needed to safely operate and maintain generation at the various sites during the period of January 1, 2012 through January 1, 2022. In addition, the retirement and associated construction schedules were reviewed to match any staffing changes and resource needs across the plants affected by the plans proposed in the Company's various scenarios.

Q. HOW DOES THE COMPANY PLAN TO ADDRESS THE VARIOUS SCENARIOS AND STILL RETAIN QUALIFIED, SKILLED EMPLOYEES TO OPERATE AND MAINTAIN THESE FACILITIES DURING THE 2012 THROUGH 2022 PERIOD?

A. The Company will use reassignments between the various facilities to aid in providing the correct skill mix. Specific restrictions regarding union employees will be managed in accordance with the Company's collective bargaining agreement. The Company's management will be communicating the staffing plan with the International Brotherhood of Electrical Workers ("IBEW") 111 and developing Letters of Agreement as necessary to allow transition activities to occur while adhering to seniority and training provisions of the collective bargaining agreement to support safe, reliable work practices. In certain circumstances, the Company will consider self-performing work that has previously been subcontracted at Metro area facilities.

Q. ARE THERE FACTORS THAT WILL AID IN TRANSITIONING EMPLOYEES THROUGH THIS PERIOD TO MINIMIZE ANY LAYOFFS OR FORCED REDUCTIONS IN THE WORKFORCE?

A. The average age of the Energy Supply workforce is approximately 50 years. There are a number of employees assigned to generating stations that will be eligible for retirement during the plan implementation period. In addition, the union employees will be subject to changes in the retiree medical benefits effective January 1, 2013, which may increase retirement of bargaining unit workers. Moreover, a higher number of retirements will be anticipated in the various business units as well due to similar aging work force impacts. Efforts to integrate staffing reductions in conjunction with retirements will facilitate reaching lower staffing levels. Knowing the various classifications and potential retirement eligibility dates will allow us to more appropriately plan for staffing levels to remain elevated during the plan period, taking into account expected attrition of our workforce.

Accordingly, the workforce planning team prepared a list of employees who are eligible to retire under the full retirement provisions of the collective bargaining agreement or other applicable corporate policies. In this list, the various employees were broken down by facility and by classification. This information provides the annual staffing impacts by year from 2011 through 2017. Although the plan period extends through 2022, the staffing reductions anticipated in this plan will occur prior to 2018.

Q. HOW WERE THE STAFFING LEVELS DETERMINED FOR THE REPLACEMENT UNITS AT CHEROKEE STATION?

A. The workforce planning team evaluated the staffing needs based on comparative staffing requirements at Fort St. Vrain, Rocky Mountain Energy Center, and also several of Xcel Energy's combined cycle facilities in Minnesota (Highbridge and Riverside). A similar approach was used in Minnesota when the generating units were converted to combined cycle. The various equipment configurations, operating demands, and general maintenance needs were identified and staff levels selected to support this mode of operations. A small number of full-time equivalents ("FTEs") were identified to support safety, finance, procurement, and environmental compliance to maintain safe, reliable, and environmentally compliant operation.

Q. WHAT ARE THE SPECIFIC STAFFING REDUCTIONS FOR EACH SCENARIO?

A. The retirement and control scenarios offered by the Company will have different effects on the workforce. In some instances the jobs impacted may be the same, but the timing will be different based on the schedule and various plant closures. The basis for comparison of the impacts for each facility will be changes from the 2010 staffing levels. There are 61 employees at Arapahoe, 142 employees at Cherokee, and 57 employees at Valmont. In every scenario, there will be union and non-union employee impacts. The specific plants identified for controls, repowering, or retiring will begin to de-staff upon approval of this plan. The Company will take advantage of retirements or normal attrition to facilitate anticipated staffing reductions.

Q. CAN YOU PROVIDE A SUMMARY?

A. The following summary identifies the number of specific reductions we are currently projecting at each facility and the year of those impacts for Scenarios 2A, 3B, 4C, 5B, 6E, 6.1E, and 7E.

<u>Scenario 2A</u> - The implementation of the actions in Scenario 2A is projected to result in staffing reductions of 78 FTE positions at Arapahoe and Cherokee Stations. These projected reductions will include 53 union employees and 25

non-union employees. The Cherokee Station reductions would be effective in early 2012 (40 total) and the Arapahoe reductions will be effective in early 2014. (38 total)

Scenario 3B – The implementation of the actions identified in Scenario 3B is projected to include the reductions in Scenario 2A, plus an additional projected reduction of 19 FTEs at Cherokee Station in 2016. Total union reductions are projected to be 66 employees and non-union reductions will total 31.

Scenario 4C – The implementation of the actions identified in Scenario 4C is projected to include the reductions in Scenario 2A plus an additional reduction of 57 FTEs at Valmont Station in 2017. Under this scenario, union reductions are projected to total 94 employees and non-union employees are projected to total 41.

Scenarios 5B, 6E, 6.1E, and 7E – The implementation of actions identified in these three scenarios will include the results of Scenarios 2A, 3B, and 4C. Under these options, union reductions are projected to total 107 employees and non-union employees are projected to total 47. The total reductions by year are projected to be 40 FTEs in 2012, 38 FTEs in 2014, 19 FTEs in 2016, and 57 FTEs in 2017.

Again, to the extent possible, the Company will take advantage of normal attrition and retirements to achieve these anticipated reductions.

Q. HOW WILL THE COMPANY HANDLE STAFFING IMPACTS FOR SKILLED POSITIONS AFTER JANUARY 1, 2018?

A. The Company has utilized "advanced hires" for specific skilled union positions over the past five years. This process allows the Company to fully train employees prior to vacancies to support uninterrupted operations of our facilities. These classifications are Control Specialist, Mechanic Specialist, and Electrician Specialist. There is a formal apprenticeship requirement for these positions that range from two to four years. The Company will establish apprenticeships to provide adequate staffing in these areas to match the expected attrition from retirements through 2020. These individuals would be trained to operate and maintain the new equipment associated with the Company plan. It is likely that some of the displaced workers will be selected for these apprenticeships.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

STEVEN H. MILLS
Statement of Qualifications

I have 24 years of public utility experience at Public Service Company of Colorado. I have held positions in a central engineering organization, Supervisor Results Engineering (Zuni Station), Manager Operations (Comanche Station), Manager Maintenance (Comanche Station), Plant Director (Cherokee & Comanche Stations) and General Manager, Colorado Power Generation. I am currently Project Executive Clean Air Clean Jobs Act.

In addition, I was the Vice President of Planning, Rocky Mountain Remediation Services for five years working on the decommissioning and demolition project at Rocky Flats.

I was the Superintendent of Operations at Neil Simpson Station in Gillette, Wyoming for Black Hills Power & Light Company.

I possess a Bachelor of Science degree in Mechanical Engineering from the South Dakota School of Mines & Technology and a Masters in Business Administration from the University of Southern Colorado.

I have completed the Public Utilities Executive Course at the University of Idaho.

I am a registered Professional Engineer in the State of Colorado.