

DOCKET NO. _____

APPLICATION OF SOUTHWESTERN § PUBLIC UTILITY COMMISSION
PUBLIC SERVICE COMPANY FOR §
AUTHORITY TO CHANGE RATES § OF TEXAS

DIRECT TESTIMONY
of
WILLIAM A. GRANT

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: GrantRRDirect.doc)

Table of Contents

GLOSSARY OF ACRONYMS AND DEFINED TERMS.....	4
LIST OF ATTACHMENTS	7
I. WITNESS IDENTIFICATION AND QUALIFICATIONS	8
II. PURPOSE AND SUMMARY OF TESTIMONY AND RECOMMENDATIONS	12
III. SCHEDULES SPONSORED	19
IV. REQUESTED RFP AND COMMISSION RULE WAIVERS	30
V. OVERVIEW OF APPLICATION AND WITNESSES	32
A. SPS’S REQUESTED RELIEF	32
B. PRESENTATION OF RATE CASE INFORMATION	35
C. INTRODUCTION OF SPS REVENUE REQUIREMENT WITNESSES	37
VI. SPS OVERVIEW.....	48
VII. OBLIGATIONS AND PRECEDENT FROM PRIOR DOCKETS	52
VIII. QUALITY OF SERVICE	53
IX. RECOVERY OF CAPITAL INVESTMENT	54
X. NATIVE O&M AND A&G EXPENSE	61
XI. SOUTHWEST POWER POOL SERVICES	67
XII. REQUESTED REGULATORY ASSETS.....	71
A. ATTACHMENT Z2 CHARGES.....	71
B. DEFERRED COSTS RESULTING FROM THE EFFECTS OF COVID-19.....	71
XIII. KNOWN AND MEASURABLE IMPACT OF LP&L DISCONNECTING FROM SPS’S TRANSMISSION SYSTEM	72

XIV.	DEPRECIATION RATES AND RELATED EXPENSE	74
A.	DEPRECIABLE SERVICE LIFE OF THE COAL-SPECIFIC ASSETS AT THE HARRINGTON GENERATING STATION	74
B.	DEPRECIABLE SERVICE LIFE OF THE TOLK GENERATING STATION	77
C.	DEPRECIABLE SERVICE LIFE OF PLANT X UNIT 3	79
XV.	CAPACITY ASSOCIATED WITH SOLAR POWER PURCHASE AGREEMENTS.....	82
XVI.	RESILIENCY SERVICE TARIFF	84
XVII.	AFFILIATE CLASSES SPONSORED	87
XVIII.	AFFILIATE EXPENSES FOR THE STRATEGIC REVENUE INITIATIVES CLASS OF SERVICES.....	88
A.	SUMMARY OF AFFILIATE EXPENSES FOR THE STRATEGIC REVENUE INITIATIVES CLASS OF SERVICES	88
B.	THE STRATEGIC REVENUE INITIATIVES CLASS OF SERVICES ARE NECESSARY SERVICES	96
C.	THE STRATEGIC REVENUE INITIATIVES CLASS OF SERVICES ARE PROVIDED AT A REASONABLE COST	98
1.	ADDITIONAL EVIDENCE	99
2.	BUDGET PLANNING	99
3.	COST TRENDS.....	100
4.	STAFFING TRENDS.....	101
5.	COST CONTROL AND PROCESS IMPROVEMENT INITIATIVES	102
D.	THE COSTS FOR THE STRATEGIC REVENUE INITIATIVES AFFILIATE CLASS OF SERVICES ARE PRICED IN A FAIR MANNER	103
XIX.	AFFILIATE EXPENSES FOR PSCo PRESIDENT CLASS OF SERVICES.....	106
A.	SUMMARY OF AFFILIATE EXPENSES FOR THE PSCo PRESIDENT CLASS OF SERVICES	106
B.	THE PSCo PRESIDENT CLASS OF SERVICES ARE NECESSARY SERVICES	108
C.	THE PSCo PRESIDENT CLASS OF SERVICES ARE PROVIDED AT A REASONABLE COST.....	110
1.	ADDITIONAL EVIDENCE	110
1.	BUDGET PLANNING	111
2.	COST TRENDS.....	112
3.	STAFFING TRENDS.....	113
4.	COST CONTROL AND PROCESS IMPROVEMENT INITIATIVES	113
D.	THE COSTS FOR THE PSCo PRESIDENT CLASS OF SERVICES ARE PRICED IN A FAIR MANNER.....	114
XX.	RATE CASE EXPENSES	117

A.	EXPENSES INCURRED OR ESTIMATED TO BE INCURRED IN THIS PROCEEDING	119
B.	EXPENSES INCURRED OR EXPECTED TO BE INCURRED IN OTHER TEXAS REGULATORY PROCEEDINGS	128
C.	RATE CASE EXPENSE RECOVERY MECHANISM.....	130
XXI.	SPS’S REQUESTS OF THE COMMISSION.....	131
	AFFIDAVIT	134

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
A&G	Administrative & General
Btu	British Thermal Unit
Commission	Public Utility Commission of Texas
CRS	Customer Resources System
DC	Direct Current
DCRF	Distribution Cost Recovery Factor
EEI	Edison Electric Institute
EPA	Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
Eversheds Sutherland	Eversheds Sutherland (US) LLP
FERC	Federal Energy Regulatory Commission
GI Queue	Order of requests to SPP for interconnection of new generation resources
GSEC	Golden Spread Electric Cooperative, Inc.
Harrington	Harrington Generating Station
Hinkle Firm	Hinkle Shanor LLP
kV	Kilovolt
kWh	Kilowatt-hour
LP&L	Lubbock Power and Light
MMBtu	Million British Thermal Unit
MW	Megawatt
NAAQS	National Ambient Air Quality Standards

<u>Acronym/Defined Term</u>	<u>Meaning</u>
NMPRC	New Mexico Public Regulation Commission
NSP-M	Northern States Power Company, a Minnesota corporation
NSP-W	Northern States Power Company, a Wisconsin corporation
OATT	Open Access Transmission Tariff
O&M	Operation and Maintenance
OPEB	Other Post-Employment Benefits
Operating Companies	NSP-M, NSP-W, PSCo, and SPS
PCRF	Purchased Power Cost Recovery Factor
Plant X 3	Plant X Unit 3 Generating Station
PPA	Purchased Power Agreement
PNM	Public Service Company of New Mexico
PSCo	Public Service Company of Colorado, a Colorado corporation
PTC	Production Tax Credits
PURA	Public Utility Regulatory Act
QF	Qualifying Facility
REC	Renewable Energy Credit
RFP	Rate Filing Package
ROE	Return on Equity
RSC	Regional State Committee
RTO	Regional Transmission Organization
Sagamore or Sagamore Project	Sagamore Wind Project

<u>Acronym/Defined Term</u>	<u>Meaning</u>
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SO ₂	sulfur dioxide
SPP	Southwest Power Pool Inc.
SPS	Southwestern Public Service Company, a New Mexico corporation
TAC	Texas Administrative Code
TCEQ	Texas Commission on Environmental Quality
TCRF	Transmission Cost Recovery Factor
Technical Depreciation Update	SPS-Texas Technical Update Depreciation Accrual Rate Study at June 20, 2020
Temporary Rate Date	35 th day following the filing of SPS's Application
Temporary Rate Period	Period from the Temporary Rate Date until the relate-back date in this case under PURA § 36.211
Test Year	October 1, 2019 through September 30, 2020
Tolk	Tolk Generating Station
Update Period	October 1, 2020 through December 31, 2020
Updated Test Year	January 1, 2020 through December 31, 2020
WACC	Weighted Average Cost of Capital
Winstead Firm	Winstead, P.C.
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
WAG-RR-1	Summary of Texas Retail Rate Increase Request (Filename: WAG-RR-1.xlsx)
WAG-RR-2	Summary of Texas Retail Fuel Savings (Filename: WAG-RR-2.xlsx)
WAG-RR-3	Map of SPS High-Voltage System (Non-native format)
WAG-RR-4	Native O&M Costs (Filename: WAG-RR-3.xlsx)
WAG-RR-5	Southwest Power Pool Inc. Organizational Chart – 2020 (Non-native format)
WAG-RR-6	Summary of Southwest Power Pool Inc.’s Cost Allocation Methods (Non-native format)
WAG-RR-7	Organizational Chart for Group President (Non-native format)
WAG-RR-8	Summary of Rate Case Expenses (Filename: WAG-RR-7.xlsx)
WAG-RR-A (Updated Test Year)	Summary of XES Expenses to SPS by Affiliate Class and Billing Method (Filename: WAG-RR-ABCD.xlsx)
WAG-RR-B(CD) (Updated Test Year)	XES Expenses by Affiliate Class, Activity, Billing Method and FERC Account (Filename: WAG-RR-ABCD.xlsx)
WAG-RR-C (Updated Test Year)	Exclusions from XES Expenses to SPS by Affiliate Class and FERC Account (Filename: WAG-RR-ABCD.xlsx)
WAG-RR-D (Updated Test Year)	Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account (Filename: WAG-RR-ABCD.xlsx)

**DIRECT TESTIMONY
OF
WILLIAM A. GRANT**

1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is William A. Grant. My business address is 790 South Buchanan Street,
4 Amarillo, Texas 79101.

5 **Q. On whose behalf are you testifying in this proceeding?**

6 A. I am filing testimony on behalf of Southwestern Public Service Company, a New
7 Mexico corporation (“SPS”) and wholly-owned electric utility subsidiary of Xcel
8 Energy Inc. (“Xcel Energy”). Xcel Energy is a utility holding company that owns
9 several electric and natural gas utility operating companies, a regulated natural gas
10 pipeline, and three electric transmission companies.¹

11 **Q. By whom are you employed and in what position?**

12 A. I am employed by SPS as Regional Vice President, Rates and Regulatory Affairs.

13 **Q. Please briefly outline your responsibilities as Regional Vice President, Rates
14 and Regulatory Affairs.**

15 A. I am responsible for determining the appropriate planning strategy for SPS. In this
16 role, I work with generation and transmission planning personnel and coordinate

¹ Xcel Energy is the parent company of four utility operating companies: Northern States Power Company, a Minnesota corporation (“NSPM”); Northern States Power Company, a Wisconsin corporation (“NSPW”); Public Service Company of Colorado, a Colorado corporation (“PSCo”); and SPS (collectively, “Operating Companies”). Xcel Energy’s natural gas pipeline company is WestGas InterState, Inc. Through a subsidiary, Xcel Energy Transmission Holding Company, LLC, Xcel Energy also owns three transmission-only operating companies: Xcel Energy Southwest Transmission Company, LLC; Xcel Energy Transmission Development Company, LLC; and Xcel Energy West Transmission Company, LLC, all of which are regulated by the Federal Energy Regulatory Commission (“FERC”).

1 with the Southwest Power Pool (“SPP”) on regional policy and cost allocation
2 issues affecting SPS. I am also responsible for:

- 3 • overseeing the activities of the SPS regulatory department to ensure that
4 SPS meets the regulatory requirements of the Texas Public Utility
5 Commission (“Commission”) and the New Mexico Public Regulation
6 Commission (“NMPRC”), as well as FERC; and
- 7 • overseeing the relationships with the state and federal commissions and
8 managing the relationships and policy decisions with the SPP.

9 **Q. Please describe your professional experience.**

10 A. I have over 30 years of experience in both power plant and system operations at
11 Xcel Energy and its predecessors. I have had responsibility for operating several
12 different types of electric generating units ranging from diesel generators, coal-fired
13 steam electric stations, and gas-fired steam units and combustion turbines. I have
14 five years’ experience as a System Operator for the SPS transmission control center.
15 For seven years, I was Director, Power Operations for Xcel Energy Services Inc.
16 (“XES”), in which I was responsible for the economic dispatch and analytical
17 support for all of the Xcel Energy Operating Companies, including SPS. For seven
18 years, I was Manager, Transmission Control Center and Wind Integration for SPS.
19 In 2012, I was named Director, Strategic Planning for SPS. In 2017, I was named
20 Regional Vice President of Regulatory and Strategic Planning, and I was named
21 Regional Vice President of Rates and Regulatory Affairs in 2020.

22 **Q. Please describe your experience with Regional Transmission Organizations**
23 **(“RTO”).**

24 A. Over my career, I have had extensive experience with RTOs and transmission
25 coordination organizations, including serving on a number of committees in SPP

1 and the Western Electricity Coordinating Council. Currently, I serve on the SPP
2 Markets and Operations Policy Committee and the Strategic Planning Committee.
3 I have also served on the Consolidated Balancing Authority Steering Committee
4 and the Operations Reliability Working Group, and I have chaired the wind
5 integration taskforce. Additionally, I am familiar with the Midcontinent
6 Independent System Operator Day 2 Market development and implementation.

7 **Q. Have you testified before any regulatory authorities?**

8 A. Yes. I have submitted pre-filed testimony to the Commission on behalf of SPS in
9 several recent proceedings, including:

- 10 • Docket Nos. 49831, 47527, 45524, 43695, and 42004 (SPS base rate cases);
- 11 • Docket Nos. 46042 (SPS CCN case);
- 12 • Docket Nos. 48973 and 46025 (SPS fuel reconciliation cases);
- 13 • Docket Nos. 48847 and 49616 (SPS fuel formula revision cases);
- 14 • Docket No. 46496 (SPS’s request to recover amounts billed by SPP in 2016,
15 under Attachment Z2, for transmission projects placed in service between
16 2008 and 2016);
- 17 • Docket Nos. 46877 and 42042 (transmission cost recovery factor (“TCRF”)
18 cases); and
- 19 • Docket No. 46936 (SPS’s requests regarding two proposed SPS-owned
20 wind energy facilities and a proposed wind energy purchased power
21 agreement (“PPA”).

22 I have also submitted pre-filed testimony to the NMPRC, the Colorado
23 Public Utilities Commission, the Kansas Corporation Commission, and FERC. My
24 testimony in those jurisdictions has covered, among other topics:

- 25 • SPP’s operations and planning, and how those activities affect SPS;
- 26 • SPP fees and charges;

- 1 • SPP regional cost allocation for transmission facilities;
- 2 • SPS generation dispatch and outages; and
- 3 • the proposed SPS-owned wind energy facilities and proposed wind energy
- 4 PPA.

1 **II. PURPOSE AND SUMMARY OF TESTIMONY AND**
2 **RECOMMENDATIONS**

3 **Q. What is the purpose of your testimony in this proceeding?**

4 A. In addition to describing the schedules that I either sponsor or co-sponsor, my
5 testimony supports and provides an overview of SPS’s Application, including the
6 request for temporary rates, and the witnesses supporting SPS’s requested relief. I
7 also explain that not later than the 45th day after the application is filed, SPS will
8 update its application in accordance with section 36.112 of the Public Utility
9 Regulatory Act (“PURA”)² and 16 Tex. Admin. Code (“TAC”) § 25.246 to replace
10 estimates with actual amounts for the “Update Period,” which is the three-month
11 period from October 1, 2020 through December 31, 2020. In addition, I provide
12 testimony on the following topics:

- 13 • an overview of SPS and its operations;
- 14 • the new investment that SPS seeks to include in rate base in this proceeding,
15 including the 522 megawatt (“MW”) Sagamore Wind Project (“Sagamore
16 Project”) that was approved for construction by the Commission in Docket
17 No. 46936;³
- 18 • the quality of service provided by SPS;
- 19 • the waivers requested by SPS with respect to the Commission’s Rate Filing
20 Package (“RFP”);
- 21 • SPS’s compliance with obligations from prior dockets;
- 22 • the reasonableness of SPS’s native operation and maintenance (“O&M”)
23 costs;

² PURA is codified in Title II of the Texas Utilities Code. See Tex. Util. Code Ann. §§ 11.001-58.303 (West 2016), §§ 59.001-66.017 (West 2007 & Supp. 2016).

³ *Application of Southwestern Public Service Company for Approval of Transaction with ESI Energy, Inc. and Invenergy Wind Development North America LLC, to Amend a Certificate of Convenience and Necessity for Wind Generation Projects and Associated Facilities in Hale County, Texas and Roosevelt County, New Mexico, and for Related Approvals*, Docket No. 46936, Final Order (May 25, 2018).

- 1 • the services and related charges SPS receives from SPP;
- 2 • the Attachment Z2 regulatory asset;
- 3 • the COVID-19 regulatory asset, including SPS’s request to recover
4 incremental direct costs incurred as a result of COVID-19, establish a
5 tracker for bad debt expense, and seek recovery of the additional bad debt
6 expense in SPS’s next base rate case;
- 7 • the known and measurable impact of Lubbock Power and Light (“LP&L”)
8 moving its transmission load to the Electric Reliability Council of Texas
9 (“ERCOT”) in June 2021, which results in a change in the allocation of
10 transmission costs;
- 11 • approval of the SPS-Texas Technical Update Depreciation Accrual Rate
12 Study at June 20, 2020 (“Technical Depreciation Update”) and resulting
13 depreciation rates, including the requested shorter operating lives of the
14 Tolk Generating Station (“Tolk”), the coal-specific assets at the Harrington
15 Generating Station (“Harrington”), and the Plant X Unit 3 Generating
16 Station (“Plant X 3”);
- 17 • capacity associated with SPS’s solar PPAs;
- 18 • SPS’s proposal to offer a voluntary resiliency service tariff for customers
19 who choose to obtain behind-the-meter equipment to maintain service in the
20 event of a disruption;
- 21 • the reasonableness and necessity of the costs of the Strategic Revenue
22 Initiatives class of affiliate costs;
- 23 • the reasonableness and necessity of the costs of the PSCo President class of
24 affiliate costs;
- 25 • the requested recovery of SPS’s rate case expenses, and the inclusion of
26 those expenses in base rates; and,
- 27 • a summary of the relief that SPS asks the Commission to grant in this
28 docket.

29 **Q. Please summarize your testimony.**

30 A. The remainder of my testimony is organized into 19 sections, which are
31 summarized as follows:

1 Section III – I describe the RFP schedules that I sponsor or co-sponsor. I
2 also explain that a number of schedules related to fuel reconciliation proceedings
3 are not applicable in this case because SPS’s application does not include a request
4 to reconcile eligible fuel and purchased power expenses;

5 Section IV – I list the waivers from the RFP that SPS is requesting in this
6 case. Most of the waivers relate to schedules that assume SPS will be filing a fuel
7 reconciliation proceeding along with a base rate case. Because fuel reconciliations
8 are no longer paired with base rate cases, certain RFP schedules are inapplicable to
9 this filing. SPS is also requesting waivers with respect to certain schedules that
10 require the provision of Test Year information because rates will be set in this case
11 based on information from the twelve-month period from January 1, 2020 through
12 December 31, 2020, which I refer to in my testimony as the “Updated Test Year”;

13 Section V – I provide an overview of the filing and SPS’s request for an
14 overall base rate increase of \$143,365,836 for the Texas retail jurisdiction and
15 introduce the other SPS witnesses supporting SPS’s request. My testimony
16 explains that SPS has elected to provide Test Year information, but it is also
17 providing estimates for the Update Period, as allowed by PURA § 36.112 and 16
18 TAC § 25.246. In addition, my testimony explains that the requested increase is
19 largely driven by the \$1.75 billion (Total Company) in new investment that SPS
20 has placed or expects to place into service between July 1, 2019 and December 31,
21 2020. Other factors driving the requested revenue requirement include a necessary
22 change in depreciation rates as supported by SPS’s depreciation study and the
23 continuing reduction in SPS’s wholesale purchased power sales;

1 Section VI – I provide a high-level overview of SPS, including its history,
2 its customer base, and its generation and long-term purchased power resources;

3 Section VII – I summarize the obligations that have been undertaken
4 voluntarily or imposed on SPS in prior cases and establish SPS’s compliance with
5 those obligations, as well as its consistent treatment of renewable-energy credits as
6 part of eligible fuel expense;

7 Section VIII – I discuss SPS’s quality of service.

8 Section IX – I summarize the \$1.75 billion of capital investment that SPS
9 has placed in service or expects to place in service since the test year in its last base
10 rate case, including the 522 MW Sagamore Project that was approved for
11 construction by the Commission in Docket No. 46936. The SPS witnesses
12 supporting the prudence of this capital investment are identified in Section V of my
13 direct testimony;

14 Section X - I describe certain native O&M and Administrative and General
15 (“A&G”) costs in FERC Accounts 912, 916, 921, 923, and 928 that SPS seeks to
16 recover. Those costs relate to demonstration and selling expense (FERC Account
17 912), office supplies and expenses (FERC Account 921), outside services and
18 consulting attorneys expense (FERC Account 923), and regulatory expense (FERC
19 Accounts 928). I explain that these expenses are reasonable and necessary to SPS’s
20 operations. These costs include estimates that will be updated in the 45-day case
21 update filing, which I will explain later in my testimony;

22 Section XI – I describe the reasonable and necessary services provided to
23 SPS by SPP and support the recovery of those costs in SPS’s base rates;

1 Section XII – I summarize SPS’s request regarding the recovery of and
2 accounting for regulatory assets, including Attachment Z2 charges imposed by SPP
3 in accordance with the SPP Open Access Transmission Tariff (“OATT”) for the
4 period from 2008-2016 and expenses resulting from the effects of COVID-19;

5 Section XIII – I discuss the known and measurable change in the allocation
6 of transmission costs resulting from LP&L moving its transmission load to ERCOT
7 in June 2021;

8 Section XIV – I describe SPS’s request for approval of new depreciation
9 rates, including the requested shorter operating lives for the Tolk assets, the coal-
10 specific assets at Harrington, and Plant X Unit 3;

11 Section XV – I discuss SPS’s treatment of capacity associated with the
12 Roswell Solar, Chaves County Solar, and Long Road Solar (formerly Sun Edison)
13 PPAs.

14 Section XVI – I discuss SPS’s request for approval of a voluntary resiliency
15 service tariff that allows customers with a need for higher than standard service
16 reliability to acquire behind-the-meter equipment, such as battery storage or
17 back-up generation, to avoid interruptions in service.

18 Section XVII – I provide an overview of the affiliate classes that I support;⁴

19 Section XVIII – I support the \$147,093 of Updated Test Year costs that SPS
20 seeks to recover for costs recorded in the Strategic Revenue Initiatives affiliate class

⁴ As explained in more detail in Section XVII, I sponsor three affiliate classes, but one of those classes—Corporate Giving—has no dollars associated with it. Therefore, my testimony is limited to the two classes that do have dollars associated with them: Strategic Revenue Initiatives and PSCo President.

1 and demonstrate that these costs are reasonable and necessary and satisfy the
2 affiliate cost recovery standard;

3 Section XIX – I support the \$127,560 of Updated Test Year costs that SPS
4 seeks to recover for costs recorded in the PSCo President affiliate class and
5 demonstrate that these costs are reasonable and necessary and satisfy the affiliate
6 cost recovery standard;

7 Section XX – I support SPS’s request for rate case expenses associated with
8 this case.

9 Section XXI – I summarize the relief that SPS is asking the Commission to
10 grant in the Revenue Requirement and Rate Design phases of this docket.

11 **Q. Were Attachments WAG-RR-1 through WAG-RR-4, and WAG-RR-8**
12 **prepared by you or under your direct supervision or control?**

13 A. Yes.

14 **Q. Are Attachments WAG-RR-5 through WAG-RR-7 true and correct copies of**
15 **the documents you represent them to be?**

16 A. Yes.

17 **Q. Were Attachments WAG-RR-A through WAG-RR-D prepared by you or**
18 **under your direct supervision and control?**

19 A. Attachments WAG-RR-A through WAG-RR-D were prepared by SPS witness
20 Ross L. Baumgarten and his staff. My staff and I have reviewed those attachments,
21 and I believe them to be accurate. The same information is presented in Mr.
22 Baumgarten’s Attachments RLB-RR-A through RLB-RR-D. This information is
23 presented in attachments to my testimony for the convenience of those reviewing
24 my testimony.

1 **Q. Were the RFP schedules and portions of the Executive Summary that you**
2 **sponsor or co-sponsor prepared by you or under your direct supervision or**
3 **control?**

4 **A. Yes.**

5 **Q. Do you incorporate the RFP schedules and portions of the Executive Summary**
6 **that you sponsor or co-sponsor into this testimony?**

7 **A. Yes.**

III. SCHEDULES SPONSORED

Q. What topic do you discuss in this section of your testimony?

A. I describe the schedules that I sponsor or co-sponsor. As part of that description, I note that a number of the schedules in the RFP are not applicable, including those schedules applicable to fuel reconciliation proceedings. Because of an amendment to 16 TAC § 25.236, utilities are no longer required to reconcile fuel and purchased power costs in each base rate proceeding.

Q. Please identify the schedules that you sponsor or co-sponsor.

A. Table WAG-RR-1 contains the schedules that I sponsor or co-sponsor. I also sponsor the portions of the Executive Summary to which these schedules correspond.

Table WAG-RR-1

Schedule B	1.4
Schedule C-6 Series <i>Nuclear Fuel</i>	All
Schedule E <i>Fossil Fuel Supply Disruptions</i>	2.1, 2.2, 2.3, 2.4, 2.5, 3.1, and 3.2
Schedule F <i>Description of Company</i>	F
Schedule G-4 Series <i>Summary of Advertising, Contributions & Dues</i>	All
Schedule G	5.1, 5.1a, 5.1b, 7.11, 8
Schedule G-14 <i>Rate Case Expenses</i>	14.1, 14.2
Schedule H <i>Nuclear-Related Engineering Information</i>	1.1, 1.1a, 1.1a1, 5.2a, 5.3a, 6.1, 6.1a, 6.1b, 6.1c, 6.3a, 10, 12.4b, 12.4d, 12.4e, 12.4f, 12.4g, 13.1, and 13.1c

Schedule I <i>Fuel and Purchased Power Information</i>	1.1, 1.2, 1.3, 2, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 16.1, 16.2, 16.3, 16.4, 21, and 22
Schedule J <i>Financial Statements: Reconciliation – Total Company to Total Electric</i>	1
Schedule L <i>Financial Information (River Authorities)</i>	All
Schedule M <i>Nuclear Plant Decommissioning</i>	All
Schedule N <i>Energy Efficiency Plan</i>	All
Schedule O <i>Variability of Average Fuel Costs with kWh Sales</i>	5
Schedule P <i>Class Cost of Service Analysis</i>	1.5
Schedule Q <i>Rate Design</i>	1.1, 2 and 8.7
Schedule R <i>Financial Information (G&T Cooperatives)</i>	All
Schedule S <i>Test Year Review</i>	All
Schedule T <i>Notice</i>	All
Schedule U <i>Compliance with PUCT Orders</i>	All
Schedule V <i>Request for Waiver of RFP Requirements</i>	All
Schedule W <i>Confidentiality Disclosure Agreement</i>	All

1 **Q. What does Schedule B-1.4 address?**

2 A. Schedule B-1.4 requires quantification and identification of the attendant impacts
3 of any post-test year adjustments to rate base. This schedule is not applicable in
4 this case because SPS is not proposing any post-test year adjustments to rate base.

5 **Q. What do the C-6 schedules address?**

6 A. The C-6 schedules apply to nuclear fuel. Because SPS has no nuclear plants, none
7 of those schedules apply in this case.

8 **Q. Please summarize what is contained in the E schedules that you sponsor or**
9 **co-sponsor.**

10 A. The E schedules that I sponsor or co-sponsor contain the following information:

11 • Schedule E-2.1 presents the SPS fuel inventory policies that were in effect
12 during the Test Year for natural gas, fuel oil, and coal. I co-sponsor this
13 schedule with SPS witnesses Stephanie N. Niemi and H. Craig Romer.

14 • Schedule E-2.2 contains a discussion of the studies, if any, performed by
15 the utility to optimize the fossil fuel inventory levels. This schedule
16 describes how SPS evaluates its fuel inventories. I co-sponsor this schedule
17 with Mr. Romer.

18 • Schedule E-2.3 presents an analysis of fossil fuel inventories on hand at the
19 end of the Test Year by type and location at each generating station. It also
20 contains information regarding the total storage capacity and the unused
21 capacity at each location. I co-sponsor this schedule with Mr. Romer.

22 • Schedule E-2.4 presents the monthly fossil fuel inventory for the Test Year
23 in dollars as well as volumes. I co-sponsor this schedule with Mr. Romer.

24 • Schedule E-2.5 describes the accounting treatment of the fossil fuel
25 inventory in terms of how SPS determines the cost and British Thermal Unit
26 (“Btu”) content of the fuel burned from inventory. I co-sponsor this
27 schedule with Mr. Romer.

28 • Schedule E-3.1 contains the amount of fuel oil burned in barrels, million
29 Btu (“MMBtu”), and dollars by month, by plant, and by reason. The
30 information is presented for the Test Year and by calendar year for the
31 previous five years.

- 1 • Schedule E-3.2 requires information regarding natural gas supply
2 disruptions during the Test Year or the previous five years. SPS
3 experienced no natural gas supply interruptions during those periods.

4 **Q. What does Schedule F contain?**

5 A. Schedule F includes a general description of SPS’s service area and the diversity of
6 its operations. This schedule also identifies all affiliates and briefly describes those
7 affiliates. I co-sponsor this schedule with Mr. Baumgarten.

8 **Q. Please describe the information contained in the G-4 schedules that you
9 co-sponsor.**

10 A. The G-4 schedules that I co-sponsor with SPS witness Bryan Davis contain the
11 following information:

- 12 • Schedule G-4 presents a summary of advertising, contributions, and dues
13 expense subject to the 0.3% limitation imposed by 16 TAC
14 § 25.231(b)(1)(E).
- 15 • Schedule G-4.1 contains a summary of Test Year advertising expense by
16 FERC account.
- 17 • Schedule G-4.1a contains a summary of Test Year informational or
18 instructional advertising by FERC account.
- 19 • Schedule G-4.1b contains a summary of Test Year advertising expense for
20 promoting or retaining usage by FERC account.
- 21 • Schedule G-4.1c contains a summary of Test Year general advertising
22 expense by FERC account.
- 23 • Schedule G-4.1d reflects the amount of Test Year advertising expense that
24 was capitalized.
- 25 • Schedule G-4.2 contains a summary of Test Year contribution and donation
26 expense by FERC account.
- 27 • Schedule G-4.2a contains a summary of Test Year educational contributions
28 and donations expense by FERC account.

- 1 • Schedule G-4.2b contains a summary of Test Year community service
2 contributions and donations expense by FERC account.

- 3 • Schedule G-4.2c contains a summary of Test Year economic development
4 contributions and donations expense by FERC account.

- 5 • Schedule G-4.3 contains a summary of Test Year membership dues or
6 support expense by FERC account.

- 7 • Schedule G-4.3a contains a summary of Test Year electric industry
8 organization dues expense by FERC account.

- 9 • Schedule G-4.3b contains a summary of Test Year business and economic
10 dues expense by FERC account.

- 11 • Schedule G-4.3c contains a summary of Test Year professional dues
12 expense by FERC account.

- 13 • Schedule G-4.3d contains a summary of Test Year social, recreational,
14 fraternal, or religious expenses by FERC account.

- 15 • Schedule G-4.3e contains a summary of Test Year political organization
16 expense by FERC account.

17 **Q. Is SPS requesting recovery of all costs included in the G-4 series of schedules?**

18 A. No. The G-4 series of schedules details the Texas retail amounts requested, which
19 reflects exclusions for below-the-line items such as activities related to political
20 events, charges attributable to other Operating Companies, charges attributable to
21 SPS's New Mexico jurisdiction, and other items that do not benefit Texas retail
22 customers.

23 **Q. What information is addressed in Schedule G-5.1, Schedule G-5.1a, and
24 Schedule G-5.1b?**

25 A. Schedule G-5.1 requires a listing of legislative advocacy expenses. Schedule
26 G-5.1a contains a summary of payments to registered lobbyists, and Schedule
27 G-5.1b contains a summary of payments to individuals or firms who monitored

1 legislation for SPS during the Test Year. I co-sponsor these schedules with Mr.
2 Davis.

3 **Q. What information is contained in Schedule G-7.11?**

4 A. Schedule G-7.11 requires the utility to list and explain all effects on federal income
5 tax expense and accumulated deferred federal income tax expense of any post-test
6 year adjustments to plant.

7 **Q. What information is included in Schedule G-8?**

8 A. Schedule G-8 presents information on all outside services expenses that appear in
9 the FERC Account 900 series. I co-sponsor this schedule with Mr. Davis.

10 **Q. What information is included in Schedule G-14.2?**

11 A. Schedule G-14.2 includes information on rate case expenses from prior dockets, or
12 rate case expenses incurred in SPS's last base rate case that were severed and are
13 being considered in another docket. I co-sponsor this schedule with Ms. Niemi.

14 **Q. Please describe the information contained in the H schedules that you sponsor.**

15 A. The H schedules that I sponsor are divided into several different types. The first
16 type involves information regarding nuclear generating stations. Because SPS does
17 not own any of those stations, the information requested in the following
18 H schedules has no applicability to SPS: H-1.1, H-1.1a, H-1.1a1, H-5.2a, H-5.3a,
19 H-6.1, H-6.1a, H-6.1b, H-6.1c, H-6.3a, and H-10.

20 The second group of H schedules that I sponsor relates to certain
21 reconcilable fuel costs applicable to fuel reconciliation proceedings. Because fuel
22 and purchased power costs are not being reconciled in this proceeding, SPS is

1 seeking a good-cause waiver of the requirement to provide the information
2 requested in Schedules H-12.4b, H-12.4d, H-12.4e, H-12.4f, and H-12.4g.

3 The third group of H schedules, which I co-sponsor, deals with the quality
4 of service provided by SPS. Schedule H-13.1 requires the utility to provide a
5 narrative description of the utility's efforts to maintain and improve the quality of
6 service. Schedule H-13.1c provides a description of the procedures for dealing with
7 quality of service complaints and a summary of the number of complaints received
8 during the Test Year. I co-sponsor these schedules with SPS witness Casey Meeks.

9 **Q. What information is presented in the I schedules that you sponsor?**

10 A. The I schedules present information regarding fuel and purchased power. A
11 number of them are intended to apply only to fuel reconciliation proceedings, so
12 they are not applicable in this case. Accordingly, SPS is seeking a good-cause
13 waiver of the requirement to provide the information requested in several of the
14 schedules. The specific schedules that I sponsor or co-sponsor are as follows:

- 15 • Schedule I-1.1 provides fuel expense by FERC account for each month
16 in the Test Year. The costs are also segregated by types of fuel.
- 17 • Schedule I-1.2 presents fuel expense by generating station for each
18 month in the Test Year. It contains information by dollar amounts and
19 by MMBtu.
- 20 • Schedule I-1.3 presents fossil fuel purchased by each generating station
21 for each month in the Test Year. The information is segregated by fuel
22 type and includes MMBtu purchased, the cost of the fuel purchased, and
23 the cost per MMBtu.
- 24 • Schedule I-2 describes SPS's fuel and purchased power procurement
25 practices, including a separate description for each type of fuel.
- 26 • Schedule I-6 presents information regarding the natural gas delivery
27 system. SPS is not filing a fuel reconciliation proceeding as part of this

- 1 base rate case, but SPS is including Schedule I-6 in the RFP because it
2 remains applicable to information presented in SPS's base rate case.
- 3 • Schedule I-7 presents information regarding SPS's natural gas storage
4 contracts and facilities. Because SPS is not proposing a fuel factor in
5 this case, rate year information is not applicable.
 - 6 • Schedule I-8 requires information regarding fuel properties. SPS does
7 not own any fuel-related properties, although it receives royalty income
8 from production from oil and gas leases on company-owned land. The
9 counties in which those properties are located are identified in
10 Schedule I-8.
 - 11 • Schedule I-9 presents employee organizational charts, and Schedule
12 I-10 presents employee ethics documents.
 - 13 • Schedule I-11 requires a narrative about fuel and purchased power
14 assumptions.
 - 15 • Schedule I-12 requires information regarding the utility's fossil fuel
16 mix.
 - 17 • Schedule I-13 requires information regarding SPS's relationships with
18 its fuel suppliers. The schedule notes that since the end of SPS's last
19 fuel reconciliation period, no current or former managers, executives, or
20 directors of SPS or any of its affiliates have been involved in any
21 capacity with the management of any provider of fuel or fuel supply
22 service to SPS.
 - 23 • Schedule I-14 requires information regarding audit reports for all audits
24 conducted by SPS, or an independent auditor, on SPS's fuel suppliers,
25 transporters, or other handlers during the reconciliation period.
 - 26 • The I-16 Schedule series addresses reconcilable fuel costs. Because
27 SPS is not filing a fuel reconciliation in this proceeding, the information
28 requested in the I-16 Schedule series is not applicable.
 - 29 ○ Schedule I-16.1 requests the mix of contract and spot fossil fuels
30 burned at each of SPS's generating stations by month.
 - 31 ○ Schedule I-16.2 requests the mix of contract and spot fossil fuels
32 purchased for each of SPS's generating stations by month.
 - 33 ○ Schedule I-16.3 requests information by fuel type for spot fossil fuel
34 purchases during each month in competitive acquisitions.

- 1 ○ Schedule I-16.4 requests documentation and a description of the
2 process by which SPS acquired spot fossil fuel supplies, if other than
3 by competitive bid.
- 4 • Schedule I-21 requests a summary of all significant activities, and
5 benefits of such, since the utility’s last fuel reconciliation to reduce fuel,
6 fuel-related, or purchased power energy costs, and workpapers to
7 support the information.
- 8 • Schedule I-22 is not applicable because SPS is not seeking a fuel
9 reconciliation and is not proposing a new fuel factor in this case.

10 **Q. What information is required to be presented in Schedule J-1?**

11 A. Schedule J-1 presents reconciliations of the balance sheet and the income statement
12 on a total company basis with the same information presented on a “total electric”
13 basis. This schedule is not applicable to SPS because SPS is an electric-only utility.

14 **Q. What information is required to be presented in the L schedules?**

15 A. The L schedules address financial information for river authorities. Because SPS
16 is not a river authority, none of the L schedules apply in this case.

17 **Q. What do the M schedules address?**

18 A. The M schedules address nuclear decommissioning. Because SPS does not have
19 any nuclear generating stations, none of the M schedules apply in this case.

20 **Q. What information is required to be included in the N schedules?**

21 A. The N schedules address energy efficiency expenses. Those schedules are not
22 applicable to SPS because it recovers all of its energy efficiency costs through the
23 Energy Efficiency Cost Recovery Factor.

24 **Q. What information is requested in Schedule O-5?**

25 A. Schedule O-5 requests the average cost per kilowatt hour (“kWh”) for fuel at total
26 system unadjusted and total system adjusted kWh sales. Because SPS is not filing

1 a fuel reconciliation application in this proceeding, the information requested in
2 Schedule O-5 is not applicable.

3 **Q. What information is presented in Schedule O-6.3?**

4 A. Schedule O-6.3 contains the total system line loss calculations from the line loss
5 study supported by SPS witness Richard M. Luth.

6 **Q. What information is required to be addressed for Schedule P-1.5?**

7 A. It requires financial information for non-investor-owned utilities. Because SPS is
8 an investor-owned utility, this schedule does not apply.

9 **Q. Please explain what the Q schedules that you sponsor address.**

10 A. The Q schedules address rate design. Schedule Q-1.1 is a narrative relating to the
11 revenue summary. Schedule Q-2 requires information regarding the proposed fixed
12 fuel factor. Because SPS is not proposing a new fuel factor in this case, that
13 schedule is not applicable. Similarly, Schedule Q-8.7 is not applicable to SPS
14 because it is not a distribution utility and because SPS generates the majority of its
15 own energy.

16 **Q. What information is required to be presented in the R schedules?**

17 A. The R schedules address generation and transmission cooperatives. Because SPS
18 is not a generation and transmission cooperative, these schedules are not applicable.

19 **Q. Is SPS providing information responsive to the S schedules?**

20 A. Yes. Although SPS requested a waiver of the requirement that it provide the S
21 schedules in its last base rate case, Staff has requested that SPS provide responsive
22 information in this case.

1 **Q. What does the T schedule contain?**

2 A. The T schedule contains the public notice of the filing of SPS's application to
3 change rates. That notice is also attached to the application.

4 **Q. What information is included in the U schedule?**

5 A. The U schedule lists the requirements from prior proceedings that SPS is addressing
6 in this case. That schedule identifies the particular requirements and identifies the
7 dockets from which the obligation arose.

8 **Q. What information is included in the V schedule?**

9 A. The V schedule contains a list of all schedules for which SPS seeks a waiver and
10 the specific waiver that SPS is requesting. I discuss SPS's requests for waivers in
11 more detail in Section IV of this testimony.

12 **Q. What does the W schedule address?**

13 A. The W schedule addresses the confidentiality disclosure agreement. SPS requests
14 permission in that schedule to use a protective order that is substantially the same
15 as the one approved in Docket No. 49831, rather than the protective order contained
16 in the RFP.

1 **IV. REQUESTED RFP AND COMMISSION RULE WAIVERS**

2 **Q. Is SPS requesting waivers of Commission rules or portions of the RFP?**

3 A. Yes. SPS requests waivers of the portions of the RFP that request information
4 related to fuel reconciliation proceedings. As contemplated by 16 TAC § 25.236,⁵
5 SPS is not filing a fuel reconciliation proceeding in this docket, and therefore the
6 schedules dealing with fuel reconciliation proceedings are not applicable. SPS
7 accordingly seeks a partial waiver of the requirement to file the Schedules I-4 and
8 I-15. SPS seeks a complete waiver of the requirement to file Schedules H-12.4b,
9 H-12.4d, H-12.4e, H-12.4f, H-12.4g, I-16, I-16.1, I-16.2, I-16.3, I-16.4, I-22, and
10 O-5.

11 Additionally, since SPS is not proposing new fuel factors under 16 TAC §
12 25.237, the fuel information requested in Schedules I-7, I-11, I-12, and Q-2 is not
13 relevant to this proceeding. The information requested in Schedules H-12.1,
14 H-12.2a, H-12.2b, H-12.2c, H-12.3a, H-12.4a, and H-12.4c, and H-12.5a through
15 H-12.5f is also unnecessary. Accordingly, SPS requests a waiver of the
16 requirement to provide projected fuel use data or reconciliation period data as
17 requested in these schedules.⁶

18 In addition, certain of the RFP schedules require information for a “test
19 year” or “adjusted test year.” For most schedules, SPS has provided the information

⁵ *Rulemaking Proceeding to Amend P.U.C. Subst. R. 25.236 Relating to Recovery of Fuel Costs*, Project No. 41905, Order Adopting Amendments to §25.236 as Approved at the May 16, 2014 Open Meeting at 23-24 (May 29, 2014).

⁶ If the Commission approves new loss factors in this case, SPS will update its then-current fuel factors using the new approved loss factors as part of its compliance filing in this case.

1 for the 12-month period ending September 30, 2020, but in some schedules SPS
2 has presented information for the 12-month period ending December 31, 2020. In
3 particular, SPS has provided information for the 12-month period ending December
4 31, 2020, for the following schedules: O-1.1, O-1.7, O-3.3, O-4.1, O-6.1, O-6.2,
5 P-10, P-11, Q-1, and Q-7. SPS seeks a waiver of the requirement to provide the
6 test year information for those schedules. Providing the information only for the
7 twelve-month period ending December 31, 2020 in those schedules is reasonable
8 because ultimately the information from that time period will be used to set rates
9 after estimates for the Update Period are replaced with actual amounts.

1 **V. OVERVIEW OF APPLICATION AND WITNESSES**

2 **A. SPS’s Requested Relief**

3 **Q. Please summarize SPS’s request in this proceeding.**

4 A. SPS’s Application requests a total increase of annual base rate revenues⁷ in the
5 amount of \$143,365,836 on a Texas retail jurisdictional basis, which constitutes a
6 base rate revenue increase of 23% compared to the amounts approved in Docket
7 No. 49831.⁸ The requested rate increase is based upon an October 1, 2019 through
8 September 30, 2020 Test Year Period (“Test Year”) along with the Update Period
9 October 1, 2020 through December 31, 2020.

10 However, SPS is concurrently requesting approval of a new fuel factor
11 formula in Docket No. 51625 that incorporates the savings from the Sagamore
12 Wind Project as well as the flow back of Production Tax Credits (“PTC”) to
13 customers and significantly reduces the total bill impact of the requested base rate
14 increase.

15 **Q. Have you provided a quantification of SPS’s projected fuel savings?**

16 A. Yes. Attachment WAG-RR-2 shows that based on the fuel factor that SPS proposes
17 in Docket No. 51625, SPS projects that the Sagamore Wind Project will result in
18 approximately \$69 million in fuel savings on an annual basis. The fuel savings
19 combined with the base rate increase sought in this case result in a total Texas retail
20 revenue impact of \$74,023,612 annually, or 9.2%.

⁷ My reference to “base rate revenues” refers to revenue from both base rate tariffs and miscellaneous services tariffs.

⁸ See Attachment WAG-RR-1.

1 **Q. How would the proposed change in base rates affect a typical residential**
2 **customer?**

3 A. Under the rate request proposed in this proceeding, a typical Residential Service
4 customer using 1,000 kWh of energy per month would see a base rate increase of
5 \$13.22 per month, or 13.57%, compared to the base rates approved in Docket No.
6 49831. After taking into account the reduction in fuel costs, the incremental
7 increase over current rates for a typical Residential Service customer will be \$7.93
8 per month, or 6.71%.

9 **Q. As part of its Application is SPS also requesting to implement temporary**
10 **rates?**

11 A. Yes. SPS is requesting that its current rates become temporary rates on the 35th day
12 following the filing of its Application (“the Temporary Rate Date”) pursuant to
13 PURA § 36.109(a). Further, SPS requests that the final rates set in this case be
14 applied to usage on and after the Temporary Rate Date until the relate-back date in
15 this case under PURA § 36.211 (“the Temporary Rate Period”). SPS will refund
16 or surcharge customers for usage during the Temporary Rate Period in conjunction
17 with any refund or surcharge associated with the relate-back date under PURA
18 § 36.211.

19 **Q. Does SPS’s request for temporary rates satisfy the requirements of 16 TAC**
20 **§ 22.125, relating to interim relief?**

21 A. Yes. This case is a docketed proceeding and SPS’s request for temporary rates has
22 been filed more than 30 days before the request is proposed to take effect. Further,
23 good cause exists to grant temporary rates and is consistent with the agreement

1 reached in the Unopposed Stipulation approved by the Commission in Docket No.
2 46936. In Docket No. 46936, the Signatories to the Unopposed Stipulation agreed
3 to support or not oppose SPS's request to establish temporary rates as part of the
4 first base rate case filed after the Sagamore Project was placed into commercial
5 operation. This case is the first base rate case filed by SPS since the Sagamore
6 Project was placed into commercial operation and SPS's request is consistent with
7 the Unopposed Stipulation approved by the Commission in Docket No. 46936.

8 **Q. What are the primary factors that have caused SPS to seek rate relief?**

9 A. As SPS witness and President David T. Hudson explains in more detail in his direct
10 testimony, there are three main cost drivers: (1) investments in infrastructure
11 required to support our service area, to promote economic development, and to
12 maintain and improve our operations, including investment and operating costs for
13 the Sagamore Project; (2) reductions in wholesale transmission service sales; and
14 (3) changes in depreciation expense, including the requested shorter operating lives
15 of the Tolk Generating Station assets and the conversion of the Harrington
16 Generating Station from coal to gas.

17 **Q. Has SPS included rate case expenses in its requested revenue requirement?**

18 A. Yes. Ms. Niemi included in the cost of service \$6,486,825 of rate case expenses
19 that have been incurred or are expected to be incurred by SPS and the intervening
20 municipalities in this case, SPS's currently pending Fuel Formula case, and SPS's
21 currently pending base rate surcharge case. An itemization of SPS's requested rate
22 case expenses for this case is set forth in my Attachment WAG-RR-8. SPS witness
23 Thomas K. Anson will also discuss SPS's requested rate case expenses.

1 **B. Presentation of Rate Case Information**

2 **Q. What is the Test Year in this case?**

3 A. The Test Year for the base rate case is the historical twelve-month period from
4 October 1, 2019 through September 30, 2020. SPS is providing information for
5 that Test Year in its testimony, attachments, and schedules.

6 **Q. Is SPS presenting additional information as part of its application?**

7 A. Yes. SPS is presenting additional information as authorized by PURA § 36.112.
8 Specifically, PURA § 36.112(b) provides that, in determining the base rate revenue
9 requirement for a utility operating solely outside of ERCOT, the Commission:

10 shall determine the utility's revenue requirement based on, at
11 the election of the utility:

- 12 (1) information submitted for a test year; or
13
14 (2) information submitted for a test year, updated to
15 include information that reflects the most current actual
16 or estimated information regarding increases or
17 decreases in the utility's cost of service, including
18 expenses, capital investment, cost of capital, and sales.

19 SPS is providing information for the Test Year, as well as its most current estimate for
20 the Update Period, which is the three-month period from October 1, 2020 through
21 December 31, 2020. This effectively creates an Updated Test Year consisting of
22 calendar year 2020.

23 **Q. Will the estimates for the Update Period be replaced with actual amounts from
24 the Update Period?**

25 A. Yes. PURA § 36.112(d) requires an electric utility that provides estimated
26 information in the initial filing to supplement the filing with actual information not
27 later than the 45th day after the date the initial filing was made. In accordance with

1 that statute and 16 TAC § 25.246, SPS will make an update filing no later than 45
2 days after the Application in this case is filed.

3 **Q. Has SPS provided estimates for all elements of capital investment?**

4 A. Yes. SPS has provided estimates related to all capital investments, including
5 capitalized affiliate charges, through December 31, 2020. SPS witness Mark P.
6 Moeller summarizes the estimates of capital expenditures through the end of the
7 Update Period.

8 **Q. Has SPS also provided estimates for other types of costs?**

9 A. Yes. Mr. Baumgarten describes the process for updating O&M expense estimates.
10 Additionally, the SPS witnesses supporting affiliate class O&M expenses also
11 describe the estimated costs for their respective classes.

12 **Q. Has SPS provided estimates for sales and revenues as of December 31, 2020?**

13 A. Yes. SPS witness Richard M. Luth provides that information.

14 **Q. Is SPS also making any known and measurable adjustments?**

15 A. Yes. Consistent with 16 TAC § 25.231 and 25.246(a)(5),⁹ SPS is making several
16 known and measurable adjustments to the information from the Test Year and the
17 Update Period. SPS witness Stephanie N. Niemi discusses those known and
18 measurable adjustments in her testimony.

⁹ 16 TAC § 25.246(a)(5) (“In establishing the base rates of an electric utility, and electric utility that makes an election under paragraph (2) of this subsection is not precluded from proposing known and measurable adjustments to the utility’s historical rate information as permitted by PURA and the commission’s rules.”).

1 **Q. What does SPS consider to be a known and measurable adjustment?**

2 A. Generally speaking, SPS considers a known and measurable adjustment to be an
3 adjustment that relates to events occurring after December 31, 2020, which is the
4 end of the Update Period.

5 **C. Introduction of SPS Revenue Requirement Witnesses**

6 **Q. Please explain how SPS has organized its testimony in this case.**

7 A. SPS is presenting its testimony in two phases:

- 8 • Revenue Requirement; and
- 9 • Rate Design.

10 I am the overview witness in the Revenue Requirement phase, and I introduce the
11 other witnesses who support SPS's requests for relief. SPS witness Richard M.
12 Luth is the overview witness in the Rate Design phase of the case, and he introduces
13 the SPS witnesses who testify in that phase of the case.

14 The Revenue Requirement phase presents and supports SPS's cost of
15 service analysis, capital investments, depreciation expense, capital structure, return
16 on equity ("ROE"), O&M expenses, taxes, and other types of costs that SPS incurs
17 to provide service to customers. The revenue credits that are used to offset costs
18 are also presented in the Revenue Requirement phase.

19 The Rate Design phase addresses how the Texas retail revenue requirement
20 is allocated among SPS's customer classes and how the rates are designed for those
21 customer classes. The fundamental principles utilized are based on cost causation,
22 and they mirror how SPS has performed these functions in past cases. In this case,
23 as Mr. Luth discusses, SPS is proposing a rate increase distribution that is designed

1 to eliminate inter-class subsidies by moving all classes to the Texas retail
 2 jurisdictional average rate of return. In the Rate Design phase, SPS witness Jannell
 3 E. Marks also introduces and supports the weather normalization that SPS is
 4 utilizing in this case. Mr. Luth then provide the class cost allocation, the revenue
 5 distribution, and rate design based on this weather normalization. Proposed new
 6 tariffs and changes to tariffs are also presented and supported in this phase of the
 7 case. Mr. Luth also presents the development of the baseline amounts for use in
 8 SPS’s future TCRF, Purchased Power Capacity Cost Recovery Factor (“PCRF”),
 9 and Distribution Cost Recovery Factor (“DCRF”) filings.

10 **Q. Please introduce the other SPS direct witnesses in the Revenue Requirement**
 11 **phase of this docket and their areas of testimony.**

12 A. In addition to my testimony, the following witnesses provide testimony supporting
 13 SPS’s case in the Revenue Requirement phase of this docket:

14 **Table WAG-RR-2**

Witness	Area of Testimony
David T. Hudson	<ul style="list-style-type: none"> • Presents an overview of SPS’s rate filing and explains the necessity for the requested base rate increase. • Describes SPS’s commitments to provide reliable and affordable electricity and make smart investments for the future. • Presents the main factors driving the need for a change in rates, including capital investment to support growth, reductions in wholesale power sales, and retirements of fossil generation assets in response to water shortages and other environmental concerns.

Witness	Area of Testimony
Bryan R. Davis	<ul style="list-style-type: none"> • Explains that SPS maintains its books and records in compliance with Generally Accepted Accounting Principles. • Describes SPS’s recovery of and accounting treatment of SPP’s Attachment Z2 charges for the period from 2008 to 2016. • Explains SPS’s request to recover incremental direct costs incurred as a result of COVID-19 and to establish a tracker for bad debt expense and to seek recovery of the additional bad debt expense in SPS’s next base rate case.
Patricia L. Martin	<ul style="list-style-type: none"> • Discusses the financial issues that have important implications for the overall financial integrity of SPS, including the significance of Commission decisions on ROE, capital structure for the Test Year, and associated cost of financing for SPS’s utility operations that should be used for setting rates in this case for SPS’s Texas retail operations. • Presents SPS’s capital structure, cost of debt, and overall required rate of return on its investments. • Discusses SPS’s continuing need for access to capital on reasonable terms and SPS’s capital expenditure plans.
Todd Shipman	<ul style="list-style-type: none"> • Discusses the importance of SPS’s credit metrics in accessing capital on reasonable terms. • Explains credit rating agency methodologies for establishing SPS’s credit metrics.
Jess K. Totten	<ul style="list-style-type: none"> • Supports SPS’s ROE request based on quality of service and management and discusses the statutory factors that support adjusting ROE on such a basis.
Dylan D’Ascendis	<ul style="list-style-type: none"> • Presents evidence and provides a recommendation regarding the appropriate cost of equity for SPS. • Provides evidence and analysis regarding the appropriate ROE, cost of debt, and capital structure on SPS’s Texas jurisdictional rate base.

Witness	Area of Testimony
Richard D. Starkweather	<ul style="list-style-type: none"> • Describes SPS’s relative performance when compared with other utilities in Texas and across the United States on a variety of efficiency and quality-of-management metrics for different areas of utility operations. • Provides an analysis of commercial airfares that SPS would have incurred during the Test Year had commercial airline services been utilized for business travel rather than the XES corporate aircraft.
Dane A. Watson	<ul style="list-style-type: none"> • Explains the depreciation analysis philosophy. • Discusses the Technical Depreciation Update completed for SPS assets during the Test Year. • Supports and justifies the recommended depreciation rate changes for SPS assets for the Test Year, based on the results of the Technical Depreciation Update.
Mark P. Moeller	<ul style="list-style-type: none"> • Supports capital additions, including affiliate charges, closed to plant in service for the period from July 1, 2019 through September 30, 2020. • Supports the capital additions, including affiliate charges, closed to plant in service for the period from October 1, 2020 through December 31, 2020. • Supports the depreciation expense included in the cost of service. • Discusses the Texas-specific balance of SPS’s accumulated depreciation. • Discusses SPS’s development of the balance of accumulated depreciation for the Texas retail jurisdiction and related balance of accumulated deferred income taxes (the unblending adjustment).

Witness	Area of Testimony
Ross L. Baumgarten	<ul style="list-style-type: none"> • Provides an overview of the legal structure and the business area or operational and managerial structure of Xcel Energy and explains how that structure affects SPS. • Explains the XES accounting processes and how direct and indirect costs are billed from XES, the other Operating Companies, and other affiliates to and from SPS. • Explains XES’s allocation methods, statistics, and factors. • Explains Xcel Energy’s compliance with accounting and regulatory requirements regarding affiliate transactions. • Provides the supporting documentation for the expense charges from XES to SPS and a summary list of transactions with affiliates other than XES.
Casey S. Meeks	<ul style="list-style-type: none"> • Supports the costs, reasonableness, and necessity of Distribution capital additions, including affiliate charges. • Discusses the reasonableness and necessity of distribution-related native SPS costs. • Discusses the reasonableness and necessity of affiliate expense charges from the Distribution Business Operations, Distribution Electric Engineering, Distribution Planning & Performance, Vegetation Management & Pole Program, VP Distribution Operations, and Gas Operations affiliate classes during the Updated Test Year.
Perry D. Foster	<ul style="list-style-type: none"> • Discusses the reasonableness and necessity of affiliate expense charges from the Transmission & Substations affiliate class during the Updated Test Year. • Discusses the reasonableness and necessity of transmission-related native SPS costs. • Discusses transmission reliability statistics.
Jarred J. Cooley	<ul style="list-style-type: none"> • Supports the costs, reasonableness, and necessity of the Transmission capital additions, including affiliate charges.

Witness	Area of Testimony
David A. Low	<ul style="list-style-type: none"> • Discusses SPS’s power plant operations, maintenance, and cost-control operations. • Discusses the reasonableness and necessity of affiliate charges to SPS from the ES Engineering & Construction, ES Environmental, ES Technical Services, ES VP Energy Supply, and ES VP Operations affiliate classes during the Updated Test Year. • Discusses the reasonableness and necessity of SPS’s native energy supply O&M costs.
Bennie F. Weeks	<ul style="list-style-type: none"> • Provides an overview of SPS’s resource planning process and evaluation methods. • Discusses the analysis that supports SPS’s request to shorten the service lives of the Tolk assets. • Explains the economic analysis that supports SPS’s request to depreciate the coal-specific assets at Harrington by December 31, 2024. • Describes SPS’s economic analysis regarding the Sagamore Project. • Discusses SPS’s generating capacity. • Discusses the reasonableness and necessity of affiliate expense charges to SPS from the Resource Planning affiliate class during the Updated Test Year.
Mark Lytal	<ul style="list-style-type: none"> • Supports the costs, reasonableness, and necessity of the production plant capital additions, including the Sagamore Project and affiliate charges. • Discusses SPS’s proposed change in the useful lives of certain generating units, including Tolk, Harrington, and Plant X Unit 3.
Richard L. Belt	<ul style="list-style-type: none"> • Discusses analyses regarding the water supply at Tolk.

Witness	Area of Testimony
Michael O. Remington	<ul style="list-style-type: none"> • Supports the costs, reasonableness, and necessity of certain Business Systems capital additions, including affiliate charges. • Discusses the reasonableness and necessity of affiliate expense charges to SPS included in the Business Systems affiliate class during the Updated Test Year.
Lawrence A. Bick	<ul style="list-style-type: none"> • Supports the costs, reasonableness, and necessity of the Property Services capital additions. • Discusses the reasonableness and necessity of affiliate expense charges from XES to SPS for the Safety class of affiliate services. • Discusses the reasonableness and necessity of affiliate expense charges from XES to SPS for six different affiliate classes in the Corporate Services business area during the Updated Test Year. • Supports A&G rent and maintenance of general plant native expenses.
James W. Sample	<ul style="list-style-type: none"> • Discusses the reasonableness and necessity of affiliate expense charges to SPS from the Chief Security Officer affiliate class during the Updated Test Year. • Supports the costs, reasonableness, and necessity of the Physical Security capital additions, including affiliate charges.
Adam Dietenberger	<ul style="list-style-type: none"> • Discusses the reasonableness and necessity of affiliate expense charges from XES to SPS for ten different affiliate classes in the Financial Operations business area during the Updated Test Year. • Discusses the capital budgeting process. • Supports the property and auto liability native costs.
Robert H. Kunze	<ul style="list-style-type: none"> • Discusses the reasonableness and necessity of the affiliate expense charges from the Supply Chain affiliate class during the Updated Test Year.

Witness	Area of Testimony
Nora Lindgren	<ul style="list-style-type: none"> • Discusses the reasonableness and necessity of affiliate expense charges from the Customer Care affiliate class during the Updated Test Year. • Supports the O&M and A&G native costs for meter reading, customer records, and collections. • Supports SPS’s request to recover bad debt expense.
Carol C. Bouw	<ul style="list-style-type: none"> • Discusses the reasonableness and necessity of affiliate expense charges to SPS for the GC Claims, GC Legal Services, and Corporate Secretary affiliate classes during the Updated Test Year. • Discusses the reasonableness and necessity of SPS’s native costs for legal services recorded in FERC Account 923.
Jeff R. Lyng	<ul style="list-style-type: none"> • Discusses reasonableness and necessity of affiliate charges from the Policy & Regulatory Compliance affiliate class.
Shawn M. White	<ul style="list-style-type: none"> • Discusses the reasonableness and necessity of affiliate expense charges to SPS from the Marketing affiliate class during the Updated Test Year. • Discusses the reasonableness and necessity of SPS’s native energy efficiency and load management costs.
Jeffrey A. Butler	<ul style="list-style-type: none"> • Discusses the reasonableness and necessity of affiliate expense charges from the OS Senior VP Commercial Operations affiliate class during the Updated Test Year. • Addresses SPS’s expense for fees related to the letter of credit that SPS posts for participation in the SPP’s Transmission Congestion Rights auction.

Witness	Area of Testimony
Michael P. Deselich	<ul style="list-style-type: none"> • Addresses the reasonableness and necessity of the compensation and benefits provided to the employees of SPS and its affiliate employees. • Discusses the reasonableness and necessity of affiliate expense charges included in the Human Resources, SS Company Benefits, and Enterprise Training affiliate classes during the Updated Test Year.
Richard R. Schrubbe	<ul style="list-style-type: none"> • Supports SPS’s request for recovery of Updated Test Year qualified pension expense, retiree medical expense, and self-insured long-term disability expense. • Supports SPS’s request for recovery of Updated Test Year expenses for active health and welfare, 401(k) match, and workers’ compensation expense. • Discusses the calculation of the prepaid pension asset and explains the rationale for including the prepaid pension asset in rate base. • Supports the credit attributable to the pension and other post-employment benefits (“OPEB”) cost tracker.
H. Craig Romer	<ul style="list-style-type: none"> • Discusses the reasonableness of coal-related costs included in base rates.
Jeffrey C. Klein	<ul style="list-style-type: none"> • Discusses the administration of SPS’s long-term PPAs. • Identifies the capacity-related PPA costs incurred in the Test Year and adjustments to the Test Year costs.
Naomi Koch	<ul style="list-style-type: none"> • Supports the amounts of federal and state income tax expense included in SPS’s cost of service and the amount of ADIT reflected in SPS’s rate base. • Describes the normalization rules prescribed by the Internal Revenue Code and United States Department of the Treasury Regulations and explains that SPS has calculated its rates consistent with those normalization requirements. • Supports the property tax expense included in the cost of service.

Witness	Area of Testimony
Ruth M. Sakya	<ul style="list-style-type: none"> • Presents SPS’s proposal to change the imputed price of Texas-generated wind Renewable Energy Credits (“RECs”) from \$0.60 to \$0.86 per megawatt-hour. • Presents SPS’s proposed REC sales revenue credit, which uses the proposed imputed price. • Addresses SPS’s proposal to return 100 percent of the Hale and Sagamore wind facilities REC sales margins to SPS’s Texas customers through base rates, through creation of a regulatory liability. • Presents SPS’s request that the Commission continue its long-standing practice of establishing the value of Texas-generated RECs and recognizing the value of New Mexico-generated RECs established by the NMPRC.
Jannell E. Marks	<ul style="list-style-type: none"> • Describes SPS’s load research function and the load research information that is used for cost allocation and rate design in this proceeding. • Explains the methodology that SPS undertakes to measure normal weather and to adjust both sales and demand that have been affected by abnormal weather during the Updated Test Year to determine the sales and demand for the Updated Test Year. • Discusses the process by which SPS forecasts information required for Schedule O-7.1 of the RFP.
Thomas K. Anson	<ul style="list-style-type: none"> • Discusses the reasonableness and necessity of SPS’s external rate case expenses

Witness	Area of Testimony
Stephanie N. Niemi	<ul style="list-style-type: none"> • Addresses the jurisdictional allocation methods used in the cost of service study. • Presents SPS’s total company and Texas retail jurisdictional revenue requirement and sponsors various schedules that support those revenue requirements. • Discusses the various components of the cost of service and the adjustments made to those components, including rate base, operating revenues, fuel expense, O&M expense, administrative and general expense, taxes other than income taxes, income tax expense, and capital structure. • Presents the Updated Test Year amounts for regional market and wheeling expenses and revenues.

1 **VI. SPS OVERVIEW**

2 **Q. Please generally describe SPS’s high voltage system and interconnections with**
3 **other systems.**

4 A. SPS is uniquely located relative to the electrical grids of North America. It is a
5 member of the SPP RTO and is synchronously connected to the eastern grid through
6 interconnections with Mid-Kansas Electric Company, Public Service Company of
7 Oklahoma, Sunflower Electric Power Corporation, and AEP Texas Inc. The seven
8 primary interconnections with the SPP are a 230 kilovolt (“kV”) transmission
9 power line to Elk City, Oklahoma; a 345 kV transmission power line to Oklaunion,
10 Texas; a 345 kV transmission power line between Amarillo, Texas and Holcomb,
11 Kansas; a 115 kV transmission line between Texas County, Oklahoma and Liberal,
12 Kansas; and two 345 kV lines to Woodward, Oklahoma (two connected to the north
13 part of the system and the other at TUCO, near Lubbock, Texas). SPS is also
14 connected to the western grid through three high-voltage direct-current (“DC”)
15 back-to-back converters, or DC ties: (1) through interconnections with Public
16 Service Company of New Mexico (“PNM”) at Clovis, New Mexico; (2) through
17 interconnections with El Paso Electric Company and PNM at Artesia, New Mexico;
18 and (3) through interconnections with Public Service Company of Colorado
19 (“PSCo”) at Lamar, Colorado. Although SPS operates adjacent to the ERCOT grid,
20 it has no direct interconnections with ERCOT transmission owners. Attachment
21 WAG-RR-3 is a map of SPS’s high-voltage transmission system.

1 **Q. Please describe SPS's generating resources.**

2 A. SPS's generation peak in the Test Year was 4,118 MW. During the Test Year, SPS
3 had 478 MW of company owned wind capacity, increasing to 1,000 MW in
4 December 2020 with the completion of the Sagamore Project. SPS had installed
5 net thermal generating capacity of 4,335 MW, with approximately 48% of this
6 thermal capacity from coal-fired generation and 52% from natural gas
7 generation. During the Test Year, 32.2% of SPS's total system energy needs were
8 served by wind and solar generation, 19.9% by coal-fired generation and 47.5% by
9 natural gas generation. SPS also purchases firm power and energy under long-term
10 purchased power contracts.

11 As part of their power purchases, SPS and its Xcel Energy affiliates have
12 been very active in renewable energy development. According to the American
13 Wind Energy Association, Xcel Energy has been the largest utility wind provider
14 in 12 of the last 15 years. Table WAG-RR-3 (next page) lists each intermittent
15 renewable generator with whom SPS has a long-term PPA, the location of the
16 generating facility, the nameplate capacity of the facility, and the year in which SPS
17 began or will begin purchasing renewable intermittent energy from that facility. As
18 of 2020, SPS is purchasing 1,640 MW of energy from wind and solar production
19 facilities, although not all of these facilities are used to serve SPS's Texas retail
20 customers.

1

Table WAG-RR-3

Facility	Location	Nameplate Capacity (MW)	Start Year
Caprock	Quay Co, New Mexico	80	2004
San Juan Mesa	Chaves Co, New Mexico	120	2005
Wildorado	Oldham Co, Texas	161	2007
Long Road Solar	Lea/Eddy Co, New Mexico	50	2011
Spinning Spur	Oldham Co, Texas	161	2012
Palo Duro	Hansford Co, Texas	249	2014
Mammoth Plains	Dewey/Blaine Co, Oklahoma	199	2015
Roosevelt	Roosevelt Co, New Mexico	250	2015
Roswell Solar	Chaves Co., New Mexico	70	2016
Chaves County Solar	Chaves Co., New Mexico	70	2016
Bonita (Lorenzo)	Crosby Co., Texas	80	2018
Bonita (WildCat Ranch)	Cochran Co., Texas	150	2018

2 In addition, SPS currently purchases intermittent renewable energy at
3 avoided cost from numerous Qualifying Facility (“QF”) wind generation facilities
4 in the Texas Panhandle. Counting the intermittent renewable energy purchased
5 through long-term PPAs, the intermittent renewable energy received from QFs, the
6 478 MW from the Hale Wind Project, and the 522 MW from the Sagamore Project,
7 SPS’s system resources will include over 2,900 MW of intermittent renewable
8 energy for its customers.

9 **Q. Does SPS also make wholesale sales?**

10 A. Yes. Historically, wholesale power sales and transmission services, which are
11 regulated by FERC pursuant to the Federal Power Act, have been a significant
12 business segment for SPS. However, SPS’s wholesale sales have steadily declined

1 in recent years as a result of agreements that SPS entered into with its wholesale
2 customers during the period from 2007 through 2010.¹⁰ SPS’s agreement to serve
3 70 MW of Tri-County Electric Cooperative’s load, which is managed by Golden
4 Spread Electric Cooperative, Inc. (“GSEC”), terminated in June 2020.

5 **Q. Do the reductions in wholesale sales volumes affect SPS’s retail customers?**

6 A. Yes. Those reductions affect SPS’s retail customers in three ways. First, reducing
7 wholesale sales frees up lower-cost generating resources that can be used to serve
8 retail customers, which has the effect of lowering the system average fuel costs paid
9 by retail customers. In fact, SPS’s customers have been benefiting from the lower
10 system-average fuel costs caused by the 70 MW reduction in GSEC’s purchases
11 since that reduction took effect on June 1, 2020.

12 Second, the reduction in wholesale sales also enables SPS to avoid or defer
13 the need to either construct or acquire new generating resources to serve these
14 wholesale loads. This benefits SPS’s retail customers because new generation
15 generally has significantly higher investment costs than older, depreciated
16 generation resources.

17 Finally, the reduction in wholesale sales means that more of SPS’s costs
18 will be allocated to the New Mexico and Texas retail jurisdictions. In this case,
19 SPS has adjusted the jurisdictional allocators to reflect the departure of 70 MW of
20 Tri-County Electric Cooperative load managed by GSEC in June 2020, which has
21 the effect of shifting costs to the retail jurisdictions.

¹⁰ GSEC ceased all purchases of wholesale power from SPS on June 1, 2017, and sales to the four New Mexico electric cooperatives declined by 80 MW on June 1, 2017. SPS’s contract with West Texas Municipal Power Authority expired on May 31, 2019.

1 **VII. OBLIGATIONS AND PRECEDENT FROM PRIOR**
2 **DOCKETS**

3 **Q. Please describe the regulatory commitments that SPS has made in prior**
4 **dockets.**

5 A. SPS is subject to the following obligations that are pertinent to this rate case
6 application:

- 7 • Docket No. 49831 – SPS must suspend the collection from customers of the
8 historical-period expense related to Attachment Z2 of the Southwest Power
9 Pool Open Access Transmission Tariff and must maintain the current
10 regulatory asset with a balance of \$4,402,191.55 as of September 12, 2019,
11 adjusted for the resolution of the related, currently pending cases at FERC.
12 SPS must include a proposal to address this regulatory asset in its next base-
13 rate proceeding following the resolution of the litigation at FERC regarding
14 Attachment Z2. [Final Order, Section III, Ordering Paragraph 9]
- 15
- 16 • Docket No. 47527 – SPS must continue to unwind its excess accumulated
17 deferred income tax and net operating loss-related balances resulting from
18 the change in tax rates under the Tax Cuts and Jobs Act. [Final Order,
19 Section IV, Ordering Paragraph 8]
- 20
- 21 • Docket No. 47527 – SPS must continue to unwind its excess accumulated
22 deferred income tax balances associated with protected plant items based
23 on the average rate assumption method. [Final Order, Section IV, Ordering
24 Paragraph 9]
- 25
- 26 • Docket No. 47527 – SPS must address its excess accumulated deferred
27 income tax balances and the unwinding of those balances, associated with
28 protected and unprotected plant items, non-plant items, and net operating
29 loss-related balances that may have accrued from the end of the updated test
30 year in Docket No. 47527. [Final Order, Section IV, Ordering Paragraph
31 10]
- 32

33 **Q. Does SPS’s rate request satisfy each of these commitments?**

34 A. Yes. Mr. Davis and I discuss the Attachment Z2 regulatory asset, and Mr. Moeller,
35 Ms. Niemi, and Ms. Koch address the matters relating to Docket No. 47527.

1 **VIII. QUALITY OF SERVICE**

2 **Q. How is quality of service measured for retail customers?**

3 A. Quality of service can be measured in various ways, but two common metrics are
4 the System Average Interruption Duration Index (“SAIDI”), which measures the
5 average number of outage minutes per customer per year, and the System Average
6 Interruption Frequency Index (“SAIFI”), which measures the average number of
7 times that a customer’s service is interrupted.

8 **Q. Do other witnesses address SPS’s quality of service?**

9 A. Yes. Mr. Meeks discusses SPS’s SAIDI and SAIFI indices and explains that those
10 metrics show that SPS provides highly reliable service to its customers. Mr. Totten
11 discusses SPS’s quality of service in the context of SPS’s overall performance.

12 **Q. Are there other metrics that demonstrate that SPS provides a high quality of
13 service for its Texas retail customers?**

14 A. Yes. One important metric is the customer satisfaction survey performed by
15 JD Power. In the most recent JD Power survey, SPS ranked in the top 25%
16 compared to its peers for overall satisfaction among residential customers, power
17 quality and reliability, price, corporate citizenship, and customer care. The Edison
18 Electric Institute’s (“EEI”) recognition of SPS’s storm restoration efforts also
19 demonstrates that SPS provides a high quality of service. In 2020, EEI awarded
20 Xcel Energy the Emergency Recovery Award for SPS’s response to Winter Storm
21 Billy.

22 **Q. What is your conclusion regarding the quality of service that SPS provides to
23 its customers?**

24 A. As shown by the metrics discussed above and by Mr. Meeks, SPS provides a high
25 quality of service to its customers.

1 **IX. RECOVERY OF CAPITAL INVESTMENT**

2 **Q. What amount of new capital investment does SPS seek to recover in this case?**

3 A. SPS seeks to begin recovering approximately \$1.75 billion of new capital
4 investment that SPS either placed in service or expects to place in service during
5 the 18-month period from July 1, 2019 through December 31, 2020.¹¹ These
6 capital investments were prudently incurred for the benefit of SPS’s customers, to
7 support and promote economic development within SPS’s service area, and
8 maintain and improve SPS’s operations.

9 **Q. Please summarize the capital investment SPS placed into service between July**
10 **1, 2019 through September 30, 2020 and the SPS witnesses that support the**
11 **reasonableness and necessity of this investment.**

12 A. During the period July 1, 2019 through September 30, 2020, SPS placed in service:

- 13 • Approximately \$57.5 million of production plant investment. Mr. Lytal and
14 Mr. Moeller support those capital additions;
- 15 • Approximately \$264.7 million of transmission investment. Mr. Cooley and
16 Mr. Moeller support those capital additions;
- 17 • Approximately \$155.3 million of distribution investment. Mr. Meeks and
18 Mr. Moeller support those capital additions; and
- 19 • Approximately \$61.5 million of general plant investment. Mr. Remington,
20 Mr. Bick, Mr. Lytal, Mr. Cooley, Mr. Meeks, and Mr. Moeller support those
21 capital additions.

¹¹ As permitted under PURA § 36.112 and 16 TAC § 25.246, SPS has included investments that it will place in service during the three-month period from October 1, 2020 through December 31, 2020.

1 **Q. Is SPS seeking to include in rate base any other investment made between**
2 **July 1, 2019 and September 30, 2020 in this case?**

3 A. Yes. SPS is seeking Commission approval to include \$20.1 million of intangible
4 plant investment placed in service during this time period. Mr. Remington, Mr.
5 Cooley, Mr. Meeks, Mr. Sample, and Mr. Moeller support those capital additions.

6 **Q. Please summarize the capital investment SPS placed into service or expects to**
7 **place into service for the period October 1, 2020 through December 31, 2020**
8 **and the SPS witnesses supporting the reasonableness and necessity of this**
9 **investment.**

10 A. During the period October 1, 2020 through December 31, 2020, SPS has placed
11 into service the following investment:

- 12 • Approximately \$852.6 million in production plant projects. Mr. Lytal
13 and Mr. Moeller support those capital additions;
- 14 • Approximately \$244.2 million in transmission plant projects. Mr.
15 Cooley and Mr. Moeller support those capital additions;
- 16 • Approximately \$68.7 million in distribution plant projects. Mr. Meeks
17 and Mr. Moeller support those capital additions; and
- 18 • Approximately \$18.8 million in general plant projects. Mr. Remington,
19 Mr. Bick, Mr. Lytal, Mr. Cooley, Mr. Meeks, and Mr. Moeller support
20 those capital additions.

21 **Q. Is SPS seeking to include in rate base any other investment for the period**
22 **October 1, 2020 through December 31, 2020?**

23 A. Yes. Approximately \$11.6 million is attributable to intangible plant projects that
24 SPS placed in service or expects to place in service from October 1, 2020 through
25 December 31, 2020. Mr. Remington, Mr. Sample, and Mr. Moeller support those
26 capital additions.

1 **Q. Please summarize the new capital investment by function and by time period.**

2 A. Table WAG-RR-4 contains a summary of the amount placed in service on a Total
3 Company basis.

4 **Table WAG-RR-4**
5 **Total Company Amount Placed in Service**

Function	Additions to Plant in Service July 1, 2019 – September 30, 2020	Expected Additions to Plant in Service October 1, 2020 – December 31, 2020	Total Requested Additions to Plant in Service
Production	\$57,500,607	\$852,592,158	\$910,092,765
Transmission	264,679,698	244,173,604	508,853,302
Distribution	155,259,816	68,734,498	223,994,314
General	61,529,015	18,842,269	80,371,284
Intangible	20,082,294	11,602,518	31,684,812
Total	\$559,051,430	\$1,195,945,047	\$1,754,996,477

6 **Q. If plant that is expected to close during the Update Period does not actually**
7 **close, will the balance attributable to that plant be included in the actual**
8 **amounts presented as part of the update filing?**

9 A. No. Only the amounts actually closed to plant in service on or before December
10 31, 2020 will be included in the actual amounts presented as part of the update
11 filing.

12 **Q. If some plant actually did close to plant in service during the Update Period**
13 **but is not included in the estimated plant, will SPS include that plant balance**
14 **in the actual amounts presented in the update filing?**

15 A. No. The actual amounts in the update filing will not include any projects that were
16 not included in the estimates for the Update Period. However, the actual dollar

1 amounts for the plant balances may be higher or lower than the estimated dollar
2 amounts. Mr. Moeller discusses this issue in more detail.

3 **Q. Please describe the Sagamore Project that SPS has recently placed into service.**

4 A. The Sagamore Project, which was approved by the Commission in Docket No.
5 46936, is a 522 MW wind generating plant with associated facilities located in
6 Roosevelt County, New Mexico. The cost of the Sagamore Project totaled
7 approximately \$858 million (total company), and it began commercial operations
8 in December 2020. Mr. Lytal discusses the Sagamore Project in more detail as well
9 as the cost controls and processes SPS utilizes to ensure that its capital investments
10 are reasonable, necessary, and prudently incurred.

11 **Q. Will Texas customers benefit from the Sagamore Project?**

12 A. Yes. The Sagamore Project will enable SPS to take advantage of the federal PTCs
13 associated with the facility for the benefit of SPS's customers. More specifically,
14 except for the first 60 days of operation, SPS will credit customers, through eligible
15 fuel expense, with the Texas retail portion of the PTCs, including an income tax
16 gross-up, associated with generation from the Sagamore Project. In Docket No.
17 46936, SPS also agreed to provide Texas retail customers with various cost
18 protection measures, including a combined cost cap of \$1,675 per kW for the Hale
19 and Sagamore Projects, and assurance that Texas retail customers will receive a
20 minimum production guarantee up to the level of the 48% net capacity factor
21 beginning with the first full calendar year after commercial operation. SPS has also
22 agreed to perform an analysis, as specified in the stipulation, to ensure that there is
23 no net cost for customers for the first ten years of the operation of the wind facilities.

1 These protections, coupled with the other benefits included in the stipulation,
2 ensure that Texas retail customers will benefit from the Sagamore Project.

3 **Q. Please describe SPS’s decision timeline regarding the Sagamore Project.**

4 A. As explained in Docket No. 46936, SPS planned to place the Sagamore Project in
5 service by December 31, 2020. SPS had to decide by August 27, 2019 whether to
6 proceed with the project.

7 **Q. Was SPS able to construct the Sagamore and Hale Projects within the
8 combined cost cap established in Docket No. 46936?**

9 A. Yes. Though SPS faced significant challenges during construction of the Sagamore
10 Project, including delays in obtaining materials and labor shortages due to the
11 COVID-19 pandemic, SPS was able to control its costs and budget to complete the
12 project within the combined cost cap.

13 **Q. Were SPP interconnection costs for the Sagamore Project higher than SPS
14 initially projected?**

15 A. Yes, but as I explained above, SPS was able to complete the project within the
16 applicable cost cap.

17 **Q. Please describe the SPP transmission interconnection process.**

18 A. It is the responsibility of the SPP to manage and study requests for interconnecting
19 new generation resources (“GI Queue”) to determine the need and costs of any new
20 transmission network upgrades to accommodate interconnection to the
21 transmission grid. The SPP interconnection study process continues to be
22 overwhelmed by numerous requests, which have created a backlog in processing

1 and studying new generator applications. For example, if a proposed generator
2 resource was submitted into the SPP GI Queue this year, the final interconnection
3 costs would not be known for a minimum of five years and possibly longer. The
4 significant number of projects included in the GI Queue has also resulted in
5 increased transmission interconnection costs.

6 **Q. Please explain how the SPP transmission interconnection process impacted**
7 **SPS's plans regarding the Sagamore Project.**

8 A. When SPS was determining whether to proceed with the Sagamore Project in early
9 2019, the SPP had determined that a 345 kV transmission line would be required to
10 serve the project due to the large number of projects included in the SPP
11 interconnection queue. Constructing a 345 kV transmission line would have
12 resulted in significantly increased costs that would have detrimentally impacted the
13 economic viability of the project.

14 **Q. How did SPS resolve the issues related to the SPP transmission**
15 **interconnection process?**

16 A. SPS's counterparty, Invenergy, negotiated with the parties who had projects listed
17 in the queue ahead of the Sagamore Project and was able to reach a resolution that
18 reduced the transmission interconnection costs associated with the Sagamore
19 Project.

20 **Q. Was it necessary for SPS to resolve issues related to the SPP interconnection**
21 **process in order to economically construct the Sagamore Project?**

22 A. Yes. If SPS had not resolved issues relating to the SPP interconnection process,
23 the transmission interconnection costs would have rendered the project
24 uneconomic.

1 **Q. Prior to proceeding with the construction of the Sagamore Project, did SPS**
2 **analyze whether the project would remain economic despite the increased**
3 **costs resulting from the SPP interconnection process?**

4 A. Yes. As explained by Ms. Weeks, SPS performed an economic analysis to
5 determine whether it should proceed with construction of the Sagamore Project.
6 That analysis demonstrated that the project remained economic and provides
7 benefits to SPS and its customers.

8 **Q. Does SPS’s inclusion of the Sagamore Project in this case comply with the**
9 **capital cost cap established in Docket No. 46936?**

10 A. Yes. The amount SPS is requesting to include in rate base for the Sagamore Project
11 is \$857,993,968. The total cost for the Hale and Sagamore investment that will be
12 placed in service by December 31, 2020 will be approximately \$1,563 per kW on
13 a total company basis, which is well below the \$1,675 per kW cost cap adopted in
14 Docket No. 46936.

15 **Q. Has SPS complied with the requirements established in Docket No. 46936 with**
16 **regard to depreciation?**

17 A. Yes. According to Section IX of the Unopposed Stipulation in Docket No. 46936,
18 the initial depreciation rate for Sagamore “will be 3.4%, which reflects a 30-year
19 service life and a negative 2.0% net salvage value.” SPS has applied that
20 depreciation rate in this case.

1 **X. NATIVE O&M AND A&G EXPENSE**

2 **Q. What issues do you address in this section of your testimony?**

3 A. In this section of my testimony, I discuss and support the reasonableness and
4 necessity of the O&M and A&G expenses that are native to SPS. I also discuss and
5 support the O&M expenses associated with specific affiliate classes. In particular,
6 I sponsor services and costs related to the following areas:

- 7 • Sales Expense:
 - 8 ▪ Demonstration and Selling Expense (FERC Account 912); and
 - 9 ▪ Miscellaneous Sales Expense (FERC Account 916)
- 10 • A&G Expenses:
 - 11 ▪ Office Supplies and Expenses (FERC Account 921);
 - 12 ▪ Outside Services Employed (FERC Account 923); and
 - 13 ▪ Regulatory Commission Expense (FERC Accounts 928 - 928.05).

14 These costs include labor, materials, and other non-fuel O&M costs as reflected on
15 my Attachment WAG-RR-4. As shown on Attachment WAG-RR-4, I also sponsor
16 SPS’s recoverable contributions, dues, and donations.

17 **Q. Are there other witnesses that support these O&M and A&G expenses?**

18 A. Yes. Mr. Baumgarten, Mr. Deselich, and Mr. Schrubbe provide testimony
19 regarding labor and associated costs (both native and affiliate), and Ms. Bouw
20 addresses outside legal services and third-party vendor costs recorded in FERC
21 Account 923. Ms. Niemi addresses SPS’s contributions, dues, and donations.

22 **Q. What types of charges are included in the FERC accounts that you sponsor?**

23 A. These FERC accounts include O&M expenses comprised of both native SPS costs
24 and affiliate charges. Native SPS costs are those costs incurred directly by SPS to

1 provide electric service to its customers. These costs include labor, materials, and
2 other non-fuel O&M costs. For example, the salaries of SPS employees are native
3 costs. In addition, SPS receives services provided by XES, a centralized service
4 company, which are in addition to, and not duplicative of, the services that SPS
5 employees provide. XES provides these services “at cost,” or without profit.
6 Finally, O&M expenses also include charges to SPS from other Operating
7 Companies or affiliated interests. Similar to the charges from XES, these services
8 are charged to SPS “at cost” and generally involve emergency services, such as
9 storm restoration activities. Mr. Baumgarten provides additional details regarding
10 the methodology of charging affiliate costs to SPS from XES and other affiliated
11 interests.

12 **Q. How are O&M activities identified and funded?**

13 A. Preliminary budgets are developed at the department level based on current
14 operating conditions, activity levels, and estimates of future business needs. These
15 preliminary budgets are then used to develop an over-all budget for SPS. O&M
16 expenditures are controlled by senior management who monitor and review the
17 O&M trends and operating conditions on a frequent basis to ensure that
18 expenditures are reasonable, necessary, and properly directed.

19 **Q. What efforts do SPS and XES take to control O&M costs on an on-going basis?**

20 A. Both SPS and XES strive to control its O&M costs, while maintaining the safety
21 and reliability of its system, as well as providing effective and efficient customer
22 service. The O&M budgeting and monitoring processes ensure that cost controls
23 are in place to operate within reasonable limits. During each fiscal year there is on-

1 going monitoring and management of expenses at each of these levels.
2 Furthermore, management recognizes that O&M cost control is a dynamic process,
3 not an annual or periodic exercise. For that reason, senior management frequently
4 meets to discuss O&M spending levels.

5 **Q. Does the procurement process also control O&M costs?**

6 A. Yes. SPS and XES utilize a procurement process for both its material and supplies
7 as well as for a majority of its service contracts. Depending upon the product to be
8 purchased or the service to be performed, the procurement group, working with the
9 appropriate work group, either utilizes a bid process or a negotiated supplier
10 agreement to obtain the product or service. This procurement process ensures that
11 SPS receives a quality product or service at a reasonable price.

12 **Q. What types of costs are associated with FERC Account 912, Demonstration
13 and Selling Expense?**

14 A. The native costs included in FERC Account 912 are those associated with labor and
15 materials for demonstrations and sales. As Ms. Niemi notes in her testimony, image
16 and promotional advertising have been excluded from the cost of service.
17 However, other costs in FERC Account 912 are recoverable, and SPS is seeking to
18 recover allowable costs that are included in this account.

19 **Q. What types of costs are associated with FERC Account 916, Miscellaneous
20 Sales Expense?**

21 A. FERC Account 916 includes the cost of labor, materials, and expenses incurred in
22 connection with sales activities, except merchandising, that are not included in
23 other sales expense accounts.

1 **Q. What types of costs are associated with FERC Account 921, Office Supplies**
2 **and Expenses?**

3 A. The native costs included in FERC Account 921 are those associated with office
4 supplies and expenses incurred with the administration of SPS's operations and are
5 not included in other FERC Accounts. The types of items include expenses for
6 office equipment, office supplies, materials, postage, printing, and communications
7 services.

8 **Q. What types of costs are associated with FERC Account 923, Outside Services**
9 **Employed?**

10 A. The native costs included in FERC Account 923 are those associated with the fees
11 and expenses of consultants that are not specific to a particular operating function
12 or other FERC accounts. These expenses include the fees and costs for contract
13 accountants, auditors, appraisers, and engineering consultants. It also includes the
14 supervision fees and expenses paid under contracts for general management
15 services. Ms. Bouw sponsors the expenses associated with consulting attorneys, so
16 I do not address those costs in my testimony.

17 **Q. What types of costs are associated with FERC Account 928, Regulatory**
18 **Commission Expense?**

19 A. The native costs included in FERC Accounts 928 are those expenses incurred by
20 SPS related to formal cases before regulatory commissions, including the
21 Commission, the NMPRC and FERC, as well as fees assessed by regulatory bodies,
22 including those for the administration of the Federal Power Act.

1 **Q. Are the services and associated O&M costs you sponsor necessary and**
2 **reasonable for SPS's operations?**

3 A. Yes. The services provided by SPS employees related to the above-described
4 FERC accounts are necessary and reasonable to SPS's operations. These costs are
5 the types of costs all utilities incur, and they are essential to SPS's operations. These
6 costs include labor, materials, and other non-fuel O&M costs. Mr. Deselich and
7 Mr. Schrubbe provide testimony regarding labor costs, Mr. Kunze provides
8 testimony about sourcing and procurement of goods and services, and Mr.
9 Baumgarten provides testimony regarding the methodology of billings for labor and
10 labor overheads.

11 **Q. Do SPS's Texas retail customers benefit from the services associated with the**
12 **specific O&M costs you discuss?**

13 A. Yes. These services allow SPS to provide essential services to its Texas retail
14 customers in an efficient manner. These services are provided through a centralized
15 organizational approach that reduces costs and enables the Operating Companies
16 to benefit from economies of scale, resource sharing during peak workloads, and
17 historical knowledge that enables the employees to respond quickly and with better
18 insights to ensure that the best overall work product is delivered. The centralized
19 organization allows each of the Operating Companies to benefit from the direct
20 experience of the others, leading to improved skills, and improved work practices.
21 Further, the departments within the SPS operating company president organization
22 are focused solely on SPS's operations in Texas and New Mexico, and are attuned
23 to issues, operations, and services directly affecting Texas retail customers. In

- 1 addition, the expenses are reasonable because the costs of the services are managed,
- 2 reviewed and minimized.

1 **XI. SOUTHWEST POWER POOL SERVICES**

2 **Q. Please describe SPP and the services it provides to its members.**

3 A. SPP, which is a FERC-approved RTO, is an Arkansas non-profit corporation with
4 its principal place of business in Little Rock, Arkansas. SPP has more than 92
5 members that include electric cooperatives, federal agencies, independent power
6 producers, independent electric transmission companies, investor-owned electric
7 utilities, marketers, municipal utilities, state authorities, and contract participants.

8 As an RTO, SPP provides several services to its members, including:

- 9 • reliability coordination;
- 10 • tariff administration;
- 11 • regional scheduling;
- 12 • transmission expansion planning;
- 13 • market operation;
- 14 • contingency reserve sharing;
- 15 • generation interconnection studies;
- 16 • scheduling authority function;
- 17 • compliance;
- 18 • training; and
- 19 • outage coordination.

20 **Q. How are SPP's policies, rules, and tariffs developed?**

21 A. SPP is a member-driven organization. As a result, various committees exist within
22 SPP to develop policy, rules, and tariff provisions related to a wide variety of topics.
23 The primary role of SPP stakeholder committees and working groups is to drive
24 major initiatives that improve or enhance SPP operations. The stakeholder process
25 also focuses on planning for the future. The various committees and working

1 groups provide recommendations to the SPP independent Board of Directors on
2 technical issues. The committees are further composed of working groups, steering
3 committees, and task forces. The committees and groups are made up of
4 representatives of SPP members, including SPS. An organizational chart of SPP's
5 committees and working groups is attached to my testimony as Attachment
6 WAG-RR-5.

7 **Q. Do state retail rate regulators have a role in the SPP member-driven process?**

8 A. Yes. The Regional State Committee (“RSC”) is composed of retail regulators
9 across the SPP footprint and has its own working group, the Cost Allocation
10 Working Group, which is made up of staff members of the retail regulatory
11 authorities. The RSC actively engages in a broad range of issues where SPP has
12 ceded authority, including transmission planning and cost allocation, resource
13 adequacy, allocation of transmission rights, and market evolution issues. For
14 example, the RSC determines: (1) the approach for resource adequacy across the
15 entire region and with respect to transmission planning; (2) whether transmission
16 upgrades for remote resources will be included in the regional transmission
17 planning process; and (3) the role of transmission owners in proposing transmission
18 upgrades in the regional planning process.

19 **Q. Have the services that SPS receives from SPP changed since SPS's last rate**
20 **case, Docket No. 49831?**

21 A. No. As a member of SPP, SPS continues to receive the same services that the
22 Commission reviewed in SPS's last rate case.

1 **Q. How are the costs associated with new transmission infrastructure within SPP**
2 **allocated to SPS?**

3 A. SPP costs have been allocated to SPS based on four different allocation methods:
4 (1) Pre-2005; (2) Original Base Plan Funding; (3) the Balanced Portfolio; and (4)
5 the Highway/Byway (Current Base Plan Funding). A matrix showing the effects
6 of these methods during the Test Year is shown in Attachment WAG-RR-6.

7 **Q. How does SPP administer these cost allocations and collect the revenue for the**
8 **regional transmission funding?**

9 A. SPP administers the process through Attachment J of the SPP OATT and recovers
10 the revenue through the resulting Schedule 11 charges under the SPP OATT. SPP
11 collects both the zonal and any regionally-allocated costs under Schedule 11. SPP
12 then distributes this revenue to the Transmission Owners.

13 **Q. How is SPS charged for the transmission identified and approved by SPP as**
14 **part of integrated planning process?**

15 A. SPS is located in Zone 11. As such, the retail customers of SPS are assessed
16 Schedule 11 charges for their share of regional transmission projects and their share
17 of transmission system projects in Zone 11. Ms. Niemi discusses specific Schedule
18 11 charges assessed by SPP to SPS in the Test Year.

19 **Q. What is the SPP administrative fee?**

20 A. The SPP applies the administrative fee to all transmission service customers to
21 cover its expenses for several of the services it provides under its OATT, such as
22 reliability coordination, tariff administration, and seams agreements. The fee is set
23 annually by the SPP Board of Directors based on the next year's expected budget,

1 including reconciliation from the previous year's over-or-under-collection. The fee
2 is assessed based upon transmission services purchased or provided pursuant to the
3 SPP Tariff. The SPP administrative fee is recorded in FERC Accounts 561.4,
4 561.8, and 575.7.

5 **Q. How does SPP collect these administrative fees?**

6 A. SPP collects these fees through Schedule 1-A of its OATT.

7 **Q. What administrative fee is SPS using in its Test Year?**

8 A. SPS used the SPP administrative fee for the Updated Test Year, which is \$0.430
9 per megawatt hour.

10 **Q. Are the new transmission investment amounts charged by SPP and the SPP
11 administrative fee a reasonable and necessary cost of providing service?**

12 A. Yes, the transmission investment has allowed SPS to reliably serve its customers
13 while gaining greater access to economic market resources to serve the SPS
14 customers. The administrative fee which covers the transmission planning cost and
15 operating the SPP Integrated Market has been beneficial to the SPS customers.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18

XII. REQUESTED REGULATORY ASSETS

A. Attachment Z2 Charges

Q. Please describe SPS’s request with respect to the recovery of amounts paid to SPP for Attachment Z2 charges for the 2008 through 2016 time period (i.e., Attachment Z2 Historical Period).

A. As discussed in Mr. Davis’s direct testimony, SPS proposes to continue the treatment authorized by the Commission in Docket No. 49831 to maintain the current regulatory asset associated with historic period charges to SPS under Attachment Z2 of the SPP OATT given the continued uncertainty created by unresolved litigation at FERC.

B. Deferred Costs Resulting from the Effects of COVID-19

Q. Please describe SPS’s request with respect to deferred costs resulting from the effects of COVID-19.

A. As explained by Mr. Davis, consistent with the Commission’s order in Project No. 50664, SPS established a regulatory asset to capture expenses incurred as a result of COVID-19. In this case, SPS proposes to recover incremental direct costs incurred as a result of COVID-19, establish a tracker for bad debt expense, and seek recovery of the additional bad debt expense in SPS’s next base rate case.

1 **XIII. KNOWN AND MEASURABLE IMPACT OF LP&L DISCONNECTING**
2 **FROM SPS’S TRANSMISSION SYSTEM**

3 **Q. What will you discuss in this section of your testimony?**

4 A. I will explain SPS’s request to reallocate transmission costs resulting from LP&L
5 moving its transmission load to ERCOT in June 2021.

6 **Q. What is LP&L’s relationship to SPS?**

7 A. Although LP&L was a wholesale customer of SPS in the past, SPS no longer
8 provides wholesale service to LP&L. LP&L has, however, remained a transmission
9 customer of SPS.

10 **Q. Please briefly describe LP&L’s planned transition from SPP to ERCOT.**

11 A. In March 2018, the Commission approved LP&L’s application for approval to
12 connect approximately 470 MW of its total load, and a large portion of its system
13 serving that load, to ERCOT on June 1, 2021. The Commission has approved CCN
14 applications for LP&L and a transmission service provider to construct the various
15 transmission lines necessary to integrate LP&L’s affected load and system into
16 ERCOT. LP&L and the transmission service provider are currently constructing
17 the necessary transmission facilities, and LP&L files quarterly status reports on the
18 progress of the transition. As of September 15, 2020, those reports indicate that the
19 June 1, 2021 target date remains.

20 **Q. How will LP&L’s departure from SPS’s transmission system affect the**
21 **allocation of transmission costs?**

22 A. As discussed by Mr. Luth, LP&L’s departure from SPS’s transmission system will
23 result in a reallocation of transmission costs that increases the share of costs paid
24 by SPS’s other customers.

1 **Q. If LP&L’s transmission load does not transition to ERCOT until June 1, 2021,**
2 **why is SPS proposing to reallocate transmission costs in this case?**

3 A. Because the impact of LP&L’s departure on SPS and its Texas retail customers is
4 a known and measurable change, it is just and reasonable for SPS to address the
5 allocation of transmission costs in this case.

1 **XIV. DEPRECIATION RATES AND RELATED EXPENSE**

2 **Q. Please summarize SPS’s depreciation request in this case.**

3 A. In Docket No. 49831, SPS provided a complete depreciation study that addressed
4 all depreciable assets. In this case, SPS is providing a Technical Depreciation
5 Update, which provides updated information. The Technical Depreciation Update
6 is sponsored by Mr. Watson, and proposed depreciation rates are discussed by Mr.
7 Moeller. I will discuss SPS’s requests related to depreciation of the coal-specific
8 assets at Harrington, the Tolk Generating Station Units, and Plant X Unit 3.

9 **A. Depreciable Service Life of the Coal-Specific Assets at the**
10 **Harrington Generating Station**

11 **Q. Please briefly describe Harrington Station.**

12 A. Harrington consists of three coal-powered steam turbine units, located in Potter
13 County, Texas with a total net capacity of 1,021 MW. Harrington Unit 1 has a net
14 capacity of 340 MW and a current retirement date of 2036; Harrington Unit 2 has
15 a net capacity of 355 MW and a current retirement date of 2038; and Harrington
16 Unit 3 has a net capacity of 355 MW and a current retirement date of 2040. All
17 three of the plant’s boilers were designed to burn both coal and natural gas.

18 **Q. Please describe SPS’s request with respect to the coal-specific assets at**
19 **Harrington.**

20 A. SPS seeks to fully depreciate the coal-specific assets at Harrington by December
21 31, 2024 to comply with ambient air quality standards.

22 **Q. Do any other witnesses address this issue?**

23 A. Yes. Mr. Lytal describes the coal-specific assets that SPS seeks to depreciate by
24 December 31, 2024, and Ms. Weeks discusses the economic analysis that SPS

1 performed to evaluate its options regarding Harrington and determine that SPS's
2 proposed action is in the best interest of SPS and its customers. Mr. Watson's
3 Technical Depreciation Update includes the coal-specific assets, and Mr. Moeller
4 discusses depreciation rates.

5 **Q. What factors led SPS to study alternative operations at Harrington?**

6 A. The Clean Air Act requires the Environmental Protection Agency ("EPA") to set
7 National Ambient Air Quality Standards ("NAAQS") (40 CFR part 50) for
8 pollutants considered harmful to public health and the environment. The EPA has
9 set NAAQS for six principal pollutants, including sulfur dioxide ("SO₂"). The
10 primary SO₂ standard sets a limit of 75 parts per billion (ppb), calculated using the
11 99th percentile of 1-hour daily maximum concentrations, averaged over 3 years.
12 Harrington Station emits approximately 99% of the SO₂ emissions in Potter
13 County.

14 In December 2016, the Texas Commission on Environmental Quality
15 ("TCEQ") installed a SO₂ monitor in the vicinity of Harrington Station to collect
16 ambient air quality data. The average reading over three years exceeds the primary
17 standard limit of 75 ppb. Thus, SPS was required to develop an implementation
18 plan to comply with the standard and show that Harrington will achieve compliance
19 with the NAAQS by 2025. SPS presented its plan for complying with the emissions
20 standard to the TCEQ, and an Agreed Order was finalized in October 2020.

21 **Q. What does the Agreed Order require of SPS?**

22 A. The Agreed Order requires SPS to cease coal operations at Harrington by December
23 31, 2024. Pursuant to the Agreed Order, at this time SPS plans to convert
24 Harrington from coal to natural gas.

1 **Q. Why isn't SPS seeking authorization to depreciate the remaining assets at**
2 **Harrington?**

3 A. In its discussions with TCEQ, SPS evaluated the potential conversion of
4 Harrington's fuel supply from coal to natural gas to comply with ambient air quality
5 standards and determined that the plant could be converted. In that scenario, the
6 assets that are not coal-specific would remain in service.

7 **Q. Is SPS proposing to recover any costs associated with the conversion in this**
8 **case?**

9 A. No. In this case, SPS is only seeking authorization to fully depreciate the
10 coal-specific assets at Harrington by December 31, 2024.

11 **Q. Is SPS's request to fully depreciate the coal-specific assets at Harrington by**
12 **December 31, 2024 reasonable?**

13 A. Yes. Harrington has provided service to SPS's customers for over 40 years, and
14 conversion of the plant's fuel source will allow SPS to continue to operate the units
15 for the benefit of SPS's customers until the end of their currently approved service
16 lives in 2036, 2038, and 2040, respectively. As Ms. Weeks explains, the proposed
17 conversion provides an economic solution to address the air quality issues in the
18 region. The conversion is also cost-effective because the plant's boilers were
19 designed to burn both coal and natural gas. Converting Harrington's fuel supply
20 from coal to natural gas will provide environmental benefits and allow SPS to
21 comply with the Agreed Order. As a result, SPS requests authorization to fully
22 depreciate the coal-specific assets at Harrington by December 31, 2024.

1 **B. Depreciable Service Life of the Tolk Generating Station**

2 **Q. Please briefly describe the Tolk Generating Station Units.**

3 A. Tolk Unit 1 began commercial operation in 1982, and Tolk Unit 2 began
4 commercial operation in 1985. The Tolk units originally had 35-year approved
5 service lives in Texas. Under those originally approved service lives, Tolk Unit 1
6 would have been retired in 2017, and Tolk Unit 2 would have been retired in 2020.
7 In subsequent rate cases, however, the service lives of both units were extended
8 from 35 years to 60 years. Thus, Tolk Unit 1 was scheduled to retire in 2042, and
9 Tolk Unit 2 was scheduled to retire in 2045. In Docket No. 47527, the depreciation
10 rates for the Tolk Generating Station Units 1 and 2 were revised from 2042 and
11 2045, respectively, to 2037 for both units.¹²

12 **Q. Please summarize SPS's request with respect to Tolk.**

13 A. As part of the Stipulation reached in Docket No. 47527, SPS agreed to update its
14 economic life analysis for the Tolk Generating Station and to include that analysis
15 in its next base rate case.¹³ SPS provided that analysis in Docket No. 49831 and
16 requested a 2032 retirement date for the Tolk units. As part of the Stipulation
17 reached in that case, the signatories agreed for SPS's depreciation rates for the Tolk
18 generating station to continue to reflect a depreciation rate based on a 2037 end-of-
19 life assumption and for the depreciation rate to use an assumption of negative 5%
20 net salvage.

¹² *Application of Southwestern Public Service Company to Change Rates*, Docket No. 47527, Order at FoF No. 51 (Dec. 10, 2018).

¹³ *Id.* at FoF No. 50.

1 In this case, SPS is providing a Technical Depreciation Update that supports
2 its need to increase depreciation expense and shorten the service lives of several of
3 its generating units, including the Tolk Generating Station units that are fueled by
4 coal. With respect to the Tolk units, SPS proposes to change the service lives of
5 these assets to have them retire at December 31, 2032. Mr. Watson, Mr. Lytal, Ms.
6 Weeks, Mr. Belt, and Mr. Cooley also present information related to SPS’s request.

7 **Q. Is SPS still committed to retiring Tolk in 2032?**

8 A. Yes, because there will be insufficient water to operate the plant after that date.

9 **Q. How does SPS plan to operate Tolk until it is retired?**

10 A. In order to maximize the value of the 1,080 MW of Tolk summer capacity to meet
11 customer demand plus a planning reserve margin and to preserve groundwater,
12 beginning in 2021 SPS will offer the Tolk units into the market during the four on-
13 peak months based primarily on economic dispatch principles. During the eight
14 off-peak months, the units will be offline unless called upon by SPP to run because
15 of operational conditions.

16 SPS has installed synchronous condenser equipment at Tolk to provide
17 critical network voltage support and power stability as SPS uses increasing amounts
18 of renewable energy on its system. The generators will be detached from the steam
19 turbines and used as synchronous generators. Because the synchronous condensers
20 are expected to operate after 2032, SPS only proposes to fully depreciate the Tolk
21 assets that will no longer be used to generate electricity after that date. Mr. Cooley
22 provides additional information regarding the synchronous condensers in his direct
23 testimony.

1 **Q. Is SPS providing analyses to demonstrate that a 2032 retirement date is**
2 **appropriate?**

3 A. Yes. Ms. Weeks discusses SPS’s additional analysis that continues to support a
4 2032 retirement date for Tolk. Mr. Belt provides an updated water study that also
5 continues to support a 2032 retirement date.

6 **Q. Please summarize your conclusions regarding Tolk.**

7 A. For the reasons explained above and by Mr. Lytal, Mr. Belt, Mr. Cooley, and Ms.
8 Weeks, a 2032 retirement date is appropriate and is in the best interest of SPS and
9 its customers. Accordingly, SPS should be permitted to fully depreciate the Tolk
10 units by December 31, 2032.

11 **C. Depreciable Service Life of Plant X Unit 3**

12 **Q. Please describe Plant X Unit 3.**

13 A. Plant X Unit 3 is a gas-fired steam boiler unit located in Lamb County, Texas that
14 has a net capacity of 93 MW. Plant X Unit 3 began commercial operation in 1955
15 and had an initial approved service life of 40 years. The current approved service
16 life of Plant X Unit 3 is set to expire in 2024, which results in a service life of 69
17 years.

18 **Q. Please summarize SPS’s request with respect to Plant X Unit 3.**

19 A. SPS proposes to retire and fully depreciate the plant by December 31, 2022.

20 **Q. Do any other witnesses discuss SPS’s request to shorten the service life of**
21 **Plant X Unit 3?**

22 A. Yes. Mr. Lytal discusses the status of Plant X Unit 3 and the capital expenditures
23 that would be required to maintain and operate the unit until the end of its current
24 service life. Mr. Moeller and Mr. Watson discuss the depreciation rate for the plant.

1 **Q. Why does SPS propose to fully depreciate Plant X Unit 3 by December 31,**
2 **2022?**

3 A. As discussed by Mr. Lytal, SPS performed an initial analysis in January 2020 that
4 showed SPS would need to expend approximately \$4.5 million to repair the Plant
5 X Unit 3 boiler, although that repair alone would not be sufficient to allow the unit
6 to run reliably and efficiently. SPS also determined that it would need to incur
7 approximately \$625,000 of incremental O&M costs if Plant X Unit 3 was returned
8 to service. Based on that initial analysis, SPS decided it would not be cost-effective
9 to restore the unit to service.

10 In preparation for its request to retire Plant X Unit 3, SPS performed an
11 additional analysis in December 2020 to determine whether retiring the unit
12 remained more cost-effective than returning the unit to service. That analysis
13 concluded that SPS would be required to expend approximately \$10.5 million to
14 complete the repairs that would be necessary for the unit to run reliably and
15 efficiently. In addition, SPS concluded that it would need to incur nearly \$1 million
16 of incremental O&M costs if the unit were returned to service. These amounts are
17 significant, especially considering that the unit has a relatively high heat rate (i.e.,
18 is relatively inefficient). It burns more natural gas to produce a kilowatt-hour of
19 electricity as compared to other more efficient units. Accordingly, SPS's analyses
20 confirmed that it would not be cost-effective to return Plant X Unit 3 to service.

1 **Q. If Plant X Unit 3 is not currently in service, why does SPS propose to retire the**
2 **unit in 2022 instead of 2021?**

3 A. The SPP requires load serving entities to provide one-year notice of any retirement
4 so that a study can be performed to evaluate the potential impacts. In consideration
5 of this requirement, SPS proposes to retire Plant X Unit 3 in 2022.

6 **Q. In your opinion, is it in the best interest of SPS and its customers for SPS to**
7 **retire Plant X Unit 3 in 2022?**

8 A. Yes. As discussed above and by Mr. Lytal, the costs of operating the unit outweigh
9 the benefits. As a result, it is in the best interest of SPS and its customers for SPS
10 to retire Plant X Unit 3 in 2022, and SPS should be authorized to fully depreciate
11 the plant by that date.

1 **XV. CAPACITY ASSOCIATED WITH SOLAR POWER**
2 **PURCHASE AGREEMENTS**

3 **Q. What will you discuss in this section of your testimony?**

4 A. I will discuss SPS’s treatment of capacity associated with the Roswell Solar,
5 Chaves County Solar, and Long Road Solar (formerly Sun Edison) PPAs.

6 **Q. Please briefly describe the Roswell Solar, Chaves County Solar, and Long**
7 **Road Solar PPAs.**

8 A. SPS entered into the Roswell Solar and Chaves County Solar PPAs on March 4,
9 2015. SPS acquires 70 MW of energy under each PPA, and each agreement has a
10 25-year term.

11 SPS entered into the five Long Road Solar PPAs on December 11, 2009.
12 SPS acquires 50 MW of energy under each PPA, and each agreement has a 20-year
13 term.

14 **Q. Do these solar PPAs provide capacity benefits?**

15 A. Yes. As explained by Ms. Weeks, the Roswell and Chaves County Solar PPAs
16 provide 140 MW of solar capacity, which results in a 109 MW net planning
17 capability contribution to SPS’s system capacity. The Texas allocation of
18 renewable capacity attributed to the Roswell and Chaves County PPAs would be
19 approximately 65 MW.

20 SPS’s five Long Road Solar PPAs provide a total of 50 MW of solar
21 capacity to the SPS system and result in a 32 MW capacity contribution. If SPS
22 included a portion of the net planning capability from the Long Road Solar facilities
23 in Texas, approximately 19 MW would be attributed to Texas.

1 **Q. Do SPS’s Texas retail customers pay costs associated with these solar PPAs?**

2 A. No. In SPS’s most recent fuel reconciliation case, Docket No. 48973, the
3 Commission determined that costs associated with the Roswell Solar and Chaves
4 County Solar PPAs could not be recovered from SPS’s Texas retail customers and
5 disallowed \$3.1 million of SPS’s Texas retail fuel costs.¹⁴

6 The Commission also determined that the uneconomic portion of the cost
7 associated with the Long Road Solar PPAs would be directly assigned the New
8 Mexico jurisdiction.¹⁵ This determination effectively assigns all of the costs
9 associated with the Long Road Solar PPAs to SPS’s New Mexico customers.

10 **Q. Can capacity associated with these solar PPAs be considered in determining**
11 **capacity needs for SPS’s Texas retail customers?**

12 A. No. SPS’s Texas retail customers no longer benefit from the capacity provided
13 by the solar PPAs because they do not pay any of the associated costs.¹⁶
14 Accordingly, SPS has excluded the solar PPA capacity in determining the
15 capacity needs of its Texas retail customers. Ms. Weeks explains the effect of
16 this exclusion on SPS’s Texas retail customers.

¹⁴ PUC Docket No. 48973, *Application of Southwestern Public Service Company to Reconcile Fuel and Purchased Power Costs*, Order on Rehearing issued February 18, 2020 at ¶ 164-169.

¹⁵ *Id.*, ¶ 72-74. PUC Docket No. 35763. *Application of Southwestern Public Service Company for Authority to Change Rates, to Reconcile Fuel and Purchased Power Costs for 2006 and 2007, and to Provide a Credit for Fuel Cost Savings*, Order issued June 1, 2009 at 7.

¹⁶ PUC Docket No. 48973, *Application of Southwestern Public Service Company to Reconcile Fuel and Purchased Power Costs*, Order on Rehearing issued February 18, 2020 at ¶ 164-169.

1 **XVI. RESILIENCY SERVICE TARIFF**

2 **Q. What will you discuss in this section of your testimony?**

3 A. I will discuss SPS’s proposal to implement a voluntary resiliency service tariff that
4 allows customers to acquire behind-the-meter equipment, such as battery storage
5 or back-up generation, to avoid interruptions in service.

6 **Q. Will other witnesses address this topic?**

7 A. Yes. Mr. Luth describes the proposed resiliency service tariff in his direct
8 testimony.

9 **Q. Please explain the concept of resiliency as it applies to the electric system.**

10 A. In the electric system, resiliency refers to the ability to recover from or adjust to
11 disruptions in the supply of electricity. The concept of resiliency in the electric
12 system is becoming more relevant as customers seek to navigate the risks of
13 weather events or other significant disruptions. Resiliency strategies are designed
14 to address anticipated severe electric disruptions to day-to-day life or a customer’s
15 operations by investing in critical infrastructure and systems to sustain the customer
16 during electric disruption, and to hasten recovery. One of the most critical
17 objectives of a resiliency strategy is ensuring a secure power supply for critical
18 infrastructure. Installing on-site energy generation, battery storage, and/or control
19 equipment can allow a critical site or a customer’s critical loads to operate
20 independently from the electric grid in the event of an emergency resulting in an
21 extended grid outage. These resources may also provide customer benefits during
22 times of normal grid operation.

1 **Q. Please describe SPS’s proposed resiliency service.**

2 A. SPS proposes to support customer resiliency through Company ownership,
3 installation, operation, and maintenance of behind-the-meter equipment, such as
4 battery storage, back-up generation, and switching and control equipment.

5 **Q. What benefits will the resiliency service provide to customers?**

6 A. The proposed service will allow customers to obtain combinations of equipment
7 that meet their specific resiliency and reliability needs. Customers will pay for their
8 requested equipment through an on-bill charge that recovers the revenue
9 requirement of the assets requested by each customer. Because costs are recovered
10 through dedicated customer charges, the service does not rely on subsidization from
11 non-participating customers.

12 **Q. What types of customers would benefit from the proposed resiliency service?**

13 A. Customers have their own needs and unique circumstances, but various types of
14 customers would benefit from resiliency service. For example, some communities,
15 either through governmental initiatives or public private partnerships, may wish to
16 establish “resiliency centers” to maintain stable functioning during and
17 immediately following a major disruption or weather event. These resiliency
18 centers could include existing structures, services, and/or facilities considered
19 crucial to the community (e.g., first responder facilities, wastewater treatment
20 facilities, evacuation and shelter areas, communications, and traffic safety
21 infrastructure). Commercial and industrial customers are also increasingly
22 considering resiliency options in order to meet both their reliability and power

1 quality needs, often while also meeting sustainability objectives. These
2 commercial and industrial customers often have sophisticated operations that do
3 not tolerate grid outages, such as oil and gas production or manufacturing, or serve
4 essential community functions, such as healthcare or education. Each customer is
5 unique, but these customers are generally seeking increased resiliency at a
6 reasonable price, with a desire to maximize the potential for resiliency assets to
7 save money, and to rely on a trusted provider to help them achieve these goals.

8 **Q. Would there be any requirement that customers take service under the**
9 **resiliency service tariff?**

10 A. No, the proposed service is entirely optional.

11 **Q. Would the proposed resiliency service tariff benefit SPS and its customers?**

12 A. Yes. The proposed tariff would allow SPS to provide a service that is not currently
13 available and would allow customers to pursue options to increase reliability based
14 on their individualized needs.

1 **XVII. AFFILIATE CLASSES SPONSORED**

2 **Q. Earlier in your testimony, you referred to “affiliate classes.” What do you**
3 **mean by the terms “affiliate classes” or “affiliate classes of services”?**

4 A. A portion of SPS’s costs reflect charges for services provided by a supplying
5 affiliate, specifically XES or one of the Operating Companies. These charges have
6 been grouped into various affiliate classes, or aggregations of charges, based upon
7 the business area, organization, or department that provided the service or, in a few
8 instances, the accounts that captured certain costs. In his direct testimony, Mr.
9 Baumgarten provides a detailed explanation of how the affiliate classes were
10 developed and are organized for this case.

11 **Q. Which affiliate class do you sponsor?**

12 A. I sponsor the following three classes of affiliate services: Strategic Revenue
13 Initiatives; PSCo President; and Corporate Giving. Although the Corporate Giving
14 class appears as an affiliate class on the affiliate cost attachments to my testimony,
15 SPS is not requesting recovery of the costs assigned to Corporate Giving.

1 **XVIII. AFFILIATE EXPENSES FOR THE STRATEGIC REVENUE**
2 **INITIATIVES CLASS OF SERVICES**

3 **A. Summary of Affiliate Expenses for the Strategic Revenue**
4 **Initiatives Class of Services**

5 **Q. Is the Strategic Revenue Initiatives affiliate class a new affiliate class?**

6 A. No. I sponsored the costs related to this class in SPS's most recent base rate case,
7 Docket No. 49831. As I discuss further below, the services of this class are
8 necessary to address a variety of emerging customer needs that have arisen from
9 changing demographics and demands.

10 **Q. Where does the Strategic Revenue affiliate class fit into the overall affiliate**
11 **structure?**

12 A. Attachment MLS-RR-6 to Mr. Baumgarten's direct testimony provides a list and a
13 pictorial display of all affiliate classes, dollar amounts for those classes, and
14 sponsoring witness for each class. As seen on that attachment, the Strategic
15 Revenue Initiatives affiliate class was part of the Customer and Innovation business
16 area during the Updated Test Year.

17 **Q. What services are grouped into the Strategic Revenue Initiatives affiliate**
18 **class?**

19 A. The services that are grouped into the Strategic Revenue Initiatives affiliate class
20 are those associated with leading, coordinating, collaborating, and engaging in
21 multiple innovative electric service options for the benefit of SPS and its customers.
22 With advancements in technology and increased focus on energy efficiency, the
23 Strategic Revenue Initiatives class works to meet customer desires for
24 non-traditional services. By evaluating emerging technologies that can benefit

1 customers and the SPS system and developing new technologies to be deployed
 2 when they are cost-effective, the Strategic Revenue Initiatives class supports SPS’s
 3 ability to provide safe and reliable electric service to its customers.

4 **Q. What is the dollar amount of the Updated Test Year XES charges that SPS**
 5 **requests, on a total company basis, for the Strategic Revenue Initiatives**
 6 **affiliate class?**

7 A. The following table summarizes the dollar amount of the estimated Updated Test
 8 Year charges for the Strategic Revenue Initiatives affiliate class. I will update the
 9 table below as part of SPS’s 45-day case update filing to reflect the actual Updated
 10 Test Year costs for the Strategic Revenue Initiatives affiliate class.

11 **Table WAG-RR-5¹⁷**

Class of Services	Requested Amount of XES Class Expenses Billed to SPS (Total Company)			
	Total XES Class Expenses	Requested Amount	% Direct Billed	% Allocated
Strategic Revenue Initiatives	\$1,078,305	\$147,093	0%	100%

12 **Q. Please describe the attachments that support the information provided on**
 13 **Table WAG-RR-5.**

14 A. There are four attachments to my testimony that present information about the SPS
 15 affiliate expenses for the Strategic Revenue Initiatives affiliate class.

¹⁷ **Total XES Class Expenses** is the Dollar amount of total Updated Test Year expenses that XES charged to all Xcel Energy companies for the services provided by this affiliate class. This is the amount from Column E in Attachment WAG-RR-A. **Requested Amount** is SPS’s requested amount after exclusions and pro forma adjustments. **% Direct Billed** is the percentage of SPS’s requested XES expenses for the class that were billed 100% to SPS. **% Allocated** is the percentage of SPS’s requested XES expenses for the class that were allocated to SPS.

1 **Attachment WAG-RR-A:** Provides a summary of the affiliate expenses
 2 for this class during the Updated Test Year. The summary starts with the total of
 3 the XES expenses to SPS for the services provided by this affiliate class and ends
 4 with the requested dollar amount of XES expenses to SPS (total company) for this
 5 affiliate class after exclusions and pro forma adjustments. The columns on this
 6 attachment provide the following information.

Column A —	Line number	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	Billing Method (Cost Center)	Shows the billing method that XES uses to charge the expenses to the affiliates, and the billing method short title. In his direct testimony, Mr. Baumgarten explains the billing methods and defines the codes.
Column D —	Allocation Method	Shows the allocation method applicable to the billing method (cost center).
Column E —	Billings for Class to all Legal Entities (FERC Acct. 400 – 935)	Shows XES billings to all legal entities for the affiliate class.
Column F —	Class to all Legal Entities Except for SPS (FERC Acct. 400 – 935)	Shows XES billings to all legal entities other than SPS for the affiliate class.
Column G —	XES Billings for Class to SPS (total company) (FERC Acct. 400-935)	Shows XES billings to SPS (total company) for the affiliate class.

Column H —	Exclusions	Shows the total dollars to be excluded from Column E. Exclusions reflect expenses not requested, such as expenses not allowed or other below-the-line items.
Column I —	Per Book	Shows XES billings to SPS (total company), for the affiliate class, after the exclusions shown in Column F. The dollar amount in Column G is Column E plus Column F.
Column J —	Pro Formas	Shows the total dollar amount of pro forma adjustments to the dollar amount in Column G. Pro forma adjustments reflect revisions for known and measurable changes to the Updated Test Year expenses.
Column K —	Requested Amount (total company)	Shows the requested amount (total company) for the affiliate class. The dollar amount in Column I is Column G plus Column H.
Column L —	Percentage of class charges	Shows the percentage of affiliate class charges billed using the cost center.

1 In his direct testimony, Mr. Baumgarten provides a consolidated summary
2 of affiliate expenses billed to SPS for all classes during the Updated Test Year, as
3 well as the Test Year (October 1, 2019 through September 30, 2020).

4 **Attachment WAG-RR-B(CD):** Provides the detail of the XES expenses
5 for the Strategic Revenue Initiatives affiliate class that are summarized on
6 Attachment WAG-RR-A. The detail shows the XES expenses billed to SPS for the
7 Strategic Revenue Initiatives affiliate class, itemized by the amount, with each
8 expense listed by individual activity and billing method (cost center). When
9 summed, these amounts tie to the amounts shown on Attachment WAG-RR-A and

1 the detail regarding the expenses is organized to support that attachment.
2 Specifically, the columns on this attachment provide the following information.

Column A —	Line Number	Lists the Attachment line numbers.
Column B —	Legal Entity Receiving XES Expenses	Shows the legal entity (Xcel Energy or one of its subsidiaries) that received the XES expense.
Column C —	Affiliate Class	Lists the affiliate class.
Column D —	Cost Element	Provides the cost element number
Column E —	Activity	Provides a short title for the activity.
Column F —	Billing Method (Cost Center)	Identifies the billing method and short title. In his direct testimony, Mr. Baumgarten explains the billing methods and defines the codes.
Column G —	FERC Account	Shows the FERC Account in which the expense was recorded.
Column H —	XES Billings for Class to All Companies (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to all companies.
Column I —	XES Billings for Class to All Companies Except SPS (FERC Acct 400-935)	Shows the itemized amount of the listed XES expense that was billed to all companies other than SPS.
Column J —	XES Billings for Class to SPS (total company) (FERC Acct. 400-935)	Shows the itemized amount of the listed XES expense that was billed to SPS. Therefore, the sum of this column provides total billings to SPS and ties to the total dollar amount for the affiliate class in Column E of Attachment WAG-RR-A.

Column K — Exclusions	Shows the total dollars excluded from Column H. The total dollar amount for the affiliate class in Column I ties to the total dollar amount for the affiliate class in Column F of Attachment WAG-RR-A.
Column L — Per Book	Shows XES billings to SPS (total company), for the affiliate class, after the exclusions shown in Column I. The dollar amount in Column J is Column H plus Column I. The total dollar amount for the affiliate class in Column J ties to the total dollar amount for the affiliate class in Column G of Attachment WAG-RR-A.
Column M — Pro Formas	Shows the dollar amount of pro forma adjustments to the dollar amount in Column J. The total dollar amount for the affiliate class in Column K ties to the total dollar amount for the affiliate class in Column H of Attachment WAG-RR-A.
Column N — Requested Amount (total company)	Shows the requested amount (total company) for the affiliate class. The dollar amount in Column L is Column J plus Column K. The total dollar amount for the affiliate class in Column L ties to the total dollar amount for the affiliate class in Column I of Attachment WAG-RR-A.

1 Mr. Baumgarten also provides a consolidated summary of this information
2 for all affiliate classes during the Updated Test Year, as well as the Test Year
3 (October 1, 2019 through September 30, 2020).

4 **Attachment WAG-RR-C:** Both Attachments WAG-RR-A and
5 WAG-RR-B(CD) show exclusions to the XES expenses billed to SPS for the

1 Strategic Revenue Initiatives affiliate class (Attachment WAG-RR-A, Column H;
2 Attachment WAG-RR-B(CD), Column K). Attachment WAG-RR-C provides
3 detail about those exclusions listed on Attachments WAG-RR-A and
4 WAG-RR-B(CD). The columns on this Attachment WAG-RR-C provide the
5 following information.

Column A —	Line Number	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.
Column C —	FERC Account	Identifies the FERC Account for the expense that has been excluded.
Column D —	Explanations for Exclusions	Provides a brief rationale for the exclusion.
Column E —	Exclusions (total company)	Shows the dollar amount of the exclusion.

6 In his direct testimony, Mr. Baumgarten describes the calculations
7 underlying the exclusions.

8 **Attachment WAG-RR-D:** Both Attachments WAG-RR-A and
9 WAG-RR-B(CD) show pro forma adjustments to SPS's per book expenses for the
10 Strategic Revenue Initiatives (Attachment WAG-RR-A, Column J; Attachment
11 WAG-RR-B(CD), Column M). Attachment WAG-RR-D provides information
12 about those pro forma adjustments shown on Attachments WAG-RR-A and
13 WAG-RR-B(CD). The columns on Attachment WAG-RR-D provide the following
14 information.

Column A —	Line Number	Lists the Attachment line numbers.
Column B —	Affiliate Class	Lists the affiliate class.

Column C —	FERC Account	Identifies the FERC Account affected by the pro forma adjustment.
Column D —	Explanations for Pro Formas	Provides a brief rationale for the pro forma adjustment.
Column E —	Sponsor	Identifies the witness or witnesses who sponsor the pro forma adjustment.
Column F —	Pro Formas (total company)	Shows the dollar amount of the pro forma adjustment.

1 **Q. Does XES bill its expenses for the Strategic Revenue Initiatives class to SPS in**
2 **the same manner as it bills other affiliates?**

3 A. Yes. As discussed by Mr. Baumgarten, XES uses the same method for billing and
4 allocating costs to affiliates other than SPS that it uses to bill and allocate those
5 costs to SPS.

6 **Q. Are there any exclusions to the XES billings to SPS for the Strategic Revenue**
7 **Initiatives affiliate class?**

8 A. Yes. As I mentioned earlier, exclusions reflect expenses not requested, such as
9 expenses not allowed or other below-the-line items. Exclusions are shown on
10 Attachment WAG-RR-A, Column H, and on Attachment WAG-RR-B(CD),
11 Column K. The details for the exclusions are provided in Attachment WAG-RR-C.
12 Mr. Baumgarten describes how the exclusions were calculated. In SPS’s 45-day
13 case update, I will present an updated Attachment WAG-RR-C that will provide
14 actual exclusions to replace any estimated exclusions included in my original
15 attachment.

1 **Q. Are there any pro forma adjustments to SPS’s per book expenses for the**
2 **Strategic Revenue Initiatives affiliate class?**

3 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
4 Year expenses for known and measurable changes. Pro forma adjustments are
5 shown on Attachment WAG-RR-A, Column J, and on Attachment WAG-RR-
6 B(CD), Column M. The details for the pro forma adjustments, including the
7 witness or witnesses who sponsor each pro forma adjustment, are provided in
8 Attachment WAG-RR-D. As shown on that attachment, I sponsor two proforma
9 adjustments for the Strategic Revenue Initiatives Affiliate Class, one in the amount
10 of (\$180.20) that relates to office supplies and expenses and one in the amount of
11 (\$156.53) that relates to general advertising expenses. Given the time of SPS’s
12 initial filing, only the first nine months of the Updated Test Year have completed
13 the full pro forma adjustment review process. In SPS’s 45-day case update, I will
14 present an updated Attachment WAG-RR-D that will complete the full pro forma
15 adjustment review process for the last three months of the Updated Test Year.

16 **B. The Strategic Revenue Initiatives Class of Services are Necessary**
17 **Services**

18 **Q. Are the services that are grouped in the Strategic Revenue Initiatives affiliate**
19 **class necessary for SPS’s operations?**

20 A. Yes. The services grouped in the Strategic Revenue Initiatives affiliate class are
21 critical to SPS’s economic development and ability to deliver innovative electric
22 service options to customers. The Strategic Revenue Initiatives class is responsible
23 for the Corporate Economic Development Program, which provides customer and

1 Operating Company support for business expansion, retention, and attraction. In
2 addition, the Strategic Revenue Initiatives class is responsible for the development
3 and cost-effective protocol implementation of electric service options and program
4 development and includes the Customer and Innovation Business Area. For
5 example, programs under evaluation include storage solutions (i.e., batteries),
6 electric vehicles, microgrid initiatives, and other emerging technological advances
7 that are important to meet long-term customer demands.

8 **Q. What are the specific services that the Strategic Revenue Initiatives affiliate**
9 **class provides to SPS?**

10 A. The specific services that the Strategic Revenue Initiatives affiliate class provides
11 to SPS are:

- 12 • evaluating emerging technologies that can benefit the system and
13 customers through reduced energy usage, improved grid management,
14 and other measures and developing new technologies to be deployed
15 when they are cost-effective;
- 16 • directly leading and competing for new customers and load growth,
17 including national sales and economic development;
- 18 • working with SPS employees to meet with various communities
19 regarding economic development potential; and
- 20 • processing potential certified sites for prospective customers to build or
21 expand within the SPS service territory.

22 **Q. Are any of the Strategic Revenue Initiatives class of services that are provided**
23 **to SPS duplicated elsewhere in XES or in any other Xcel Energy subsidiary**
24 **such as SPS itself?**

25 A. No. Within XES, none of the services grouped in the Strategic Revenue Initiatives
26 affiliate class are duplicated elsewhere. No other Xcel Energy subsidiary performs

1 these services for the Operating Companies. In addition, SPS does not perform
2 these services for itself.

3 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
4 **Strategic Revenue Initiatives class of services?**

5 A. Yes. The services of the Strategic Revenue Initiatives class benefit SPS's
6 customers in many ways. For example, this class is responsible for the Corporate
7 Economic Development program, which has established key communications with
8 national customers to enable expansion opportunities, renewable energy options,
9 and capital investment in the SPS region. These efforts are focused on not only
10 maintaining jobs, but also aiding in the ability to maintain and expand healthy
11 communities and utilization of the electric system. The Corporate Economic
12 Development program also actively markets SPS as a viable location for new future
13 industrial and commercial customers. The potential load growth from these new
14 customers could enable SPS to maintain more steady rates. This benefits SPS's
15 Texas retail customers from multiple perspectives, those that directly impact their
16 utility bill and those that impact their communities and potentially their own
17 livelihood.

18 **C. The Strategic Revenue Initiatives Class of Services are Provided at**
19 **a Reasonable Cost**

20 **Q. Are the costs of the Strategic Revenue Initiatives class of services reasonable?**

21 A. Yes. The costs of the Strategic Revenue Initiatives class of services are reasonable.
22 The services are provided on a consolidated basis for multiple Xcel Energy legal
23 entities. As a result, SPS benefits from sophisticated services, the consolidated

1 costs of which are shared. The economies of scale inherent in this system result in
2 reasonable costs for SPS for these services.

3 *1. Additional Evidence*

4 **Q. Is there additional support for your opinion that the costs of the Strategic**
5 **Revenue Initiatives affiliate class are reasonable?**

6 A. Yes. Approximately 64% of the costs for the Strategic Revenue Initiatives class
7 consists of compensation and benefits costs for XES personnel. Mr. Deselich
8 establishes that the level of Xcel Energy's compensation and benefits is reasonable
9 and necessary.

10 *2. Budget Planning*

11 **Q. Is a budget planning process applicable to the Strategic Revenue Initiatives**
12 **class of affiliate costs?**

13 A. Yes. Annual O&M budgets are created for the Customer and Innovation business
14 area, which includes the Strategic Revenue Initiatives class of affiliate costs, using
15 guidelines developed at the corporate level. Each manager within the Customer
16 and Innovation business area carefully reviews historical spend information,
17 identifies changes that will be coming in the future, and analyzes the costs
18 associated with those changes prior to submitting a proposed budget. The
19 budgeting process is discussed in more detail in the testimony of Mr. Dietenberger.

20 **Q. During the fiscal year, does the Customer and Innovation business area**
21 **monitor its actual expenditures versus its budget?**

22 A. Yes. Actual versus expected expenditures are monitored on a monthly basis.
23 Deviations are evaluated each month to ensure that costs are appropriate. In

1 addition, action plans are developed to mitigate variations in actual to budgeted
2 expenditures. These mitigation plans may either reduce or delay other expenditures
3 so that the revised budget supports the authorized budget. If authorized budget
4 adjustments are required, they are identified and approved at an appropriate level
5 of management.

6 **Q. Are employees within the Customer and Innovation business area held**
7 **accountable for deviations from the budget?**

8 A. Yes. The managers of the Customer and Innovation business area, which includes
9 the Strategic Revenue Initiatives department, are required to manage their expenses
10 to support the financial goals established by the business area. Budgets are
11 reviewed monthly to ensure adherence to the goals and to discuss action necessary
12 to address variances. Failure to meet these performance goals may affect the
13 business area overall results and the managers' performance evaluations and overall
14 compensation.

15 *3. Cost Trends*

16 **Q. Please state the dollar amounts of the actual charges (per book) from XES to**
17 **SPS for the Strategic Revenue Initiatives class of services for the three fiscal**
18 **years preceding the end of the Updated Test Year and the charges (per book)**
19 **for the estimated Updated Test Year.**

20 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
21 years), the actual per book and, for the Updated Test Year, the estimated per book
22 affiliate charges (Column I on Attachment WAG-RR-A) from XES to SPS for the
23 services grouped in the Strategic Revenue Initiatives affiliate class.

1
2

**Table WAG-RR-6
Strategic Revenue Initiatives (Per Book) Charges Over Time**

Class of Services	2017	2018	2019	Updated Test Year (Estimated)
Strategic Revenue Initiatives	\$142,635	\$186,773	\$154,872	\$148,288

3 **Q. What are the reasons for this trend?**

4 A. The increase in costs between 2017 and 2018 resulted from the addition of
5 employees to the Strategic Revenue Initiatives class. The decrease between 2018
6 and 2019, and between 2019 and the Updated Test Year, resulted from a
7 reorganization that involved the movement of some employees into other areas.

8 *4. Staffing Trends*

9 **Q. Please provide the staffing levels for the Strategic Revenue Initiatives class of**
10 **services for the three fiscal years preceding the end of the Updated Test Year**
11 **and the Updated Test Year.**

12 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
13 years) and for the Updated Test Year, the average of the end of month staffing
14 levels for the Strategic Revenue Initiatives class of services.

15 **Table WAG-RR-7**
16 **Strategic Revenue Initiatives Staffing Trends**

Class of Services	Average End of Month # of Staff			
	2017	2018	2019	Updated Test Year (Estimated)
Strategic Revenue Initiatives	5	8	6	4

1 **Q. What are the reasons for the change in staffing over this time period?**

2 A. The Strategic Revenue Initiatives affiliate class was created in September 2016 and
3 was not fully staffed at the time it was created. Additional staff was added in 2017
4 and 2018. The decrease in staff between 2018 and 2019, and between 2019 and the
5 Updated Test Year, resulted from a reorganization that involved the movement of
6 some employees into other areas.

7 *5. Cost Control and Process Improvement Initiatives*

8 **Q. Separate from the budget planning process, does the Strategic Revenue**
9 **Initiatives affiliate class take any steps to control its costs or to improve its**
10 **services?**

11 A. Yes. As a subsidiary of the Customer and Innovation business area, the Strategic
12 Revenue Initiatives affiliate class continually reviews its plans and initiatives and
13 staffing to ensure they are appropriate and to identify and implement
14 improvements. For example, the department carefully evaluates hiring
15 replacements if employees leave. Updates in systems or the development and
16 implementation of new systems may also lead to savings in headcount or contractor
17 costs. Use of electronic technology may also lead to small additional cost
18 reductions by converting the manual dissemination of information into electronic
19 format.

1 **D. The Costs for the Strategic Revenue Initiatives Affiliate Class of**
2 **Services are Priced in a Fair Manner**

3 **Q. For those costs that XES charges (either directly or through use of an**
4 **allocation) to SPS for the Strategic Revenue Initiatives class of services, does**
5 **SPS pay any more for the same or similar service than does any other Xcel**
6 **Energy affiliate?**

7 A. No.

8 **Q. Why do you answer “no”?**

9 A. The XES charges to SPS for any particular service are no higher than the XES
10 charges to any other Xcel Energy affiliate. The costs charged for particular services
11 are the actual costs that XES incurred in providing those services to SPS. A single,
12 specific allocation method, rationally related to the cost drivers associated with the
13 service being provided, is used with each cost center (billing method). In his direct
14 testimony, Mr. Baumgarten discusses the selection of billing methods and XES’s
15 method of charging for services in more detail.

16 **Q. How are the costs of the Strategic Revenue Initiatives affiliate class billed to**
17 **SPS?**

18 A. My Attachment WAG-RR-B(CD) shows all of the costs in this class broken out by
19 activity and, in conjunction with Column C in my Attachment WAG-RR-A, shows
20 the billing method associated with each activity. My Attachment WAG-RR-A,
21 shows the allocation method (Column D) associated with each billing method
22 (Column C) used in the affiliate class.

1 In SPS's 45-day case update, I will present updated Attachments
2 WAG-RR-A and WAG-RR-B(CD) so that the entries for the last three months of
3 the Updated Test Year provide actual data and conform to the information provided
4 for the first nine months. In the event the predominant billing methods and
5 associated allocation methods for the Strategic Revenue Initiatives affiliate O&M
6 expenses on my updated Attachments WAG-RR-A and WAG-RR-B(CD) differ
7 from those discussed below, I will explain those differences in supplemental
8 testimony in SPS's 45-day case update filing.

9 **Q. What are the predominant allocation methods used for billing the costs that**
10 **SPS seeks to recover for the Strategic Revenue Initiatives affiliate class of**
11 **services?**

12 A. All of the XES charges to SPS for this class were charged using one allocation
13 method:

- 14 • Assets/Revenue/No. of Employees – 100% of XES charges to SPS –
15 \$147,093.17.

16 **Q. Why is it appropriate to allocate costs based upon the “Assets/Revenue/No. of**
17 **Employees” method for the costs captured in the cost centers that use that**
18 **allocation method?**

19 A. Cost Center 200092, which uses the “Assets/Revenue/No. of Employees” method
20 as the allocator, captures costs associated with studying, developing, and
21 demonstrating new energy technologies for future utility uses, providing Operating
22 Company strategy and planning support, and providing leadership for Xcel
23 Energy's renewable energy strategy and business development. Because these
24 services are comprised of a broad spectrum of activities, no measurable method of

1 cost causative allocation was found to allocate these costs; therefore, the three-
2 factor formula was used. These services are allocated to a subset of companies
3 based on who benefits from the services. For the cost centers that assign costs based
4 upon this allocation method, the per unit amounts charged by XES to SPS as a result
5 of the application of this allocation method are no higher than the unit amounts
6 billed by XES to other affiliates for the same or similar services and represent the
7 actual costs of the services.

1 **XIX. AFFILIATE EXPENSES FOR PSCO PRESIDENT**
2 **CLASS OF SERVICES**

3 **A. Summary of Affiliate Expenses for the PSCo President Class of**
4 **Services**

5 **Q. Where does the PSCo President affiliate class fit into the overall affiliate**
6 **structure?**

7 A. Attachment MLS-RR-6 to Mr. Baumgarten’s direct testimony provides a list and a
8 pictorial display of all affiliate classes, dollar amounts for those classes, and
9 sponsoring witness for each class. As seen on that attachment, the PSCo President
10 affiliate class was part of the Group Presidents business area during the Updated
11 Test Year. Attachment WAG-RR-7 to my testimony is an organization chart
12 showing the Group Presidents organization.

13 **Q. What services are grouped into the PSCo President affiliate class?**

14 A. The services that are grouped into the PSCo President affiliate class are rate
15 analysis, economic analysis, interest rate forecasts, bond due diligence, rate entry,
16 rate structure modification, and billing implementation of new rates in the
17 Customer Resources System (“CRS”) for all four Operating Companies.

18 **Q. What is the dollar amount of the Updated Test Year charges that SPS requests,**
19 **on a total company basis, for the PSCo President affiliate class?**

20 A. The following table summarizes the dollar amount of the estimated Updated Test
21 Year charges for the PSCo President affiliate class. The table headings are
22 explained following the table. I will update the table below as part of SPS’s 45-day

1 case update filing to reflect the actual Updated Test Year costs for the PSCo
2 President affiliate class.

3 **Table WAG-RR-8**

Class of Services	Total XES Class Expenses	Requested Amount of XES Class Expenses Billed to SPS (Total Company)		
		Requested Amount	% Direct Billed	% Allocated
PSCo President	\$1,726,880	\$127,560	29%	71%

4 **Q. Please describe the attachments that support the information provided in**
5 **Table WAG-RR-8.**

6 A. There are four attachments to my testimony that present information about the
7 requested SPS affiliate expenses for the PSCo President affiliate class. I explained
8 these attachments in detail previously in Section XVIII of my testimony.

9 **Q. Does XES bill its expenses for the PSCo President affiliate class to SPS in the**
10 **same manner as it bills other affiliates for those expenses?**

11 A. Yes. As discussed by Mr. Baumgarten, XES uses the same method for billing and
12 allocating costs to affiliates other than SPS that it uses to bill and allocate those
13 costs to SPS.

14 **Q. Are there any exclusions to the XES billings to SPS for the PSCo President**
15 **affiliate class?**

16 A. Yes. There is one exclusion in the amount of \$129.39. As I mentioned earlier,
17 exclusions reflect expenses not requested, such as expenses not allowed or other
18 below-the-line items. Exclusions are shown on Attachment WAG-RR-A, Column

1 H, and on Attachment WAG-RR-B(CD), Column K. The details for the exclusions
2 are provided in Attachment WAG-RR-C. As I mentioned earlier, Mr. Baumgarten
3 describes how the exclusions were calculated. In SPS’s 45-day case update, I will
4 present an updated Attachment WAG-RR-C that will provide actual exclusions to
5 replace any estimated exclusions included in my original attachment.

6 **Q. Are there any pro forma adjustments to SPS’s per book expenses for the PSCo
7 President affiliate class?**

8 A. Yes. As I mentioned earlier, pro forma adjustments are revisions to Updated Test
9 Year expenses for known and measurable changes. Pro forma adjustments are
10 shown on Attachment WAG-RR-A, Column J, and on Attachment WAG-RR-B,
11 Column M. As shown on Attachment WAG-RR-D, I sponsor one pro forma
12 adjustment for the PSCo President affiliate class. Given the time of SPS’s initial
13 filing, only the first nine months of the Updated Test Year have completed the full
14 pro forma adjustment review process. In SPS’s 45-day case update, I will present
15 an updated Attachment WAG-RR-D that will complete the full pro forma
16 adjustment review process for the last three months of the Updated Test Year.

17 **B. The PSCo President Class of Services are Necessary Services**

18 **Q. Are the services that are grouped in the PSCo President affiliate class
19 necessary for SPS’s operations?**

20 A. Yes. The services grouped in the PSCo President affiliate class are necessary to
21 ensure that rate and billing information entered in CRS is in accordance with SPS
22 approved tariffs, customer bills are generated using the correct rates, and that
23 economic data used in regulatory filings before the Commission and elsewhere are

1 accurate and informative. These are functions required by all utilities and without
2 which SPS would not be able to provide electric service to its customers.

3 **Q. What are the specific services that the PSCo President affiliate class provides**
4 **to SPS?**

5 A. The specific services that are provided to SPS by the PSCo President affiliate class
6 are associated with updating the CRS with new or revised SPS tariffs and rates. As
7 mentioned previously, the CRS system is the billing and information system used
8 throughout Xcel Energy, including by SPS, and employees within the PSCo
9 President department have the specialized training required to input this
10 information. These employees are responsible for reviewing all changes in SPS
11 tariffs, understanding the design of the tariffs, building a project plan for
12 implementation of each tariff in the CRS system, working with information
13 technology personnel for scheduling and testing, and working with the billing
14 department to ensure that the tariffs have been correctly implemented in the CRS
15 system and that customers will receive accurate bills. In addition, this class
16 provides SPS with economic analysis, interest rate forecasts, bond due diligence,
17 and expert witness testimony on these issues as necessary.

18 **Q. Are any of the PSCo President class of services that are provided to SPS**
19 **duplicated elsewhere in XES or in any other Xcel Energy subsidiary such as**
20 **SPS itself?**

21 A. No. Within XES, none of the services grouped in the PSCo President affiliate class
22 are duplicated elsewhere. No other Xcel Energy subsidiary performs these services

1 for the Operating Companies. In addition, SPS does not perform these services for
2 itself.

3 **Q. Do SPS's Texas retail customers benefit from the services that are part of the**
4 **PSCo President class of services?**

5 A. Yes. The services of the PSCo President class benefit SPS customers by ensuring
6 that the billings to customers are at the approved tariff rates and that information
7 and resources are available for regulatory filings.

8 **C. The PSCo President Class of Services are Provided at a Reasonable**
9 **Cost**

10 **Q. Are the costs of the PSCo President class of services reasonable?**

11 A. Yes. The costs of the PSCo President class of services are reasonable. The services
12 are provided on a consolidated basis for multiple Xcel Energy legal entities. As a
13 result, SPS benefits from sophisticated services, the consolidated costs of which are
14 shared. The economies of scale inherent in this system result in reasonable costs
15 for SPS for these services.

16 *1. Additional Evidence*

17 **Q. Is there additional support for your opinion that the costs of the PSCo**
18 **President affiliate class are reasonable?**

19 A. Yes. Of the estimated Updated Test Year costs for the PSCo President affiliate
20 class, approximately 95% are compensation and benefits costs for XES personnel.
21 Mr. Deselich and Mr. Schrubbe establish that the level of Xcel Energy's
22 compensation and benefits is reasonable and necessary.

1 *1. Budget Planning*

2 **Q. Is a budget planning process applicable to the PSCo President class of affiliate**
3 **costs?**

4 A. Yes. Annual O&M budgets are created for the Group Presidents business area,
5 which includes the PSCo President class of affiliate costs, using guidelines
6 developed at the corporate level. Each manager within the Utilities & Corporate
7 Services business area carefully reviews historical spend information, identifies
8 changes that will be coming in the future, and analyzes the costs associated with
9 those changes prior to submitting a proposed budget. The budgeting process is
10 discussed in more detail in the testimony of Mr. Dietenberger.

11 **Q. During the fiscal year, does the Group Presidents business area monitor its**
12 **actual expenditures versus its budget?**

13 A. Yes. Actual versus expected expenditures are monitored on a monthly basis.
14 Deviations are evaluated each month to ensure that costs are appropriate. In
15 addition, action plans are developed to mitigate variations in actual to budgeted
16 expenditures. These mitigation plans may either reduce or delay other expenditures
17 so that the revised budget supports the authorized budget. If authorized budget
18 adjustments are required, they are identified and approved at an appropriate level
19 of management.

20 **Q. Are employees within the Group Presidents business area held accountable for**
21 **deviations from the budget?**

22 A. Yes. The managers of the Group Presidents business area, which includes the PSCo
23 President department, are required to manage their expenses to support the financial

1 goals established by the business area. Budgets are reviewed monthly to ensure
 2 adherence to the goals and to discuss action necessary to address variances. Failure
 3 to meet these performance goals may affect the business area overall results and the
 4 managers' performance evaluations and overall compensation.

5 *2. Cost Trends*

6 **Q. Please state the dollar amounts of the actual charges (per book) from XES to**
 7 **SPS for the PSCo President class of services for the three fiscal years preceding**
 8 **the end of the Updated Test Year and the charges (per book) for the estimated**
 9 **Updated Test Year.**

10 A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar
 11 years), the actual per book and, for the Updated Test Year, the estimated per book
 12 affiliate charges (Column I on Attachment WAG-RR-A) from XES to SPS for the
 13 services grouped in the PSCo President affiliate class:

14 **Table WAG-RR-9**
 15 **PSCo President (Per Book) Charges Over Time**

Class of Services	2017	2018	2019	Updated Test Year (Estimated)
PSCo President	\$10,769	\$90,935	\$106,374	\$123,500

16 **Q. What are the reasons for this trend?**

17 A. The increase between 2017 and 2018 resulted from the formation of the Group
 18 President business area in 2018. The increase between 2018 and the Updated Test
 19 Year resulted from the PSCo President affiliate class providing additional services
 20 to SPS and from increased salary and benefits costs.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19

3. Staffing Trends

Q. Please provide the staffing levels for the PSCo President class of services for the three fiscal years preceding the end of the Updated Test Year and the Updated Test Year.

A. The following table shows, for the fiscal years 2017, 2018, and 2019 (calendar years) and for the Updated Test Year, the average of the end of month staffing levels for the PSCo President class of services.

**Table WAG-RR-10
PSCo President Staffing Trends**

Class of Services	Average End of Month # of Staff			
	2017	2018	2019	Updated Test Year (Estimated)
PSCo President	15	13	10	9

Q. What are the reasons for this trend?

A. The staffing change is due to the movement of PSCo Regulatory employees from XES to PSCo.

4. Cost Control and Process Improvement Initiatives

Q. Separate from the budget planning process, does the PSCo President affiliate class take any steps to control its costs or to improve its services?

A. Yes. The PSCo President organization continually reviews its plans and initiatives and staffing to ensure they are appropriate and to identify and implement improvements. For example, the department carefully evaluates hiring replacements if employees leave. Positions are often left vacant for several months

1 in order to evaluate if an employee needs to be replaced. Updates in systems or the
2 development and implementation of new systems may also lead to savings in
3 headcount or contractor costs. Use of electronic technology may also lead to small
4 gains in cost reductions by converting the manual dissemination of information into
5 electronic format.

6 **D. The Costs for the PSCo President Class of Services are Priced in a**
7 **Fair Manner**

8 **Q. For those costs that XES charges (either directly or through use of an**
9 **allocation) to SPS for the PSCo President class of services, does SPS pay any**
10 **more for the same or similar service than does any other Xcel Energy affiliate?**

11 A. No.

12 **Q. Why do you answer “no”?**

13 A. The XES charges to SPS for any particular service are no higher than the XES
14 charges to any other Xcel Energy affiliate. The costs charged for particular services
15 are the actual costs that XES incurred in providing those services to SPS. A single,
16 specific allocation method, rationally related to the cost drivers associated with the
17 service being provided, is used with each cost center (billing method). In his direct
18 testimony, Mr. Baumgarten discusses the selection of billing methods and XES’s
19 method of charging for services in more detail.

20 **Q. How are the costs of the PSCo President affiliate class billed to SPS?**

21 A. My Attachment WAG-RR-B shows all of the costs in this class broken out by
22 activity and, in conjunctions with Column C in my Attachment WAG-RR-A, shows
23 the billing method associated with each activity. My Attachment WAG-RR-A

1 shows the allocation method (Column D) associated with each billing method
2 (Column C) used in the affiliate class.

3 In SPS's 45-day case update, I will present updated Attachments WAG-RR-
4 A and WAG-RR-B so that the entries for the last three months of the Updated Test
5 Year provide actual data and conform to the information provided for the first nine
6 months. In the event the predominant billing methods and associated allocation
7 methods for the PSCo President affiliate O&M expenses on my updated
8 Attachments WAG-RR-A and WAG-RR-B differ from those discussed below, I
9 will explain those differences in supplemental testimony in SPS's 45-day case
10 update filing.

11 **Q. What are the predominant allocation methods used for the PSCo President**
12 **affiliate class of services?**

13 A. 100% of the XES charges to SPS for this class were charged using two allocation
14 method:

- 15 • Direct Billing – 28.78% of XES charges to SPS – \$36,711.03.
- 16 • Assets/Revenue/No. of Employees – 71.22% of XES charges to SPS –
17 \$90,849.18.

18 **Q. Why is the “Direct Billing” method appropriate for assigning the costs**
19 **captured in the cost centers that use that allocation method?**

20 A. For the cost centers that are assigned using the “Direct Billing” method, the costs
21 normally reflect work that was performed specifically for SPS only. In some cases,
22 however, the direct billing occurred after the application of an off-line allocator that
23 tracks the relevant cost drivers. In either situation, the cost centers charged using
24 the “Direct Billing” method are appropriate because the assignment of costs is in

1 accordance with the distribution of benefits for the services received. For example,
2 the labor costs associated with personnel who enter new SPS tariff billing rates into
3 CRS are assigned using the “Direct Billing” method. The cost of these services
4 benefitted SPS, the work was performed specifically for SPS alone, and the cost
5 driver is an SPS tariff change. Thus, the “Direct Billing” method is appropriate
6 because it assigns costs in accordance with cost causation and benefits received.
7 For the cost centers that assign costs using Direct Billing, the per unit amounts
8 charged by XES to SPS are no higher than the unit amounts billed by XES to other
9 affiliates for the same or similar services and represent the actual costs of the
10 services.

11 **Q. Why is it appropriate to allocate costs based upon the “Assets/Revenue/No. of**
12 **Employees” method for the costs captured in the cost centers that use that**
13 **allocation method?**

14 A. Cost Center 200063, which uses the “Assets/Revenue/No. of Employees” method
15 as the allocator, captures costs associated with corporate governance. Because
16 these services are comprised of a broad spectrum of activities, no measurable
17 method of cost causative allocation was found to allocate these costs; therefore, the
18 three-factor formula was used. These services are allocated to a subset of companies
19 based on who benefits from the services. For the cost centers that assign costs based
20 upon this allocation method, the per unit amounts charged by XES to SPS as a result
21 of the application of this allocation method are no higher than the unit amounts
22 billed by XES to other affiliates for the same or similar services and represent the
23 actual costs of the services.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

XX. RATE CASE EXPENSES

Q. What amount of rate case expenses is SPS seeking to recover in this docket?

A. SPS requests rate case expenses totaling \$6,486,825. This requested amount includes estimates of \$5,489,800 for this current case, \$685,575 for SPS’s currently pending Fuel Formula docket, and \$311,450 for SPS’s currently pending base rate surcharge docket. An itemization of the SPS’s requested rate case expenses for this case, as well as the expenses incurred in currently pending dockets is set forth in my Attachment WAG-RR-8.

Q. Does SPS’s requested revenue requirement include the \$6.5 million in rate case expenses?

A. Yes.

Q. What opinion are you providing regarding the reasonableness and necessity of the rate case expenses that SPS is requesting?

A. I discuss and express my opinion regarding the reasonableness, necessity, and recoverability of the rate case expenses that SPS has incurred so far in this rate case and the other cases mentioned above. I wish to point out, however, that to date SPS has incurred only a small fraction of the total amount of expenses it likely will incur in this case. These expenses include: (1) the fees and expenses of both outside counsel and consultants who performed work on the current rate case and other litigation matters for SPS; and (2) expenses incurred by SPS personnel associated with the current rate case and prior rate-related matters.

1 **Q. Please describe your qualifications to offer rate case expense testimony?**

2 A. I know firsthand the rate case process and what it takes to assemble, file, and
3 process a base rate case, fuel reconciliations, and other regulatory proceedings. I
4 have actively participated in rate case activities, including coordinating the
5 management of the case; developing and adapting case strategy; selecting both
6 internal and external witnesses and consultants; reviewing and approving schedules
7 and testimony, discovery responses, and other filings; negotiating settlements; and
8 participating in hearing and post-hearing briefing efforts. Based on my extensive
9 experience with regulatory proceedings, I am familiar with the work that
10 consultants and outside counsel perform for SPS in regulatory matters and have
11 developed the expertise needed to determine whether the work performed is
12 reasonable and necessary, as well as the expertise needed to determine whether the
13 expenses charged are reasonable for the scope of work performed.

14 **Q. Are any other SPS witnesses also addressing rate case expenses?**

15 A. Yes. Mr. Thomas Anson, a Partner at the law firm of Clark Hill PLC, is also
16 providing testimony on SPS's requested rate case expenses.

17 **Q. What factors did you consider in analyzing whether the work to be performed**
18 **by SPS's consultants and outside counsel is reasonable and necessary for**
19 **purposes of this rate case and whether the budgeted amounts through the end**
20 **of this case are reasonable?**

21 A. In assessing the reasonableness of the expenses and the budgeted amounts, I
22 considered the factors included in 16 TAC § 25.245(b). In addition, I considered

1 other factors, such as the benefit that SPS derived from the consultant’s and outside
2 counsel’s services.

3 **A. Expenses Incurred or Estimated to be Incurred in this Proceeding**

4 **Q. Has SPS incurred rate case expenses to prepare and prosecute this rate case?**

5 A. Yes. SPS has incurred rate case expenses to prepare the RFP and to perform the
6 other tasks attendant to filing a base rate case before the Commission. SPS expects
7 to incur additional rate case expenses to pursue this base rate case before the
8 Commission and, if necessary, on appeal. In addition, SPS expects to receive
9 requests for reimbursement of rate case expenses incurred by municipalities
10 participating in the rate case.

11 **Q. How has SPS managed its current rate case?**

12 A. SPS has reasonably managed its current base rate case by using a mix of internal
13 resources, outside counsel, and external consultants to develop, file, and litigate its
14 requests in this case, with an eye toward keeping expenses at a reasonable level.

15 As to internal resources, SPS’s lead counsel for this case, Mr. William
16 DuBois, is an experienced public utility lawyer who understands the details of a
17 rate filing. SPS is also relying on two additional internal, experienced public utility
18 lawyers, Ms. Zoë Lees and Mr. Mark Walker. Additionally, SPS has appropriately
19 relied on its own employees to provide testimony and support for the proceedings
20 in their respective areas of subject matter expertise.

21 For outside counsel, SPS has engaged Winstead, P.C. (the “Winstead
22 Firm”); Eversheds Sutherland (US) LLP (“Eversheds Sutherland”); and the Santa
23 Fe office of Hinkle Shanor LLP (the “Hinkle Firm”). In addition, Amy Shelhamer,

1 of the Amarillo firm of Courtney, Countiss, Brian & Bailey L.L.P., has been
2 engaged. The Winstead Firm, Eversheds Sutherland, the Hinkle Firm, and Ms.
3 Shelhamer all have deep experience in handling public utility matters and rate
4 cases. These lawyers are highly regarded and well qualified to handle their case
5 responsibilities. The work has been staffed in a reasonable manner with
6 appropriately experienced lawyers who charge reasonable fees for their services,
7 and these attorneys have experience that allows them to understand SPS and
8 efficiently perform the necessary work with a minimum amount of research.

9 Duplication of work is avoided through the attorney work assignment
10 process. Witnesses are in many cases matched with attorneys who have experience
11 in the subject matter fields of the witness, so that the case preparation process is
12 streamlined as much as reasonably possible. Younger and less experienced lawyers
13 are also used in an appropriate way for legal tasks, including time-intensive
14 discovery and research matters.

15 Similarly, the external witnesses and outside consultants are all necessary
16 and experienced, and they have been delegated responsibilities that could not be
17 performed efficiently by internal resources. The use of outside consultants to
18 support certain rate case issues is common and helps defray overall costs when their
19 services are not needed on a day-to-day basis to operate the utility.

20 **Q. Was it reasonable for SPS to select the Winstead Firm, Eversheds Sutherland,**
21 **the Hinkle Firm, and Ms. Shelhamer as outside counsel?**

22 A. Yes. These firms and attorneys have extensive experience and the resources
23 necessary to efficiently and professionally handle all the requirements of a rate case.

1 In addition, these law firms often represent other utilities that have rate cases before
2 the Commission, other state regulatory commissions, the FERC, or other state
3 agencies, so the firms understand not only the substantive issues involved, but how
4 to prepare and prosecute a rate case without learning how to litigate these types of
5 cases from scratch. Furthermore, many of the attorneys associated with these firms
6 have experience representing other large electric utilities. As a result, SPS enjoys
7 access to attorneys that have deep and immediate knowledge of a wide breath of
8 regulatory issues that could affect the utility. SPS's outside counsel can also
9 provide immediate and sound advice to SPS without performing the extensive
10 research that some other firms might have to undertake.

11 **Q. What consultants has SPS retained for purposes of this rate case?**

12 A. For this rate case, SPS has hired the following consultants to help prepare and
13 present the information required by the Rate Filing Package:

- 14 • Richard D. Starkweather of ScottMadden, who prepared the cost
15 benchmarking study and commercial aviation study presented in SPS's
16 testimony;
- 17 • Dylan W. D'Ascendis of ScottMadden, who testifies on ROE and the
18 cost of equity;
- 19 • Todd Shipman of Utility Credit Consultancy LLC, who testifies on
20 SPS's credit metrics and access to capital;
- 21 • Jess K. Totten of Osprey Energy Group, LLC, who testifies regarding
22 SPS's ROE request;
- 23 • Dane A. Watson of Alliance Consulting prepared the depreciation study
24 of SPS's assets and supports the resulting depreciation rates;
- 25 • Thomas Anson of Clark Hill PLC, who testifies regarding SPS's rate
26 case expenses;

- 1 • Management Applications Consulting, which provides assistance
2 regarding the class cost of service;
3
- 4 • Willis Towers Watson, which provided the 2020 General Industry
5 Salary Budget Survey; and
- 6 • Deloitte and Touche, which provided the Independent Accountants’
7 Review Report.

8 The estimated amount of rate case expenses for each of the consultants retained by
9 SPS for this case as shown in Attachment WAG-RR-8.

10 **Q. Has SPS been able to realize certain efficiencies and economies through the**
11 **engagement of these consultants and outside legal counsel?**

12 A. Yes. On January 4, 2021, SPS filed a general rate case with respect to its retail
13 operations in New Mexico. With the exception of Mr. Starkweather, Ms. Totten,
14 and Mr. Anson, all of the outside consultants retained to support SPS in this case
15 are also assisting SPS with the New Mexico case. Although each case involves
16 unique facts and circumstances, the contemporaneous engagements for two cases
17 allow efficiencies that would not be realized were the consultants engaged for this
18 case alone.

19 As for legal counsel, aside from their experience and qualifications, the
20 attorneys representing SPS in this case will also represent SPS in its pending New
21 Mexico rate case. Their assignments in this case include working with the same
22 witnesses and the same issues for which they are responsible in New Mexico,
23 thereby enabling SPS to realize efficiencies and economies in both consulting and
24 legal expenses.

1 **Q. Are the billing rates, budget projections, and terms of engagement for the**
2 **consulting services reasonable in your opinion?**

3 A. Yes. SPS (or, in some instances, XES) has professional services agreements with
4 each of the consultants or their firms engaged for this case. These agreements detail
5 the scope of work to be performed by the consultant, the applicable billing rates,
6 and the maximum authorized contract amounts for the scheduled work. Change
7 orders must be submitted and approved before the contract limits can be exceeded.
8 The agreements include rigorous terms and conditions intended to control costs,
9 assure quality, on-time performance, and protect the interests of SPS.

10 Based on my review of the professional services agreements, it is my
11 opinion that SPS has reasonably and prudently engaged each of the consultants and
12 firms to provide services needed for this case. As discussed in detail by Mr. Anson,
13 their rates and charges are reasonable in light of their expertise and experience.

14 **Q. Are the outside counsel billing rates reasonable in your opinion?**

15 A. Yes. Based upon my experience with rate proceedings in both Texas and New
16 Mexico, it is my opinion that the hourly billing rates for the attorneys are reasonable
17 in light of the lawyer's experience and expertise, and the cities in which the
18 attorneys are located.

19 **Q. Are the miscellaneous expenses reasonable in your opinion?**

20 A. Yes. Rate case filings are voluminous, and during the course of the case, SPS will
21 likely be reproducing thousands of copies of discovery materials for distribution to
22 Commission Staff and intervenors. SPS will be publishing and mailing notices to
23 its customers. At key points in the case, temporary employees may be needed to

1 produce and distribute case materials and provide other logistical support.
2 Implementing new rates at the conclusion of the case will involve substantial
3 reprogramming of billing and accounting systems.

4 **Q. Does SPS's request include the expense for services of SPS or XES employees**
5 **who are participating in the case?**

6 A. No. The requested rate case expenses do not include the time (and associated
7 compensation and benefits expenses) for the services provided by SPS or XES
8 employees, except for overtime charges for hourly employees. Overtime pay for
9 hourly employees is necessarily included in the rate case expense amount because
10 SPS is required by law to pay overtime and other expenses incurred by hourly
11 employees working on the rate case.

12 In addition, employees' miscellaneous out-of-pocket expenses directly
13 incurred in connection with the rate case, such as travel expenses, are included
14 within rate case expenses. Travel expenses primarily include trips by SPS and XES
15 employees to Austin for the hearing on the merits, prehearing conferences,
16 technical conferences, settlement meetings, and other reasons. The expenses
17 consist of hotel costs, transportation costs, and meals, all of which are unavoidable
18 if the case goes to hearing. SPS's witnesses are from places other than Austin, and
19 therefore they must travel to Austin and stay in hotels during the hearing. Employee
20 expenses also include travel expenses to Amarillo, Denver, Minneapolis and Austin
21 incurred by SPS and XES employees while preparing this case. For these types of
22 internal expenses, employees are required to submit detailed expense reports,
23 including all receipts. Employee expenses are reviewed and approved by the

1 employee's supervisor. Finally, all rate case expenses are reviewed by accounting
2 and regulatory personnel to ensure that all expenses are rate-case related.

3 **Q. Has SPS undertaken any other steps to control or reduce rate case expenses?**

4 A. Yes. SPS has undertaken a number of steps to control or reduce rate case expenses:

- 5 • SPS performs a detailed review of posted rate case expenses each month
6 on a transaction-by-transaction basis by a regular salaried employee
7 (i.e., no overtime). That activity catches potential errors in billings to
8 the rate case expense work order and ensures no charges for other cases
9 are being charged as rate case expenses.
- 10 • SPS offers technical conferences and teleconferences with parties in an
11 effort to avoid or prevent unneeded follow-up discovery.
- 12 • SPS prohibits travel to meetings and prehearing conferences by
13 employees whose presence is not necessary at those events.
- 14 • Employees must book the lowest fare options for airline flights, and
15 employees must share a rental car if multiple employees are going to be
16 traveling to the same city at the same time.
- 17 • If employees are also traveling for business other than the rate case, they
18 must carefully split the travel costs between the rate case and the other
19 business purpose.

20 **Q. Does SPS monitor consultants' expenses to ensure that they are reasonable
21 and properly billable to the rate case?**

22 A. Yes. For the expenses described in this testimony, SPS reviews the invoices to
23 ensure the charges reflect work performed for this case or expenses incurred for
24 this case. If some or all of the time entries or expenses do not pertain to this rate
25 case, SPS will reject the invoice and ask the consultant or law firm to submit a
26 revised invoice or the employee to submit a revised expense report. For
27 consultants' and legal invoices, SPS also reviews whether the time charged for a
28 particular task is reasonable and is at the hourly rate set out in the contract. If the

1 hours for a task are questionable, SPS will ask the consultant or law firm for further
2 explanation and, when applicable, will request a revised invoice with a reduced
3 number of hours. SPS further reviews whether the expenses contain charges for
4 first-class air fare or for entertainment or personal items, none of which should be
5 charged to SPS (and if it is charged, will not be passed on to SPS's customer).

6 **Q. Does SPS monitor the work performed by consultants and outside counsel to**
7 **ensure that it is necessary?**

8 A. Yes. While the consultants and outside counsel are working on this case, SPS stays
9 in continual contact with them to ensure they are complying with the scope of work
10 set out in the contracts, are making progress to meet preparation deadlines, are
11 providing the quality of work SPS expects to receive, and are staying within budget.
12 SPS takes an active role in monitoring the consultants' and outside legal work and
13 does not simply hand over portions of the case preparation and prosecution to the
14 consultants and outside law firms.

15 **Q. Does SPS take steps to ensure that the rate case expenses are not included in**
16 **other O&M accounts?**

17 A. Yes. SPS records rate case expenses in a separate deferred account to ensure that
18 they are tracked separately from other expenses and therefore are not included in
19 other cost of service amounts. SPS also reviews entries to the general ledger to
20 ensure employee expenses from New Mexico or other Operating Company rate
21 cases are not being charged to an SPS work order. If SPS is being incorrectly
22 charged, SPS's Regulatory Department corrects the error by journal entries. SPS
23 Regulatory personnel also ensure that no regular time is charged to the rate case

1 expense work order. Only appropriate employee expenses related to the rate case
2 are recorded.

3 **Q. Are any of SPS rate case expenses contingent upon a certain outcome?**

4 A. No.

5 **Q. Do you have an overall opinion regarding the reasonableness and necessity of**
6 **consultants' expenses?**

7 A. Yes. I have reviewed the consultant-related expenses estimated to be incurred by
8 SPS for preparing and litigating this case. Based on my training and experience in
9 regulatory matters as well as litigating SPS's prior base rate cases, I conclude that
10 the estimated consultant-related costs are reasonable and necessary, considering the
11 complexity of the case and the number of issues to be addressed, the amount of
12 money at stake, the extent of each consultant's responsibility, and the benefit that
13 SPS derived from each consultant's services.

14 **Q. Do you have an opinion regarding whether the budgeted rate case legal**
15 **expense amounts are reasonable and necessary?**

16 A. Yes. The services that SPS has asked the law firms to provide are reasonable and
17 necessary, and the hourly rates or fee arrangements are reasonable. SPS's legal
18 department manages the work performed to keep the total level of cost at a
19 reasonable level. Thus, the budgeted amounts are reasonable and necessary.

20 **Q. Is SPS willing to submit its actual rate case expenses as this case progresses as**
21 **a gauge to evaluate the reasonableness of its estimated expenses?**

22 A. Yes. I caution, however, that much of the actual rate case expense is incurred in
23 the later stages of the case, just before, during, and after the public hearing. Thus,

1 a great portion of the actual expenses will not be known at the time this case
2 proceeds to hearing.

3 **B. Expenses Incurred or Expected to be Incurred in Other Texas**
4 **Regulatory Proceedings**

5 **Q. Please summarize the rate case expenses that SPS has incurred in prior Texas**
6 **regulatory proceedings that it seeks to recover in this case.**

7 A. SPS asks the Commission to authorize recovery of \$997,025 in rate case expenses
8 that were incurred or are expected to be incurred by SPS and the intervening
9 municipalities in the following dockets:

- 10 • \$685,575 – rate case expenses associated with Docket No. 51625, SPS’s
11 pending Fuel Formula docket; and
- 12 • \$311,450 – rate case expenses associated with Docket No. 51644, SPS’s
13 surcharge proceeding associated with Docket No. 49831.

14 These amounts are included in Schedule G-14.2 and additional support provided by
15 SPS is included in the supporting workpapers.

16 **Q. Please describe your review of SPS’s expenses associated with these dockets.**

17 A. I conducted the same due diligence regarding SPS’s expenses associated with these
18 dockets that I used to support the rate case expenses in the current rate case, as
19 described above. To the extent applicable, SPS is also requesting recovery of those
20 amounts reimbursed to the municipalities for their expenses associated with these
21 dockets.

22 **Q. Please describe SPS’s management or staffing in these dockets.**

23 A. SPS managed these dockets in generally the same manner employed in this rate
24 case, which is described above. The Company staffed these dockets utilizing one

1 outside legal team per docket. SPS worked to control costs in the same manner as
2 described above.

3 **Q. Was it reasonable and necessary for SPS to retain outside legal counsel in these**
4 **dockets?**

5 A. Yes. It is common for investor-owned electric utilities in Texas to utilize outside
6 legal counsel for fuel formula and base rate surcharge proceedings. As in a base
7 rate proceeding, the utility has the burden of proof and must address various
8 complex issues. The utility also has the burden to prove the reasonableness and
9 necessity of requested rate case expenses.

10 In my experience, outside counsel working on fuel factor and base rate
11 surcharge proceedings must have good practice skills as well as a highly specialized
12 knowledge of not only Commission procedure, but the substantive components of
13 the proceedings discussed above, to effectively manage the proceedings. Thus, it
14 was reasonable for the Company to employ outside counsel to efficiently and
15 effectively manage these proceedings.

16 **Q. Are the rate case expenses that SPS seeks to recover for these dockets**
17 **reasonable and necessary?**

18 A. Yes. I have applied the same criteria used to evaluate the reasonableness of SPS's
19 requested rate case expenses in connection with this case to the costs that were
20 incurred or are expected to be incurred in connection with the dockets listed above.
21 Based on this criteria, I conclude that SPS's requested recovery of \$997,025 in rate
22 case expenses was reasonable, necessary, and should be approved for recovery in
23 this case.

1 **C. Rate Case Expense Recovery Mechanism**

2 **Q. How does SPS propose to recover rate case expenses approved in this case?**

3 A. SPS has included its requested rate case expenses as part of its requested revenue
4 requirement in this case. If approved, SPS will recover its requested rate case
5 expenses as part of its base rates. However, in the event that the Commission severs
6 all or part of the rate case expense issues from this docket, as it has done in prior
7 SPS base rate cases, SPS will remove those rate case expense amounts from the
8 cost of service in this case, and SPS will present detailed information supporting
9 the rate case expenses in the severed docket.

1 **XXI. SPS'S REQUESTS OF THE COMMISSION**

2 **Q. What topic do you discuss in this section of your testimony?**

3 A. As the overall overview witness in this case, I will summarize the relief that SPS is
4 requesting from the Commission in this case.

5 **Q. What relief is SPS requesting from the Commission in this docket with respect**
6 **to the Revenue Requirement phase?**

7 A. SPS asks the Commission to grant the following relief regarding the Revenue
8 Requirement phase:

9 1. SPS asks the Commission to approve a total Texas retail base rate revenue
10 requirement (including miscellaneous tariff charges) of \$765,521,011 and a
11 base rate increase of \$143,365,836, which SPS has calculated based on an
12 overall weighted average cost of capital (“WACC”) of 7.56%. That WACC
13 is based on:

- 14 • a proposed equity ratio of 54.60%;
- 15 • a proposed long-term debt ratio of 45.40%;
- 16 • a proposed cost of long-term debt of 4.20%; and
- 17 • a proposed ROE of 10.35%.

18 This request is supported by my testimony and by the testimony of the other
19 SPS witnesses who testify in the Revenue Requirement phase of this docket.

20 2. SPS asks the Commission to find that the capital additions placed into
21 service during the period from July 1, 2019 through December 31, 2020 are
22 reasonable and necessary, and that the costs incurred by SPS for those
23 capital additions are reasonable and prudent. The witnesses supporting this
24 request are Mr. Meeks, Mr. Bick, Mr. Remington, Mr. Lytal, Mr. Harkness,
25 Mr. Cooley, Mr. Sample and Mr. Moeller.

26 3. SPS asks the Commission to approve SPS’s Technical Depreciation Update
27 and resulting depreciation rates, including shorter service lives for: the Tolk
28 Generating Station Units 1 and 2 based upon a retirement date of 2032; the
29 coal-specific assets at Harrington based on a retirement date of 2024; and
30 Plant X Unit 3 based on a retirement date of 2022.

- 1 4. SPS asks the Commission to establish SPS’s baseline levels for the pension
2 and OPEB expenses, which are supported by Mr. Schrubbe.
- 3 5. SPS asks the Commission to approve the waivers to the RFP Schedules
4 described in Section IV of my testimony.
- 5 6. SPS asks the Commission to approve SPS’s request to maintain the current
6 Attachment Z2 regulatory asset.
- 7 7. SPS asks the Commission to approve SPS’s request to recover incremental
8 direct costs incurred as a result of COVID-19, establish a tracker for bad
9 debt expense, and seek recovery of the additional bad debt expense in SPS’s
10 next base rate case.
- 11 8. SPS asks the Commission to approve its request to reallocate transmission
12 costs as a result of LP&L moving its transmission load to ERCOT in June
13 2021.
- 14 9. SPS asks the Commission to approve SPS’s proposed Resiliency Service
15 Tariff.
- 16 10. SPS asks the Commission to authorize recovery of \$6,486,825 in rate case
17 expenses that were incurred or are expected to be incurred by SPS and the
18 intervening municipalities in the following dockets:
- 19 ▪ \$5,489,800 – rate case expenses associated with this immediate
20 docket;
- 21 ▪ \$685,575 – rate case expenses associated with Docket No. 51625,
22 SPS’s currently pending Fuel Formula Docket;
- 23 ▪ \$311,450 – rate case expenses associated with Docket No. 51644,
24 SPS’s surcharge proceeding associated with Docket No. 49831.

25 **Q. What relief is SPS requesting from the Commission regarding the issues in the**
26 **Rate Design phase of this case?**

27 A. SPS asks the Commission to grant the following relief regarding the Rate Design
28 phase of this case:

- 29 1. SPS asks the Commission to approve SPS’s proposed Texas retail cost
30 allocation and proposed revenue distribution and rate design, which Mr.
31 Luth discusses.

- 1 2. SPS asks the Commission to approve the complete set of proposed tariff
2 schedules presented in Schedule Q-8.8 of the RFP, including the proposed
3 changes to SPS’s rate and rule tariffs.¹⁸ Mr. Luth supports this request.
- 4 3. SPS asks the Commission to establish SPS’s base line revenue requirement
5 components for purposes of setting (i) the TCRF, (ii) the DCRF, (iii) and
6 the PCRf. Mr. Luth supports the baseline revenue requirement
7 components.
- 8 **Q. Does this conclude your pre-filed direct testimony?**
- 9 A. Yes.

¹⁸ If the Commission approves new loss factors, SPS proposes to update its then-current fuel factors by using the newly approved loss factors to recalculate the fuel factors, and to provide those recalculated fuel factors in its tariff compliance filing for this application.

AFFIDAVIT

STATE OF TEXAS)
)
COUNTY OF JASPER)

WILLIAM A. GRANT, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachment(s) and am familiar with the contents. Based upon my personal knowledge, the facts stated in the testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.

William A Grant
WILLIAM A. GRANT

Subscribed and sworn to before me this 4th day of February, 2021 by WILLIAM A. GRANT.



Sarah E West
Notary Public, State of Texas

My Commission Expires: 4-13-2022

Southwestern Public Service Company

Summary of Texas Retail Rate Increase Request

Line No.	Description	(1) Current Revenue	(2) Rate Case Request	(3) Proposed Revenues	(4) Net Revenue Increase	(5) Net Percent Increase
1	Base Rate Revenues	\$ 622,155,175	\$ 143,365,836	\$ 765,521,011	\$ 143,365,836	23.0%
2	EECRF Revenue	5,194,401	-	5,194,401	-	
3	Rate Case Expense Rider Revenue ¹	1,232,894	-	1,232,894		
4	Net Non-Fuel Revenue	<u>\$ 628,582,470</u>		<u>\$ 771,948,306</u>	<u>\$ 143,365,836</u>	22.8%
5	Fuel and Purchased Energy Revenue ²	177,997,146		108,654,922	\$(69,342,224)	-39.0%
6	Total Texas Retail Revenue	<u><u>\$ 806,579,616</u></u>		<u><u>\$ 880,603,228</u></u>	<u><u>\$ 74,023,612</u></u>	<u><u>9.2%</u></u>

Southwestern Public Service Company

Summary of Texas Fuel Savings

Fuel factor using proposed fuel formula (\$/MWh)	13.553208
Fuel factor using current fuel formula (\$/MWh)	18.633780
Difference in fuel factors (\$/MWh)	(5.080572)
Annual Texas retail sales at meter (MWh)	13,648,513
Annual Texas Fuel Savings (\$)	(69,342,254)

Southwestern Public Service Company

2021 Forecast Period Fuel Factor Calculation
Revised Voltage Level Fuel Factors

Fuel Cost Factor expressed in \$ per MWh = $15.236 + (2.754 (W_n - 2.734)) - 0.0733M_H - L$

Line	Description	Source
1	$W_n =$ 2.733538	NYMEX _n + WBDn NYMEX _n is the average of NYMEX closing prices for natural gas at the Henry Hub WBDn is the average Waha closing basis differentials Price is the 20 day average
2	2.734000	Jan 2021 - Dec 2021 average of Waha from 20 trading days from Sept 30 - Oct 27, 2020
3	-0.000463	Line 1 minus Line 2
4	2.754000	The expected change in the forecast period system average eligible fuel and purchased power expense for every dollar change in the cost of natural gas
5	-0.001275	Line 3 times Line 4
6	15.236000	The forecast period system average eligible fuel and purchased power expense in \$/MWh
7	15.234725	Average fuel cost factor in \$/MWh before accounting for margins and LPL capacity credit (Lines 5 + 6)
8	0.073300	The customer rate impact of a given level of historical margin
9	$M_H =$ 15.887000	The level of historical margin credited to customer rates for the 24-month period in \$ millions
10	1.164517	Line 8 times Line 9
11	$L =$ 0.517000	Credit for the revenue from sale of capacity to LPL. This term will be omitted from the formula and factor calculations after the contract with LPL ends in May 2021
12	13.553208	Average fuel cost factor in \$/MWh Line 7 - Line 10 - Line 11
13	1.000000	Ratio
14	13.553208	Line 12 x Line 13

Average Fuel Factor Differentiated by Voltage Level

(A) Voltage Level	(B) Loss Multiplier	Line 12 times Column (B) Voltage Level Fuel Factors (\$ per kWh)
Secondary Distribution Level	1.044719	\$ 0.014159
Primary Distribution Level	1.025217	\$ 0.013895
Sub-Transmission Level	0.960343	\$ 0.013016
Backbone Transmission Level	0.954515	\$ 0.012937

Southwestern Public Service Company

2020 Forecast Period Fuel Factor Calculation
Revised Voltage Level Fuel Factors

Fuel Cost Factor expressed in \$ per MWh = $17.865 + (2.800 (W_n - 1.896)) - 0.0697M_H - L$

<u>Line</u>	<u>Description</u>	<u>Source</u>
1	$W_n =$ 2.733538	NYMEX _n + WBDn NYMEX _n is the average of NYMEX closing prices for natural gas at the Henry Hub WBDn is the average Waha closing basis differentials Price is the 20 day average
2	<u>1.896000</u>	Jan 2020 - Dec 2020 average of Waha from 20 trading days from Mar 19 - Apr 15, 2019
3	0.837537	Line 1 minus Line 2
4	<u>2.800000</u>	The expected change in the forecast period system average eligible fuel and purchased power expense for every dollar change in the cost of natural gas
5	2.345104	Line 3 times Line 4
6	17.865000	The forecast period system average eligible fuel and purchased power expense in \$/MWh
7	20.210104	Average fuel cost factor in \$/MWh before accounting for margins and LPL capacity credit (Lines 5 + 6)
8	0.069700	The customer rate impact of a given level of historical margin
9	$M_H =$ 15.887000	The level of historical margin credited to customer rates for the 24-month period in \$ millions
10	1.107324	Line 8 times Line 9
11	$L =$ 0.469000	Credit for the revenue from sale of capacity to LPL. This term will be omitted from the formula and factor calculations after the contract with LPL ends in May 2021
12	18.633780	Average fuel cost factor in \$/MWh Line 7 - Line 10 - Line 11
13	1.000000	Ratio
14	18.633780	Line 12 x Line 13

Average Fuel Factor Differentiated by Voltage Level

(A) <u>Voltage Level</u>	(B) <u>Loss Multiplier</u>	Line 12 times Column (B) <u>Voltage Level Fuel Factors</u> <u>(\$ per kWh)</u>
Secondary Distribution Level	1.045516	\$ 0.019482
Primary Distribution Level	1.025999	\$ 0.019118
Sub-Transmission Level	0.961076	\$ 0.017908
Backbone Transmission Level	0.955244	\$ 0.017800

Southwestern Public Service Company

**NYMEX and WAHA Basis Differential Futures Prices
and Calculation of WAHA Futures Prices**

Trade Date	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
10/23/2020	3.322	3.285	3.175	2.927	2.892	2.924	2.966	2.979	2.968	3.004	3.067	3.201
10/26/2020	3.371	3.329	3.213	2.954	2.916	2.947	2.988	2.999	2.987	3.021	3.083	3.218
10/27/2020	3.424	3.376	3.247	2.973	2.933	2.962	3.002	3.012	2.999	3.032	3.094	3.229
10/28/2020	3.411	3.363	3.236	2.97	2.929	2.96	3	3.011	2.999	3.034	3.095	3.232
10/29/2020	3.417	3.364	3.233	2.968	2.927	2.958	2.998	3.008	2.993	3.027	3.087	3.224
10/30/2020	3.469	3.416	3.284	3.017	2.975	3.006	3.047	3.059	3.046	3.08	3.138	3.272
11/2/2020	3.375	3.332	3.219	3.002	2.967	3.001	3.045	3.057	3.045	3.08	3.14	3.276
11/3/2020	3.195	3.159	3.063	2.907	2.881	2.921	2.971	2.983	2.969	3.006	3.076	3.22
11/4/2020	3.177	3.14	3.045	2.894	2.868	2.908	2.957	2.968	2.953	2.991	3.068	3.214
11/5/2020	3.084	3.058	2.977	2.844	2.825	2.866	2.916	2.93	2.917	2.958	3.041	3.189
11/6/2020	3.031	3.005	2.933	2.807	2.793	2.834	2.885	2.9	2.889	2.928	3.008	3.153
11/9/2020	2.999	2.974	2.904	2.785	2.776	2.821	2.875	2.892	2.882	2.918	2.991	3.129
11/10/2020	3.073	3.041	2.959	2.833	2.82	2.864	2.917	2.931	2.919	2.953	3.019	3.156
11/11/2020	3.151	3.116	3.026	2.892	2.872	2.91	2.957	2.966	2.949	2.98	3.047	3.184
11/12/2020	3.094	3.057	2.969	2.854	2.846	2.886	2.932	2.942	2.927	2.958	3.028	3.168
11/13/2020	3.122	3.083	2.997	2.872	2.859	2.895	2.938	2.948	2.933	2.968	3.041	3.185
11/16/2020	2.864	2.847	2.795	2.726	2.728	2.768	2.818	2.834	2.824	2.86	2.946	3.09
11/17/2020	2.844	2.826	2.777	2.691	2.697	2.74	2.793	2.811	2.801	2.837	2.921	3.064
11/18/2020	2.838	2.818	2.767	2.68	2.684	2.728	2.784	2.805	2.794	2.828	2.912	3.056
11/19/2020	2.72	2.703	2.659	2.584	2.597	2.645	2.706	2.731	2.728	2.761	2.839	2.986
Sum	62.981	62.292	60.478	57.180	56.785	57.544	58.495	58.766	58.522	59.224	60.641	63.446
Average	3.149	3.115	3.024	2.859	2.839	2.877	2.925	2.938	2.926	2.961	3.032	3.172

* Data Source - New York Mercantile Exchange (NYMEX)

Annual 2.985

Southwestern Public Service Company

**NYMEX and WAHA Basis Differential Futures Prices
and Calculation of WAHA Futures Prices**

WAHA		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Trade Date													
10/23/2020		3.087	3.0625	2.9175	2.652	2.5795	2.574	2.7735	2.8215	2.698	2.7365	2.8445	3.026
10/26/2020		3.146	3.1215	2.9555	2.6615	2.586	2.602	2.778	2.824	2.6995	2.736	2.838	3.0205
10/27/2020		3.204	3.1735	2.9945	2.678	2.6005	2.637	2.7895	2.8345	2.709	2.7445	2.844	3.0265
10/28/2020		3.201	3.163	2.986	2.675	2.5965	2.635	2.7875	2.8335	2.709	2.7465	2.84	3.0245
10/29/2020		3.217	3.164	2.9905	2.6855	2.607	2.6455	2.798	2.843	2.7405	2.752	2.847	3.0315
10/30/2020		3.3065	3.231	3.0615	2.747	2.7125	2.786	2.8445	2.8915	2.8085	2.7925	2.9205	3.102
11/2/2020		3.2025	3.1495	2.9915	2.757	2.717	2.8035	2.86	2.8895	2.825	2.795	2.9275	3.1135
11/3/2020		3.02	2.974	2.833	2.6545	2.621	2.716	2.776	2.8055	2.7415	2.7135	2.8585	3.0525
11/4/2020		2.987	2.9525	2.815	2.6265	2.593	2.688	2.747	2.7755	2.7105	2.6835	2.8455	3.0415
11/5/2020		2.899	2.8705	2.747	2.574	2.5475	2.6235	2.6985	2.7275	2.6895	2.6655	2.8235	3.0215
11/6/2020		2.846	2.8175	2.698	2.5245	2.503	2.579	2.655	2.685	2.649	2.623	2.783	2.978
11/9/2020		2.799	2.784	2.669	2.495	2.4835	2.556	2.63	2.667	2.6295	2.598	2.756	2.944
11/10/2020		2.873	2.8435	2.7165	2.543	2.5275	2.599	2.672	2.706	2.6665	2.633	2.784	2.971
11/11/2020		2.9435	2.9085	2.7735	2.572	2.547	2.615	2.682	2.711	2.669	2.63	2.7845	2.9715
11/12/2020		2.879	2.842	2.7165	2.534	2.521	2.591	2.657	2.687	2.647	2.608	2.753	2.943
11/13/2020		2.897	2.863	2.7395	2.542	2.524	2.59	2.653	2.683	2.643	2.608	2.7635	2.9575
11/16/2020		2.639	2.627	2.5375	2.396	2.393	2.478	2.533	2.569	2.534	2.5	2.6685	2.8625
11/17/2020		2.619	2.601	2.5195	2.341	2.362	2.45	2.508	2.546	2.511	2.477	2.6485	2.8415
11/18/2020		2.588	2.593	2.4895	2.33	2.349	2.438	2.499	2.54	2.504	2.473	2.6345	2.8285
11/19/2020		2.4575	2.4455	2.3665	2.2365	2.2645	2.3725	2.4335	2.4685	2.4405	2.4085	2.5715	2.7685
Sum		58.811	58.187	55.518	51.225	50.635	51.979	53.775	54.509	53.225	52.924	55.736	59.526
Average		2.941	2.909	2.776	2.561	2.532	2.599	2.689	2.725	2.661	2.646	2.787	2.976

Annual 2.734

Southwestern Public Service Company

NYMEX and WAHA Basis Differential Futures Prices
and Calculation of WAHA Futures Prices

Trade Date	WAHA Basis Differential*											
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
10/23/2020	-0.235	-0.2225	-0.2575	-0.275	-0.3125	-0.35	-0.1925	-0.1575	-0.27	-0.2675	-0.2225	-0.175
10/26/2020	-0.225	-0.2075	-0.2575	-0.2925	-0.33	-0.345	-0.21	-0.175	-0.2875	-0.285	-0.245	-0.1975
10/27/2020	-0.22	-0.2025	-0.2525	-0.295	-0.3325	-0.325	-0.2125	-0.1775	-0.29	-0.2875	-0.25	-0.2025
10/28/2020	-0.21	-0.2	-0.25	-0.295	-0.3325	-0.325	-0.2125	-0.1775	-0.29	-0.2875	-0.255	-0.2075
10/29/2020	-0.2	-0.2	-0.2425	-0.2825	-0.32	-0.3125	-0.2	-0.165	-0.2525	-0.275	-0.24	-0.1925
10/30/2020	-0.1625	-0.185	-0.2225	-0.27	-0.2625	-0.22	-0.2025	-0.1675	-0.2375	-0.2875	-0.2175	-0.17
11/2/2020	-0.1725	-0.1825	-0.2275	-0.245	-0.25	-0.1975	-0.185	-0.1675	-0.22	-0.285	-0.2125	-0.1625
11/3/2020	-0.175	-0.185	-0.23	-0.2525	-0.26	-0.205	-0.195	-0.1775	-0.2275	-0.2925	-0.2175	-0.1675
11/4/2020	-0.19	-0.1875	-0.23	-0.2675	-0.275	-0.22	-0.21	-0.1925	-0.2425	-0.3075	-0.2225	-0.1725
11/5/2020	-0.185	-0.1875	-0.23	-0.27	-0.2775	-0.2425	-0.2175	-0.2025	-0.2275	-0.2925	-0.2175	-0.1675
11/6/2020	-0.185	-0.1875	-0.235	-0.2825	-0.29	-0.255	-0.23	-0.215	-0.24	-0.305	-0.225	-0.175
11/9/2020	-0.2	-0.19	-0.235	-0.29	-0.2925	-0.265	-0.245	-0.225	-0.2525	-0.32	-0.235	-0.185
11/10/2020	-0.2	-0.1975	-0.2425	-0.29	-0.2925	-0.265	-0.245	-0.225	-0.2525	-0.32	-0.235	-0.185
11/11/2020	-0.2075	-0.2075	-0.2525	-0.32	-0.325	-0.295	-0.275	-0.255	-0.28	-0.35	-0.2625	-0.2125
11/12/2020	-0.215	-0.215	-0.2525	-0.32	-0.325	-0.295	-0.275	-0.255	-0.28	-0.35	-0.275	-0.225
11/13/2020	-0.225	-0.22	-0.2575	-0.33	-0.335	-0.305	-0.285	-0.265	-0.29	-0.36	-0.2775	-0.2275
11/16/2020	-0.225	-0.22	-0.2575	-0.33	-0.335	-0.29	-0.285	-0.265	-0.29	-0.36	-0.2775	-0.2275
11/17/2020	-0.225	-0.225	-0.2575	-0.35	-0.335	-0.29	-0.285	-0.265	-0.29	-0.36	-0.2725	-0.2225
11/18/2020	-0.25	-0.225	-0.2775	-0.35	-0.335	-0.29	-0.285	-0.265	-0.29	-0.355	-0.2775	-0.2275
11/19/2020	-0.2625	-0.2575	-0.2925	-0.3475	-0.3325	-0.2725	-0.2725	-0.2625	-0.2875	-0.3525	-0.2675	-0.2175

* Data Source - Intercontinental Exchange (ICE)

Southwestern Public Service Company







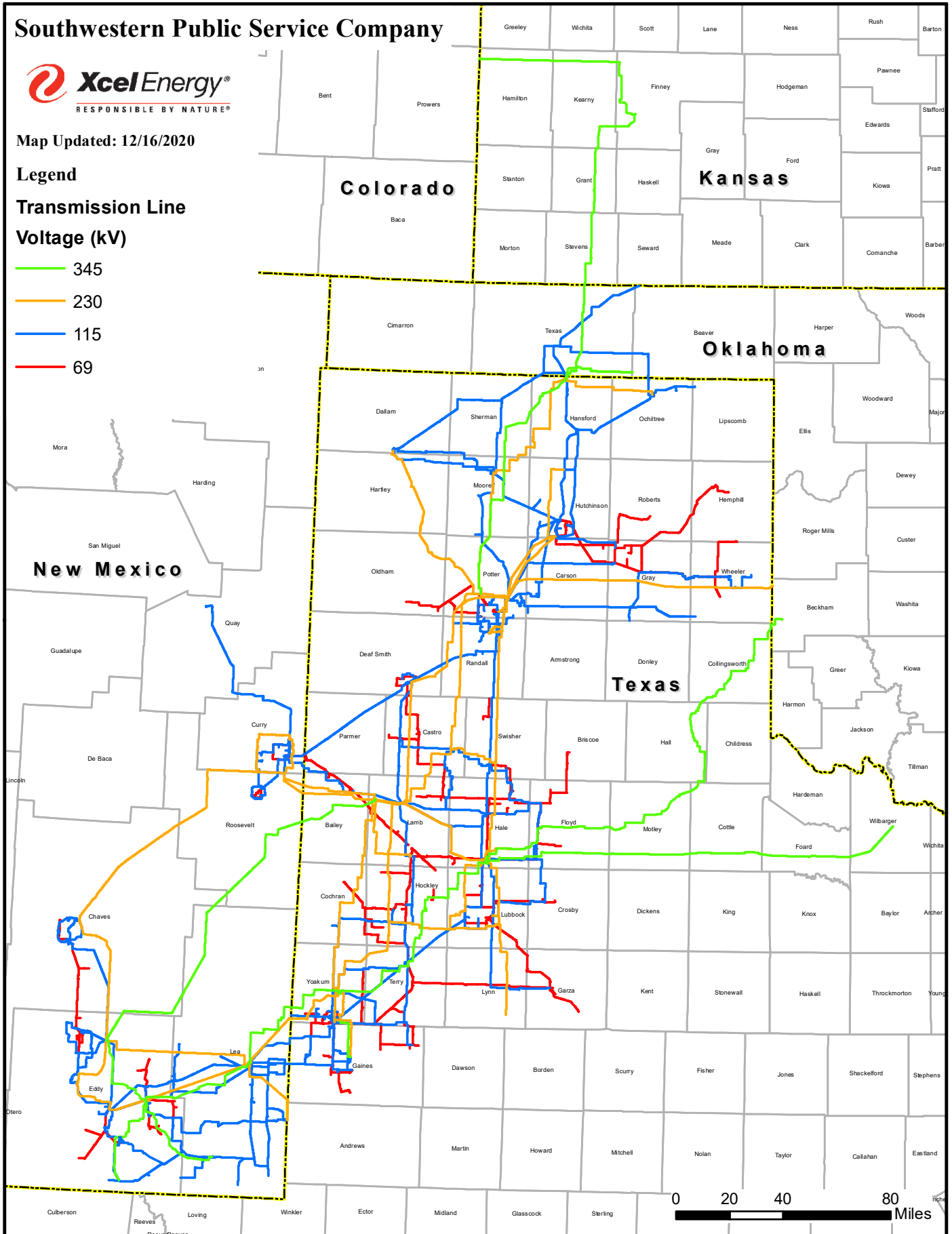
Map Updated: 12/16/2020

Legend

Transmission Line

Voltage (kV)

-  345
-  230
-  115
-  69



File Path: S:\General-Offices-GO-Trans\SLR-Mapping\GIS Projects\SPS System_SPS_System_Map.mxd

Southwestern Public Service Company

SPS Native Operation & Maintenance Expenses

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Production					
1	500	Operation Supervision and Engineering	\$ 1,584,420	\$ 2,220,371	\$ 3,804,791
2	501.35	Coal Non-Mine; Non-Freight	\$ 32,900,061	\$ -	\$ 32,900,061
3	507.70	Coal Ash Sales	\$ (1,525,777)	\$ 1,603,318	\$ 77,540
4	502	Steam Expenses	\$ 10,813,001	\$ 300	\$ 10,813,301
5	505	Electric Expenses	\$ 9,365,875	\$ (6)	\$ 9,365,868
6	506	Miscellaneous Steam Power Expenses	\$ 9,583,693	\$ 4,165,010	\$ 13,748,704
7	507	Rents	\$ 29,041	\$ 3,320,913	\$ 3,349,954
8	509	Steam Operation SO2 Allowance Expense	\$ -	\$ -	\$ -
9	509.02	Allowances - NM Nox Expense Amortz	\$ 34,908	\$ -	\$ 34,908
10	510	Maintenance Supervision and Engineering	\$ 506,357	\$ 134,911	\$ 641,268
11	511	Maintenance of Structures	\$ 3,673,190	\$ 4,228	\$ 3,677,418
12	512	Maintenance of Boiler Plant	\$ 11,792,802	\$ 879,815	\$ 12,672,617
13	513	Maintenance of Electric Plant	\$ 6,855,891	\$ 400,864	\$ 7,256,756
14	514	Maintenance of Miscellaneous Steam Plant	\$ 9,297,296	\$ 19,963	\$ 9,317,259
15	546	Operation Supervision and Engineering	\$ (59,716)	\$ 465,664	\$ 405,948
16	546W	Operation Supervision and Engineering Wind	\$ 113,231	\$ 34,346	\$ 147,577
17	548	Generation Expenses	\$ 293,086	\$ 39,164	\$ 332,249
18	549	Misc Other Power Generation Expenses	\$ 342,737	\$ 358,506	\$ 701,243
19	549W	Misc Other Power Generation Expenses Wind	\$ 8,507,925	\$ -	\$ 8,507,925
20	550	Rents	\$ 11,758	\$ 364,276	\$ 376,034
	550W	Rents Wind	\$ 5,319,674	\$ -	\$ 5,319,674
21	551	Maintenance Supervision and Engineering	\$ 1,180	\$ 449,473	\$ 450,653
22	552	Maintenance of Structures	\$ 234,508	\$ (1)	\$ 234,507
23	553	Maintenance of Generating and Electric Equipment	\$ 1,605,028	\$ 424,153	\$ 2,029,181
24	553W	Maintenance of Generating and Electric Equipment Wind	\$ 4,398,462	\$ 1,289	\$ 4,399,751
25	554	Maintenance of Misc Other Power Generation Plant	\$ (67,888)	\$ 11,490	\$ (56,398)
26	554W	Maintenance of Misc Other Power Generation Plant Wind	\$ 4,104,846	\$ -	\$ 4,104,846
27	556	System Control and Load Dispatching	\$ -	\$ 1,095,557	\$ 1,095,557
28	557	Purchased Power Other	\$ (5,214,908)	\$ 1,952,664	\$ (3,262,244)
29	557.90	REC Costs	\$ 4,110,497	\$ -	\$ 4,110,497
30	Total Production O&M Expense		\$ 118,611,178	\$ 17,946,268	\$ 136,557,446

Southwestern Public Service Company

SPS Native Operation & Maintenance Expenses

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Transmission					
31	560	Operation Supervision and Engineering	\$ 1,046,989	\$ 6,958,673	\$ 8,005,661
32	561.1	Load Dispatch - Reliability	\$ (169,941)	\$ -	\$ (169,941)
	561.11	Load Dispatch - Reliability	\$ 170,599	\$ -	\$ -
33	561.2	Load Dispatch - Monitor and Operate Trans. System	\$ 2,098,567	\$ 1,195,630	\$ 3,294,196
34	561.4	Scheduling, System Control and Dispatching Services	\$ 3,637,403	\$ -	\$ 3,637,403
35	561.4W	Scheduling, System Control and Dispatching Services - Wholesale	\$ 1,065,179	\$ -	\$ 1,065,179
36	561.5	Reliability, Planning and Standards Development	\$ -	\$ 27,616	\$ 27,616
37	561.6	Transmission Service Studies	\$ 10,956	\$ 22,033	\$ 32,989
38	561.7	Generation Interconnection Studies	\$ (13,397)	\$ 158,983	\$ 145,587
39	561.8	Reliability Planning and Standards Development Services	\$ 2,756,221	\$ -	\$ 2,756,221
40	561.8W	Reliability Planning and Standards Development Services - Wholesale	\$ 464,991	\$ -	\$ 464,991
41	562	Station Expenses	\$ 1,479,573	\$ 43	\$ 1,479,616
42	563	Overhead Line Expenses	\$ 1,491,499	\$ 1,527	\$ 1,493,026
	565	Transmission of Others	\$ 288,806	\$ -	\$ -
43	565	Wheeling Lamar DC Tie	\$ -	\$ -	\$ -
44	565	Wheeling Meter Charges	\$ 403,986	\$ -	\$ 403,986
45	565	Wheeling Miscellaneous	\$ 4,036,141	\$ -	\$ 4,036,141
46	565	Wheeling Schedule 11	\$ 140,353,019	\$ -	\$ 140,353,019
47	565	Wheeling Schedule 11 - Wholesale	\$ 31,315,163	\$ -	\$ 31,315,163
48	565	Wheeling Schedule 12	\$ 2,678,896	\$ -	\$ 2,678,896
49	565	Wheeling Schedule 12 - Wholesale	\$ 639,203	\$ -	\$ 639,203
50	565	Wheeling Schedule 1 - Wholesale	\$ 599,438	\$ -	\$ 599,438
51	565	Wheeling Schedule 2	\$ 107,336	\$ -	\$ 107,336
52	565	W-Wheeling Schedule 2 - Wholesale	\$ 30,251	\$ -	\$ 30,251
53	565	Wheeling Schedule 9	\$ 10,448,848	\$ -	\$ 10,448,848
54	565	Wheeling Schedule 9 - Wholesale	\$ 31,154,821	\$ -	\$ 31,154,821
55	565	Z2 Direct Assigned Upgrade Charge	\$ 249,444	\$ -	\$ 249,444
56	565	Z2 Direct Assigned Upgrade Charge - Wholesale	\$ 17,766	\$ -	\$ 17,766
57	565	Z2 Schedule 11 Charges	\$ -	\$ -	\$ -
58	565	Z2 Schedule 11 Charges - Wholesale	\$ -	\$ -	\$ -
59	566	Misc Transmission Expenses	\$ 2,142,416	\$ 1,293,758	\$ 3,436,174
60	567	Rents	\$ 115,413	\$ 1,509,504	\$ 1,624,917
	569	Transmission Mtce of Structures	\$ -	\$ -	\$ -
61	568	Maintenance Supervision and Engineering	\$ -	\$ -	\$ -
62	570	Maintenance of Station Equipment	\$ 1,490,422	\$ (2)	\$ 1,490,419
63	571	Maintenance of Overhead Lines	\$ 560,841	\$ 48,655	\$ 609,496
64	Sub-Total Transmission O&M Expenses		\$ 240,670,851	\$ 11,216,420	\$ 251,427,866
Regional Market Expenses					
65	575.1	Operation Supervision	\$ 13,612	\$ 154,014	\$ 167,626
66	575.2	Day-Ahead and Real-Time Market Administration	\$ -	\$ 306,670	\$ 306,670
67	575.5	Ancillary Services Market Administration	\$ -	\$ 15,371	\$ 15,371
68	575.6	Market Monitoring and Compliance	\$ -	\$ 26,637	\$ 26,637
69	575.7	Market Admin, Monitoring, and Compliance Services	\$ 5,692,999	\$ -	\$ 5,692,999
70	575.7W	Market Admin, Monitoring, and Compliance Services - Wholesale	\$ 1,849,773	\$ -	\$ 1,849,773
71	575.8	Regional Market Rents	\$ 4,944	\$ 39,759	\$ 44,703
72	Total Regional Market Expenses		\$ 7,561,327	\$ 542,452	\$ 8,103,779
73	Total Transmission O&M Expenses		\$ 248,232,178	\$ 11,758,872	\$ 259,531,645

Southwestern Public Service Company

SPS Native Operation & Maintenance Expenses

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Distribution					
74	580	Operation Supervision and Engineering	\$ 4,159,461	\$ 653,231	\$ 4,812,691
75	581	Load Dispatching	\$ 53,518	\$ 325,552	\$ 379,070
76	582	Station Expenses	\$ 1,061,336	\$ (5)	\$ 1,061,332
77	583	Overhead Line Expenses	\$ 593,544	\$ 88,191	\$ 681,736
78	584	Underground Line Expenses	\$ 625,682	\$ (0)	\$ 625,682
79	585	Street Lighting and Signal Systems Expenses	\$ 564,247	\$ 31,248	\$ 595,496
80	586	Meter Expenses	\$ 2,080,418	\$ 168,816	\$ 2,249,234
81	587	Customer Installations Expenses	\$ 672,562	\$ 233	\$ 672,796
82	588	Misc Distribution Expense	\$ 5,154,037	\$ 1,901,606	\$ 7,055,643
83	589	Rents	\$ 306,415	\$ 2,112,339	\$ 2,418,754
84	590	Maintenance Supervision and Engineering	\$ 19,265	\$ 30,466	\$ 49,732
85	591	Maintenance of Structures	\$ (22,102)	\$ -	\$ (22,102)
86	592	Maintenance of Station Equipment	\$ 724,252	\$ 2,662	\$ 726,914
87	593	Maintenance of Overhead Lines	\$ 10,191,875	\$ 203,106	\$ 10,394,982
88	594	Maintenance of Underground Lines	\$ 88,641	\$ (0)	\$ 88,641
89	595	Maintenance of Line Transformers	\$ 1,262	\$ -	\$ 1,262
90	596	Maintenance of Street Lighting and Signal Systems	\$ 304,806	\$ (1)	\$ 304,806
91	597	Maintenance of Meters	\$ 55,405	\$ -	\$ 55,405
92	598	Maintenance of Misc Distribution Plant	\$ 41,218	\$ 3,158	\$ 44,376
93		Total Distribution O&M Expenses	\$ 26,675,843	\$ 5,520,604	\$ 32,196,447
Customer Accounts					
94	901	Supervision	\$ -	\$ 22,478	\$ 22,478
95	902	Meter Reading Expenses	\$ 4,408,365	\$ 640,349	\$ 5,048,714
96	903	Customer Records and Collection Expenses	\$ 2,872,880	\$ 4,497,473	\$ 7,370,353
97	904	Uncollectible Expenses	\$ 6,043,905	\$ -	\$ 6,043,905
98	904	Uncollectible Expenses	\$ (588,242)	\$ -	\$ (588,242)
99	905	Customer Accounts Miscellaneous	\$ 77,254	\$ 59,453	\$ 136,707
99		DEPINT Customer Deposit Interest Expense	\$ 126,563	\$ -	\$ 126,563
100		Total Customer Accounts Expense	\$ 12,940,726	\$ 5,219,752	\$ 18,023,771
Customer Service					
101	908.00	Customer Assistance Expense	\$ 1,757,163	\$ 116,564	\$ 1,873,726
102	908.00	Historical EE Amortization	\$ -	\$ -	\$ -
103	908.01	EE Amortization - Texas	\$ -	\$ -	\$ -
104	908.03	EE Amortization - New Mexico	\$ -	\$ -	\$ -
105	908.04	SaversSwitch	\$ 667,364	\$ 5,947	\$ 673,311
106	909.10	Informational and Instructional Advertising Expense	\$ (39,529)	\$ 39,529	\$ 0
107	910.00	Miscellaneous Customer Service Expense	\$ 64,360	\$ 34,403	\$ 98,763
108		Total Customer Service Expense	\$ 2,449,358	\$ 196,443	\$ 2,645,801
Sales					
108	912.00	Demonstration and Selling Expense-Economic Development	\$ 218,209	\$ 58,243	\$ 276,452
109	916.00	Miscellaneous Sales Expense	\$ 5,516	\$ 3,075	\$ 8,592
110		Total Sales Expense	\$ 223,725	\$ 61,318	\$ 285,043

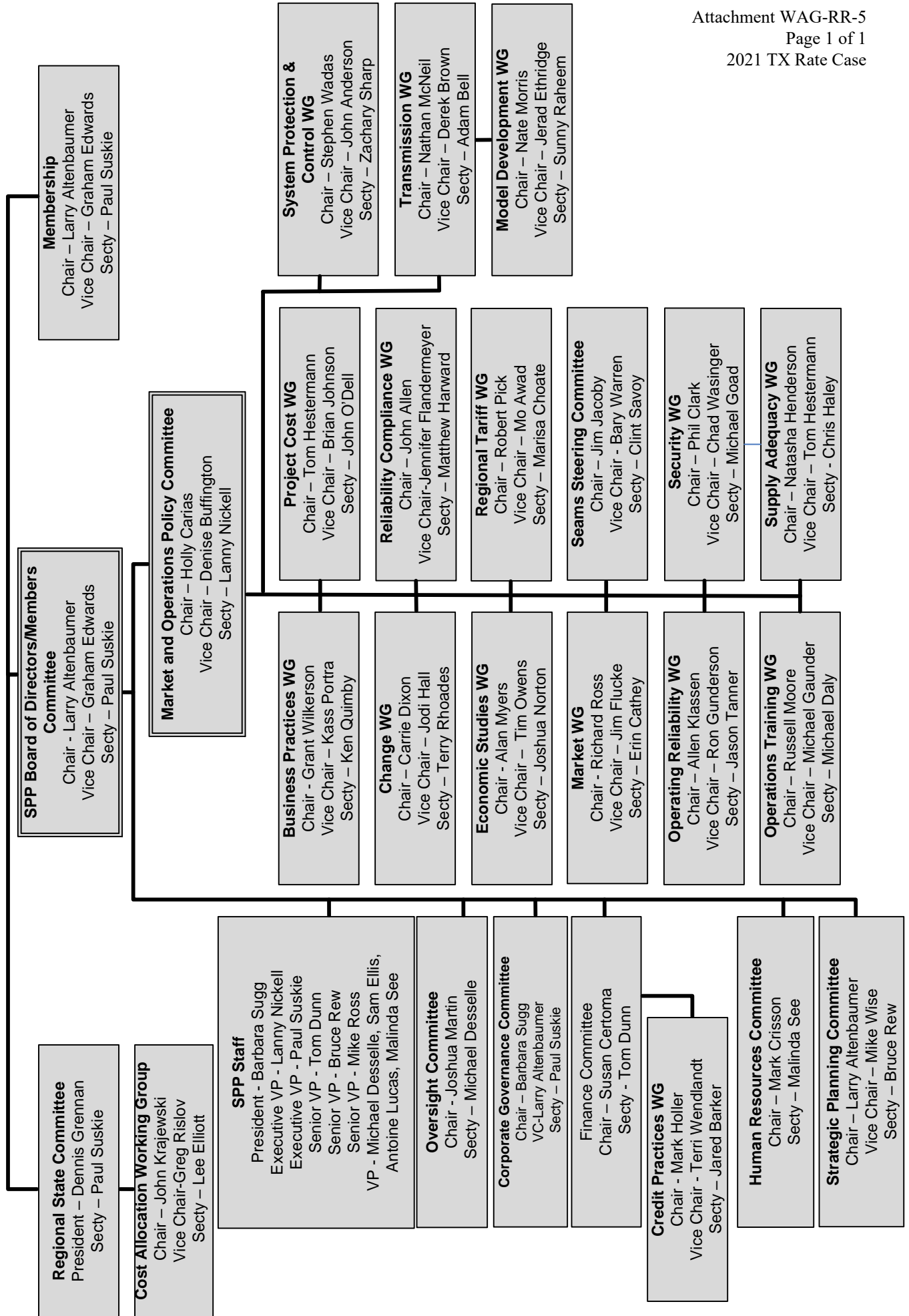
Southwestern Public Service Company

SPS Native Operation & Maintenance Expenses

Line No.	FERC Acct	Account Description	Native SPS O&M Expense through the Update Period (Jan '20-Dec '20)	Update Test Year Affiliate O&M Expense (Jan '20-Dec '20)	Total Company Requested O&M for the Updated Test Year
Administrative and General Expenses					
111	920	Administrative and General Salaries	\$ 4,567,528	\$ 29,033,835	\$ 33,601,363
112	921	Office Supplies and Expenses	\$ 3,128,572	\$ 17,013,148	\$ 20,141,721
113	922	Administrative Expenses Transferred-Credit	\$ (19,367,350)	\$ (504,767)	\$ (19,872,117)
114	923	Outside Services Employed	\$ 888,279	\$ 5,816,408	\$ 6,704,688
115	924	Property Insurance	\$ 3,853,753	\$ 1,543	\$ 3,855,296
116	925	Injuries and Damages	\$ 5,657,269	\$ 2,213,162	\$ 7,870,431
117	926.01	Employee Pensions and Benefits	\$ 17,512,113	\$ 9,035,911	\$ 26,548,023
118	926.03	Deferred Pension Expense	\$ -	\$ -	\$ -
	928	A&G Regulatory Commission Expense	\$ -	\$ -	\$ -
119	928	Regulatory Commission Expense - TX	\$ 1,489,288	\$ -	\$ 1,489,288
120	928.01	Regulatory Commission Expense - NM	\$ 2,293,032	\$ -	\$ 2,293,032
121	928.02	Regulatory Commission Expense - Wholesale	\$ 1,949,917	\$ -	\$ 1,949,917
122	928.03	Regulatory Commission Expense - Transmission Related	\$ -	\$ -	\$ -
123	928.04	Regulatory Commission Expense - Misc	\$ (83,936)	\$ (12)	\$ (83,947)
124	928.05	Regulatory Commission Expense - Energy Related	\$ -	\$ -	\$ -
125	929	Duplicate Charges-Credit	\$ (1,149,547)	\$ -	\$ (1,149,547)
126	930.11	General Advertising Expenses	\$ -	\$ -	\$ -
127	930.20	Misc General Expenses	\$ (39,822)	\$ 310,444	\$ 270,623
128	931	Rents	\$ (1,913,122)	\$ 13,846,230	\$ 11,933,108
129	935	Maintenance of General Plant	\$ 76	\$ 38,890	\$ 38,966
130		Recoverable Contributions, Dues, and Donations	\$ 2,130,030	\$ -	\$ 2,130,030
131		Total Administrative and General Expenses	\$ 20,916,080	\$ 76,804,794	\$ 97,720,874
132		Total Operations and Maintenance Expense	\$ 430,049,088	\$ 117,508,051	\$ 546,961,027

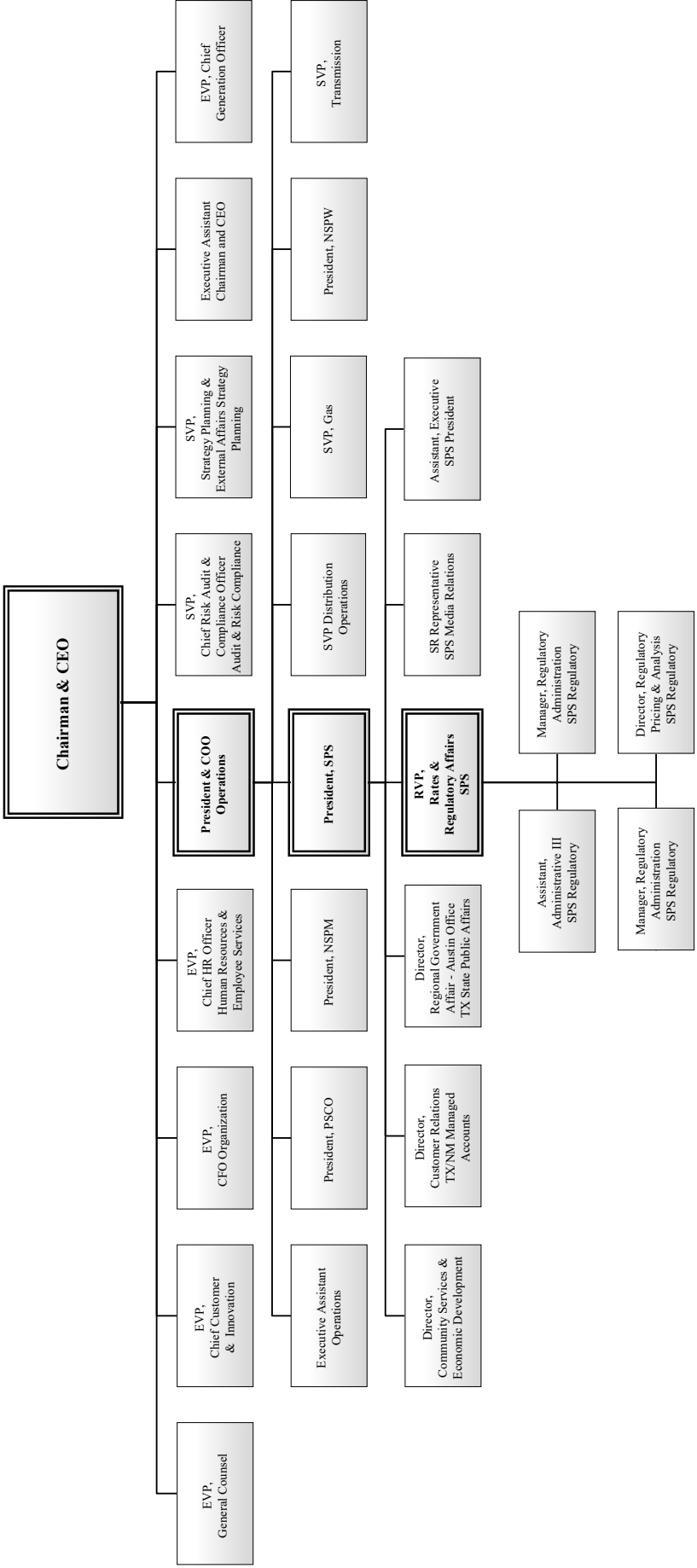
Note: All amounts included in this attachment are included in the cost of service study provided as Attachment SNN-RR-2

Group Organizational Chart



Summary of SPP Cost Allocation Methods							
Date Range	Upgrade Type	Zonal	Regional	Customer	Sponsor	Comments	
Pre-2005	Pre-BPF Needs	100%				Before Regional Cost Sharing	
	Other	100%					
Traditional Base Plan Funding NTC Issue Date Before June 19, 2010	Sponsored				100%		
	Reliability	67%	33%			Based on Need-By Date - Zonal on MW-Mi beneficiary %	
	Generation Interconnection			100%			
	NITS Service Upgrade costs covered by Safe Harbor limit	67%	33%			Zonal on MW-Mi	
	NITS Service Upgrade costs NOT covered by Safe Harbor limit			100%		Safe Harbor Limit: E&C Cost <=\$180,000/MW Requested	
Balanced Portfolio	PtP Service Upgrade costs that do not qualify for Base Plan Funding			100%		costs in excess of access charges	
	Balanced Portfolio Sponsored		100%		100%		
Base Plan Funding (Highway Byway NTC) Issue Date of June 19, 2010 or later	Reliability/Economic Updgrade Voltage greater than or equal to 300 kv	0%	100%				
	Reliability/Economic Updgrade Voltage greater than or equal to 100 kv and under 300 kv	67%	33%				
	Reliability/Economic Updgrade Voltage under 100 kv	100%	0%				
	Upgrades related to delivery of power from Wind projects outside TSR Customer's Load Zone and less than 300kv		67%		33%		Effective in 2009
	Upgrades related to delivery of power from Wind projects greater than or equal to 300kv		100%				
	NITS Service Upgrade costs covered by Safe Harbor limit		Voltage Dependent: =>300kv=100% Regional, 100KV to 299kv=33% Regional+67% Zonal, <100kv=100% Zonal				"Highway/Byway" method, upgrade =>300kv 100% Regional in all cases
	NITS Service Upgrade costs NOT covered by Safe Harbor limit or do not qualify for Base Plan Funding				100%		
	PIP Service Upgrade costs that do not qualify for Base Plan Funding				100%		
	Generation Interconnection					100%	

Southwestern Public Service Company
 Organization Chart – Group Presidents
 As of September 30, 2020



Southwestern Public Service Company

**Rate Case Expenses
2021 TX Rate Case**

Line No.	Description	Interim Rate	Prudence Inquiry	General Expenses	Total
	<u>Consultant Expenses:</u>				
1	Accounting	\$ -	\$ -	\$ 650,000	\$ 650,000
2	Engineering	-	-	-	-
3	Legal Other	-	-	2,788,700	2,788,700
4	Testifying Consultant	-	-	283,200	283,200
5	Non-Testifying Consultant	-	-	32,500	32,500
6	Sub-Total Consultant Expenses	\$ -	\$ -	\$ 3,754,400	\$ 3,754,400
	<u>Company Expenses:</u>				
7	Employee	\$ -	\$ -	\$ 115,400	\$ 115,400
8	Other	-	-	120,000	120,000
9	Sub-Total Company Expenses	\$ -	\$ -	\$ 235,400	\$ 235,400
10	Intervenor Expenses	\$ -	\$ -	\$ 1,500,000	\$ 1,500,000
11	Total Request	\$ -	\$ -	\$ 5,489,800	\$ 5,489,800

Note: Please refer to the workpapers to the Direct Testimony of Stephanie N. Niemi for a detailed estimate of rate case expenses expected to be incurred through the full litigation of this proceeding.

Southwestern Public Service Company

**Rate Case Expenses
Dkt 51625 - Fuel Formula**

Rate Case Expenses Related to SPS's Pending Fuel Formula Docket

Line No.	Description	Interim Rate	Prudence Inquiry	General Expenses	Total
<u>Consultant Expenses:</u>					
1	Accounting	\$ -	\$ -	\$ -	\$ -
2	Engineering	-	-	-	-
3	Legal	-	-	350,000	350,000
	Other				
4	Testifying Consultant	-	-	-	-
5	Non-Testifying Consultant	-	-	-	-
6	Sub-Total Consultant Expenses	\$ -	\$ -	\$ 350,000	\$ 350,000
<u>Company Expenses:</u>					
7	Employee	\$ -	\$ -	\$ 15,575	\$ 15,575
8	Other	-	-	20,000	20,000
9	Sub-Total Company Expenses	\$ -	\$ -	\$ 35,575	\$ 35,575
10	Intervenor Expenses	\$ -	\$ -	\$ 300,000	\$ 300,000
11	Total Request	\$ -	\$ -	\$ 685,575	\$ 685,575

Note: Please refer to the Direct Testimony of William A. Grant. Amounts included on this

Southwestern Public Service Company

Rate Case Expenses

Dkt 51644 - Base Rate Surcharge

Rate Case Expenses Related to SPS's Pending Base Rate Surcharge Docket

Line No.	Description	Interim Rate	Prudence Inquiry	General Expenses	Total
<u>Consultant Expenses:</u>					
1	Accounting	\$ -	\$ -	\$ -	\$ -
2	Engineering	-	-	-	-
3	Legal	-	-	200,000	200,000
	Other	-	-	-	-
4	Testifying Consultant	-	-	-	-
5	Non-Testifying Consultant	-	-	-	-
6	Sub-Total Consultant Expenses	\$ -	\$ -	\$ 200,000	\$ 200,000
<u>Company Expenses:</u>					
7	Employee	\$ -	\$ -	\$ 6,450	\$ 6,450
8	Other	-	-	100,000	100,000
9	Sub-Total Company Expenses	\$ -	\$ -	\$ 106,450	\$ 106,450
10	Intervenor Expenses	\$ -	\$ -	\$ 5,000	\$ 5,000
11	Total Request	\$ -	\$ -	\$ 311,450	\$ 311,450

Note: Please refer to the Direct Testimony of William A. Grant. Amounts included on

Southwestern Public Service Company

Summary of XES Expenses to SPS by Affiliate Class and Billing Method
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) Billing Method (Cost Center)	(D) Allocation Method	(E) Total XES Billings for Class to all Legal Entities (FERC Acct. 400-935)	(F) XES Billings for Class to all Legal Entities Except SPS (FERC Acct. 400-935)	(G) XES Billings for Class to SPS (Total Company) (FERC Acct. 400-935)	(H) Exclusions	(I) Per Book	(J) Pro Forma	(K) Requested Amount (Total Company)	(L) % of Class Charges
1	Corporate Giving	200076 - Xcel Foundation	Assets/Revenue/No. of employees	\$ 286,157.04	\$ 249,021.09	\$ 37,135.95	\$ (10,219.13)	\$ 26,916.82	\$ (26,916.82)	\$ -	0.00%
2	Corporate Giving	Direct	Direct	5,769.37	4,024.46	1,744.91	-	1,744.91	52.35	1,797.26	100.00%
3	Corporate Giving Total			\$ 291,926.41	\$ 253,045.55	\$ 38,880.86	\$ (10,219.13)	\$ 28,661.73	\$ (26,864.47)	\$ 1,797.26	100.00%
4	NSPW President	Direct	Direct	\$ (8,754.88)	\$ (8,754.88)	\$ -	\$ -	\$ -	\$ -	\$ -	100.00%
5	NSPW President Total			\$ (8,754.88)	\$ (8,754.88)	\$ -	\$ -	\$ -	\$ -	\$ -	100.00%
6	PSCo President	200063 - Executive - Corporate Governance	Assets/Revenue/No. of employees	\$ 681,748.75	\$ 593,760.83	\$ 87,987.92	\$ (129.39)	\$ 87,858.53	\$ 2,990.65	\$ 90,849.18	71.22%
7	PSCo President	Direct	Direct	1,045,131.39	1,009,489.61	35,641.78	-	35,641.78	1,069.25	36,711.03	28.78%
8	PSCo President Total			\$ 1,726,880.14	\$ 1,603,250.44	\$ 123,629.70	\$ (129.39)	\$ 123,500.31	\$ 4,059.91	\$ 127,560.22	100.00%
9	SPS President	Direct	Direct	\$ (22,389.00)	\$ -	\$ (22,389.00)	\$ -	\$ (22,389.00)	\$ -	\$ (22,389.00)	100.00%
10	SPS President Total			\$ (22,389.00)	\$ -	\$ (22,389.00)	\$ -	\$ (22,389.00)	\$ -	\$ (22,389.00)	100.00%
11	Strategic Revenue Initiatives	200092 - Corporate Strategy & Business Development	Assets/Revenue/No. of employees	\$ 1,035,174.53	\$ 882,946.61	\$ 152,227.92	\$ (3,939.66)	\$ 148,288.26	\$ (1,195.09)	\$ 147,093.17	100.00%
12	Strategic Revenue Initiatives	Direct	Direct	43,130.49	43,130.49	-	-	-	-	-	0.00%
13	Strategic Revenue Initiatives Total			\$ 1,078,305.02	\$ 926,077.10	\$ 152,227.92	\$ (3,939.66)	\$ 148,288.26	\$ (1,195.09)	\$ 147,093.17	100.00%
14	Total Witness William A. Grant			\$ 3,065,967.69	\$ 2,773,618.21	\$ 292,349.48	\$ (14,288.18)	\$ 278,061.30	\$ (23,999.66)	\$ 254,061.64	

Amounts may not add or tie to other schedules due to rounding

Southwestern Public Service Company

XES Expenses by Affiliate Class, Activity, Billing Method and FERC Account

William A. Grant

2021 TX Rate Case

**APPLICATION OF
SOUTHWESTERN PUBLIC SERVICE COMPANY
FOR AUTHORITY TO CHANGE RATES**

WAG-RR-B(CD) is provided in electronic format.

Southwestern Public Service Company

**Exclusions from XES Expense to SPS
For the Twelve Months Ended December 31, 2020**

(A)	(B)	(C)	(D)	(E)
Line No.	Affiliate Class	FERC Account	Explanation for Exclusions	Exclusions (Total Company)
1	Corporate Giving	426.1 - Donations	Below the Line	\$ (10,219.13)
2	Corporate Giving Total			\$ (10,219.13)
3	PSCo President	426.5 - Other Deductions	Below the Line	\$ (129.39)
4	PSCo President Total			\$ (129.39)
5	Strategic Revenue Initiatives	426.1 - Donations	Below the Line	(3,804.61)
6	Strategic Revenue Initiatives	426.5 - Other Deductions	Below the Line	(135.05)
7	Strategic Revenue Initiatives Total			\$ (3,939.66)
8	Total Witness William A. Grant			\$ (14,288.18)
	Amounts may not add or tie to other schedules due to rounding			

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
1	Corporate Giving	408.1 - Tax Other Than Income Tax - Payroll	Foundation	William A. Grant	\$ (67.68)
2	Corporate Giving	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	52.35
3	Corporate Giving	920 - Administrative and general salaries	Foundation	William A. Grant	(19,165.88)
4	Corporate Giving	921 - Office supplies and expenses	Business Area Adjustment	William A. Grant	(8.23)
5	Corporate Giving	921 - Office supplies and expenses	Foundation	William A. Grant	(6,408.97)
6	Corporate Giving	923 - Outside services employed	Foundation	William A. Grant	(96.33)
7	Corporate Giving	925 - Injuries & Damages	Foundation	William A. Grant	(1.11)
8	Corporate Giving	926 - Employee pensions and benefits	Foundation	William A. Grant	(225.00)
9	Corporate Giving	930.1 - General advertising expenses	Advertising	Stephanie N. Niemi	(51.88)
10	Corporate Giving	930.2 - Miscellaneous general expenses	Foundation	William A. Grant	(891.74)
11	Corporate Giving Total				\$ (26,864.47)
12	PSCo President	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 4,085.52
13	PSCo President	921 - Office supplies and expenses	Business Area Adjustment	William A. Grant	(25.61)
14	PSCo President Total				\$ 4,059.91

Southwestern Public Service Company

Pro Forma Adjustments to XES Expenses by Affiliate Class and FERC Account
For the Twelve Months Ended December 31, 2020

(A) Line No.	(B) Affiliate Class	(C) FERC Account	(D) Explanation for Pro Formas	(E) Sponsor	(F) Pro Formas (Total Company)
15	Strategic Revenue Initiatives	920 - Administrative and general salaries	3% Wage Adjustment	Stephanie N. Niemi/Michael P. Deselich	\$ 2,596.56
16	Strategic Revenue Initiatives	921 - Office supplies and expenses	Business Area Adjustment	William A. Grant	(180.20)
17	Strategic Revenue Initiatives	930.1 - General advertising expenses	Advertising	Stephanie N. Niemi	(3,454.92)
18	Strategic Revenue Initiatives	930.1 - General advertising expenses	Business Area Adjustment	William A. Grant	(156.53)
19	Strategic Revenue Initiatives Total				\$ (1,195.09)
20	Total Witness William A. Grant				\$ (23,999.66)
	Amounts may not add or tie to other schedules due to rounding				