

2020 Tolk Analysis
First Technical Conference
06/18/2020



The Tolk Analysis

- The uncontested comprehensive stipulation in New Mexico Case No. 19-00170-UT requires:
 - SPS to submit a robust analysis of Tolk abandonment and potential means of replacement by June 2021 (“The Tolk Analysis”)
 - The Tolk Analysis will be incorporated into SPS’s 2021 Integrated Resource Plan (“IRP”) application
 - The Tolk Analysis shall include:
 - **Two technical conferences**
 - **A review by an independent evaluator (“IE”)**
 - **Replacement resources priced based on an RFP or RFI process**
 - The value of reselling the water rights

Stipulation Requirements

The Tolk Analysis shall include evaluation of:

- (i) the type, technical characteristics, and cost of the resources needed or available to replace the capacity provided by Tolk
- (ii) The economically optimal (in terms of the public interest) abandonment dates for Tolk
- (iii) The impact on customer rates of multiple abandonment scenarios based on the present value revenue requirements considering SPS's integrated resources

SPS also committed to running at least one scenario in which all of SPS's coal-burning units are retired or replaced by 2030

Technical Conferences

- **First Technical Conference – Present and solicit feedback on the basic parameters and approach of the Tolk analysis**
- Second Technical Conference – Provide and solicit feedback on the preliminary conclusions of the Tolk analysis
- Both technical conferences were to be held in-person in either Santa Fe or Albuquerque
- COVID-19 restrictions continue to present challenges for in-person meetings
- **SPS proposed to split the first technical conference into two separate sessions - The first being held today as a webinar**
- The second session of the first technical conference will be held either in-person or as a webinar in the near future

Agenda – Session 1 of 1st Technical Conference

To conduct a robust analysis in the timeframe required, SPS is presenting the following critical items for immediate consideration and review:

1. General approach of the Tolk Analysis
2. Request for Proposal (“RFP”) to acquire the services of an IE
3. Draft Request for Information (“RFI”) to obtain pricing of replacement resources
4. Outline of the scenarios SPS is proposing to evaluate

Agenda – Session 2 of 1st Technical Conference

The second session of the first technical conference will include the following discussions:

1. Finalize the RFI for pricing of replacement resources
2. SPS's Encompass model
3. Further discussion on the scenarios outlined in today's presentation
4. Critical modeling inputs and assumptions (*for example, SPS's gas forecast*)

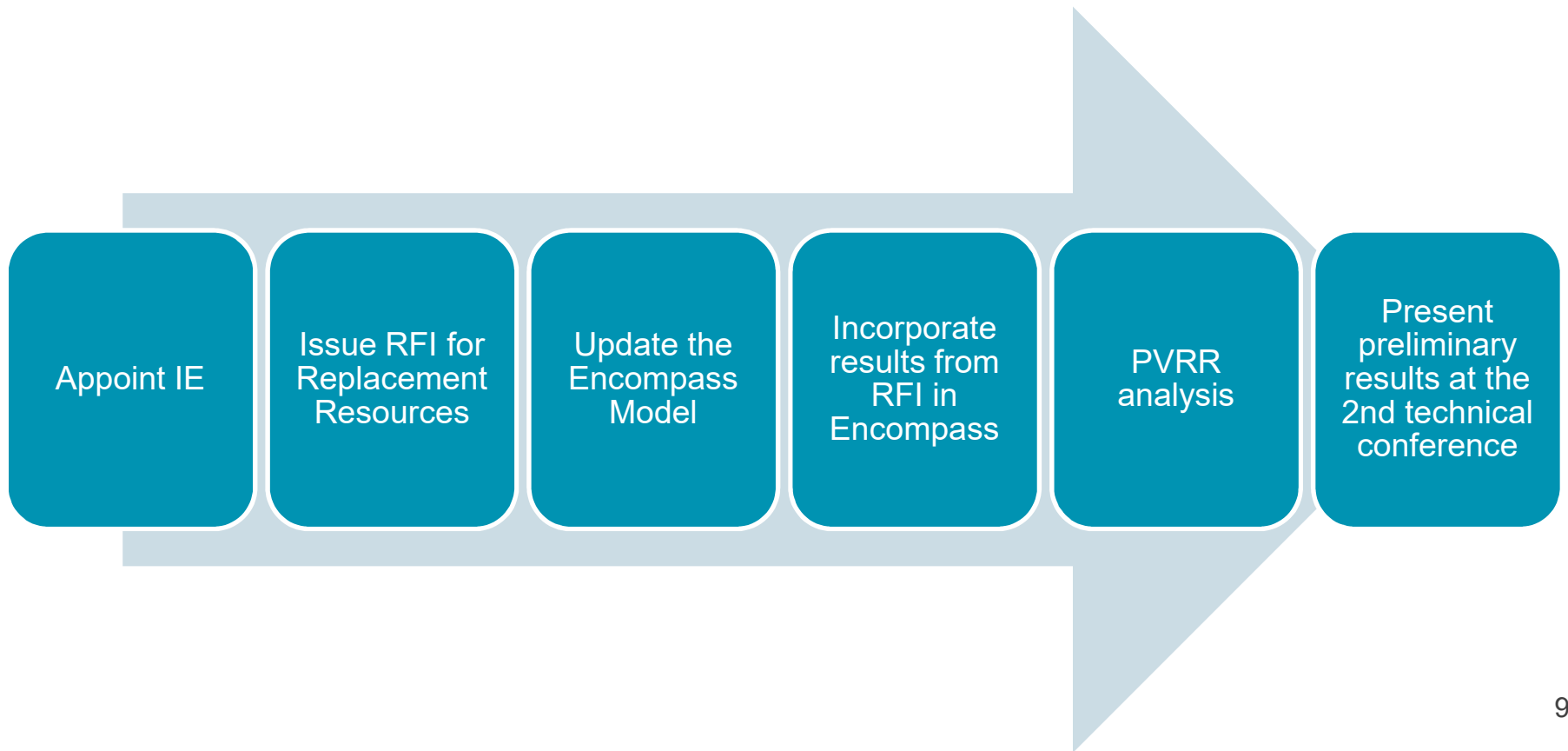
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**Agenda Item 1:
General Approach to the Tolk Analysis**

General Approach

- A Present Value Revenue Requirement (“PVRR”) Analysis using the Encompass production cost modeling software
- Encompass will be discussed in detail during the second session of the first technical conference
- Evaluate multiple retirement and operating scenarios for SPS’s coal units
- Each scenario will include an optimized expansion and generator replacement plan
- Type, technical characteristics, and cost of replacement generators available will be the result of an RFI process
- An IE will oversee the RFI process and Tolk Analysis

Process

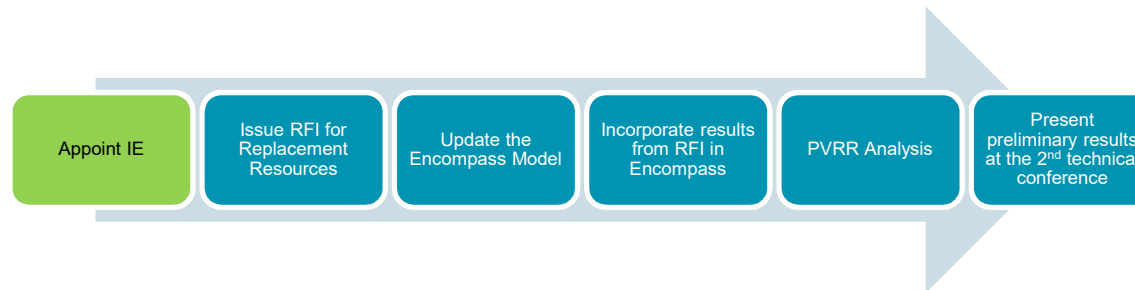




**Agenda Item 2:
The Independent Evaluator**

Independent Evaluator

- The New Mexico stipulation requires the Tolk Analysis to include a review by an IE
- SPS intends to issue an RFP to acquire the services of an IE
 - SPS is soliciting comments from interested parties to be submitted via email
 - Comments to be received within 7 days of this meeting
 - SPSTolkAnalysis@xcelenergy.com
- SPS's preference is for the IE to review the RFI for replacement resources before it is issued
- IE proposals will be due within 21 days of issuance of the RFP



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Scope of Work Independent Evaluator Executive Summary

Southwestern Public Service Company (“SPS”) is planning to issue an all-source Request for Information (“RFI”) to obtain current pricing, technical characteristics, and other relevant information for potential generating resources. The results from the RFI will be incorporated into an evaluation of the potential abandonment and replacement of SPS’s Tolk Station, herein known as “the Tolk Analysis,” which will include an analysis in which all coal-burning units are retired or replaced before 2030 as set forth in the recent New Mexico Public Regulation Commission final order adopting the stipulation in SPS’s most recent rate case.¹ SPS is seeking the services of an Independent Evaluator (“IE”) to provide an independent review of the RFI process and Tolk Analysis to evaluate the fairness of SPS’s bid solicitation and bid evaluation processes. Upon completion of the RFI solicitation and SPS’s development of the Tolk Analysis, the IE will report its findings to the New Mexico Public Regulation Commission (“NMPRC”) and SPS.

The primary objectives of the IE’s independent review will be to:

- Assess whether that the RFI parameters are consistent with the objectives of the Tolk Analysis
- Assess whether the RFI documents including Standard Bidders Forms provide sufficient and consistent information for respondents to the RFI (“Bidders”) to prepare proposals
- Identify any undue bias in the criteria used or as applied to evaluate bids
- Assess whether a consistent and fair methodology was used to screen and rank bids
- Assess whether the bids were fairly incorporated into the Tolk Analysis
- Provide an assessment of the Tolk Analysis including any deficiencies in the parameters or results of the analysis

Background

Tolk Station consists of two coal-powered steam turbine units, located in Lamb County, Texas. Each unit has a net capacity of approximately 540 MW, for a total net capacity of approximately 1,080 MW.

Tolk Station relies exclusively on groundwater from the Ogallala Aquifer for generation cooling, and the Ogallala Aquifer is in an irreversible decline. To conserve water, and the life of Tolk Station, SPS has implemented a plan to reduce the number of hours the Tolk units operate annually.

¹ Uncontested Comprehensive Stipulation (“Stipulation”) filed at the New Mexico Public Regulation Commission on January 13, 2020 and approved by the New Mexico Public Regulation Commission (“NMPRC”) in Case No. 19-00170-UT.

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SPS is required to analyze a range of operating parameters and retirement dates for Tolk Station. The analysis will incorporate the pricing and technical characteristics obtained in the RFI process. The results of the analysis will be included in SPS's next Integrated Resource Plan ("IRP"), to be filed in July 2021.

As part of the Tolk Analysis, SPS will use the information obtained from this RFI to include an evaluation of the potential retirement and replacement of all of SPS's coal burning generation.

Timeline

SPS is required to complete the Tolk Analysis by June 2021, one month before the IRP. To meet the filing date, SPS anticipates issuing the RFI in the Summer of 2020. Bidders will then be given 60 days to submit their proposals. The evaluation process and Tolk Analysis is expected to take approximately six months from receipt of bids.

IE Responsibilities

To achieve the primary objectives, the IE will be provided immediate and continuing access to all documents and data reviewed, used, or produced by SPS in the preparation of the Tolk Analysis and in its bid solicitation, evaluation, and selection processes. SPS will provide to the IE bid evaluation results and modeling runs so that the IE can verify these results and can investigate options that SPS did not consider.

To conduct a thorough, independent, and unbiased review of the RFI process and Tolk Analysis, the IE will perform the following activities:

Meetings

The IE will attend an initial kickoff meeting prior to issuance of the RFI either via teleconference or in person at SPS's offices in Amarillo, Texas. The kickoff meeting will provide an opportunity to discuss the RFI parameters, specific items which may be required for the Tolk Analysis, and SPS's thoughts, goals and objectives regarding the RFI and Tolk Analysis. SPS will establish and explain confidentiality protection procedures regarding bid information and evaluation. Additional details regarding project administration and public communications will be discussed at the kickoff meeting as well.

The IE will conduct regular project status calls with SPS to discuss the project and identify and mitigate any issues that arise.

The IE will attend via teleconference at all future public technical conferences and other meetings as necessary to achieve the primary objectives.

Review and Finalize RFI Documents and Evaluation Process

The IE will critically review the draft RFI and any associated documents and notification communications with the objective of determining whether there are any undue biases presented to any category of potential Bidders as a result of the structure of the RFI requirements and make recommendations as needed. Additionally, the IE will review and

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evaluate the draft proposal submittal requirements and standard bidder forms and make recommendations as needed.

Review Bidder Communications

Upon issuance of the RFI, the SPS staff directly involved with the RFI will adhere to strict communication protocols with Bidders. The IE will examine any communications between SPS and Bidders during the RFI review period, which will begin with the issuance of the RFI and end with filing of SPS's 2021 integrated resource plan in July 2021. The purpose of this examination will be to determine whether Bidders were treated fairly during the submittal and evaluation periods, and whether SPS was unduly biased toward a specific bid.

Evaluate the SPS Economic Modeling of Bids

The IE shall conduct a thorough and unbiased review of the due diligence activities performed by SPS for each prospective bid, as well as a review of the economic modeling of each bid to confirm the modeling was accurate and consistent across all bids.

In reviewing the due diligence activities, the IE will review each bid and associated Standard Bidding Forms, followed by a review of SPS's documented non-economic evaluation of all bids.

Evaluation of the Tolk Analysis

The IE shall conduct a thorough, and unbiased review of the Tolk Analysis parameters and results. The review should include, but not be limited to, consideration of potentially different retirement dates of the Tolk units, the feasibility of acquiring adequate replacement resources in the timeframe necessary, and availability of economic water in each of the scenarios modeled.

The IE will conduct a thorough review of key inputs and parameters to the Tolk Analysis including, but not limited, SPS's natural gas price forecasts and system load forecasts.

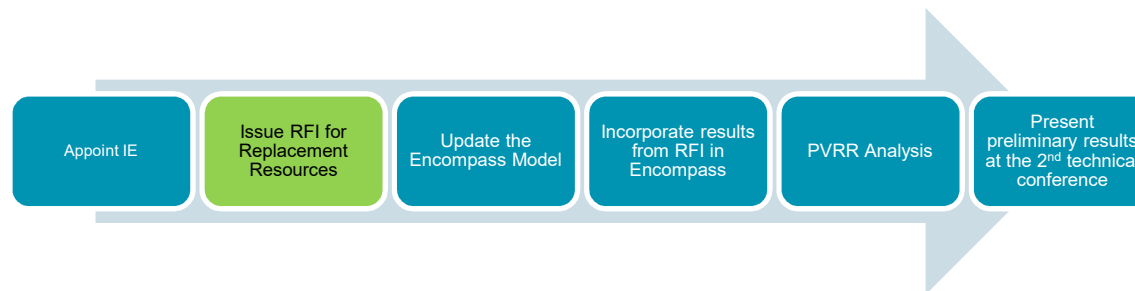
Prepare and Provide Independent Review Report

The IE will prepare a detailed report of its findings and conclusions regarding the Tolk Analysis. Initial drafts of the report are anticipated to be reviewed internally by SPS and in collaboration with the IE for quality assurance. After incorporating any necessary revisions to the report that are identified as a result of the reviews, the IE will issue the final report redacted as necessary to ensure protection of confidential information; confidential information referenced should be made available only under appropriate protective order procedures.

**Agenda Item 3:
RFI – Pricing for Replacement Resources**

RFI for Replacement Resources

- SPS will issue an all-source solicitation for replacement generating resources
- SPS will consider all ownership structures including, but not limited to, purchased power agreements, build-own-transfers, and company self-built facilities
- Bidders will be required to provide information necessary to accurately model the proposed resources – including, but not limited to: pricing, technical characteristics, generator output, commercial operation date
- SPS is soliciting comments from interested parties to be submitted via email
 - Comments to be received within 28 days of this meeting
 - Comments will be discussed at the 2nd Session of the 1st Technical Conference
 - SPSTolkAnalysis@xcelenergy.com



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Southwestern Public Service Company Request for Information

Introduction:

This announcement constitutes a Request for Information (“RFI”) notice soliciting current pricing, technical characteristics, and other relevant information for potential generating resources. This is not a Request for Proposals (“RFP”) or solicitation for formal proposals. This RFI does not constitute a commitment, implied or otherwise, that SPS will take action in this matter. SPS will not be responsible for any costs incurred in furnishing SPS responsive information.

SPS is interested in understanding the current availabilities, flexibilities, and preferences of market participants interested in providing capacity and associated energy to SPS from all generating resource types, including energy storage, whether existing or yet-to-be constructed. SPS is considering the availability of capacity resources for possible future owned generation, build-own-transfers (“BOTs”), and purchased power agreements (“PPAs”).

General Background:

- SPS is a New Mexico corporation and wholly-owned electric utility subsidiary of Xcel Energy.
- SPS’s total company service territory encompasses a 52,000-square-mile area in eastern and southeastern New Mexico, the Texas Panhandle, and the Texas South Plains and its primary business is generating, transmitting, distributing, and selling electric energy.
- SPS has a long history of providing safe, reliable, value-added service to our customers
- SPS serves 394,220 electric retail customers in Texas and New Mexico.
- As prescribed in the Uncontested Comprehensive Stipulation (“Stipulation”) filed at the New Mexico Public Regulation Commission on January 13, 2020 and approved by the New Mexico Public Regulation Commission (“NMPRC”) in Case No. 19-00170-UT, the Stipulation requires SPS to submit a robust analysis of the possible abandonment of its Tolk Generating Station Units 1 and 2 (Tolk) and potential means of replacement of those resources (the “Tolk Analysis”). The Tolk Analysis shall include replacement resources priced based on an RFI solicitation. The Tolk Analysis will also consider a scenario in which all SPS’s coal-burning units are retired or replaced before 2030.
- SPS will be evaluating multiple scenarios with various capacity replacement dates. The minimum net capacity need is approximately 500 MW beginning summer 2023. The maximum net capacity need is approximately 2,200 MW beginning summer 2025.

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Qualifications and Assumptions:

- Expressions of interest should be from existing or proposed generating facilities within the SPS zone or delivered to the SPS zone from existing or proposed sites within the Southwest Power Pool.
- Expressions of interest should include a proposed Commercial Operation Date (“COD”) if the submission is a future resource.
- Expressions of interest should include all capacity, energy, environmental attributes such as Renewable Energy Credits (RECs), and other generation-related services.
- For purposes of this RFI, “renewable energy” refers to electrical power generated by solar, wind, biomass, or other commercially viable renewable energy technologies including energy storage.
- SPS is interested in the availability of capacity and associated energy resources for possible future owned generation, BOTs, and PPAs.
- PPA durations should be 25 and 30 years.
- Interested parties should respond to this RFI within 60 days of issuance.

Specific Information of Interest:

- Project type, including technical characteristics.
- Project site location for delivery within (or to) the SPS system.
- Proposed COD for resource facilities responsive to this RFI, including details on whether a delay in the proposed COD could impact the pricing and if so an estimate of the price of those impact(s).
- Pricing and quantity in megawatts. All pricing in respondent proposals should reflect costs (to the extent applicable) at the time of submittal and should include costs of interconnection to the transmission system if applicable.
- Statement on current interconnection status (if any), and anticipated extent of need for transmission system upgrades for the proposal.
- Proposals must demonstrate an anticipated ability to obtain all required state/local pre-construction approvals and any associated risks to meet the COD.

Content of Submissions:

- Appendix A includes a set of forms applicable to the resource type being submitted.
 - For dispatchable resources the submitter should complete Appendix A-D forms
 - For renewable generation resources the submitter should complete Appendix A-R forms
 - For Build-Own-Transfer or sale of an existing asset the submitter should complete Appendix A-CO.
- Some information may be requested on more than one form. Although such requests may be redundant, submitters must provide the information requested on each applicable form. Submitters must submit an electronic copy provided on a USB drive in a Microsoft Office format to SPS at the address given below.

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Proposal Submission Deadline:

Proposals will be accepted until 5:00 P.M. Central Time on **Friday, August __, 2020**. All Proposals must be transmitted by express, certified or registered mail, or hand delivered to SPS's RFI point of contact at the following address:

SPS 2020 All-Source RFI submission:

SPS 2020 All-Source RFI
Attn: Resource Planning
Xcel Energy Services Inc.
1800 Larimer Street, Suite 700
Denver, CO 80202

Proposals received later than the due date and time indicated will be rejected and returned unopened, unless SPS determines in its sole discretion that extenuating circumstances led to late delivery.

Follow-up Requests

To the extent SPS has questions or seeks clarification regarding a Proposal, SPS may pose follow-up questions. Submitters are not obligated to respond to such follow-up questions, but are advised that a failure to provide adequate information may lead to a Proposal or a portion of a Proposal being disregarded.

Confidentiality

SPS recognizes that certain information contained in a Proposal submitted may be deemed by the submitter to be confidential. To the extent a submitter believes portions of its Proposal (or any subsequent responses to follow-up questions) constitute confidential material, the submitter should clearly label such material as confidential ("Confidential Material"). SPS will not be responsible for identifying any Confidential Material that has not been designated as such by the submitter. If SPS receives a request from a regulatory or judicial authority to which Confidential Material is responsive, or if SPS receives a request (that SPS reasonably deems to be a valid request) from a party in a regulatory or judicial proceeding to which request SPS determines Confidential Material in the Proposal is responsive, or to the extent otherwise required by law, SPS may provide the Confidential Material pursuant to a confidentiality or protective agreement or order in such proceeding. To the extent Confidential Material is proposed to be disclosed publicly (i.e., not subject to a confidentiality or protective agreement), SPS will notify the submitter as soon as reasonably possible; it is the sole responsibility of the submitter to seek to protect the material subsequent to such notification. SPS may disclose non-Confidential Material at its discretion without prior notice.

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**Agenda Item 4:
Overview of Scenarios being Evaluated**

Multiple Tolk Retirement Scenarios

- Reduced operations
 - SPS's currently implemented plan
 - Both units are economically dispatched June – September and offline in off-peak months
- Economic Dispatch
 - Both units are economically dispatched in all months
- Earliest Retirement of Both Tolk Units
 - Both units are economically dispatched in all months
 - Both units are retired as soon as feasible*

* Feasibility will be determined based on COD dates of replacement resources as submitted in the RFI

Multiple Tolk Retirement Scenarios Continued

- Staggered Retirement of Tolk Units
 - One unit is retired as soon as feasible*
 - Second unit will be retired upon depletion of economically available water
- Earliest Retirement of all Coal-Burning Units

* *Feasibility will be determined based on COD dates of replacement resources as submitted in the RFI*

