

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

* * * * *

IN THE MATTER OF THE APPLICATION OF)
PUBLIC SERVICE COMPANY OF COLORADO)
FOR APPROVAL OF THE 600 MW RUSH)
CREEK WIND PROJECT PURSUANT TO RULE)
3660(H), A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY FOR THE)
RUSH CREEK WIND FARM, AND A) PROCEEDING NO. 16A-0117E
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY FOR THE 345 KV RUSH CREEK)
TO MISSILE SITE GENERATION TIE)
TRANSMISSION LINE AND ASSOCIATED)
FINDINGS OF NOISE AND MAGNETIC FIELD)
REASONABLENESS.)

DIRECT TESTIMONY AND ATTACHMENTS OF DEBORAH A. BLAIR

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

May 13, 2016

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SUMMARY OF THE DIRECT TESTIMONY OF DEBORAH A. BLAIR

Ms. Deborah A. Blair is Director, Revenue Analysis in the Regulatory Department of Xcel Energy Services Inc. In this position, she is responsible for duties and responsibilities include the determination of the overall revenue levels required by Public Service Company of Colorado (“Public Service” or “Company”), and Southwestern Public Service Company, another Xcel Energy regulated utility subsidiary. Ms. Blair explains the derivation of the revenue requirements for the Company’s Rush Creek I and II Wind Project and associated transmission facilities (“Rush Creek Wind Project” or “Project”), which were used to calculate the levelized cost of energy for the Project. Although Public Service is recommending that the Gen-Tie be constructed at 345 kV, the Company presents two revenue

requirements associated with this project, one assuming we build a 345 kV transmission line ("345 kV Gen-Tie"), and a second assuming we build a 230 kV transmission line ("230 kV Gen-Tie"). Ms. Blair presents the revenue requirements associated with both of these alternatives, which are \$1,955,940,556 (\$697,807,212 NPV), assuming a 345 kV Gen-Tie, and \$1,911,608,507 (\$681,515,727 NPV), assuming a 230 kV Gen-Tie. Ms. Blair also describes the impacts of tax incentives on the calculation of these revenue requirements.

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Attachment DAB-3	Project related cost not included in Revenue Requirement calculations
Attachment DAB-4	Summary of net present value of Revenue Requirements

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
ADIT	Accumulated Deferred Income Taxes
AFUDC	Allowance for Funds Used During Construction
CPCN	Certificate of Public Convenience and Necessity
CWIP	Construction Work in Progress
kV	Kilovolt
kW	kilowatt
kWh	kilowatt-hour
MW	Megawatt(s)
O&M	Operations and Maintenance
PTC	Production Tax Credit
Public Service or Company	Public Service Company of Colorado
ROE	Return on Equity
VOM	Variable Operations and Maintenance
Xcel Energy	Xcel Energy Inc.
XES or Service Company	Xcel Energy Services Inc.

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DIRECT TESTIMONY AND ATTACHMENTS OF DEBORAH A. BLAIR

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

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

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

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by Xcel Energy Services Inc. ("XES" or "Service Company") as
8 Director, Revenue Analysis in the Regulatory Department. XES a wholly-
9 owned subsidiary of Xcel Energy Inc. ("Xcel Energy"), and provides an array
10 of support services to Public Service Company of Colorado ("Public Service"
11 or "Company") an other utility operating subsidiaries of Xcel Energy on a
12 coordinated basis.

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

2 A. I am appearing on behalf of Public Service.

3 **Q. PLEASE BRIEFLY EXPLAIN YOUR DUTIES AND RESPONSIBILITIES.**

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

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

10 A. The purpose of my Direct Testimony is to explain the derivation of the
11 revenue requirements for the Company's Rush Creek I and II Wind Project
12 and associated transmission facilities ("Rush Creek Wind Project" or
13 "Project") at the expected capacity of the facility, which were used to
14 calculate the levelized cost of energy developed by Company witness Mr.
15 James Hill. As discussed by Company witness Ms. Alice K. Jackson, the
16 Company is presenting two transmission alternatives associated with this
17 project; one assuming we build a 345 kV transmission line ("345 kV Gen-
18 Tie"); and a second assuming we build a 230 kV transmission line ("230 kV
19 Gen-Tie"). I present the revenue requirements associated with both of these
20 alternatives.

21

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

3 A. Yes, I am sponsoring Attachments DAB-1 through DAB-4, which were
4 prepared by me or under my direct supervision. Attachment DAB-1 sets forth
5 the Rush Creek Wind Project revenue requirements with a 345 kV Gen-Tie
6 over the life of the assets. As demonstrated in Attachment DAB-1, the nominal
7 revenue requirement with a 345 kV Gen-Tie is \$1,955,940,556 (\$697,807,212
8 on a net present value basis). Attachment DAB-2 sets forth the Rush Creek
9 Wind Project revenue requirements with a 230 kV Gen-Tie. As demonstrated
10 in Attachment DAB-2, the nominal revenue requirement with a 230 kV Gen-Tie
11 is \$1,911,608,507 (\$681,515,727 on a net present value basis). Attachment
12 DAB-3 lists other Project-related costs that were included in Mr. Hill's analysis,
13 but were not included in the revenue requirements presented in Attachments
14 DAB-1 or DAB-2. These other Project-related costs include property insurance
15 and property taxes. Attachment DAB-4 is a summary of the net present value
16 of the revenue requirements for this Project (\$697,807,212 with a 345 kV Gen-
17 Tie, \$681,515,727 with a 230 kV Gen-Tie, as previously noted).

18

1 requirement, have been included in the Project revenue requirements
2 presented in Attachments DAB-1 and DAB-2. The return on equity ("ROE")
3 used to derive the weighted average cost of capital is the last ROE approved
4 by the Commission, which is 9.83 percent.

5 **Q. PLEASE ELABORATE ON THE FORECASTED CAPITAL STRUCTURE?**

6 A. The forecasted capital structure used for the Project revenue requirements
7 is 56 percent equity and 44 percent debt, and the cost of debt is 4.67
8 percent for all years, as approved by the Commission in Proceeding No.
9 14AL-0660E ("2014 Rate Case"). The return on equity used in all years is
10 last ROE approved by the Commission in the 2014 Rate Case, which is 9.83
11 percent.

12 **Q. HAS THE COMPANY INCLUDED A CURRENT RETURN ON**
13 **CONSTRUCTION WORK IN PROGRESS IN THE CALCULATION OF THE**
14 **REVENUE REQUIREMENTS PRESENTED IN THIS CASE?**

15 A. No. As discussed by Ms. Jackson, the Company is not requesting a current
16 return on Construction Work in Progress ("CWIP") in the revenue
17 requirements presented in this case.

18

1 **III. RUSH CREEK PROJECT REVENUE REQUIREMENTS**

2 **Q. PLEASE SUMMARIZE THE INPUTS USED TO CALCULATE THE**
3 **FORECASTED REVENUE REQUIREMENTS.**

4 A. Many of the inputs used to calculate the forecasted Project revenue
5 requirements were based on the data presented by other witnesses in this
6 case, including:

- 7 • Capital construction costs sponsored by Company witness Mr. Riley
8 Hill;
- 9 • Rush Creek I & II O&M expenses sponsored by Company witness
10 Mr. William P. Zawacki;
- 11 • Land lease expense sponsored by Company witness Mr. John D.
12 Lupo; and,
- 13 • Federal PTC sponsored by Ms. Jackson and Mr. James Hill. As Ms.
14 Jackson explains, the Federal PTC reduces income tax expense and
15 lowers the overall Project revenue requirements for the first ten years
16 of the Project's operations. The application of the PTC is shown at
17 line 31 in the revenue requirement calculations in Attachments DAB-1
18 and DAB-2.

19 I address below the remaining significant inputs into the revenue requirement
20 calculations.

21 **Q. PLEASE DESCRIBE THE BASIS FOR THE GROSS PLANT AND OTHER**
22 **PLANT-RELATED ITEMS THAT ARE INCLUDED IN THE REVENUE**
23 **REQUIREMENTS FILED IN THIS CASE.**

24 A. The projected capital expenditures, forecasted in-service dates, depreciation
25 rates and other relevant information were used to develop the plant-related

1 information included in the Project revenue requirements. This information is
2 used to derive the monthly gross Plant in Service balances and several other
3 plant-related items, including accumulated reserve for depreciation and
4 amortization, accumulated deferred income taxes, depreciation and
5 amortization expense, additions and deductions for current income taxes,
6 deferred tax expense, and Allowance for Funds Used During Construction
7 (“AFUDC”).

8 **Q. WHAT METHOD OF DETERMINING RATE BASE HAVE YOU USED?**

9 A. Rate base was calculated using a thirteen-month average balance
10 methodology.

11 **Q. WHAT HAS BEEN INCLUDED IN THE PROJECT REVENUE**
12 **REQUIREMENTS FOR O&M EXPENSES?**

13 A. The O&M expenses included in the Project revenue requirements are based
14 on the data presented by Mr. Zawacki escalated by 2.0 percent for inflation.
15 In addition, the O&M expenses include the land lease payments as
16 presented by Mr. Lupo.

17 **Q. HAVE YOU INCLUDED O&M FOR THE RUSH CREEK GEN-TIE?**

18 A. Yes, both the transmission line O&M as well as the substation O&M is
19 included in the revenue requirements.

20

1 **Q. ASIDE FROM THE FEDERAL PTC, DO THE PROJECT REVENUE**
2 **REQUIREMENTS INCORPORATE ANY OTHER TAX CREDITS?**

3 A. Yes. As demonstrated in line 19 in Attachments DAB-1 and DAB-2, the
4 revenue requirement calculations for the Project also reflect Enterprise Zone
5 Investment Tax Credits, which lowers income tax expense and lowers the
6 overall revenue requirements for the Project. In addition, while not a “tax
7 credit” per se, the revenue requirement calculations include federal income
8 tax “bonus” depreciation, which lowers the revenue requirements in this
9 case. Bonus federal income tax depreciation is a form of accelerated
10 depreciation that provides an additional tax incentive for investment by
11 increasing the amount of tax depreciation in the first year that a depreciable
12 asset is placed in service beyond the tax depreciation that would normally
13 be available. Bonus federal income tax depreciation increases the
14 difference between the book depreciation and the tax depreciation creating
15 an increased deduction for current income taxes, which lowers federal
16 taxable income and Current Income Tax expense. Because bonus tax
17 depreciation is a book/tax timing difference, there is an offset in Deferred
18 Income Tax expense (a debit), and a corresponding credit to the
19 accumulated deferred income tax (ADIT) balance in rate base.

20

1 **Q. ARE THERE ANY COSTS ASSOCIATED WITH THIS PROJECT THAT**
2 **HAVE NOT BEEN INCLUDED IN THE REVENUE REQUIREMENTS**
3 **PRESENTED IN ATTACHMENTS DAB-1 AND DAB-2?**

4 A. Yes. We incur property taxes and property insurance costs on a total
5 Company basis, and therefore recover these costs through base rates, as
6 opposed to through project-specific adjustment clause mechanisms. In
7 addition, the Company is currently deferring property taxes in a regulatory
8 asset to account for any difference between retail allocated property tax
9 expense and property tax amortization as approved in Proceeding No. 14AL-
10 0660E, and the amount actually incurred, beginning with calendar year 2015
11 and continuing until the rates approved in the next electric rate case go into
12 effect, expected in January 2018. For these reasons, these costs therefore are
13 not included in the revenue requirement calculations in Attachments DAB-1
14 and DAB-2. They are, however, included in Mr. James Hill's calculation of total
15 Project costs, and I also show these costs in Attachment DAB-3. This is
16 consistent with how we have demonstrated and recovered such costs in other
17 proceedings, including Clean Air –Clean Jobs in Proceeding 15AL-0877E.

18 **Q. ARE THERE ANY OTHER COST RELATED ISSUES ASSOCIATED WITH**
19 **THIS PROJECT THAT HAVE NOT BEEN INCLUDED IN THE REVENUE**
20 **REQUIREMENTS PRESENTED IN ATTACHMENTS DAB-1 AND DAB-2?**

21 A. Just as there are certain costs like property taxes that we incur on a
22 Company-wide basis, and therefore do not attempt to quantify and include in

1 the revenue requirement calculation for a specific project, there are other
2 considerations that would serve to lower revenue requirement but are not
3 factored in, because they are accounted for on a company-wide basis. In
4 particular, the Internal Revenue Code Section 199 domestic production tax
5 deduction is determined on a total Company basis. To the extent that the
6 Company qualifies for this deduction in a given year, production from the
7 Project will contribute to that overall deduction. We did not factor that into
8 the revenue requirements for the Project, for the same reason we did not
9 include property taxes and property insurance.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 A. Yes.

Statement of Qualifications

Deborah A. Blair

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

I have testified before the Colorado Public Utilities Commission ("Commission") in Docket Nos. 93I-199EG, 95S-041E, 95A-531EG, 96S-290G, 97A-299EG, 97S-366G, 98A-262EG, 98A-511E, 98S-518G, 99A-037E, 99A-377EG, 99A-557E, 00A-351E, 06S-234EG, 07A-469E, 08A-497EG, 08S-520E, 09AL-299E, 10AL-963G,

11AL-947E, 12A-782E, 12AL-1264ST, 12AL-1268G, 12AL-1269ST, 14AL-0660E and 15AL-0135G. I have testified before the Wyoming Public Service Commission in Docket No. 30005-GR-97-51 and have submitted written testimony in Docket Nos. 20003-EA-95-40, 30005-GA-95-39, 20003-EA-99-53 and 30005-GA-99-69. I have submitted written testimony before the New Mexico Public Regulation Commission in Case Nos. 2798, 3116, 02-04001-UT and 15-00343-UT. I have testified before the Public Utility Commission of Texas in Docket No. 43695 and have submitted written testimony in Docket Nos. 21190, 27052, 42042, and 45291. I have testified before the Federal Energy Regulatory Commission ("FERC") in Docket No. EL05-19-002, and have submitted written testimony in Docket Nos. ER96-713-000, ER00-536-000, ER03-971-000, ER04-1174-000, ER06-274-000, ER07-1415-000, ER08-313-000, ER08-527-000 ER08-749-000, ER10-192-000, ER10-992-000, ER11-2853-000, ER12-1589-000, ER14-1969-000, and ER16-180-000.