BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF THE APPLICATION OF	**)**	
PUBLIC SERVICE COMPANY OF COLORADO	**)**	
FOR APPROVAL OF THE ACQUISITION OF THE	**)**	
BRUSH 1, 3, and 4 GENERATION FACILITIES AND,	**)**	
IN CONNECTION THEREWITH, THE GRANT OF	**)**	**DOCKET NO. 12A-_____E**
CERTIFICATES OF PUBLIC CONVENIENCE AND	**)**	
NECESSITY IF REQUIRED AND THE APPROVAL	**)**	
OF COST RECOVERY THROUGH A GENERAL	**)**	
RATE SCHEDULE ADJUSTMENT	**)**	

DIRECT TESTIMONY AND EXHIBITS OF LISA H. PERKETT

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

July 5, 2012

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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Exhibit No. LHP-5	Determination of Depreciation Rate

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR APPROVAL OF THE ACQUISITION OF THE BRUSH 1, 3, and 4 GENERATION FACILITIES AND, IN CONNECTION THEREWITH, THE GRANT OF CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY IF REQUIRED AND THE APPROVAL OF COST RECOVERY THROUGH A GENERAL RATE SCHEDULE ADJUSTMENT	**)**	**DOCKET NO. 12A-_____E**

DIRECT TESTIMONY AND EXHIBITS OF LISA H. PERKETT

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Lisa H. Perkett. My business address is 414 Nicollet Mall, Minneapolis, MN 55401-1993.

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

A. I am employed by Xcel Energy Services, Inc., a wholly-owned subsidiary of Xcel Energy Inc., the parent company of Public Service Company of Colorado. My position is Director, Capital Asset Accounting.

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

A. I am testifying on behalf of Public Service Company of Colorado ("Public Service" or the "Company").

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 testimony is to explain and provide the appropriate depreciation rates for Brush 1, 3 and 4, the three generating assets the Company is proposing to acquire by this application. I also will address the probable recording of a negative acquisition adjustment and describe how we expect to treat this acquisition adjustment for accounting purposes.

II. ASSET VALUE

Q. WHAT IS THE NET BOOK VALUE OF THE UNITS BEING PURCHASED?

A. The plant balance for all three units as of November 30, 2011 on the books of Brush Power, LLC is $141,607,711 and the accumulated depreciation as of the same date is $24,965,791 resulting in a net book value of $116,641,920.

Q. IS THIS THE VALUE THAT PUBLIC SERVICE WILL RECOGNIZE FOR THE STARTING PLANT AND ACCUMULATED DEPRECIATION BALANCE?

A. No. Public Service is a regulated utility and as such we are required to recognize on our books the plant balance and accumulated depreciation as of the date the facilities were first placed in utility service, adjusted for subsequent additions at cost and depreciation using utility rates. The Federal Energy Regulatory Commission ("FERC") requires that Public Service recognize the original plant balance when first placed in utility service and the

accumulated depreciation on that original plant balance at the purchase date. However, because the ownership of these facilities has changed hands more than once since they began operating, we have not be able to identify the original cost or subsequent additions and therefore are using an informed estimate of what original cost would have been to a utility. We then used our estimate of the original cost to calculate accumulated depreciation as of December 31, 2012 (the estimated closing date for this analysis).

Q. PLEASE EXPLAIN FURTHER YOUR ATTEMPTS AT DETERMINING THE ORIGINAL COST PLUS SUBSEQUENT ADDITIONS?

A. Through research of Securities and Exchange Commission filings and from information provided by the Seller, we determined that the assets were purchased by Brush Power, LLC from MDU Resources on July 10, 2007 and MDU Resources purchased the assets from El Paso Energy in 2002. However El Paso Energy was not the original owner. We determined that El Paso bought the assets from a consortium of owners, but we have found very little information about that purchase and we were not able to determine if the consortium was the original owner. At least with a partial trail of past owners, we continued to investigate past records with a hope that there would be some asset records that would define the original cost. The cost information that we found was limited and did not provide sufficient detail to allow us to segregate the purchase price paid by El Paso Energy from book value. Even when the information we reviewed referenced book value, we could not determine whether the book value referenced was the original cost, the value

of the asset determined based on the purchase price, or fair value. Thus, we concluded that the information we uncovered that referenced book value could not be relied upon as the basis for determining the assets' original cost and we would need to derive this value from another source.

Q. PLEASE EXPLAIN HOW YOU DERIVED ORIGINAL COST AND WHAT SOURCE YOU USED.

A. Being that there are no records available that could be relied upon, we derived the cost for the other production assets by having our Energy Supply engineers price a similar facility in 2012 dollars. We then used the Handi-Whitman indices applicable to Other Production facilities to price the units back to the date upon which the units were last established in their current configuration. This date for each unit is shown below:

Current Configuration by Brush Unit

Unit 1, 1x1 Combined Cycle (50MW)	1990
Unit 3, Simple Cycle (25MW)	1999
Unit 4D, 2x1 Combined Cycle (138 MW)	2002

The calculation of the estimated original cost is shown in Exhibit No. LHP-1. Basically, Energy Supply valued each unit using the Gas Turbine World Handbook ("GTW Handbook") for 2012. From the prices provided in the GTW Handbook for like facilities, Energy Supply estimated that the additional costs that would be added by Public Service to construct a similar facility, such as construction oversight, site structures, security, and AFUDC, would add between 25% to 50% to costs as reflected in the GTW Handbook. This resulted in a range of costs. My department then took this range of costs

and applied a Handi-Whitman factor to deflate the range back to the year of the current configuration, as shown in the table above. Lastly, we averaged the high and low end of the range for the final estimate, as there was no specific indication that either end would be more likely. This resulted in the following original costs:

Estimated Original Cost – Other Production

Unit 1	$27,258,555
Unit 3	14,588,406
Unit 4D	70,484,175
Other Production	$112,331,136

Q. PLEASE EXPLAIN HOW YOU CALCULATED ACCUMULATED DEPRECIATION FOR THIS ESTIMATED "OTHER PRODUCTION" ORIGINAL COST.

A. Beginning with the estimated original cost as shown above for the current configuration year, we calculated a depreciation schedule for the life of each unit assuming that the unit would have a whole life of 45 years using the average remaining life method and assuming a negative 8% net salvage. The whole life of 45 years is relative to other whole lives for various peaking facilities of similar MW size throughout the Xcel Energy fleet. The negative 8% net salvage is the same one used for the Blue Spruce peaking unit. The negative net salvage was used in the depreciation rate set in the last rate proceeding, Docket No. 11AL-947E. This calculation for accumulated depreciation, provided in Exhibit No. LHP-2 would result in the following balances at December 31, 2012, the purchase date assumed for this

analysis:

Estimated Accumulated Depreciation – Other Production

Unit 1	$14,392,517
Unit 3	4,551,583
Unit 4D	16,916,202
Other Production	$35,860,302

Q. WERE THERE OTHER PLANT COSTS IN ADDITION TO THE "OTHER PRODUCTION" PLANT COSTS?

A. Yes. There are three plant accounts in addition to the costs identified above and accounted for as "other production" that make up the entire Brush facility that is in the purchase: Transmission Station Equipment, Land, and Office Equipment. For the Transmission assets, there are six step-up transformers and related station equipment that are part of the purchase; two transformers for Unit 1, one transformer for Unit 2, and three transformers for Unit 4D. Once again the original cost was not available so Public Service priced the related equipment based on like kind investment within various substations in Colorado. The station equipment was estimated to date to the 1960's and the 1950's. Thus we used similar aged equipment on our books, calculated a net book value from our accumulated depreciation, and then rounded the information to the nearest thousand dollars. The estimation of the plant and accumulated depreciation balances are shown in Exhibit No. LHP-3.

For the land values, we used the values represented on the information received on the purchase of the assets from MDU Resources. We did not use values provided by Brush Power, LLC because it appears that

the land value ascribed by Brush Power, LLC did not reflect the original purchase price. Since land is not depreciable, no accumulated depreciation estimate was necessary.

The last account was fairly small in dollar amount. This was the General plant account for office equipment. We used the value provided by Brush Power, LLC for both the original cost and accumulated depreciation. The total original cost plant for all the accounts and the accumulated depreciation are shown below:

Estimated Original Cost

Functional Class	Original Cost	Accumulated Depreciation	Original Cost Depreciated
Land	$749,229	$0	$749,229
Other Production	$112,331,136	35,860,302	76,470,834
Transmission	1,304,000	747,000	557,000
General Plant	9,916	8,876	1,040
Total Original Cost	$114,394,281	$36,616,178	$77,778,103

Q. IS THIS THE VALUE THAT PUBLIC SERVICE WILL SHOW ON THEIR RECORDS WHEN THEY ASSUME OWNERSHIP?

A. Yes. Since the costs were estimated, we believe that these values should be used when we take ownership, assuming the purchase closes before December 31, 2012. Even if the closing is very shortly after December 31, 2012, we still believe these are reliable estimates to be used.

Q. IS THIS THE VALUE THAT PUBLIC SERVICE WILL USE FOR THE BEGINNING RATE BASE?

A. No. The original cost depreciated needs to be adjusted to the purchase price, which in this situation is less than the original cost depreciated. Therefore, Public Service expects to recognize a negative acquisition adjustment of $2,793,103. This amount will be initially recorded to FERC Account 114, Acquisition Adjustment. The purchase price is $75,000,000. Currently we are assuming that there is $15,000 in inventory and thus the remaining will be allocated to plant. The rate base for plant will be $74,985,000. The difference between the original cost depreciated and the $74,985,000 is the acquisition adjustment, ($2,793,103). The detailed calculation of the acquisition adjustment is provided as Exhibit No. LHP-4. Since we do not have an explicit breakdown of the asset into the FERC 300 series plant accounts, we have allocated the acquisition adjustment to other production and transmission.

Q. WILL THE COMPANY RECORD AN AQUISITION ADJUSTMENT RELATED TO THIS ASSET PURCHASE?

A. The specific accounting entries discussed for this asset acquisition have not been discussed with the FERC Staff, which has jurisdiction over the Company's accounting. However, we expect that the FERC Staff will require that the Company record on its books $77,778,103 original cost less associated accumulated book depreciation for these assets, with the amount of the purchase price below net original cost depreciated reflected as a negative acquisition adjustment of $2,793,103. Because the acquisition adjustment is negative, the FERC Staff will require the amount to be

immediately reversed from FERC Account 114 to FERC Account 108, Accumulated Depreciation. This journal entry will result in the original cost depreciated equaling the purchase price. We will update the Commission in the event that our final accounting for these assets is different from that described here. Below is the summary of estimated original cost depreciated before the acquisition adjustment is recognized to accumulated depreciation, the acquisition adjustment, and the rate base by function:

Estimated Rate Base

Functional Class	Original Cost Depreciated	Acquisition Adjustment	Rate Base
Land	$749,229	$0	$749,229
Other Production	76,470,834	(2,766,978)	73,783,857
Transmission	557,000	(26,125)	530,874
General Plant	1,040	0	1,040
Total Plant	$77,778,103	($2,793,103)	$74,985,000

Q. ARE THERE ANY REGULATORY ASSETS RELATED WITH THIS PURCHASE?

A. Yes, the Company is requesting to establish a regulatory asset for our external legal fees and accounting costs. As Ms. Hyde describes, the estimated amount of these costs is $380,000. Public Service is also requesting an amortization of these amounts over a 10-year period. The annual amortization expense is $38,000.

III. DEPRECIATION

Q. WHAT IS THE ESTIMATED IMPACT ON DEPRECIATION EXPENSE?

A. The estimated annual depreciation expense based on the asset break down

above and the recommended and approved depreciation rates is $2,619,396 (which includes the amortization on the acquisition adjustments). New depreciation rates are requested for the three Other Production units. The calculation of this estimated depreciation expense is included in Exhibit No. LHP-5.

Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION REGARDING DEPRECIATION RATES?

A. There are three Other Production units in this asset purchase (Brush Units 1, 3, and 4D), a simple cycle and two combined cycle units located at one facility site near Brush Colorado. This Other Production facility is new to the Public Service fleet, but is similar in MW size to Blue Lake Units 1-4 (a NSP-MN facility), Granite City (a NSP-MN facility), and Fort Lupton (a Public Service facility), but not similar in configuration. These units are all used for peaking load and the new units are assumed to experience similar run time characteristics. Therefore, the depreciation rate was developed based on similar expected whole life and net salvage assumptions.

Q. WHAT REMAINING LIFE IS THE COMPANY REQUESTING FOR DEPRECIATION OF THE TWO OTHER PRODUCTION PLANTS?

A. The Company expects that the whole life for each unit will be about 45 years from the date first placed into service. Brush Unit 1 began commercial operation in its current configuration in 1990, Brush Unit 3 in its current configuration in 1999, and Brush Unit 4D began commercial operation in its current configuration in 2002. Public Service assumed a 45-year whole life

from these in-service years, which translates to a remaining life on these units at the purchase date of 22 years, 31 years, and 34 years respectively.

Q. DOES THE COMPANY PLAN TO INCLUDE NET SALVAGE IN THE CALCULATION OF A DEPRECIATION RATE FOR THE NEW OTHER PRODUCTION UNITS?

A. Yes. The Company expects to use a net salvage rate for these units, which should be in line with the net salvage rate being used on Blue Spruce Energy Center. The net salvage rate for Blue Spruce, the comparable facility, is estimated at a negative 8%. For the new facility, Public Service recommends the net salvage rate be a negative 8% of the original cost.

Q. WHAT SPECIFIC RATE ARE YOU RECOMMENDING FOR THE OTHER PRODUCTION PLANT?

A. The depreciation rates are calculated by FERC 300 series accounts. However, we do not have the asset segregated by the FERC 300 series accounts at this time. When the information is known, the assets will be separated into the FERC accounts within the depreciable other production account range, Account 341 – Structures and Improvements to Account 346 – Roads and Trails. The asset will have to be priced to these sub accounts after the purchase is closed. Therefore, Public Service is recommending that all other production 300 series accounts for Brush Unit 1 use a 5.1154%, Brush Unit 3 use a 3.4986% rate, and Brush Unit 4D use a 3.1694% rate. Exhibit No. LHP-5 shows the calculation of the depreciation rates recommended for the other production assets purchased.

Q. ARE YOU RECOMMENDING THIS DEPRECIATION RATE TO BE USED ON ALL THE ASSETS PURCHASED?

A. No. The purchase of the assets includes land, transmission, and a small amount of general plant assets as well as the other production assets. The new depreciation rates are recommended for the Other Production assets only. The land is non-depreciable and therefore no depreciation rate is applicable. The transmission assets will be added to the existing transmission accounts and will depreciate with the approved rate for the individual transmission FERC account to which it is assigned. Since we do not have investment specifics by FERC account at this time, a composite depreciation rate for transmission substation accounts was used in the depreciation estimate along with an approximation of the transmission asset value. The composite depreciation rate is based on the approved depreciation rates for transmission FERC Accounts 352, Structures and Improvements and Account 353, Station Equipment weighted by the current investment Public Service has in each account. The general plant account is FERC Account 391, Office Furniture and Equipment. The approved rate for this account was used in to total estimated impact to depreciation.

Q. WHAT IS THE ESTIMATED IMPACT ON DEPRECIATION EXPENSE?

A. The estimated annual depreciation expense based on the asset break down above and the recommended and approved depreciation rates is $2,619,396. The calculation of this estimated depreciation is included in Exhibit No. LHP-5.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

ATTACHMENT A
STATEMENT OF QUALIFICATIONS
LISA H. PERKETT

PROFESSIONAL EXPERIENCE

DIRECTOR CAPITAL ASSET ACCOUNTING 1994-Present

- Establish corporate capitalization policies and include the development, enhancement, and maintenance of the Corporate Continuing Property Record process for all of the plant assets of the Corporation.

- Manage capital investment cost recovery process, which includes the development of detailed actuarial analysis, regulatory filings with the various state and federal rate regulatory commissions, and expert testimony to support recovery levels in rate proceedings.

- Direct nuclear plant decommissioning funding process which includes the development of detailed engineering cost studies combined with a complete financial and economic analysis to develop detailed regulatory filings which establish the rate payer funding levels necessary to accumulate to the total future decommissioning cost requirement.

- Maximize corporate income tax deductions from the computation and support of accelerated income tax depreciation expenses and provide for the computation and support of deferred income taxes, which normalize the impact of these accelerated deductions for ratemaking and book accounting purposes.

- Maintain the plant asset related ratemaking forecast process, which supports the Company's rate filings for all retail and wholesale jurisdictions. This process provides the information which supports the vast majority of rate base (plant investment net of depreciation reserve and deferred taxes) as well as all capital investment related cost of service information (book depreciation, tax depreciation deductions, deferred taxes and deferred investment tax credits).

- Oversee capital asset reporting and information process necessary to disseminate capital asset information as required by various regulatory authorities (FERC, SEC, state commissions) as well as meeting all internal information requirements necessary to sustain efficient and effective business operations.

Lisa H. Perkett

MANAGER CAPITAL RECOVERY 1990-1994

- Coordinate preparation and filing of remaining life study for production facilities, average service life study, and general amortization study. Coordinate Minnesota Public Utilities Commission review process within Company including data requests.

- Review and assist in the calculation of tax depreciation and deferred income taxes for the IRS filing and year end close.

- Work with Rate Department and jurisdictional personnel within NSP to provide capital recovery information scenarios, answer data requests, review necessary rate schedules, and provide expert testimony.

- Oversee the gathering of information from plants and work with outside consultant to determine cost estimate, review escalation analysis, work with finance for fund earnings analysis, and compile all of above into filing with Minnesota Public Utilities Commission.

PRINCIPAL CAPITAL RECOVERY ANALYST 1987-1990

SENIOR DEPRECIATION ANALYST 1985-1987

DEPRECIATION ANALYST 1982-1985

ASSOCIATE DEPRECIATION ANALYST 1981-1982

ASSISTANT OPERATIONS ANALYST 1980-1981

EDUCATION/PROFESSIONAL LICENSES

University of Minnesota - B.S. Degree, Major-Business
Certificate in Management Information Systems
Certified Management Accountant

BUSINESS/INDUSTRY ACTIVITIES:

Society of Depreciation Professionals
American Gas Association Accounting Services Committee
Edison Electric Institute Property Accounting and Valuation Committee
Institute of Certified Management Accountants