

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

*** * * * ***

RE: IN THE MATTER OF ADVICE)
LETTER NO. 938 – GAS FILED BY)
PUBLIC SERVICE COMPANY OF) PROCEEDING NO. 18AL-____G
COLORADO TO REVISE ITS)
COLORADO PUC NO. 6 – GAS)
TARIFF)

DIRECT TESTIMONY AND ATTACHMENT OF MICHELLE MOORMAN APPLGATE

ON

BEHALF OF

PUBLIC SERVICE COMPANY OF COLORADO

December 5, 2018

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SUMMARY OF THE DIRECT TESTIMONY OF MICHELLE MOORMAN APPLGATE

1 Ms. Applegate is Director of Regulatory Administration of Public Service
2 Company of Colorado. In this position, she is responsible for providing leadership,
3 direction, and technical expertise related to regulatory processes and functions for
4 Public Service Company of Colorado ("Public Service" or the "Company"), one of four
5 utility operating company subsidiaries of Xcel Energy.

6 The purpose of Ms. Applegate's testimony is to provide policy support for the
7 new Electric Distribution Extension Policy and Gas Distribution Extension Policy being
8 proposed by the Company. The Company's existing distribution extension tariffs were
9 developed roughly 40 years ago, and while updates have been made over time, Public
10 Service believes a holistic review is needed to address customers' requests for greater
11 clarity around distribution extension costs and calculations, to align with industry best
12 practices, and to ease tariff administration for the Company and customers, while
13 continuing to ensure fair costs and cost recovery for Public Service and its customers.

14 To accomplish these goals, the new tariffs include a revised "Methodology for
15 Calculating Construction Allowance," an Off-Site Distribution Line/Main Credit as it

1 pertains to an Off-Site Distribution Line Extension (electric) or Off-Site Distribution Main
2 Extension (gas), the development of standardized per lot costs for single family and
3 townhomes, an allowance for Residential Service Laterals up to 100 feet and a
4 standardized cost per foot thereafter, a Commercial Service Lateral Credit, a Street
5 Lighting Credit, and Transportation Credit. Collectively, these components of the new
6 tariffs result in relatively lower upfront payments by customers, and relatively higher
7 contributions by the Company, but it is the Company's expectation that the increased
8 investment is largely offset by the addition of the associated load and revenues. Ms.
9 Applegate also will describe the administrative efficiencies, increased transparency, and
10 improved customer satisfaction that Public Service believes the new Electric and Gas
11 Distribution Extension Policies will provide moving forward, consistent with the spirit and
12 goals of Senate Bill 17-271, which required a non-adjudicatory proceeding before the
13 Colorado Public Utilities Commission (the "Commission"). During this proceeding,
14 stakeholders discussed, among other things, the need for efficiencies and benefits to
15 enhance clarity surrounding utilities' line extension requirements and process, as well
16 as an equitable allocation of costs. These new Electric and Gas Distribution Extension
17 Policies are intended to begin addressing those needs, and initiate any additional
18 discussions that may be needed in a rulemaking or otherwise.

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TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
I. INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY, AND RECOMMENDATIONS	11
II. BACKGROUND REGARDING THE DEVELOPMENT OF THE LINE EXTENSION POLICIES	14
III. EXISTING DISTRIBUTION EXTENSION POLICY	20
IV. PROPOSED CHANGES TO THE ELECTRIC DISTRIBUTION EXTENSION POLICY AND THE GAS DISTRIBUTION POLICY	23
V. CONSTRUCTION ALLOWANCE, CREDITS, AND COST CHANGES	30
VI. NEW ELECTRIC DISTRIBUTION EXTENSION POLICY AGREEMENTS.....	38
A. OFF-SITE DISTRIBUTION LINE EXTENSION AGREEMENT	39
B. ON-SITE DISTRIBUTION EXTENSION AGREEMENT	40
C. RESIDENTIAL SERVICE LATERAL AGREEMENT	42
D. COMMERCIAL SERVICE LATERAL AGREEMENT.....	43
VII. NEW GAS DISTRIBUTION EXTENSION POLICY AGREEMENTS.....	46
A. OFF-SITE DISTRIBUTION MAIN EXTENSION AGREEMENT	46
B. ON-SITE DISTRIBUTION EXTENSION AGREEMENT	47
C. RESIDENTIAL SERVICE LATERAL AGREEMENT	49
D. COMMERCIAL SERVICE LATERAL AGREEMENT.....	51
VIII. CONCLUSION	53

LIST OF ATTACHMENTS

Attachment MMA-1	Methodology for Calculation of Off-Site Distribution Extension Credit
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GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym/Defined Term	Meaning
Applicant	An Applicant is an individual person or persons requesting electric or gas service on or after the effective date of the new Distribution Extension Policy tariff, who own the property requiring such service, including the legal entity, builder, developer, corporation, limited partnership or any person having legal authority over the property.
Atmos	Atmos Energy Corporation
Average Embedded Cost	Gross embedded distribution plant investment
Bill	Senate Bill 17-271
Black Hills	Black Hills Gas Distribution and Black Hills Electric
CEO	Colorado Energy Office
CNG	Colorado Natural Gas
Commercial Service Lateral Credit	A credit applied to an Applicant's Construction Costs for a Commercial Service Lateral. The amount is listed on the sheet entitled Construction Costs and Credits in the Distribution Extension Policy tariff.
Commission	Colorado Public Utilities Commission
CCOSS	Class Cost of Service Study
Compressor Station	A compression facility that is installed for the purpose of compressing natural gas.
Construction Allowance	The amount as listed on the sheet entitled Construction Allowance by Service Class in the Distribution Extension Policy tariff. Construction Allowances apply to On-Site Distribution Extension Agreements and may apply to Off-Site Distribution Line/Main Extension Agreements as set forth in the tariff.

Construction Costs	The estimated costs of all facilities necessary to construct and install the Off-Site Distribution Line/Main Extension, On-Site Distribution Extension, Service Lateral Extension, or Distribution Reinforcement, including satisfactory rights-of-way and shall not include or be determined with reference to provision for additional capacity, size or strength in excess of that necessary to meet the requirements of the Company's standards required to serve the load. Standardized costs may be utilized as the estimated cost for certain On-Site Distribution Extensions and Service Lateral Extensions as stated throughout the Distribution Extension Policy.
Construction Payment	Amount advanced prior to construction, except as otherwise provided in the tariff, by Applicant to pay all Construction Costs in excess of Construction Allowance and/or Off-Site Distribution Line/Main Extension Credit and/or Commercial Service Lateral Credit.
DTH or Dth	Dekatherm
EV	Electric Vehicle
Extension Completion Date	The date on which the construction of an Off-Site Distribution Line/Main Extension, On-Site Distribution Extension, Service Lateral Extension, or Distribution Reinforcement is completed as shown by the Company's records.
Grandfathered Applicant	Residential or commercial Applicants who requested extensions and executed a Distribution Line/Main Extension Agreement and/or a Construction Agreement prior to the effective date of the new Distribution Extension Policy tariff.
High Density Load	A High Density Load is an indoor plant growing facility or other similarly situated load where the residential or commercial customer's load requirements are increased substantially over normal load per square foot ratios such that the Company is required to install additional capacity over that which it would normally provide.

Indeterminate Service (Electric)	Service for overhead or underground electric On-Site Distribution Extensions, Off-Site Distribution Line Extensions and Service Lateral Extensions for service which is of an indefinite or indeterminate nature, as determined by the Company, such as that required by, but not limited to (a) speculative commercial development of property for sale; (b) mines, quarries, sand pits, oil wells, certain High Density Loads, and other enterprises of more or less speculative characteristics; or (c) all other service to which neither Permanent Service nor Temporary Service is applicable.
Indeterminate Service (Gas)	Service for gas On-Site Distribution Extensions, Off-Site Distribution Main Extensions, and Service Lateral Extensions for service which are of an indefinite or indeterminate nature, as determined by the Company, such as that required by, but not limited to (a) speculative commercial development of property for sale; (b) mines, quarries, sand pits, oil wells, and other enterprises of more or less speculative characteristics; or (c) all other service to which neither Permanent Service nor Temporary Service is applicable.
kW	Kilowatt
Local Distribution Company Customer or LDC Customer	A customer in the business of distributing and selling gas to retail customers in Colorado that operates a gas pipeline system that is interconnected with and receives gas deliveries from the Company's system.
Methodology for Calculation of Construction Allowance	The methodology used for the calculation of Construction Allowance is based on two and three-quarter (2.75) times estimated annual non-fuel revenue. The methodology is subject to review and appropriate revisions by filing of new Construction Allowances in the Construction Allowances by Service Class in the Distribution Extension Policy tariff with the Commission.
NGV	Natural Gas Vehicle
NPV	Net Present Value Analysis

OCC	Office of Consumer Counsel
Off-Site Distribution Line Extension Credit	The Off-Site Distribution Line Extension Credit is a thirty-five percent (35%) credit applied to an Applicant's Construction Costs for an Off-Site Distribution Line Extension. In the event that excess Construction Allowance is awarded to an Off-Site Distribution Line Extension, this credit shall be applied after the Construction Allowance has been applied. In no event shall the total amount refunded to any customer exceed the total Construction Payment made by that customer.
Off-Site Distribution Main Extension Credit	The Off-Site Distribution Main Extension Credit is a twenty-eight percent (28%) credit applied to an Applicant's Construction Costs for an Off-Site Distribution Main Extension. In the event that excess Construction Allowance is awarded to an Off-Site Distribution Main Extension, this credit shall be applied after the Construction Allowance has been applied. In no event shall the total amount refunded to any customer exceed the total Construction Payment made by that customer.
O&M	Operations and Maintenance
Permanent Service	The use of service is to be permanent and where sufficient revenue to support the necessary investment is assured.
Public Service, or the Company	Public Service Company of Colorado
Staff	Staff of the Commission
Street Lighting Credit	A credit applied to an Applicant's Construction Costs for an extension associated with Street Lighting that may be part of an Off-Site Distribution Line Extension or an On-Site Distribution Extension. The amount is listed on the sheet entitled Construction Costs and Credits in the Electric Distribution Extension Policy tariff.

Temporary Service	Service known to be of a temporary nature, if Temporary Service is continued for more than 18 months following the Extension Completion Date, the nature of such continues service can be, if appropriate, reclassified as Indeterminate or Permanent.
Transportation Credit	A credit applied to an Applicant's Construction Costs for the Off-Site Distribution Main Extension. The amount is listed on the sheet entitled Construction Costs and Credits in the Gas Distribution Extension Policy Tariff.
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

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

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Michelle Moorman Applegate. My business address is 1800
Larimer, Suite 1400, Denver, Colorado 80202.

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

A. I am employed by Xcel Energy Services Inc. (“XES”) as Director of Regulatory
Administration of Public Service Company of Colorado. XES is a wholly owned
subsidiary of Xcel Energy Inc. (“Xcel Energy”), and provides an array of support
services to Public Service Company of Colorado (“Public Service” or the
“Company”) and the other utility operating company subsidiaries of Xcel Energy
on a coordinated basis.

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

A. I am testifying on behalf of Public Service.

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

2 A. As Director of Regulatory Administration, I am responsible for providing
3 leadership, direction, and technical expertise related to regulatory processes and
4 functions for Public Service, one of four utility operating company subsidiaries of
5 Xcel Energy. A description of my qualifications, duties, and responsibilities is set
6 forth after the conclusion of my Direct Testimony in my Statement of
7 Qualifications.

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

9 A. In my testimony, I provide policy support for the Company's new Electric and Gas
10 Distribution Extension Policies. The Company is proposing substantive changes
11 that address the focus of the stakeholder input heard from customers and
12 through the Senate Bill 17-271 non-adjudicatory process, which sought greater
13 administrative efficiencies, increased transparency, and improved customer
14 satisfaction.

15 **Q. ARE ANY OTHER PUBLIC SERVICE WITNESSES FILING TESTIMONY IN**
16 **THIS PROCEEDING?**

17 A. No.

18 **Q. ARE YOU PROVIDING ANY ATTACHMENTS TO YOUR DIRECT**
19 **TESTIMONY?**

20 Yes, I am sponsoring the following attachment, which was prepared under my
21 direct supervision:

- 22 • Attachment MMA-1: Methodology for Calculation of Off-Site Distribution
23 Extension Credit.

1 **Q. WHAT RECOMMENDATIONS ARE YOU MAKING IN YOUR TESTIMONY?**

2 A. For the reasons set forth below, I recommend that the Commission approve the
3 Company's proposed Electric and Gas Distribution Extension Policies with an
4 effective date of May 1, 2019. While the new Electric and Gas Distribution
5 Extension Policy tariffs could be effective on thirty days' notice, the Company
6 requests that these new tariffs be suspended by the Commission on or before
7 January 3, 2019, and become effective approximately 120 days after that
8 suspension or May 1, 2019. To accommodate a procedural schedule to allow
9 the new Electric and Gas Distribution Extension Policy tariffs to become effective
10 on that date, we respectfully request a Commission Decision in these
11 proceedings by April 1, 2019, to allow time for final implementation of all
12 necessary internal processes and program changes prior to the new tariffs going
13 into effect.

1 **II. BACKGROUND REGARDING THE DEVELOPMENT OF THE LINE**
2 **EXTENSION POLICIES**

3 **Q. WHY IS THE COMPANY RE-EVALUATING ITS ELECTRIC AND GAS**
4 **DISTRIBUTION EXTENSION POLICIES?**

5 A. The Company's existing Electric and Gas Distribution Extension Policies were
6 developed roughly 40 years ago. While updates have been made over time, the
7 energy, as well as the real estate and development industries, has evolved a
8 great deal. This is especially true in recent years in that the large volume of new
9 customer connections has stressed current resources and processes. It has,
10 however, presented opportunities for improvements. To ensure we continue to
11 provide our customers the quality of service they expect and deserve, we have
12 comprehensively examined our current line extension policies and associated
13 processes. As such, significant effort has been made to collect feedback from
14 our builder and developer stakeholders to ensure we clearly understand the
15 opportunities for improvement to our current processes and what they expect to
16 experience from the Company in the future. Based on feedback, the most critical
17 improvements customers are seeking include greater predictability, transparency
18 and customer engagement. As a result, Public Service believes its proposed
19 tariffs present a holistic approach to deliver on these expectations. In general,
20 the Company is seeking to simplify its policies for ease of customers'
21 understanding and calculation of distribution line extension costs, to align with
22 industry best practices, and to minimize administrative burdens to the Company
23 and customers, while ensuring both Public Service and its customers have
24 continued fair costs and cost recovery. Finally, combined with other system,

1 process, and operational improvements, including new Builder and Developer
2 Representative positions dedicated to serving the community, we believe the
3 comprehensive revisions in the new tariffs will strengthen our goal to provide our
4 customers exceptional customer service.

5 **Q. WHAT ADDITIONAL RECENT DEVELOPMENTS HAVE CAUSED THE**
6 **COMPANY, OTHER PUBLIC UTILITIES, AND THE COMMISSION TO RE-**
7 **EVALUATE ELECTRIC AND GAS DISTRIBUTION EXTENSION POLICIES?**

8 A. In June 2017, Senate Bill 17-271 (the “Bill”) was signed into law, and it required
9 that the Commission open a non-adjudicatory proceeding to evaluate
10 jurisdictional utilities’ service extension policies for providing new or expanded
11 electric or gas service. The Bill required that the Commission “open a non-
12 adjudicatory proceeding to evaluate investor-owned utilities’ current service
13 extension policies for serving new load applications.” Further, the statute
14 directed the Commission to “issue a decision containing recommendations to
15 investor-owned utilities for potential implementation.” The factors the
16 Commission was directed to evaluate included:

17 (1) The utilities’ general load extension procedures used by the
18 utility and requesting customers, including the use of construction
19 agreements, revenue assurance agreements, assignment of
20 estimated costs, predevelopment system investment protocols, and
21 options for cost and schedule transparency, and potential system
22 automation benefits to enhance clarity of the requirements and
23 process;

24 (2) Equitable allocation of costs associated with an extension of
25 facilities and any other factors affecting the cost of an extension of
26 facilities; and

27 (3) Variables that affect time lines for construction and
28 implementation of an extension of facilities.

1 Additionally, within 90 days after the conclusion of the non-adjudicatory
2 proceeding, the Commission has the discretion to promulgate rules consistent
3 with the findings of the non-adjudicatory proceeding.

4 **Q. PLEASE DESCRIBE THE NON-ADJUDICATORY PROCEEDING BEFORE**
5 **THE COMMISSION.**

6 A. During this proceeding,¹ a large group of stakeholders that included, Staff of the
7 Commission (“Staff”), the Office of Consumer Counsel (“OCC”), Colorado Energy
8 Office (“CEO”), Colorado Association of Home Builders, National Propane Gas
9 Association, Colorado BUILDS, and Development Recovery Company, as well
10 as utility representation from Public Service, Black Hills Gas Distribution and
11 Black Hills Electric (“Black Hills”), Atmos Energy Corporation (“Atmos”) and
12 Colorado Natural Gas (“CNG”) were invited to file two rounds of comments on
13 numerous line and main extension issues. Public Service provided Initial
14 Comments on April 27 and Reply Comments on May 25 of this year.

15 **Q. HOW DID THE COMMISSION ADVANCE THE DISCUSSION ON EXTENSION**
16 **POLICIES AFTER THE COMMENT ROUNDS?**

17 A. Interested stakeholders and the Commission met twice over the course of three
18 months to discuss potential improvements to utilities’ line extension policies. At
19 each meeting, Staff led the discussion and the parties were able to share
20 concerns and offer solutions. Key topics of the first workshop² included:
21 engagement, cost calculation and timelines, transparency, operational concerns

¹ See, *generally*, Proceeding No. 18M-0082EG.

² The first line extension workshop was held June 28, 2018 at the Commission.

1 and administration. In addition, utilities offered explanations as to how
2 extensions under the current extension policies are completed. Key topics
3 addressed at the second workshop³ included the lack of predictability, timelines,
4 and engagement by the utilities in the planning process. At this workshop, Public
5 Service began outlining proposed solutions, many of which are included in the
6 new tariffs being submitted as part of this filing.

7 **Q. DID THE COMPANY FULLY PARTICIPATE IN THESE STAKEHOLDER**
8 **MEETINGS?**

9 A. Yes. The Company participated in all of the stakeholder meetings. In these
10 meetings the Company's experts in distribution extensions and operations were
11 able to meet with and listen to the concerns of stakeholders as well as learn how
12 other utilities approached distribution extension policy. The Company was also
13 able to work through some potential solutions with the various stakeholders and
14 receive feedback.

15 **Q. DID THE COMPANY WORK WITH ANY STAKEHOLDERS INDEPENDENTLY**
16 **THROUGHOUT THIS PROCESS?**

17 A. Yes. Public Service has worked diligently with stakeholders representing the real
18 estate development and home building industry, including the Colorado
19 Association of Home Builders, Home Builders Association of Metro Denver,
20 Colorado BUILDS, as well as with Staff and the other utilities involved. The
21 Company worked with all parties to first listen to concerns, then to provide an
22 understanding of the existing line extension process, as well as to develop a

³ The second line extension workshop was held August 23, 2018 at the Commission.

1 solution that met the goals of Senate Bill 17-271.

2 **Q. WHAT WERE THE KEY TAKEAWAYS FROM THE NON-ADJUDICATORY**
3 **PROCEEDING?**

4 A. Stakeholders clearly expressed a desire to have utilities' line extension
5 requirements and processes become more consistent, predictable, transparent,
6 and manageable from an administrative perspective. For instance, Applicants
7 should know what agreement(s) they will be required to sign, expected
8 timeframes, and what portion of the cost estimate is the responsibility of the
9 Applicant after accounting for any utility allowances or credits. Additionally,
10 stakeholders expressed a preference for stronger engagement from utilities in
11 pre-planning meetings.⁴

12 **Q. WHAT IS THE NEXT STEP THE COMMISSION IS CONTEMPLATING WITH**
13 **RESPECT TO THIS EVALUATION OF LINE EXTENSION POLICIES?**

14 A. At the conclusion of the non-adjudicatory proceeding, Staff advised all
15 stakeholders it was interested in conducting a rulemaking based on the feedback
16 from the stakeholder workshops. Public Service submitted proposed redlined
17 rules to the Staff of the Commission and took the lead in coordinating with the
18 other utilities on these rule revisions.

⁴ Pre-planning meetings refer to initial construction meetings during which developers, utilities, communities and other key groups meet in advance of plat preparation and remain continuously engaged through final approval.

1 **Q. WHY IS THE COMPANY FILING THIS REQUEST NOW WITH A**
2 **RULEMAKING PENDING THE COMPLETION OF THE NON-ADJUDICATORY**
3 **PROCESS?**

4 A. While the Company is aware of a pending rulemaking, we are unclear as to the
5 length of such a proceeding (for instance, the filing process with the Secretary of
6 State's office is time-consuming) and the tangible results it can deliver. In
7 addition, Public Service committed to stakeholders that timely changes would be
8 made to the Company's distribution extension policy to increase transparency,
9 predictability, and consistency. By filing the Company's new tariffs today, the
10 improvements in the distribution expansion policy could be in place in a
11 timeframe that allows the benefits to be recognized prior to the summer
12 construction season for next year. While the Company understands that the
13 proposed tariff may need to be modified to be consistent with the outcome of the
14 rulemaking, these improvements benefit customers and should be allowed to
15 move forward with an effective date of May 1, 2019.

1 **III. EXISTING DISTRIBUTION EXTENSION POLICY**

2 **Q. CAN YOU EXPLAIN, AT A HIGH LEVEL, THE CURRENT PROCESS AN**
3 **APPLICANT FOR ELECTRIC AND GAS SERVICE FOLLOWS IN ORDER TO**
4 **BE CONNECTED TO PUBLIC SERVICE'S DISTRIBUTION SYSTEM?**

5 **A.** Yes. The process under the existing distribution extension policy is generally as
6 follows:

- 7 1. The Applicant requests an electric and/or gas service extension to a new
8 area.
- 9 2. Public Service estimates the cost the Company will incur to construct and
10 install the facilities necessary to adequately supply the service requested by
11 the Applicant.
- 12 3. Public Service and the Applicant sign an agreement that delineates the
13 service and costs that will be incurred by each party.
- 14 4. The costs Public Service will incur are defined as the Construction
15 Allowance.
- 16 5. The costs the Applicant will incur are defined as the Construction Payment.
- 17 6. There is an opportunity for the Applicant to receive Refundable Construction
18 Payments for a period of ten years whenever another Applicant connects
19 downstream of the original extension in a Distribution Line Extension
20 Agreement.

1 **Q. WILL APPLICANTS FOR AN EXTENSION OF SERVICE PRIOR TO THE**
2 **EFFECTIVE DATE OF NEW TARIFFS BE GRANDFATHERED INTO THE**
3 **EXISTING PROCESS?**

4 A. Yes. Residential or Commercial Applicants who requested extensions and
5 executed Extension or Construction Agreements on or before the effective date
6 of the new tariffs will be grandfathered under the existing P.U.C. No. 8 Electric
7 Tariff, Service Lateral Extension and Distribution Line Extension Policy, and
8 P.U.C. No. 6 Gas Tariff, Service Lateral Extension and Distribution Main
9 Extension Policy, and the provisions contained in these policies will continue to
10 apply.

11 **Q. WHERE WILL GRANDFATHERED APPLICANTS ACCESS THE TARIFF**
12 **SHEETS APPLICABLE TO THEM WHEN THIS NEW TARIFF GOES INTO**
13 **EFFECT?**

14 A. Although Public Service subsequently will file to close the existing electric and
15 gas extension policies to new Applicants commensurate with the requested
16 May 1, 2019 effective date of the new Electric and Gas Distribution Extension
17 Policies, the tariff sheets will remain in the Company's Electric Tariff book on file
18 with the Commission.

19 **Q. WILL GRANDFATHERED APPLICANTS CONTINUE TO RECEIVE**
20 **CONSTRUCTION ALLOWANCES AND REFUNDS?**

21 A. Yes. For Grandfathered Applicants, Construction Allowance will still be available
22 in accordance with current tariff provisions (i.e., generally, once a meter is set)
23 and Refundable Construction Payments will continue to be calculated based on

1 the tariff in effect today. Under the current tariff, Refundable Construction
2 Payments are a credit to an Applicant's construction costs for a distribution
3 extension that is derived from participation by future Applicants within ten (10)
4 years after the Distribution Extension Completion Date as determined by the
5 Company. Refundable Construction Payments will be calculated and paid once
6 each year during the Open Extension Period and at a time determined by the
7 Company.

1 **IV. PROPOSED CHANGES TO THE ELECTRIC DISTRIBUTION EXTENSION**
2 **POLICY AND THE GAS DISTRIBUTION POLICY**

3 **Q. PLEASE DESCRIBE THE PRINCIPAL CHANGES TO THE ELECTRIC**
4 **DISTRIBUTION EXTENSION POLICY AS COMPARED TO THE EXISTING**
5 **POLICY.**

6 A. The Company is proposing to make the following changes to the Electric
7 Distribution Extension Policy:

8 1. Replacing Extension and Construction Agreements with four (4) separate
9 agreements specific to the type of extension and work being requested. As
10 discussed further below, such agreements include:

- 11 • Off-Site Distribution Line Extension Agreement;
- 12 • On-Site Distribution Extension Agreement;
- 13 • Residential Service Lateral Agreement; and
- 14 • Commercial Service Lateral Agreement.

15 2. Replacing the Open Extension Period and related processes for the
16 calculation and payment of Refunds with an upfront, 35 percent Off-Site
17 Distribution Line Extension Credit;

18 3. Unbundling Distribution Line Extensions into Off-Site Distribution Line
19 Extensions and On-Site Distribution Extensions;

20 4. Creating a standardized cost for single family and townhome lots as part of
21 the On-Site Distribution Extension;

22 5. Replacing Residential Service Lateral Construction Allowance with an
23 upfront, 100 ft. allowance, at no charge to the Applicant, for the Residential
24 Service Lateral Extension, and a per-foot charge for any length over 100 ft.;

- 1 6. Changing the Methodology for Calculating Construction Allowance
- 2 payments;
- 3 7. Changing the Commercial Service Lateral and Street Lighting Construction
- 4 Allowance terminology to a Commercial Service Lateral Credit and Street
- 5 Lighting Credit;
- 6 8. Changing the Electric Vehicle ("EV") Methodology for awarding Construction
- 7 Allowance, for consistency with the changes being proposed for other
- 8 Applicants;
- 9 9. Changing Indeterminate Service to remove real estate subdivisions and
- 10 development of land for sale and changing the definition of High Density
- 11 Load to remove the reference to data centers;
- 12 10. Removing the provision related to Construction Payment Agreements;
- 13 11. Adding provisions on the timing of when the Construction Allowances, costs
- 14 and credit tariffs will be updated;
- 15 12. Adding provisions for transparency with respect to the extension process by
- 16 which a customer or potential customer shall receive status updates on their
- 17 new connection request, as well as timelines for completion;
- 18 13. Adding terms and conditions governing when construction cost estimates
- 19 are provided to the Applicant and a description of the Methodology for
- 20 Calculating Construction Allowance; and
- 21 14. Adding certain defined terms that may be consistent across utilities.⁵

⁵ Certain defined terms will necessarily be specific to the individual utility based on its proposed methodology of calculating Construction Allowances, costs, and credits for individual Applicants.

1 **Q. PLEASE DESCRIBE THE PRINCIPAL CHANGES TO THE GAS**
2 **DISTRIBUTION EXTENSION POLICY AS COMPARED TO THE EXISTING**
3 **POLICY.**

4 A. Although the terminology is different, the Company's proposed changes to its
5 Gas Distribution Extension Policy are generally consistent with the changes to
6 the Electric Distribution Extension Policy described above. These include:

7 1. Replacing Extension and Construction Agreements with four (4) separate
8 agreements specific to the type of extension and work being requested. As
9 discussed further below, such agreements include:

- 10 • Off-Site Distribution Main Extension Agreement;
- 11 • On-Site Distribution Extension Agreement;
- 12 • Residential Service Lateral Agreement; and
- 13 • Commercial Service Lateral Agreement.

14 2. Replacing the Open Extension Period and related processes for the
15 calculation and payment of Refunds with an upfront, 28 percent Off-Site
16 Distribution Main Extension Credit;

17 3. Unbundling Distribution Main Extensions into Off-Site Distribution Main
18 Extensions and On-Site Distribution Extensions;

19 4. Creating a standardized cost for single family and townhome lots as part of
20 the On-Site Distribution Extension;

21 5. Replacing Residential Service Lateral Construction Allowance with an
22 upfront, 100 ft. allowance, at no charge to the Application, for the
23 Residential Service Lateral Extension, and a per-foot charge for excess

1 footage;

2 6. Changing the Methodology for Calculating Construction Allowance
3 payments;

4 7. Changing the Commercial Service Lateral Construction Allowance
5 terminology to a Commercial Service Lateral Credit and the addition of a
6 Transportation Credit;

7 8. Changing the Natural Gas Vehicle ("NGV") Methodology for awarding
8 Construction Allowance for consistency with the changes being proposed
9 for other Applicants;

10 9. Changing Indeterminate Service to remove real estate subdivisions and
11 development of land for sale and adding a provision to provide Construction
12 Allowance for Non-LDC gas compressor stations;

13 10. Removing the provision related to Construction Payment Agreements;

14 11. Adding provisions on the timing of when the Construction Allowances, costs
15 and credit tariffs will be updated;

16 12. Adding provisions for transparency with respect to the extension process by
17 which a customer or potential customer shall receive status updates on their
18 new connection request, as well as timelines for completion;

19 13. Adding terms and conditions governing when construction cost estimates
20 are provided to the Applicant and a description of the Methodology for
21 Calculating Construction Allowance; and

1 14. Adding defined terms that may be consistent across utilities.⁶

2 **Q. ARE THERE ANY PROPOSED CHANGES TO THE GAS DISTRIBUTION**
3 **EXTENSION POLICY THAT ARE NOT BEING PROPOSED IN THE ELECTRIC**
4 **DISTRIBUTION EXTENSION POLICY?**

5 A. As mentioned above, the changes to the Gas Distribution Extension Policy
6 largely mirror those in the Electric Distribution Extension Policy. However, the
7 provisions to provide a Construction Allowance for Non-LDC gas compressor
8 stations and a Transportation Credit are only related to gas.

9 **Q. CONVERSELY, ARE THERE ANY PROPOSED CHANGES TO THE**
10 **ELECTRIC DISTRIBUTION EXTENSION POLICY THAT ARE NOT**
11 **APPLICABLE TO THE GAS DISTRIBUTION EXTENSION POLICY?**

12 A. The change to the Off-Site Distribution Credit percentage varies based on which
13 policy is being reviewed. In addition, the changes to the High Density Load
14 definition, and the Street Lighting Credit, are not applicable to the Gas
15 Distribution Extension Policy.

16 **Q. ARE YOU PLANNING TO FILE NEW TRANSMISSION OR STREET LIGHTING**
17 **EXTENSION POLICIES?**

18 A. Not at this time. Our immediate focus is implementing new Electric and Gas
19 Distribution Extension Policies that improve the transparency, predictability, and
20 administration of extension requests from Applicants.

⁶ Certain defined terms will necessarily be specific to the individual utility based on its proposed methodology of calculating Construction Allowances, costs, and credits for individual Applicants.

1 **Q. IS THE STREET LIGHTING TERMINOLOGY CHANGE FROM**
2 **CONSTRUCTION ALLOWANCE TO A CREDIT PART OF THE STREET**
3 **LIGHTING EXTENSION POLICY?**

4 A. No. This change is being incorporated into the new Electric Distribution
5 Extension Policy because a Lighting Construction Allowance is included in the
6 Company's existing Service Lateral Extension and Distribution Line Extension
7 Policy.

8 **Q. ARE THE TARIFF CHANGES THE ONLY IMPROVEMENTS THE COMPANY**
9 **IS MAKING REGARDING ITS DISTRIBUTION EXTENSION POLICY AND**
10 **REQUESTS FOR ELECTRIC AND GAS SERVICE?**

11 A. Not at all. In addition to the new Electric and Gas Distribution Extension Policies,
12 Public Service will implement additional operational changes, add provisions
13 relating to the distribution extension policy to the Company's gas and electric
14 Quality of Service Plans, and support the rules revisions process. The Company
15 will also begin the process of updating our Electric and Gas Standards manuals
16 to align with the proposed tariffs. This will all be done in consideration of other
17 tariff changes that may be necessary.

18 **Q. PLEASE DESCRIBE AT A HIGH LEVEL SOME OF THE OPERATIONAL**
19 **CHANGES THAT ARE BEING IMPLEMENTED IN CONJUNCTION WITH THE**
20 **NEW DISTRIBUTION EXTENSION POLICIES.**

21 A. First and foremost, to address operational and administrative concerns raised by
22 our customers, the Company has posted positions for three Builder/Developer
23 Representatives, who will serve as the primary contact, source of information,

1 and internal decision maker for large builders and developers. The Company's
2 expectation is that, through these positions, the level of customer service these
3 customers need, expect, and deserve will continue to improve. The addition of
4 provisions to the Company's gas and electric Quality of Service Plans will include
5 metrics that measure and report on timeliness of estimates, timeliness of
6 construction, and maintaining the Builder/Developer Representatives positions
7 mentioned above.

1 **V. CONSTRUCTION ALLOWANCE, CREDITS, AND COST CHANGES**

2 **Q. PLEASE DESCRIBE THE CURRENT METHODOLOGY FOR CALCULATING**
3 **CONSTRUCTION ALLOWANCES.**

4 A. Public Service applies the gross embedded distribution plant investment
5 ("average embedded cost") taken from the Company's Class Cost of Service
6 Study ("CCOSS") to calculate the applicable Construction Allowance. Embedded
7 cost refers to the gross plant for specific categories of investment allocated to
8 specific customer classes.

9 **Q. PLEASE DESCRIBE THE PROPOSED METHODOLOGY FOR CALCULATING**
10 **CONSTRUCTION ALLOWANCES.**

11 A. The Company is proposing that a revenue based method will be used to
12 establish the amount of Construction Allowance for new or upgraded electric
13 and/or gas service by calculating the revenue expected from a customer for new
14 or added load and then multiplying that amount by an approved factor. Under
15 the new Electric and Gas Distribution Extension Policies, Construction
16 Allowances are based on 2.75 times estimated annual non-fuel revenue including
17 base rates and general rate schedule adjustments, to determine a demand
18 investment per kilowatt (kW) or dekatherm (Dth). This is referred to as a times
19 revenue method.

20 **Q. WHY IS THE COMPANY PROPOSING TO MAKE THIS CHANGE IN**
21 **METHODOLOGY?**

22 A. This revenue based approach is consistent with other utilities, including the
23 jurisdictions within Xcel Energy. This methodology provides for a more current

1 reflection of the benefit of distribution growth on the system than the current
2 average embedded cost methodology of calculating Construction Allowance.
3 The current methodology is tied to the Company's Phase II rate cases and this
4 creates regulatory lag for updating the Construction Allowance because the
5 Company's rate case outcomes have been based on historical test years.⁷ Most
6 importantly, this will facilitate additional transparency by providing a better
7 understanding to the basis for the Company's contribution to a project as we
8 believe this approach to be more commonly understood and interpreted by
9 customers and stakeholders.

10 **Q. IS THE TIMES REVENUE METHODOLOGY BEING APPLIED TO ALL TYPES**
11 **OF EXTENSION REQUESTS?**

12 A. No. This is not being proposed for the Commercial Service Lateral Credit, Street
13 Lighting Credit (electric only), or Transportation Credit (gas only). These credits
14 will continue to be based on the average embedded cost methodology and will
15 not change as part of this filing.

16 **Q. WHY DID THE COMPANY CHOOSE TO MAINTAIN THE AVERAGE**
17 **EMBEDDED COST METHODOLOGY FOR COMMERCIAL SERVICE**
18 **LATERALS CREDITS, STREET LIGHTING CREDITS VERSUS USING A**
19 **STANDARDIZED FOOTAGE ALLOWANCE OR TIMES REVENUE**
20 **METHODOLOGY?**

21 A. Generally, this was the most reasonable methodology for these types of costs as

⁷ The Company's current electric Construction Allowance is based on 2013 costs and the gas Construction Allowance is based on 2010 costs.

1 there is a much wider range of costs associated with Commercial Service Lateral
2 Extensions, and Street Lighting work. Commercial Service Lateral Extensions
3 incur a wide range of costs because they are dependent on customers'
4 requirements and preferences, which make it more difficult to quantify a
5 standardized footage allowance as compared to Residential Service Lateral
6 Extensions. With regard to Street Lighting projects, costs vary with the large
7 number of lighting types and wattages, making a standard cost methodology
8 (such as the residential standard footage allowance) difficult to quantify as costs
9 by light type vary significantly. In addition, using a times revenue methodology
10 for lighting credits would require revenue to be calculated by lighting schedule,
11 which would add unnecessary complexity, given the over 40 street lighting
12 schedules currently on record.

13 **Q. CAN YOU EXPLAIN THE DIFFERENCES BETWEEN THE CURRENT AND**
14 **PROPOSED CONSTRUCTION ALLOWANCES, CONSTRUCTION COSTS**
15 **AND CREDITS?**

16 **A.** Yes, the current and proposed Construction Allowances, Construction Costs and
17 Credits are reflected in Table MMA-D-1 below.

1

Table MMA-D-1

2

Current and Proposed Construction Allowance – Electric

Customer Class	Current		Proposed
	Service Lateral Portion	Distribution Portion	On-Site Distribution
Schedules R, RE-TOU	\$150	\$1,070	\$1,659
Schedules RD, RD-TDR	\$150	\$260/kW	\$1,659
Schedules C, NMTR	\$270	\$1,380	\$2,486
Schedules SGL, SG, SST, STOU, SPVTOU, SG-CPP	\$1,430	\$350/kW	\$735/kW
Schedules PG, PST, PTOU, PG-CPP	\$0	\$220/kW	\$680/kW
Schedules TSL, MSL, MI, per point of delivery		\$1,080	N/A
	Lighting Equipment	Distribution System	
Schedules RAL, CAL, PLL, SL, SSL, SLU per lighting unit	\$770	\$80	N/A
Schedules COL, ESL per lighting unit		\$80	N/A

1

Table MMA-D-1 (cont.)

2

Current and Proposed Construction Costs and Credits – Electric

	Current	Proposed	
Construction Costs			
On-Site Distribution Extension Per Lot Cost	N/A	\$2,511	
Service Lateral Extension>100ft. Cost, Per Foot	N/A	\$5.87/ft.	
Off-Site Distribution Line Extension Credit			
Off-Site Distribution Line Extension Credit	N/A	35.00%	
Commercial Service Lateral Credit			
Schedules C, NMTR	N/A	\$270	
Schedules SGL, SG, SST, STOU, SPVTOU, SG-CPP	N/A	\$1,430	
Street Lighting Credit			
Schedules TSL, MSL, MI per point of delivery	N/A	\$1,080	
		Lighting Equipment	Distribution System
Schedules RAL, CAL, PLL, SL, SSL, SLU per lighting unit	N/A	\$770	\$80
Schedules COL, ESL per lighting unit	N/A		\$80

Table MMA-D-1 (cont.)

Current and Proposed Construction Allowance – Gas

Customer Class	Current		Proposed
	Service Lateral Portion	Distribution Portion	On-Site Distribution
Schedule RG	\$283	\$266	\$808
Schedule CSG	\$1,121	\$4.52/DTH	\$9.46/DTH
Schedule CLG	\$1,122	\$3.43/DTH	\$3.77/DTH
Schedule IG	\$1,122	\$0.87/DTH	\$2.28/DTH
Schedule TFS	\$1,121	\$4.52/DTH	N/A
Schedule TFL	\$1,122	\$3.43/DTH	N/A
Schedule TI	\$1,122	\$0.98/DTH	N/A

Current and Proposed Construction Costs and Credits – Gas

	Current	Proposed
Construction Costs		
On-Site Distribution Extension Per Lot Cost	N/A	\$1,672
Service Lateral Extension > 100ft. Cost, Per Foot	N/A	\$8.37/ft.
Off-Site Distribution Main Extension Credit		
Off-Site Distribution Main Extension Credit	N/A	28.00%
Commercial Service Lateral Credit		
Commercial, Interruptible and Transportation	N/A	\$1,122
Transportation Credit		
Schedule TFS	N/A	\$5.93/DTH
Schedule TFL	N/A	\$4.83/DTH
Schedule TI	N/A	\$2.18/DTH

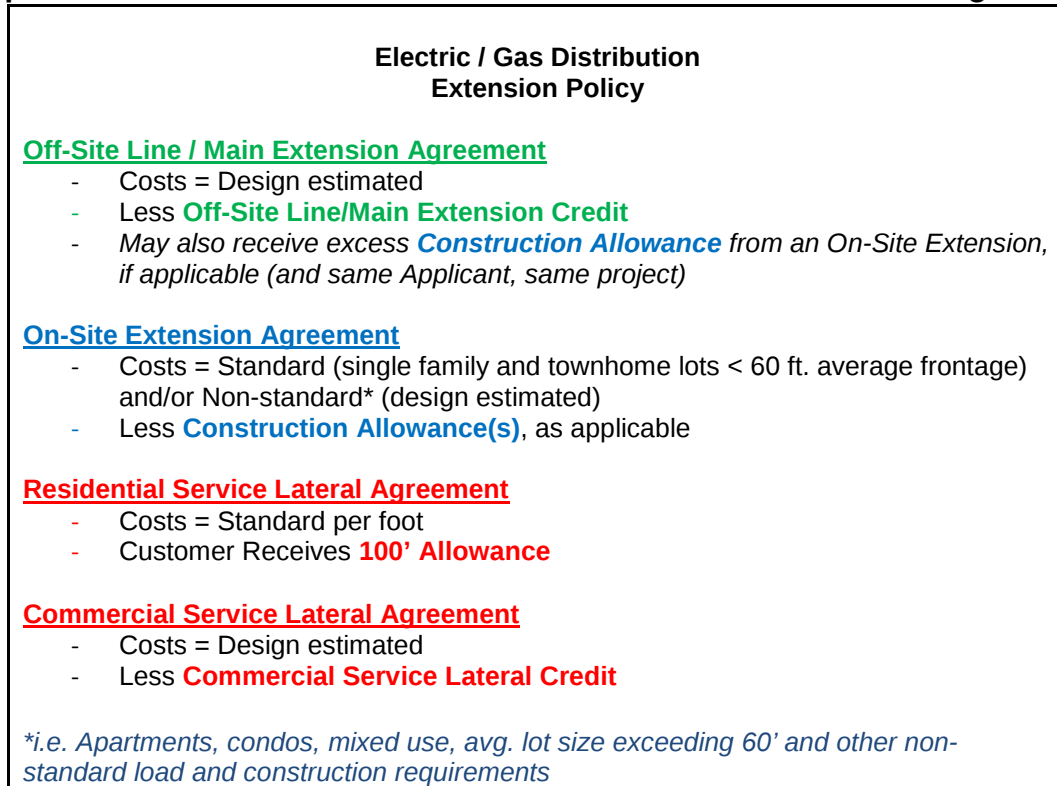
Q. CAN YOU EXPLAIN THE PRINCIPAL COST COMPONENTS OF THE NEW ELECTRIC AND GAS DISTRIBUTION EXTENSION POLICIES?

A. Yes. Diagram MMA-D-1 below provides a snapshot of the four (4) separate agreements specific to the type of extension and work being requested and the

major cost responsibilities/assignments associated with each agreement:

DIAGRAM MMA-D-1

Snapshot of Electric and Gas Distribution Extension Policies and Agreements



Q. DO THESE CHANGES IN COST RESPONSIBILITY RESULT IN HIGHER OR LOWER UPFRONT PAYMENTS FROM CUSTOMERS?

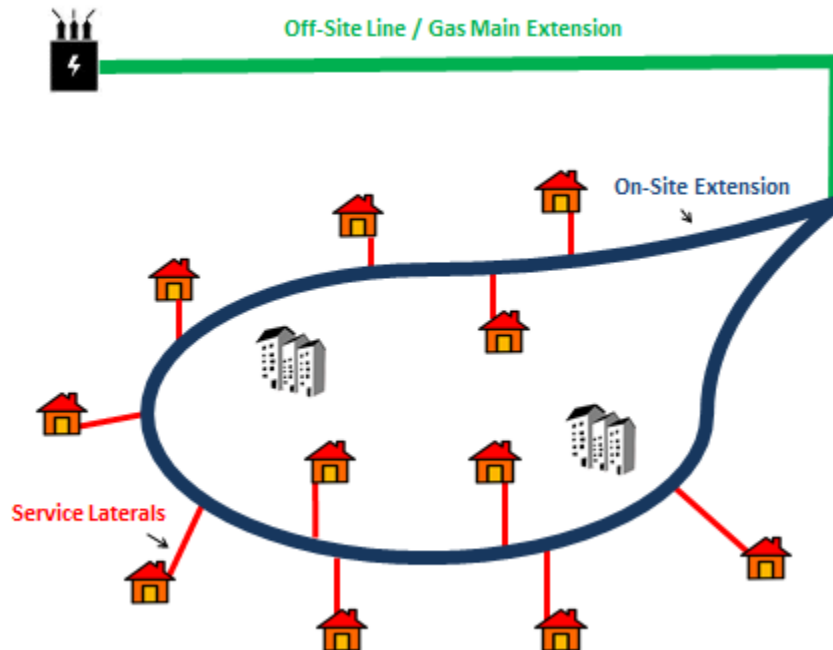
A. The implementation of the new Electric and Gas Distribution Extension Policies will result in lower upfront payments by customers, but it is the Company's expectation that the Company's increased investment is largely offset by the addition of the associated load and revenues.

Q. CAN YOU EXPLAIN THE TYPES OF SERVICE EXTENSIONS THAT ARE CONTEMPLATED BY THESE FOUR AGREEMENTS?

A. Yes. Figure MMA-D-1 illustrates the different types of service extensions that are covered by these four types of agreements. The Off-Site Line/Main Extension

1 Agreement covers construction of a distribution line or main extension that is
2 shown with the green line below. The On-Site Extension Agreement covers
3 construction of a distribution line or main extension that is shown with the blue
4 line below. The Residential and Commercial Service Lateral Agreements covers
5 construction of a service lateral and are illustrated by the red lines below to
6 homes. For commercial service laterals, these would be commercial buildings.

7 **Figure MMA-D-1**



1 **VI. NEW ELECTRIC DISTRIBUTION EXTENSION POLICY AGREEMENTS**

2 **Q. WHAT IS THE PURPOSE OF THE THIS SECTION OF YOUR TESTIMONY?**

3 A. In this section of my testimony, I will describe the Company's new proposed
4 distribution extension policy agreements for electric customers. In the next
5 section of my testimony, I will describe the Company's new proposed distribution
6 extension policy agreements for gas customers. While these two sets of
7 agreements are very similar, I am discussing them in two separate sections of
8 my testimony because there are minor differences between these two sets of
9 agreements, such as the amount of the Off-Site Distribution Extension Credit. In
10 addition, discussing these two sets of agreements in two separate sections
11 allows parties interested in only electric or gas service to only review testimony
12 related to a particular type of service.

13 **Q. ARE THERE MULTIPLE AGREEMENTS UNDER THE NEW ELECTRIC LINE**
14 **EXTENSION POLICY?**

15 A. Yes. Each of the four separate agreements corresponding to the types of service
16 extension(s) requested by the Applicant is described below.

17 **Q. WHY DID THE COMPANY CHOOSE TO UNBUNDLE DISTRIBUTION LINE**
18 **EXTENSIONS INTO MULTIPLE AGREEMENTS FOR THE ELECTRIC**
19 **DISTRIBUTION EXTENSION POLICY?**

20 A. The four separate agreements described below allow for clearer delineation
21 between facilities necessary to serve Applicants and can therefore have more
22 specific estimates, credits and opportunities to standardize costs. This works
23 toward the goal of increasing predictability and transparency for Applicants.

1 **A. Off-Site Distribution Line Extension Agreement**

2 **Q. PLEASE DESCRIBE THE OFF-SITE DISTRIBUTION LINE EXTENSION**
3 **AGREEMENT.**

4 A. The Construction Costs associated with the Off-Site Distribution Line Extension
5 Agreement will be based upon the Company's estimate of the cost of
6 constructing and installing the facilities necessary to adequately supply the
7 service requested by the Applicant. An Off-Site Distribution Line Extension
8 Credit will be subtracted from the estimated Construction Costs to determine a
9 total payment due by the Applicant.

10 **Q. TO WHOM DOES THIS APPLY?**

11 A. This Agreement may apply to Residential or Commercial customers.

12 **Q. HOW ARE COSTS, CREDITS, AND CONSTRUCTION ALLOWANCES**
13 **CALCULATED UNDER THIS AGREEMENT AND THE NEW POLICY?**

14 A. The Applicant or Applicants are responsible for a non-refundable Construction
15 Payment of all estimated costs for electric Distribution Facilities. Costs will be
16 estimated by the Company based on plat information provided by the Applicant
17 or Applicants. The Company will work with the Applicant or Applicants to acquire
18 all necessary information for the estimate.

19 **Q. WILL THE REQUIRED CONSTRUCTION PAYMENT AMOUNT BE LESS**
20 **THAN THE ESTIMATED CONSTRUCTION COST?**

21 A. Yes. Except for the Construction Payment made for alternate feeders, the
22 Construction Payment will be reduced by the 35 percent Off-Site Distribution Line
23 Extension Credit, which replaces the ten (10) year Open Extension Policy.

1 **Q. UNDER SOME CIRCUMSTANCES, MAY THE CONSTRUCTION PAYMENT**
2 **BE REDUCED BY ADDITIONAL MEANS?**

3 A. Yes. In the event that excess Construction Allowance is awarded to an Off-Site
4 Distribution Line Extension, this credit shall be applied after the Construction
5 Allowance has been applied. However, the total amount refunded to any
6 Customer cannot exceed the total Construction Payment made by that
7 Customer.

8 **Q. HOW DID THE COMPANY DETERMINE THE 35 PERCENT OFF-SITE**
9 **DISTRIBUTION LINE EXTENSION CREDIT?**

10 A. The Company reviewed projects initiated from 2001-2008 and calculated the Net
11 Present Value Analysis ("NPV") average of refunds issued to customers under
12 the current open extension policy. Please see Attachment MMA-1 for the
13 calculation of this percentage.

14 **Q. WILL THE COMPANY ADJUST THIS PERCENTAGE IN FUTURE FILINGS?**

15 A. Yes. Public Service may, from time to time, evaluate the Off-Site Distribution
16 Line Extension Credit and file to make adjustments.

17 **B. On-Site Distribution Extension Agreement**

18 **Q. PLEASE DESCRIBE THE ON-SITE DISTRIBUTION EXTENSION**
19 **AGREEMENT.**

20 A. The costs associated with this Agreement will be either 1) based upon
21 standardized per lot costs, which considers the construction and installation of
22 facilities necessary to adequately serve a single family or townhome lot. The
23 standardized costs are applied to any lots that have an average of sixty (60) ft. or

1 less frontage and/or 2) based upon the Company's estimate of the cost to
2 construct and install other facilities necessary to adequately serve a larger than
3 standard lot size, which includes (but is not limited to single family and townhome
4 lots) lots with more than an average of sixty (60) ft. frontage, non-standard load
5 and construction requirements, and commercial facilities. A Construction
6 Allowance would then be applied to these costs.

7 **Q. PLEASE EXPLAIN WHAT A FRONTAGE IS.**

8 A. A frontage is the length across the front or back of a lot (depending where the
9 Company's facilities are located), from property line to property line.

10 **Q. TO WHOM DOES THIS APPLY?**

11 A. This Agreement may apply to Residential, Commercial, or Multi-Use customers.

12 **Q. HOW ARE COSTS, CREDITS, AND CONSTRUCTION ALLOWANCES**
13 **CALCULATED UNDER THIS AGREEMENT AND THE NEW POLICY?**

14 A. The Applicant or Applicants will be responsible for a non-refundable Construction
15 Payment for Distribution Facilities based on the standard or non-standard lot
16 costs described above. This will be required prior to construction as part of the
17 On-Site Distribution Extension Agreement. However, an applicable Construction
18 Allowance will be applied as a credit upfront to offset some, or all, of the
19 Construction Payment. This Construction Allowance is calculated for non-
20 demand customers by determining the average annualized customer bill less the
21 applicable fuel rider multiplied by 2.75. For customers with a demand payment,
22 the average annualized customer bill less the applicable fuel rider multiplied by
23 2.75 is further divided by average customer annualized Generation and

1 Transmission Demand to develop a dollar per kW construction allowance.

2 Service Laterals are not considered part of the Distribution Facilities
3 necessary to serve an On-Site Distribution Extension. As mentioned above, the
4 On-Site Distribution Extension Construction Costs will be based upon a
5 standardized cost for single family and townhome lots based on an average of
6 sixty feet (60 ft.) of frontage or rear lot line dependent upon the location of the
7 Company's facilities. If the standard lot size does not apply, an estimated cost of
8 the On-Site Distribution Extension will be determined by the Company.

9 **Q. IS IT POSSIBLE FOR AN ON-SITE DISTRIBUTION EXTENSION**
10 **AGREEMENT TO ENCOMPASS COMMERCIAL AND RESIDENTIAL**
11 **ASPECTS?**

12 A. Yes. An On-Site Distribution Extension Agreement may contain standardized per
13 lot costs along with the Company's estimate of the cost of constructing and
14 installing other facilities to serve, for example, amenities such as a community
15 pool, recreation center, commercial space and other non-residential facilities.

16 **C. Residential Service Lateral Agreement**

17 **Q. PLEASE DESCRIBE THE RESIDENTIAL SERVICE LATERAL AGREEMENT.**

18 A. The cost of a service lateral under this Agreement will be based upon the length
19 of the lateral. Residential Applicants will receive a one hundred (100) ft.
20 allowance at no upfront cost and a standardized per foot cost thereafter for
21 extensions longer than one hundred (100) ft.

22 **Q. TO WHOM DOES THIS APPLY?**

23 A. This Agreement applies to Residential customers.

1 **Q. HOW ARE COSTS, CREDITS, AND CONSTRUCTION ALLOWANCES**
2 **CALCULATED UNDER THIS AGREEMENT AND THE NEW POLICY?**

3 A. For Residential Applicant or Applicants that request a Service Lateral be installed
4 by the Company, Residential Applicants shall receive up to one hundred feet
5 (100 ft.) installed by the Company at no upfront cost. For Service Lateral
6 Extensions of greater than one hundred feet (100 ft.), the Applicant or Applicants
7 are responsible for a non-refundable Construction Payment calculated using the
8 Per Foot Cost for any length in excess of the first 100 ft. as listed on the
9 Construction Costs and Credits sheet of the Electric Tariff.

10 **Q. WHY IS THE COMPANY PROPOSING TO PROVIDE A 100 FT ALLOWANCE**
11 **FOR RESIDENTIAL SERVICE LATERALS?**

12 A. Efficiency, transparency, and customer service. The 100 ft. upfront allowance
13 will accommodate approximately 95 percent of all electric service lateral
14 requests. Of note, residential gas and electric service laterals combined
15 represent over 70 percent of the total design applications received by the
16 Company. We expect that time savings associated with various stages of billing
17 and collection is expected to improve average lead time.

18 **Q. HOW WAS 100 FT SELECTED AS THE LENGTH FOR SERVICE LATERALS?**

19 A. The length was selected to benefit a significant percentage of customers, as this
20 will add efficiency and transparency to the process.

21 **D. Commercial Service Lateral Agreement**

22 **Q. PLEASE DESCRIBE THE COMMERCIAL SERVICE LATERAL AGREEMENT**

23 A. The Construction Costs associated with the Commercial Service Lateral

1 Agreement will be based upon the Company's estimated cost of constructing and
2 installing the facilities necessary to adequately supply the service requested. It is
3 necessary to estimate the costs of a Commercial Service Lateral, as opposed to
4 developing a standard cost, due to the variation in Commercial Service Lateral
5 design requirements. The Commercial Service Lateral will continue to be
6 calculated using the average embedded cost methodology. The Commercial
7 Service Lateral Credit would be subtracted from the estimated Construction
8 Costs to determine a total payment due by the Applicant.

9 **Q. TO WHOM DOES THIS APPLY?**

10 A. This applies to Commercial customers requiring an overhead service lateral only
11 as the Applicant will design and own the service lateral if it is underground.

12 **Q. WILL NEW EV CHARGING STATION REQUESTS CONTINUE TO BE**
13 **SERVED UNDER TARIFF SHEET R174 THAT WAS EXTENDED VIA**
14 **PROCEEDING NO. 18AL-0715E?**

15 A. No. EV charging station Applicants will receive service as any Commercial or
16 Residential customer under the new Electric and Gas Distribution Extension
17 Policies. As described above, Public Service will file to close the existing electric
18 and gas extension policies, including Electric Tariff Sheet R174 applicable to EV
19 charging station requests, to new Applicants upon the requested May 1, 2019
20 effective date of the new Electric and Gas Distribution Extension Policies.

1 **Q. HOW ARE THE COSTS, CONSTRUCTION PAYMENTS, AND CREDITS**
2 **DETERMINED FOR CUSTOMERS REQUESTING DISTRIBUTION**
3 **EXTENSIONS FOR EV CHARGING STATIONS?**

4 A. The Construction Payment, Construction Allowance, and/or Off-Site Distribution
5 Line Extension Credit for EV charging station Applicants will depend on the
6 applicable Distribution Extension Service that is requested (On-Site Distribution
7 Extension, Off-Site Distribution Line Extension or Service Lateral).⁸

8 **Q. WHAT ABOUT GRANDFATHERED EV CHARGING STATION APPLICANTS?**

9 A. Grandfathered Applicants who requested extensions and executed Extension or
10 Construction Agreements for an EV charging station prior to the effective date of
11 the new tariffs will be grandfathered under the existing tariff provisions.

⁸ See Attachment MMA-1, Methodology for Calculation of Off-Site Distribution Extension Credit.

VII. NEW GAS DISTRIBUTION EXTENSION POLICY AGREEMENTS

Q. ARE THERE MULTIPLE AGREEMENTS UNDER THE NEW GAS MAIN EXTENSION POLICY?

A. Yes. Each of the four separate agreements corresponding to the types of service extension(s) requested by the Applicant is described below.

Q. WHY DID THE COMPANY CHOOSE TO UNBUNDLE DISTRIBUTION LINE EXTENSIONS INTO MULTIPLE AGREEMENTS FOR THE GAS DISTRIBUTION EXTENSION POLICY?

A. The four separate agreements described below allow for clearer delineation between facilities necessary to serve Applicants and can therefore have more specific estimates, credits and opportunities to standardize costs. This works toward the goal of increasing predictability and transparency for Applicants.

A. Off-Site Distribution Main Extension Agreement

Q. PLEASE DESCRIBE THE OFF-SITE DISTRIBUTION MAIN EXTENSION AGREEMENT.

A. The Construction Costs associated with the Off-Site Distribution Main Extension Agreement would be based upon the Company's estimate of the cost of constructing and installing the facilities necessary to adequately supply the service requested by Applicant. An Off-Site Distribution Main Extension Credit would be subtracted from the estimated Construction Costs to determine a total payment due by the Applicant.

Q. TO WHOM DOES THIS APPLY?

A. This Agreement may apply to Residential or Commercial customers.

1 **Q. HOW ARE COSTS, CREDITS, AND CONSTRUCTION ALLOWANCES**
2 **CALCULATED UNDER THIS AGREEMENT AND THE NEW POLICY?**

3 A. The Applicant or Applicants are responsible for a non-refundable Construction
4 Payment of all estimated costs for electric Distribution Facilities less any credits
5 prior to construction as part of the Off-Site Distribution Main Extension
6 Agreement. Costs will be estimated by the Company based on plat information
7 provided by the Applicant or Applicants. The Company will work with the
8 Applicant or Applicants to acquire all necessary information for the estimate.
9 Except for the Construction Payment made for alternate feeders, the
10 Construction Payment will be reduced by the 28 percent Off-Site Distribution
11 Main Extension Credit.

12 **Q. HOW DID THE COMPANY DETERMINE THE 28 PERCENT OFF-SITE**
13 **DISTRIBUTION MAIN EXTENSION CREDIT?**

14 A. The Company reviewed projects initiated from 2001-2008 and calculated the
15 NPV average of refunds issued to customers under the current open extension
16 policy. This calculation is included in Attachment MMA-1.

17 **Q. WILL THE COMPANY ADJUST THIS PERCENTAGE IN FUTURE FILINGS?**

18 A. Yes. Public Service will, from time to time, evaluate the Off-Site Distribution Main
19 Extension Credit and file to make adjustments as necessary.

20 **B. On-Site Distribution Extension Agreement**

21 **Q. PLEASE DESCRIBE THE ON-SITE DISTRIBUTION EXTENSION**
22 **AGREEMENT.**

23 A. The costs associated with this Agreement will be either 1) based upon

1 standardized per lot costs, which considers the construction and installation of
2 facilities necessary to adequately serve a single family or townhome lot. The
3 standardized costs are applied to any lots that have an average of sixty (60) ft. or
4 less frontage and/or 2) based upon Company's estimate of the cost to construct
5 and install other facilities necessary to adequately serve a larger than standard
6 lot size, which includes (but is not limited to single family and townhome lots) with
7 more than an average of sixty (60) ft. frontage, non-standard load and
8 construction requirements, and commercial facilities. A Construction Allowance
9 would be applied to these costs.

10 **Q. TO WHOM DOES THIS APPLY?**

11 A. This Agreement may apply to Residential, Commercial, or Multi-Use customers.

12 **Q. HOW ARE COSTS, CREDITS, AND CONSTRUCTION ALLOWANCES**
13 **CALCULATED UNDER THIS AGREEMENT AND THE NEW POLICY?**

14 A. The Applicant or Applicants will be responsible for a non-refundable Construction
15 Payment for Distribution Facilities based on the standard or non-standard lot
16 costs described above. This will be required prior to construction as part of the
17 On-Site Distribution Extension Agreement. An applicable Construction
18 Allowance will be applied as a credit. This Construction Allowance is calculated
19 for non-demand customers by determining the average annualized customer bill
20 less the applicable fuel rider multiplied by 2.75. For customers with a demand
21 payment, the average annualized customer bill less the applicable fuel rider
22 multiplied by 2.75 is further divided by average customer annualized Generation
23 and Transmission Demand to develop a dollar per kW Construction Allowance.

1 Service Laterals are not considered part of the Distribution Facilities
2 necessary to serve an On-Site Distribution Extension. As mentioned above, the
3 On-Site Distribution Extension Construction Costs will be based upon a
4 standardized cost for single family and townhome lots based on an average of
5 sixty feet (60 ft.) of frontage or rear lot line dependent upon the location of the
6 Company's facilities. If the standard lot size does not apply, an estimated cost of
7 the On-Site Distribution Extension will be determined by the Company.

8 **Q. IS IT POSSIBLE FOR AN ON-SITE DISTRIBUTION EXTENSION**
9 **AGREEMENT TO ENCOMPASS COMMERCIAL AND RESIDENTIAL**
10 **ASPECTS?**

11 A. Yes. An On-Site Distribution Extension Agreement may contain standardized per
12 lot costs along with the Company's estimate of the cost of constructing and
13 installing other facilities to serve, for example, amenities such as a community
14 pool, recreation center, commercial space and other non-residential facilities.

15 **C. Residential Service Lateral Agreement**

16 **Q. PLEASE DESCRIBE THE RESIDENTIAL SERVICE LATERAL AGREEMENT.**

17 A. The cost for a service lateral under this Agreement will be based upon the length
18 of the lateral. Residential Applicants will receive a one hundred (100) ft.
19 allowance at no upfront cost and a standardized per foot cost thereafter for
20 extensions longer than one hundred (100) ft.

21 **Q. TO WHOM DOES THIS APPLY?**

22 A. This Agreement applies to Residential customers.

1 **Q. HOW ARE COSTS, CREDITS, AND CONSTRUCTION ALLOWANCES**
2 **CALCULATED UNDER THIS AGREEMENT AND THE NEW POLICY?**

3 A. For Residential Applicant or Applicants that request a Service Lateral be installed
4 by the Company, Residential Applicants shall receive up to one hundred feet
5 (100 ft.) installed by the Company at no upfront cost. For Service Lateral
6 Extensions of greater than one hundred feet (100 ft.), the Applicant or Applicants
7 are responsible for a non-refundable Construction Payment calculated using the
8 Per Foot Cost for any length in excess of the first 100 ft. as listed on the
9 Construction Costs and Credits sheet of the Gas Tariff.

10 **Q. WHY IS THE COMPANY PROPOSING TO PROVIDE A 100 FT ALLOWANCE**
11 **FOR RESIDENTIAL SERVICE LATERALS?**

12 A. Efficiency, transparency, and customer service. The 100 ft. upfront allowance
13 will accommodate approximately 95 percent of all gas service lateral requests.
14 Of note, residential gas and electric service laterals combined represent over 70
15 percent of the total design applications received by the Company. We expect
16 that time savings associated with various stages of billing and collection is
17 expected to significantly reduce average lead time.

18 **Q. HOW WAS 100 FOOT SELECTED AS THE LENGTH FOR SERVICE**
19 **LATERALS?**

20 A. The length was selected to benefit a significant percentage of customers, as this
21 will add efficiency and transparency to the process.

D. Commercial Service Lateral Agreement

Q. PLEASE DESCRIBE THE COMMERCIAL SERVICE LATERAL AGREEMENT.

A. The Construction Costs associated with the Commercial Service Lateral Agreement will be based upon the Company's estimate of the cost of constructing and installing the facilities necessary to adequately supply the service requested. It is necessary to estimate the costs of a Commercial Service Lateral, as opposed to developing a standard cost, due to the variation in Commercial Service Lateral design requirements. The Commercial Service Lateral will continue to be calculated using the average embedded cost methodology. The Commercial Service Lateral Credit would be subtracted from the estimated Construction Costs to determine a total payment due by the Applicant.

Q. TO WHOM DOES THIS APPLY?

A. This applies to Commercial customers requiring an overhead service lateral only as the Customer will design and own the service lateral if it is underground.

Q. WILL NEW NATURAL GAS VEHICLE ("NGV") FUELING STATIONS REQUESTS CONTINUE TO BE SERVED UNDER TARIFF SHEET R38 THAT WAS EXTENDED VIA PROCEEDING NO. 18AL-0717G?

A. No. NGV fueling station Applicants will receive service as any Commercial or Residential customer under proposed tariffs. As described above, and consistent with EV charging station Applicants, Public Service will file to close the existing electric and gas extension policies, including Gas Tariff Sheet R38 applicable to NGV fueling station requests, to new Applicants upon the proposed May 1

1 effective date of the new Electric and Gas Distribution Extension Policies.

2 **Q. HOW ARE THE COSTS, CONSTRUCTION PAYMENTS, AND CREDITS**
3 **DETERMINED FOR CUSTOMERS REQUESTING DISTRIBUTION**
4 **EXTENSIONS FOR NATURAL GAS VEHICLE FUELING STATIONS?**

5 A. The Construction Payment, Construction Allowance, and/or Off-Site Distribution
6 Line Extension Credit for these NGV customers will depend on the applicable
7 Distribution Extension Service that is requested (On-Site Distribution Extension,
8 Off-Site Distribution Main Extension or Service Lateral).

9 **Q. WHAT ABOUT GRANDFATHERED NGV APPLICANTS?**

10 A. Grandfathered Applicants who requested extensions and executed Extension or
11 Construction Agreements for a NGV fueling station prior to the effective date of
12 the new tariffs will be grandfathered under the existing tariff provisions.

VIII. CONCLUSION

Q. HOW DO THE NEW ELECTRIC AND GAS DISTRIBUTION EXTENSION POLICIES SUPPORT THE COMPANY'S OBJECTIVES OF IMPROVING CUSTOMER TRANSPARENCY AND INCREASING ADMINISTRATIVE EFFICIENCY?

A. There are two key objectives in the proposed tariff. The first is to provide greater cost-certainty and predictability for customers. The second objective – importantly – is to minimize unnecessary administrative burdens for the Company, and our customers, as it relates to such work. In support of this, the new policies enhance clarity surrounding utilities' line extension requirements and process and result in an equitable allocation of costs as a result of the Off-Site Distribution Line / Main Extension Credit, standardized per lot costs, and service lateral 100 ft. allowance, as well as the continuation of Construction Allowances when applicable. The additions of standardization and footage allowances in the On-Site Distribution Extension costs and Service Lateral Extensions increase predictability in cost. These two changes will cover an overwhelming majority of requests received which is key to increasing efficiency and reserving the time and hours required for estimating Off-Site Line/Main Extension construction. A key result from this policy is reducing valuable time in calculating these very common estimates, thereby resulting in more timely estimates that require more attention for less common design elements within new or existing applications, particularly within our rapidly-growing region. The new Electric and Gas Distribution Extension Policies in conjunction with

1 operational changes and additional reporting metrics through the Quality of
2 Service Plans will improve the way the Company does business with its
3 customers and partners.

4 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

5 A. For the reasons set forth above, I recommend that the Commission approve the
6 Company's proposed Electric and Gas Distribution Extension Policies with an
7 effective date of May 1, 2019.

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

9 A. Yes.

Statement of Qualifications

Michelle Moorman Applegate

Ms. Applegate graduated from the Colorado School of Mines with a degree in Metallurgical and Material Engineering and minors in Public Affairs and Economics. She began her employment with Xcel Energy Services, Inc. in 2003. Since then she has held various positions in engineering, operations and regulatory affairs within the electric and gas utility industry.

From 2003 to 2008, Ms. Applegate worked as a Production Engineer in natural gas, electric and hydro-electric generating facilities for Xcel Energy Service, Inc. In that position, she was responsible analyzing failures and making recommendations as to the operating procedures of the generating facilities.

In 2008, Ms. Applegate was employed as a Case Specialist in the Regulatory and Government Affairs Department for Public Service Company of Colorado, where she was responsible for developing support and testimony and managing cases related to the company's renewable energy standards and policies.

In 2010, Ms. Applegate began employment with Summit Utilities, Inc. as the Manager of Regulatory Affairs. Her responsibilities included oversight of the multi-jurisdictional department and maintaining compliance with state and federal regulatory requirements, as well as financial and environmental state statutes in multiple rate areas. In January of 2013, she was promoted to Director of Regulatory Affairs.

Ms. Applegate accepted the role of Senior Director of Engineering and Technical Services with SourceGas, LLC in April 2014. In this role she provided

leadership and oversight to the Engineering and Technical Services Organization within SourceGas Operations. Her responsibilities included the areas of Engineering, Pipeline Integrity, GIS and Asset Records, Measurement, Environmental Health and Safety, Technical Training, Codes and Standards, and Construction Project Management departments.

Ms. Applegate joined Black Hills Energy (BHE) in February 2016 as the Director, Technical Services. In this role she continued to support the technical functions that support field operations including Engineering, Pipeline Integrity, Compliance, Measurement and GIS functions. In June 2017 she was appointed to the role of Director, Asset Planning and Data Management.

Ms. Applegate joined Xcel Energy in June 2018 as the Director, Regulatory Administration. She is responsible for providing leadership, direction, and technical expertise related to regulatory processes and functions for Public Service Company of Colorado.

Ms. Applegate has testified before the Colorado Public Utilities Commission, the Missouri Public Service Commission and the Maine Public Utilities Commission on various regulatory, rate, certificate, and tariff issues.