

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN	)	
PUBLIC SERVICE COMPANY'S	)	
APPLICATION FOR: (1) REVISION OF	)	
ITS RETAIL RATES UNDER ADVICE	)	
NOTICE NO. 282; (2) AUTHORIZATION	)	CASE NO. 19-00170-UT
AND APPROVAL TO SHORTEN THE	)	
SERVICE LIFE OF AND ABANDON ITS	)	
TOLK GENERATING STATION UNITS;	)	
AND (3) OTHER RELATED RELIEF,	)	
	)	
SOUTHWESTERN PUBLIC SERVICE	)	
COMPANY,	)	
	)	
APPLICANT.	)	
_____	)	

DIRECT TESTIMONY

of

DAVID T. HUDSON

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Base Period	April 1, 2018 through March 31, 2019
Commission	New Mexico Public Regulation Commission
Company	Southwestern Public Service Company, a New Mexico corporation
FPPCAC	Fuel and Purchased Power Cost Adjustment Clause
IT	Information Technology
kWh	Kilowatt-hour
MW	Megawatt
MWh	Megawatt-hour
NMJC	New Mexico Junior College
O&M	Operation & Maintenance
PTCs	Production Tax Credits
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	Historical Test Year Period consisting of the Base Period and further incorporating all proper adjustments and capital additions
Total Company	Total SPS (before jurisdictional allocation)
WTMPA	West Texas Municipal Power Agency
Xcel Energy	Xcel Energy Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
DTH-1	Qualifications and Testimony List (<i>Filename: DTH-1.doc</i>)
DTH-2	SPS Service Area Map (<i>Non-native format</i>)
DTH-3	SPS Generation Resources Map (<i>Non-native format</i>)
DTH-4	Revenue Changes – New Mexico Retail Jurisdiction (<i>Filename: DTH-4.xlsx</i>)

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EXECUTIVE SUMMARY

Southwestern Public Service Company , a New Mexico corporation (“SPS” or “Company”) has a long history of providing safe, reliable, value-added service to our customers. Our strategic priorities are to lead the clean energy transition, enhance the customer experience, and keep customer bills low. We believe that these priorities are shared by the New Mexico Public Regulation Commission (“Commission”) and stakeholders. Importantly, these priorities manifest themselves in this rate review filing and everything we do here in New Mexico. It is our goal to be responsive to the needs and desires of our customers by continually evolving and improving the customer experience, gaining efficiencies, and reducing carbon emissions without losing sight of our core competency – safely delivering reliable and affordable electricity supply to customers. To achieve these goals, a constructive rate review outcome in this case is essential to establishing a solid foundation that allows SPS to continue to meet the expectations of our customers, respond to growth, and support economic development within the state of New Mexico. Significantly, inclusive of the requested rate change in this case and the associated reductions in SPS’s fuel costs, SPS’s bottom-line rates to customers would be 37.5% below the national average and 27.8% below the New Mexico average.

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In establishing new rates for SPS, the Company asks the Commission to provide it with the opportunity to earn a reasonable rate of return on its investment and to recover its necessary expenses, so it can continue moving New Mexico toward a lower carbon future while maintaining reliable, safe and affordable service to customers. SPS has invested for service to its New Mexico customers more than \$388 million (\$1.4 billion total company¹) in new infrastructure over a 17-month period to support economic expansion in SPS's service territory and New Mexico's and SPS's shared priority for clean and affordable electricity. Included in this investment is the Hale Wind Project, which was brought on line on time and under budget. We are thrilled to deliver on our promise of clean, affordable and reliable energy.

As shown in the Company's Rate Filing Package, SPS's total New Mexico retail cost of service based on a Test Year² ended March 31, 2019, as adjusted for known and measurable changes, is approximately \$323.5 million, excluding fuel and purchased power cost adjustment clause ("FPPCAC") revenues. This includes a proposed cost of equity of 10.35% and a capital structure of 54.77% equity and 45.23% debt. SPS is also

¹ Total SPS (before jurisdictional allocation).

² The Test Year is a Historical Test Year Period consisting of the Base Period (April 1, 2018 through March 31, 2019) and further incorporating all proper adjustments and capital additions.

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requesting, among other things, the full recovery of its capital investment, operations and maintenance (“O&M”) expense representative of its actual ongoing costs, and new depreciation rates. If approved, SPS’s base and miscellaneous tariff revenues will increase by \$50.8 million on a New Mexico retail basis. However, SPS’s investments are causing customers’ costs under the FPPCAC to drop, given that wind power does not have an associated fuel cost and given that the Production Tax Credits (“PTCs”) associated with the company-owned Hale Wind project are credited to customers. Taken together, the net impact on jurisdictional fuel revenues will be a reduction of \$25.3 million. Therefore, the net increase in retail revenues in New Mexico is \$25.5 million, which is a 5.69% increase in overall New Mexico retail revenues, including fuel and purchased energy costs.

My testimony provides an overview of the Company’s filing, its operations, and the primary factors driving SPS’s rate request. In addition, my testimony highlights the Company’s commitment to ensuring our customers receive the safe, clean, and reliable energy services they want at an affordable price. These principles drive our actions along with our commitment to moving New Mexico toward a lower carbon future. These principles also translate into a workforce that shares a deep sense of duty to our communities and other stakeholders. I look forward to working with the Commission

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and all stakeholders to ensure that the new rates established for SPS continue to allow the Company to make necessary investments in its system to safely and reliably serve its customers, provide clean affordable energy, and support economic growth within the state of New Mexico.

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1 **I. INTRODUCTION**

2 **Q. Please state your name, current position, and business address.**

3 A. My name is David T. Hudson. I am the President of SPS, and a wholly-owned
4 electric utility subsidiary of Xcel Energy Inc. (“Xcel Energy”). My business
5 address is 790 S. Buchanan St., Amarillo, Texas 79101. My qualifications and
6 list of prior testimony are provided in Attachment DTH-1.³

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

8 A. I am testifying on behalf of SPS.

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

10 A. My testimony provides an overview of SPS, its operations, and the Company’s
11 commitment to its customers. I summarize the Company’s Rate Filing Package,
12 including the reasons and need for this filing. I also explain that this rate case is
13 an integral part of SPS’s long-term plan to ensure adequate, reliable and
14 economical electric services in our service area, to expand the infrastructure
15 necessary to power the regional economy in our service area, and to achieve cost
16 savings for our customers.

³ Attachments DTH-1, DTH-2, DTH-3 and DTH-4, which I discuss later in my testimony, were prepared by me or under my direct supervision and control.

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1 **II. COMPANY DESCRIPTION**

2 **Q. Can you provide a general description of SPS's electric operations?**

3 A. Yes. SPS is a New Mexico corporation and wholly-owned electric utility
4 subsidiary of Xcel Energy. SPS's total company service territory encompasses a
5 52,000-square-mile area in eastern and southeastern New Mexico, the Texas
6 Panhandle, and the Texas South Plains. SPS's primary business is generating,
7 transmitting, distributing, and selling electric energy. SPS provides retail electric
8 services in New Mexico and Texas and serves approximately 394,000 customers
9 and 93 communities on its two-state system. SPS serves approximately 123,000
10 customers and 14 communities in New Mexico. The Company's electric system
11 is comprised of approximately 29 power plant generating units/renewable energy
12 projects and SPS has more than 59,016 miles of overhead and underground
13 transmission and distribution lines in its two-state system. A map of the SPS
14 service area is included as Attachment DTH-2 to my testimony. I have also
15 included a map showing SPS's owned and purchased power resources as
16 Attachment DTH-3 to my testimony.

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1 **Q. Are there any aspects of SPS's New Mexico service territory that are**
2 **unusual?**

3 A. Yes. SPS's New Mexico service territory is heavily commercial and industrial in
4 nature. Only 17% of SPS's New Mexico load is residential service. SPS witness
5 William A. Grant further discusses this and SPS's load and generating resources
6 in his direct testimony.

7 **Q. Can you describe the strategic goals of the Company?**

8 A. We are very proud of our presence in New Mexico and excited about the future.
9 Our strategic priorities are to lead the clean energy transition, enhance the
10 customer experience, and keep customer bills low. These priorities manifest
11 themselves in this rate review filing and everything we do here in New Mexico.
12 We want to be responsive to the needs and desires of our customers by
13 continually evolving and improving the customer experience, increasing clean
14 energy, and reducing carbon emissions without losing sight of our core
15 competency – safely delivering reliable and affordable electricity supply to
16 customers.

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1 **Q. How does SPS view its role in providing service to its customers?**

2 A. SPS is committed to ensuring that our customers receive the safe, clean and
3 reliable energy services they want and value at a competitive price. We
4 continually invest in our infrastructure to ensure that we deliver the most reliable
5 and efficient energy to our customers. We monitor our grid 24 hours a day, seven
6 days a week to ensure instantaneous and consistent reliability and the ability to
7 immediately react should anything go wrong.

8 **Q. How is SPS ensuring the safe delivery of electric service to its customers?**

9 A. Ensuring the safety of employees and the public is a core value at SPS. All
10 employees, from office workers to field personnel, are routinely trained in how to
11 perform their jobs safely and how to spot unsafe conditions both on and off the
12 job. We also provide information to the general public and those working in the
13 construction field on how to work around electrical facilities. Through the 811
14 dig-test program, we locate underground lines for those working in the public
15 right of way, and also for customers performing routine work at their homes and
16 businesses. Additionally, through media placements and paid advertising, we
17 remind customers how to stay safe around electricity, especially during outage
18 events. Our annual spend on safety advertising in New Mexico ranges between

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1 \$230,000 and \$300,000, which pays for print, broadcast and online safety
2 messaging. We also deliver safety messages to school children by sending field
3 personnel to schools and community events to demonstrate the power of
4 electricity through a specially designed arcing trailer that simulates hazards on
5 power lines.

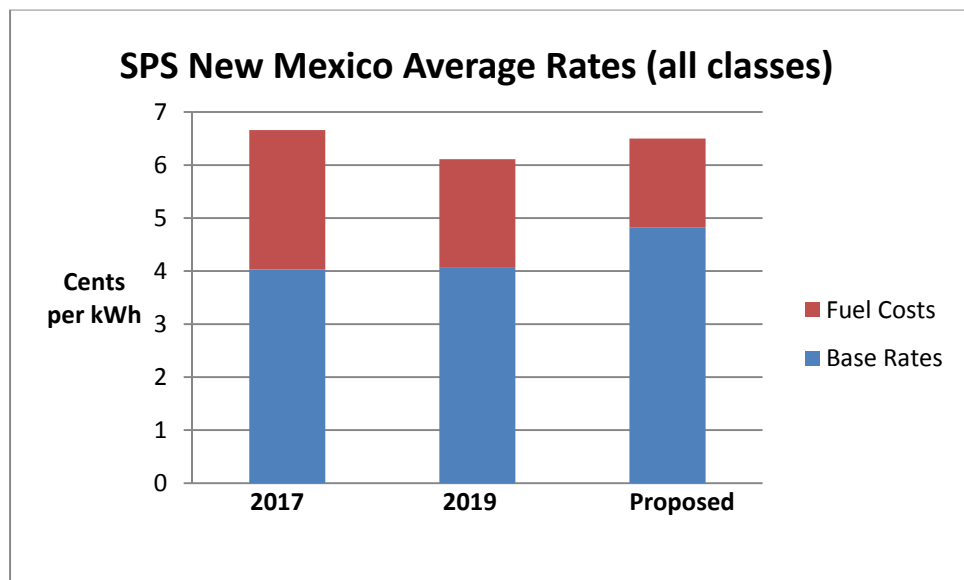
6 **Q. How is SPS ensuring that its customers receive reasonably priced electric**
7 **service?**

8 A. SPS is very conscious of ensuring that its service is reasonably priced. It has been
9 very successful in this regard, and has the numbers to prove it. SPS's current
10 New Mexico residential price of 10.6 cents per kilowatt-hour ("kWh"), inclusive
11 of fuel, has dropped 3.6% since 2017 (when the price was 11 cents per kWh).
12 Inclusive of the full request in this case, and the fuel portion of a customer's bill
13 that includes projected fuel cost savings from the Hale Wind Project, SPS's
14 residential electric price would be 11.4 cents per kWh. This represents an
15 increase of 3.6% over the 2017 average price, but still 11% lower than the
16 national average of 12.8 cents per kWh and 8.1% lower than the New Mexico
17 average of 12.4 cents per kWh. The proposed New Mexico average price across
18 all customer classes, inclusive of fuel and the projected Hale Wind Project

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savings, would be 6.5 cents per kWh, still lower than the 2017 SPS New Mexico average of 6.7 cents per kWh across all classes. This average price is 37.5% lower than the national average price of 10.4 cents per kWh and 27.8% lower than the New Mexico average of 9 cents per kWh⁴. Please see Charts DTH-1 and DTH-2.

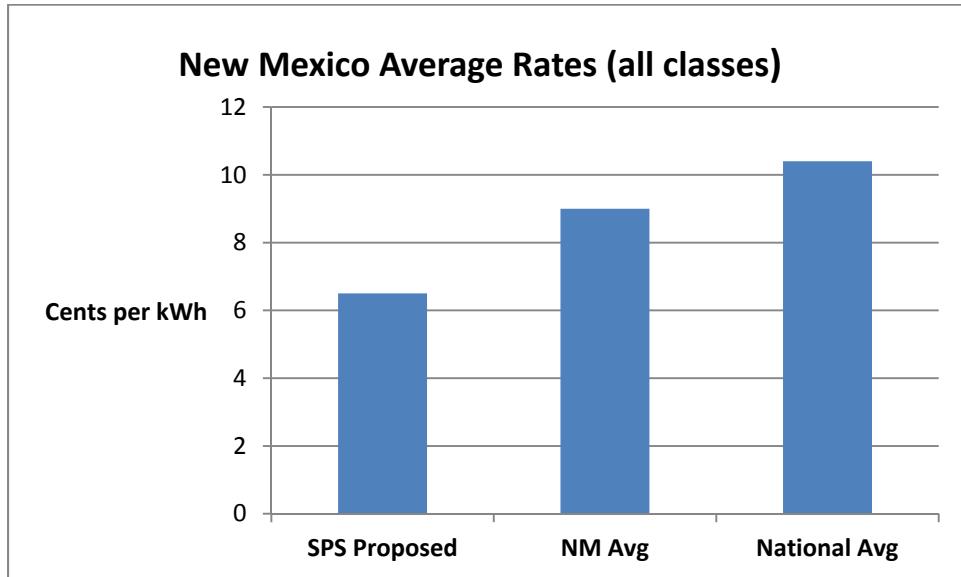
Chart DTH-1



⁴ Source: U.S. Energy Information Administration Electric Power Monthly with Data for April 2019, Table 5.6.B.

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Chart DTH-2



Q. How is SPS enhancing the reliability of its electric service and improving the customer experience?

A. We are making our service more reliable in a variety of ways. In several New Mexico communities and rural areas, we are continuing to modernize the lines and facilities that deliver power directly to customers by upgrading these facilities to a higher, standard voltage. This provides more options to quickly restore service by moving electricity from neighboring power sources. These conversions also boost the economic prospects of older neighborhoods by increasing the amount of power available for new and expanding businesses. Additionally, we

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1 have initiated a program to visually inspect feeder and tap lines across the service
2 area to proactively identify issues that could lead to an outage. Sound vegetation
3 management plays an important role in this proactive approach. For example, to
4 prevent trees from causing outages, our facilities are on a regular schedule of tree
5 trimming that keeps vegetation safely away from power lines. And, in an effort to
6 harden the grid, we have upgraded the class of wooden poles used on distribution
7 structures. We also selectively replace wooden cross arms with fiberglass
8 structures to better resist high winds and ice.

9 We are also continually working to enhance customer satisfaction by
10 offering improved tools that allow our customers to better communicate with us.
11 For example, we offer a “My Account” feature on the company website that
12 allows customers to register for phone or text outage notifications and restoration
13 updates. Additionally, customers can make payments through a secure payment
14 portal and find information on their past energy use. These tools are also available
15 on a free customer app for mobile devices that was launched in 2017.

16 We have also made significant information technology (“IT”) investments
17 due to the need for greater focus on and attention to IT and data solution needs
18 within the Company. Our investment evolution tracks that of the broader industry

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1 with an upward trend in the technology investments needed to keep pace with the
2 emergence of cybersecurity issues as well as changing customer expectations.
3 These investments assist Company operations, protect important data, support
4 customer service, and help other areas effectively manage O&M to reasonable
5 levels.

6 **Q. How has SPS worked to respond to the economic growth it is experiencing in**
7 **its New Mexico service territory?**

8 A. We have worked hard to respond to New Mexico's growing economy and the
9 resulting accelerated demand for new service, especially in counties where oil and
10 natural gas development is foundational to local economies and the State's tax
11 base. To meet this growth, we have modified our processes to more closely track
12 the large number of service requests. We have also added five new
13 engineer/design employees to support SPS's New Mexico operations in order to
14 mitigate the wait time associated with new connection requests. And, we have
15 further supplemented our workforce by relying on eight designers, who we use on
16 a contract basis, to stay ahead of the large number of new meter connection
17 requests. We have made several distribution voltage upgrades in New Mexico
18 including substation work in Portales and Roswell as well as work in Carlsbad

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1 that will begin this summer. Additionally, we are working on partial voltage
2 upgrades to circuits in the oilfield to relieve loading on substations in the area.
3 Most new areas in Lea County and Eddy County are now being built with a
4 higher 24 kilovolt primary distribution network to increase the capacity and
5 efficiency in large load requests in that service region.

6 **Q. Please describe SPS's pursuit of clean energy for its customers and**
7 **communities.**

8 A. Beginning more than a decade ago, we began preparing for the future by shaping
9 our generation fleet to meet the changing needs of customers and transitioning to
10 cleaner sources of energy, while maintaining the system reliability customers
11 expect from SPS and ensuring the affordability of the service the Company
12 provides. Since that time, the Company has transitioned its fleet through a series
13 of initiatives that culminated in the December 4, 2018 announcement that Xcel
14 Energy would seek to reduce carbon emissions by 80% from 2005 levels by 2030.
15 Additionally, we announced our aspiration to achieve a 100% reduction in carbon
16 emissions by 2050. Among our strategies for reaching these goals are to continue
17 adding renewable energy resources and to remain technology agnostic and work
18 with stakeholders, policy makers, and industry groups to implement new

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1 technologies. In New Mexico and neighboring Texas, we already have achieved a
2 38% reduction in carbon emissions as of 2018. Within three years, we will
3 approach a 50% carbon reduction as new wind energy facilities come on line.

4 **Q. Have the Company's actions benefitted New Mexico and its residents?**

5 A. Yes. As I mentioned earlier in my testimony, SPS has invested more than \$388
6 million in new investment on a New Mexico retail basis (\$1,447 million total
7 company) over a 17-month period to support economic expansion in SPS's
8 service territory and New Mexico and SPS's shared priority for clean and
9 affordable electricity. Included in this investment is the Hale Wind facility, which
10 was recently completed and placed into service in June 2019. This new 478
11 megawatt ("MW") renewable resource was brought on line on time and under
12 budget – and it delivers on its promise to economically serve customers while
13 further reducing carbon emissions. SPS witness Mark Lytal describes the Hale
14 Wind facility in more detail in his direct testimony.

15 **Q. Please describe the overall support that SPS provides to its New Mexico**
16 **communities.**

17 A. The infrastructure investments the Company makes generate immediate,
18 well-paying jobs in the state and often long-term employment at the Company's

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1 facilities as well as increased tax revenues for local and State tax jurisdictions.
2 We work with our communities to provide a more attractive environment for not
3 only our existing residents but also potential residents of this state. Specifically,
4 by being an active partner and creating an attractive energy option, we are able to
5 attract businesses to our jurisdiction, which in turn brings more jobs, health, and
6 vitality to all our communities. Additionally, SPS has a strong record of
7 supporting local educational institutions, local charities, and non-profit
8 organizations to improve the quality of life for citizens in our service area. Xcel
9 Energy and SPS support employee volunteer service on non-profit boards, and
10 Xcel Energy offers a variety of ways for employees to direct the corporate
11 philanthropy efforts. For example, SPS has been working and continues to work
12 with the Skills USA Program at Hobbs High School and with the Associate of
13 Applied Science in Construction Technology program at New Mexico Junior
14 College ("NMJC"). These programs help students develop the skills needed for
15 jobs with SPS in our New Mexico service area and help to develop a qualified job
16 applicant pool. SPS collaborates with these programs to develop specific courses
17 that align with SPS's hiring needs, to identify particular skills that graduates will
18 need to succeed in SPS jobs, and to create a curriculum path at NMJC, either

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1 through the Associates degree program or the Electrical Certificate program. SPS
2 has also donated \$25,000 to the wind technician program at Mesalands Junior
3 College in Tucumcari in accordance with agreements from the SPS wind
4 certificate of public convenience and necessity case. Additionally, SPS supports
5 Chamber of Commerce activities through event contributions as well as local
6 economic development corporation efforts to attract and develop new business
7 and industry that will strengthen and diversify the economic base in eastern and
8 southern New Mexico.

9 **Q. Are there any third-party indications that SPS is doing a good job of serving**
10 **its New Mexico customers and communities?**

11 A. Yes. SPS can point to a strong record of achievement in recent years on many of
12 the issues that are important to our customers, including rapid restoration after
13 storm events, the rapidly growing petrochemical economy in southeastern New
14 Mexico, and support for the renewable energy projects that provide much-needed
15 revenues for our local communities. SPS currently purchases wind and solar
16 renewable energy out of ten projects in New Mexico with a total of 640 MW in
17 installed capability. (See Attachment DTH-3.)

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1 Listed below are some of the honors that Xcel Energy has received in the
2 past few years.

3 **2017**

- 4 • Named No. 1 utility wind provider in the United States by the
5 American Wind Energy Association (12th year in a row).
- 6 • Launched first-of-its-kind partnership with the Federal Aviation
7 Administration to research the safe operation of drone technology to
8 inspect critical infrastructure.
- 9 • Xcel Energy earned Edison Electric Institute's "Emergency Recovery
10 Award" for restoration efforts after Winter Storm Jupiter.
- 11 • Xcel Energy received the "Heritage Award" presented by the
12 Historical Society for Southeast New Mexico for the significant
13 contributions SPS and Xcel Energy have made in Southeast New
14 Mexico for many decades.
- 15 • MSCI, a global provider of equity, fixed income, hedge fund market
16 indexes and multi-asset portfolio analysis tools, gave Xcel Energy an
17 AA rating for environmental, social and governance (ESG) standards.

18 **2018**

- 19 • Xcel Energy's commitment to the community and dedication to hiring
20 and retaining military veterans were cited by MilitaryHire.com in its
21 naming of Xcel Energy as a 2018 Top Veteran Employer.
- 22 • Xcel Energy was honored for the fifth consecutive year as "Best of the
23 Best Top Veteran-Friendly" by US Veteran's Magazine.
- 24 • Xcel Energy was recognized on the Forbes Global 2000 list of World's
25 Best Employers for the second year in a row.

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- Xcel Energy was recognized by Fortune Magazine as one of the World's Most Admired Companies for the fourth consecutive year.

2019

- Xcel Energy was selected among the nation's top corporations for LGBTQ equality by earning a perfect score on the Human Rights Campaign's 2019 Corporate Reliability Index.
- For the fifth consecutive year, Fortune Magazine ranked Xcel Energy on its list of World's Most Admired Companies.
- A University of Denver analysis confirmed Xcel Energy's carbon reduction vision is consistent with temperature goals of the Paris climate agreement.

Q. How does a rate review like this one impact the Company's efforts to enhance the customer experience, provide safe, reliable and affordable electric service, and lead the clean energy transition?

A. We want to be responsive to the needs and desires of our customers by continually evolving and improving the customer experience, and reducing carbon emissions without losing sight of our core competency – safely delivering reliable and affordable electricity supply to customers. To achieve these goals, constructive rate case outcomes are essential. This filing presents the opportunity to establish a solid foundation that will enable SPS to continue to meet the expectations of our customers, respond to growth and support economic development with the state of New Mexico.

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1 **III. OVERVIEW OF THE COMPANY’S RATE REVIEW FILING**

2 **Q. Please describe SPS’s filing in this case.**

3 A. The Company’s filing has been prepared consistent with the requirements of the
4 applicable statutes, Commission Substantive and Procedural Rules, and prior
5 Commission orders. SPS’s filing is based on a Base Period and Test Year⁵ ended
6 March 31, 2019, and includes capital investment for the five-month period from
7 April 1, 2019 through August 31, 2019.

8 The Company’s Rate Filing Package includes the sworn direct testimony
9 of 24 internal and external witnesses (some of whom cover multiple subjects),
10 direct testimony work papers, revised tariffs, required schedules, and schedule
11 work papers. The filing reflects the considerable efforts of many Company
12 employees and additional external resources, it provides an accurate and
13 transparent view of our business, and is responsive to feedback received during
14 the Company’s last rate case for additional clarity on certain issues. The
15 witnesses submitting direct testimony in support of SPS’s Rate Filing Package
16 and the topics they address are described in Mr. Grant’s direct testimony.

⁵ The Test Year is the Historical Test Year Period consisting of the Base Period (April 1, 2018 through March 31, 2019) and further incorporating all proper adjustments and capital additions.

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1 **Q. What does SPS hope to accomplish in this case?**

2 A. It is an exciting time in New Mexico and we are committed to doing our part to
3 support the State’s economic growth. This filing will allow the Company to begin
4 recovering the more than \$116.2 million⁶ on a New Mexico retail basis (\$458.5
5 million total company) in capital improvements that have been made in our
6 service area between April 1, 2018 and March 31, 2019, the Base Period in this
7 case. In addition, SPS forecasts that it will place in service approximately \$272
8 million on a New Mexico retail basis (\$989 million total company) of additional
9 capital investment during the five-month period from April 1, 2019 through
10 August 31, 2019. Of this total, the major investment made by SPS that is now in
11 service is the \$712 million (total company, \$204 million New Mexico allocated)
12 Hale Wind facility that was approved in Case No. 17-00044-UT. This amounts to
13 more than \$388 million in new investment on a New Mexico retail basis (\$1,447
14 million total company) that has been spent over a 17-month period to support
15 economic expansion in SPS’s service territory and New Mexico and SPS’s shared
16 priority for clean and affordable electricity.

⁶ Capital additions are derived by allocating each functional class.

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1

Table DTH-1

	Additions to Plant-in-Service (Total Company)	Additions to Plant-in-Service (NM Retail)
December 1, 2017 - March 31, 2018 ⁷	\$191,072,411	\$51,073,365
April 1, 2018 - March 31, 2019	458,521,070	116,171,298
April 1, 2019 - August 31, 2019	988,965,065	272,119,498
Total	\$1,638,558,546	\$439,364,161

2

In addition, since the conclusion of Case No. 17-00255-UT, we have also

3

ended the contractual wholesale power sales to West Texas Municipal Power

4

Agency (“WTMPA”) in accordance with the agreements approved in Case Nos.

5

04-00426-UT and 05-00341-UT⁸. Moreover, we have reduced our wholesale sales

6

to four New Mexico electric cooperatives in accordance with the agreement

⁷ The capital additions included in rate base for the first time in this case include all capital additions placed in service from December 1, 2017 through August 31, 2019.

⁸ *In the Matter of the Petition by the Staff of the New Mexico Public Regulation Commission for a Review of the Operations of Southwestern Public Service Company’s Fuel and Purchased Power Cost Adjustment Clause*, Case No. 04-00426-UT, and *In the Matter of Southwestern Public Service Company’s Application for Approval of (1) Continued Use of Its Fuel and Purchased Power Cost Adjustment Clause (“FPPCAC”) Using a Monthly Adjustment Factor Pursuant to NMPRC Rule 550, (2) The Existing Variance From Rule 550.14(A), and (3) The Report Regarding Collections Under the Previous Annual FPPCAC Adjustment Clause in Effect During the Period October 2001 Through January 2002, and Collections Under the Existing Monthly FPPCAC for the Period February 2002 Through May 2005*, Case No. 05-00341-UT, Final Order Approving Stipulation at 5 (Aug. 26, 2008).

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1 approved in Case No. 10-00074-UT.⁹ Those reductions in wholesale sales free up
2 existing generation capacity, enabling our New Mexico retail customers to save
3 money on the fuel portion of their bills and use the available capacity for the
4 rapidly growing New Mexico retail loads.

5 Moving forward, the filing will allow SPS to address its current revenue
6 requirement deficiency so the Company may continue investing in adequate, safe
7 and reliable infrastructure now and in the future.

8 **Q. Have economic changes within SPS's New Mexico service area impacted the**
9 **Company's cost of service since its last rate case?**

10 A. Yes. SPS is meeting the needs associated with the phenomenal economic and
11 load growth in its New Mexico service areas, particularly in the Eddy County and
12 Lea County Permian Basin oil and natural gas customer segments. Since the last
13 rate case, SPS's New Mexico retail sales in megawatt-hour ("MWh") have grown
14 22.4% and SPS has worked tirelessly to connect all customers demanding new

⁹ *In the Matter of the Application of Southwestern Public Service Company for Approval of System Average Cost Assignments in the Replacement Power Sales Agreements with Central Valley Electric Cooperative, Inc., Farmers' Electric Cooperative of New Mexico, Inc., Lea County Electric Cooperative, Inc., and Roosevelt County Electric Cooperative, Inc., in Accordance with the Final Orders in Case Nos. 04-00426-UT and 05-00341-UT, Case No. 10-00074-UT, Final Order Adopting Certification of Stipulation at 2 (Aug. 19, 2010).*

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1 power services. In addition, since the last rate case, SPS's New Mexico retail
2 peak load has grown by 142 MW and the Company is serving this load growth
3 with existing capacity. SPS's large commercial and industrial MWh energy
4 growth has been close to 30% since the last rate case test year 21 months ago.

5 **Q. Has SPS's existing capacity played an important role in the Company's**
6 **ability to timely respond to economic and load growth in its New Mexico**
7 **service area?**

8 A. Yes. SPS's New Mexico service area has relied upon and is continuing to utilize
9 this available capacity in responding to the historic retail load growth. Our
10 service territory, and the State generally, will continue to benefit from SPS's
11 available generating capacity as the economy and related demand for additional
12 power within New Mexico continue to grow. For that reason, the Company is
13 requesting that the Commission reverse its recent treatment of SPS's available
14 generating capacity, and instead allow a return to be earned on all of this capacity.
15 SPS's rapidly growing New Mexico large commercial and industrial load growth,
16 along with low natural gas prices, make the operation of SPS's entire fleet,
17 including older gas resources, beneficial to customers. Mr. Grant discusses this
18 request more fully in his direct testimony.

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1 **Q. What is the total non-fuel cost SPS incurs to provide service to its customers**
2 **in New Mexico?**

3 A. As described and supported in the Company's Rate Filing Package, SPS's total
4 cost of service based on a Test Year ended March 31, 2019, as adjusted for known
5 and measurable changes, is approximately \$353.5 million, excluding fuel and
6 purchased power costs adjustment clause revenues. This includes a proposed cost
7 of equity of 10.35%, a capital structure of 54.77% equity and 45.23% debt, and a
8 proposed overall weighted average cost of capital of 7.68% for the Test Year¹⁰.
9 As demonstrated by SPS witness Arthur P. Freitas' direct testimony, the
10 Company has prepared the filing using actual Base Period books and records,
11 adjusted for known and measurable changes, and using traditional and widely
12 accepted ratemaking principles.

13 **Q. Please describe the rate increase SPS is requesting in this case.**

14 A. SPS is asking to increase its base and miscellaneous tariff revenues by \$50.8
15 million on a New Mexico retail basis. However, given the no-fuel cost wind
16 resource along with the crediting of the PTCs, the FPPCAC will drop, and the net

¹⁰ Please refer to the Direct Testimony of Ann E. Bulkley regarding the proposed cost of equity and to the Direct Testimony of Sarah W. Soong regarding the capital structure.

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1 impact on jurisdictional revenues will be a reduction of \$25.3. Attachment
2 DTH-4 is a summary of the proposed increase on a New Mexico retail
3 jurisdictional basis, shown on a base revenue and total jurisdictional revenue
4 basis. The net increase in jurisdictional revenues is \$25.5 million, or 5.69%. Mr.
5 Grant discusses in detail the specifics of SPS's rate request.

6 **Q. What effect would the Company's proposed increase have on residential**
7 **customers?**

8 A. Under the rate request proposed in this proceeding, a typical Residential Service
9 customer using 900 kWh of energy per month would see a total bill increase of
10 \$7.18 per month, or 7.6%, compared to the current rates.

11 **Q. What factors have contributed to the need for SPS to seek an increase in**
12 **rates?**

13 A. There are four main cost drivers: (1) investment and operating costs for the new
14 Hale Wind facility, (2) other investments in infrastructure that were required to
15 support our service area, promote economic development, and to maintain and
16 improve our operations; (3) the further reduction in wholesale power sales and
17 purchased power costs; and (4) the new depreciation study SPS is presenting in
18 this case, including the requested shorter operating lives of Tolk Generating

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1 Station assets. I'll discuss each of these cost drivers in the next section of my
2 testimony.

3 **Q. Has SPS worked to successfully control or reduce certain components of its**
4 **cost of service?**

5 A. Yes. The Company works hard to control its operating costs while continuing to
6 provide safe and reliable service at reasonable rates and has a number of
7 processes and procedures in place to ensure the Company's costs are properly
8 managed and remain at reasonable levels. While the overall O&M expense level
9 has increased due to the increased sales allocation to New Mexico, the average
10 O&M¹¹ expense per kWh has actually declined slightly.

11 **Table DTH-2**

	Test Year (NM Retail) (\$ millions)	Case No. 17-00255-UT (NM Retail) (\$ millions)
Net Total O&M	\$ 122	\$ 100
O&M per kWh	\$ 0.01819	\$ 0.01829

¹¹ O&M expense level excludes rate case expenses.

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IV. **FACTORS DRIVING THE NEED FOR A CHANGE IN RATES**

Q. Earlier in your testimony you mentioned the primary drivers that have contributed to the Company's need for rate relief in this case. Have you quantified the effect of these factors?

A. Yes. Table DTH-3 lists the effect on a New Mexico retail basis of each of the main cost drivers on the rate increase requested by SPS in this case:

Table DTH-3

Cost Driver	Dollar Impact on Rate Increase (\$ millions) (NM Retail)
Hale Wind Project (includes Capital, O&M, and Property Taxes)	\$28.0
Other Plant Investment	22.1
Base Revenue Growth	(41.3)
Allocator Changes Due to Load Growth	15.4
Allocator Changes Due to Reduction in Wholesale Power Sales	16.8
New Depreciation Rates, including the proposed change in service lives of Tolks	15.4
Reduction in Purchased Power Costs	(12.0)
Other, net	6.4
NM Retail Base Revenue Deficiency	\$50.8

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1 **Q. You have testified that SPS must recover and earn a return on recent capital**
2 **investments is a primary factor driving the requested rate increase. Why has**
3 **SPS made these investments?**

4 A. SPS prides itself of working with stakeholders and the Commission so that SPS
5 can continue to provide reliable, affordable and clean electricity for our New
6 Mexico customers' benefit and the benefit of the state as a whole.

7 In the service of that goal, we have incurred capital expenditures on the
8 following: (1) replacement, improvement, and expansion of the SPS generation,
9 transmission, and distribution systems for increased adequacy, reliability and the
10 growing customer base in SPS's service area; (2) increased North American
11 Electric Reliability Corporation reliability standards; and (3) increasing and
12 mandatory environmental standards. In short, SPS is making substantial
13 investments in its system to meet the rapidly growing electric loads in New
14 Mexico.

15 **Q. Are these new capital investments that SPS has placed into service currently**
16 **benefiting New Mexico retail customers?**

17 A. Yes. These capital investments make it possible for SPS to maintain and improve
18 reliability, and some of the new investment allows SPS to import lower-cost
19 power from elsewhere in the Southwest Power Pool, Inc. footprint. These

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1 investments also ensure our generation fleet meets customer demand in an
2 economical and environmentally compliant manner. Our customers further
3 benefit from reliable service, and the new investment helps keep fuel costs lower
4 than they otherwise would be. In addition, our capital investment has been crucial
5 to the strength of the economy in SPS's service area by helping to foster growth
6 in the New Mexico oil and gas industries and by expanding the areas available for
7 crop irrigation, among other benefits. SPS's investment in the economic success
8 of its service area will continue to generate benefits for many years to come by
9 providing the necessary electrical infrastructure to support better jobs and a higher
10 standard of living in SPS's service area. Besides providing economical energy
11 supply for our customers, the new Hale Wind facility will have zero emissions.

12 **Q. Have these new capital investments also benefited the State of New Mexico as**
13 **a whole?**

14 A. Yes. SPS is powering a region in New Mexico that is driving the state's
15 economic expansion and strongly impacting the state's revenue stream, which
16 benefits all New Mexicans. More than \$1 billion in additional revenue was
17 generated in 2018, and two counties – Lea and Eddy – were responsible for close
18 to two-thirds of that additional revenue, largely through oil and gas activities. It is
19 no coincidence that Xcel Energy has made significant investments in grid

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1 improvements in those two counties, keeping pace with a large increase in
2 electricity demand and ensuring our investments are made in a timely manner.

3 **Q. How much does the Company expect to spend in future years on necessary**
4 **capital investment?**

5 A. As shown in Table SWS-3 included in the direct testimony of SPS witness Sarah
6 Soong, SPS plans to invest \$3.5 billion (total company) during the five year
7 period from 2019-2023.

8 **Q. How can the Commission support the Company's ability to attract the**
9 **capital investment that is necessary for continued safety and reliability and**
10 **supportive of economic growth?**

11 A. The Commission's decisions with respect to return on equity and capital structure
12 will have the biggest impact on the ability of the Company to meet its investment
13 goals in the future. In order to balance the interests of our customers and
14 investors, SPS is requesting a capital structure comprised of 54.77% equity and
15 45.23% debt and a cost of equity of 10.35%. Ms. Soong and SPS witnesses Ann
16 Bulkley support the reasonableness of this request and explain that ratings
17 agencies are keenly aware of the challenges that utilities face when funding large
18 capital investment projects, as well as other aspects of the utility business that

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1 impact cash flows. Supportive decisions on return on equity and capital structure
2 from regulators are viewed positively by the ratings agencies, which, in turn,
3 provide the ratings by which utilities ultimately finance necessary capital
4 investment. To put it differently, better ratings result in better financing
5 opportunities and terms for utilities, which ultimately benefit customers through
6 lower debt costs.

7 **Q. Will a constructive regulatory result in this case benefit customers and the**
8 **State of New Mexico?**

9 A. Absolutely. SPS is committed to providing the energy that our region needs to
10 remain strong and vibrant. Our regional economy cannot grow without a reliable
11 and robust electric grid, and the construction of that grid is a large part of what is
12 driving the need for this rate case. We want to help the communities and
13 businesses in our service area grow, including the farms and ranches that are very
14 important to our local economy, but the expansion of our facilities costs money
15 and requires that we recover our current costs and earn a reasonable return on our
16 investment. This is all the more important because, as discussed by SPS witness
17 Ms. Sarah Soong, SPS experienced a downgrade in its credit rating in the fourth
18 quarter of 2018. This deterioration in SPS's credit rating was partially due to the

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1 lack of regulatory support that SPS was experiencing in New Mexico. This case
2 represents an opportunity for SPS and the Commission to build toward a
3 constructive regulatory relationship that changes investor opinion and ensures that
4 SPS's generation resources and transmission and distribution systems can meet
5 growth requirements and is safe, resilient and reliable.

6 **Q. Is SPS's ability to finance these planned capital expenditures impacted by its**
7 **financial performance?**

8 A. Yes, if SPS does not maintain its credit quality and ratings, it will be downgraded
9 and have to go to more expensive forms of financing to raise the capital funds to
10 build its expanding New Mexico infrastructure. The lessened credit quality not
11 only raises the cost to consumers but also slows down the capital acquisition
12 process. This ultimately slows down expanded services to customers and
13 ultimately the overall regional and even state economy as the state tax revenues
14 rely heavily on the robust southeast New Mexico economy.

15 **Q. Does SPS's customer mix have a direct impact on its capital requirements?**

16 A. Yes. Unlike many utilities, SPS serves a very large amount of commercial and
17 industrial retail load. In fact, approximately 77% of New Mexico retail sales are
18 to industrial and commercial customers, and at least 54% of SPS's New Mexico

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1 retail jurisdictional sales are to oil and natural gas businesses. These customers
2 rightfully expect timely, expanded, and reliable electric service from SPS. As I
3 discuss above, SPS's ability to respond to the needs of these customers is in the
4 State's best interest. Table DTH-4 illustrates SPS's customer sales mix during the
5 Test Year.

6 **Table DTH -4**

Retail Class	MWh Sales	Percent
Total Residential	1,141,353	16.99%
Small General Service	158,285	2.36%
Secondary General	781,806	11.64%
Primary General	1,840,441	27.40%
Large General Service- Transmission	2,563,356	38.16%
Small Municipal & School	11,520	0.17%
Large Municipal & School	119,766	1.78%
Irrigation Service	71,500	1.07%
Street Lighting	13,359	0.20%
Area Lighting	15,369	0.23%
Total	6,716,755	100.00%

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1 Q. How has this changed since the last base rate case?

2 A. Table DTH-5 shows the MWh sales in the last rate case test year and compares
3 them to the class sales in this case's test year.

Table DTH-5

Retail Class	MWh Sales Case No. 19-00170-UT	MWh Sales Case No. 17-00255-UT	MWh Change	% Change
Total Residential	1,141,353	1,065,241	76,112	7.15%
Small General Service	158,285	148,759	9,526	6.40%
Secondary General	781,806	698,055	83,751	12.00%
Primary General	1,840,441	1,399,882	440,559	31.47%
Large General Service - Transmission	2,563,356	1,941,518	621,838	32.03%
Small Municipal and School	11,520	11,725	(205)	-1.75%
Large Municipal and School	119,766	116,862	2,904	2.48%
Irrigation Service	71,500	76,989	(5,489)	-7.13%
Street Lighting	13,359	13,320	39	0.29%
Area Lighting	15,369	15,912	(543)	-3.41%
Total	6,716,755	5,488,263	1,228,492	22.38%

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1 **Q. You also mentioned that reductions in SPS’s wholesale power sales since its**
2 **last rate case are also a primary driver of the requested rate increase. Please**
3 **explain why this is the case.**

4 A. Consistent with the parties’ stipulations and the Commission’s order in Case Nos.
5 04-00426-UT and 05-00341-UT¹², SPS reduced the amount of wholesale power it
6 sold to the WTMPA on June 1, 2019. Thus, the generating facilities that were
7 being used to serve WTMPA’s load are now available to serve SPS’s retail load,
8 which reduces the fuel costs borne by retail customers and provides available
9 capacity for SPS’s New Mexico retail load to grow into. But because the costs
10 associated with SPS’s generating facilities are allocated in accordance with the
11 sales of power, it is necessary to reallocate the base rate investment and associated
12 costs of the generating facilities from wholesale customers to retail customers.

¹² *In the Matter of the Petition by the Staff of the New Mexico Public Regulation Commission for a Review of the Operations of Southwestern Public Service Company’s Fuel and Purchased Power Cost Adjustment Clause*, Case No. 04-00426-UT, and *In the Matter of Southwestern Public Service Company’s Application for Approval of (1) Continued Use of Its Fuel and Purchased Power Cost Adjustment Clause (“FPPCAC”) Using a Monthly Adjustment Factor Pursuant to NMPRC Rule 550, (2) The Existing Variance From Rule 550.14(A), and (3) The Report Regarding Collections Under the Previous Annual FPPCAC Adjustment Clause in Effect During the Period October 2001 Through January 2002, and Collections Under the Existing Monthly FPPCAC for the Period February 2002 Through May 2005*, Case No. 05-00341-UT, Final Order Approving Stipulation at 5 (Aug. 26, 2008).

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1 **Q. Please explain the Company's depreciation request.**

2 A. It is important that SPS's depreciation rates provide for the adequate and timely
3 recovery of investment over its useful life because SPS makes planning decisions
4 and runs its plants on this basis. As part of its rate filing, SPS is providing a new
5 depreciation study that supports its need to increase depreciation expense and
6 shorten the service lives of several of its generating units, including the Tolk
7 Generating Station units that are fueled by coal. SPS is also proposing to adopt a
8 25-year useful life for the Hale Wind facility. With respect to the Tolk
9 Generating Station, SPS is proposing to change the service lives of these assets to
10 have them retire at December 31, 2032. SPS witness Mark Lytal addresses the
11 service lives for SPS's depreciation request in his direct testimony, including the
12 treatment of the Tolk Generating Station. SPS witnesses Dane A. Watson and
13 Ms. Wold discuss the effect of the proposed service lives on depreciation rates
14 and depreciation expense.

15 **Q. With regard to the Tolk Generating Station, how does the regulatory**
16 **treatment of this facility impact SPS's costs and its ability to achieve**
17 **recovery of and on this investment?**

18 A. As Mr. Lytal explains in his testimony, SPS and other stakeholders in the Lamb
19 County, Texas region of the Ogallala Aquifer have seen a dramatic reduction in

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1 the ground water aquifer level in recent years. This is the same phenomenon that
2 the water wells in the Clovis area are experiencing. That reduction affects SPS
3 because the Tolk Generating Station is in Lamb County and, as a steam
4 generating coal-fired power plant, Tolk requires a significant amount of water to
5 operate and cool the used steam back into a liquid form so that it can be pumped
6 back to the top of the boiler. Because of the lack of groundwater available at
7 reasonable prices, it will be cost-prohibitive to continue operating the Tolk
8 Generating Station past 2032. Therefore, SPS is proposing in this case to change
9 the retirement date of Tolk Unit 1 from 2042 to 2032, and SPS is proposing to
10 change the retirement date of Tolk Unit 2 from 2045 to 2032.¹³ SPS is also
11 proposing to increase the depreciation expense attributable to the Tolk Generating
12 Station to ensure that portions of the facility are completely depreciated by 2032.
13 Our projections are that there will no longer be sufficient ground water supplies to
14 cool the steam cycles at these two coal generating units beyond 2032.

¹³ It should be noted that future environmental regulations may even further reduce the life span of the plant. The Tolk units will, however, be used for voltage stability purposes through 2055. In its depreciation study, SPS has identified the existing assets at Tolk that will remain to support operation of the synchronous condensers, and SPS is proposing a depreciable life for those assets ending in 2055.

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1 **Q. What initiatives is SPS pursuing to conserve the limited available**
2 **groundwater?**

3 A. As discussed by Mr. Lytal and SPS witness Jarred J. Cooley, for major portions of
4 the off-peak months SPS will decouple the generator from the steam turbine and it
5 will be used as a synchronous condenser to support the frequency and voltage on
6 the SPS's transmission network. So in these months the units operate in
7 synchronous condenser mode, ground water will not be used to cool any steam
8 generation. Then after 2032, at the latest, SPS will only run the units in
9 synchronous condenser mode.

10 **Q. What action is the Company asking the Commission to take in this case with**
11 **regard to the Tolk Generating Station?**

12 A. SPS is requesting that the Commission approve the retirement and abandonment
13 of the Tolk Station coal, boiler and steam turbine operations in 2032. Mr. Grant
14 discusses this request in his direct testimony. SPS is also requesting that the
15 Commission reflect the 2032 retirement date when setting the Tolk Generating
16 Station depreciation rates to be paid for by New Mexico retail customers.

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1 **Q. Please explain how purchased power costs are impacting SPS's cost of**
2 **service.**

3 A. SPS has completely removed the 400 MW of Oneta purchased power costs from
4 its cost of service because the two 200 MW purchased power contracts expired
5 before this case was filed.¹⁴ This has the effect of reducing SPS's base revenue
6 requirement and, therefore, base rates, from what it would have otherwise been
7 without this change.

8 **Q. Will issues such as declining groundwater levels, regulatory compliance, and**
9 **further economic growth continue to impact SPS's cost to service its New**
10 **Mexico customers beyond this case?**

11 A. Yes. For example, we expect groundwater in the regional Ogallala Aquifer to
12 continue to decline and this will have an ongoing impact on the regional
13 agriculture industry and availability of cooling water at SPS's Tolk Generating
14 Station. SPS must also comply with environmental regulations and this
15 necessarily means that SPS may be required to upgrade or change its generating
16 facility operations at facilities such as SPS's Harrington Station coal plant just

¹⁴ Oneta is currently owned by LS Power Equity Advisors, LLC.

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1 outside of Amarillo, Texas. In addition, SPS expects to see continued robust sales
2 growth in New Mexico, and particularly in Lea County and Eddy County. This
3 will require even more transmission and distribution infrastructure as well as
4 accelerate the need for additional energy supply resources.

5 **Q. What significance do these continuing challenges have on this case?**

6 A. These issues illustrate why a balanced and constructive regulatory outcome is so
7 important in this case. As Ms. Soong explains in her direct testimony, this case
8 comes soon after a credit downgrade of SPS that was tied closely to concerns with
9 the regulatory environment. This fact coupled with SPS's need to raise large
10 amounts of outside capital (both equity and debt) to support investment necessary
11 to serve the economic expansion in SPS's service territory and enable
12 customer-benefitting clean-energy initiatives makes it vitally important that the
13 Commission approve rate relief in this case that will ensure SPS's generation
14 resources and transmission and distribution system can respond to long-term
15 growth requirements and provide its customers with safe, clean, reliable, and
16 reasonably priced energy services.

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V. CONCLUSION

Q. Do you have any closing remarks?

A. Yes. The purpose of this rate review is to allow rates to be established based on the current, actual costs of SPS's operations in New Mexico. As the Company's filing demonstrates, the existing rates do not accurately reflect the Company's current cost of service given substantial changes in investment, sales levels, reduced purchased power costs, and reduced wholesale sales from system resources. It is my opinion that the rates requested in this filing are just, reasonable, and in the public interest because they fairly balance the interests of SPS's customers and investors. For these reasons, I request that the Commission provide prompt and adequate rate relief in this case.

Q. Does this conclude your pre-filed direct testimony?

A. Yes.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF POTTER)

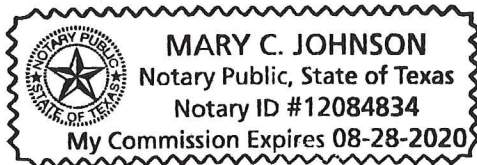
DAVID T. HUDSON, first being sworn on his oath, states:

I am the witness identified in the preceding direct testimony. I have read the direct testimony and the accompanying attachment(s) and am familiar with their 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.



DAVID T. HUDSON

SUBSCRIBED AND SWORN TO before me this 20 day of June, 2019 by DAVID T. HUDSON.





Notary Public of the State of Texas
My Commission Expires: 8-28-2020

QUALIFICATIONS AND PRIOR TESTIMONY OF DAVID T. HUDSON

My name is David T. Hudson. I am filing testimony on behalf of Southwestern Public Service Company, a New Mexico corporation (“SPS”) and wholly-owned electric utility subsidiary of Xcel Energy Inc. (“Xcel Energy”). I am employed by SPS as President. My duties as President of SPS include overall responsibility for the operations of SPS, including customer and community relations, quality of service, communications, legislative relations, media relations, regulatory administration, and financial performance.

I graduated Cum Laude from Texas Tech University in December 1983, receiving a Bachelor of Science degree in Industrial Engineering. In May 1990, I graduated from West Texas State University (now known as West Texas A&M University), receiving a Master of Business Administration degree.

Since graduating from Texas Tech University in 1983, I have been doing cost-of-service, rate, and regulatory work for SPS, New Century Services, Inc., and Xcel Energy Services Inc., the service company subsidiary of Xcel Energy. I have served in numerous capacities within those companies, including:

- Rate Engineer;
- Supervisory Rate Engineer;
- Senior Engineer of Rate Research;
- Manager of Rate and Economic Research;
- Director, Regulatory and Pricing Administration;
- Director, Electric Business Support for Delivery Services;
- Director, Regulatory Administration;
- Director, Strategic Planning;

- Director, Customer and Community Relations;
- Interim Regional Vice President of Rates and Regulation; and
- President of SPS.

Among other duties in those positions, I have been responsible for the design and implementation of SPS's regulatory strategy and programs, including oversight of rate case applications before the New Mexico Public Regulation Commission ("Commission"), Public Utility Commission of Texas ("PUCT"), and the Federal Energy Regulatory Commission ("FERC"). In addition to my rate and regulatory work, I have served in strategic planning and customer and community relations positions for SPS.

In addition to my formal education and my experience at SPS, I have completed the advanced rate design course of the Edison Electric Institute. I have also attended the Public Utility Conference sponsored by New Mexico State University's Center for Management and Professional Development. I am also a licensed professional engineer in Texas, and I am a member of the Texas Society of Professional Engineers and the Institute of Electrical and Electronic Engineers.

I have filed testimony before the Commission in numerous SPS proceedings, including base rate cases, Case Nos. 07-00319-UT, 08-00354-UT, and 17-00255-UT. My testimony in those base rate cases encompassed a wide variety of topics, including regulatory policy and rate design. I have testified in other types of Commission cases as well, such as Certificate of Convenience and Necessity, Fuel And Purchased Power Cost Adjustment Clause Continuation and business combination cases. I have also filed testimony with the PUCT in various cases, including base rate cases, Docket Nos. 11520, 32766, 35763, 38147, 42004, 45524 and 47527. In addition, I have been a witness in cases before the Oklahoma Corporation Commission, the

Kansas Corporation Commission, the Wyoming Public Service Commission, and FERC. The following is a listing of the cases in which I have testified.

NEW MEXICO PUBLIC REGULATION COMMISSION

1. Case No. 2113, Application for New Rates Pursuant to Second Revised General Order No. 37.
2. Case No. 2205, Southwestern Public Service Company - General Order No. 37 Compliance Filing and Application for a Variance in the Requirements of Section 5.1 of General Order No. 37.
3. Case No. 2512, In the Matter of the Consideration and Determination Concerning Whether it is Appropriate to Implement the Standards Set Out in Section 712 of the Energy Policy Act of 1992.
4. Case No. 2575, Application of El Paso Electric Company and Central and Southwest Corporation to Merge and Related Approvals.
5. Case No. 2651, In the Matter of Staff's Petition for an Order Requiring Southwestern Public Service Company to Show Cause Why Its "System Purchase Option and Rate Guarantee" is Not In Violation of the Public Utility Act.
6. Case No. 2678, In the Matter of the Application of Southwestern Public Service Company for Approvals and Authorizations to (i) Merge with Public Service Company of Colorado and to Form a Holding Company, (ii) Divest its Non-Utility Subsidiaries, (iii) Issue Securities to the Holding Company, (iv) Amend its General Diversification Plan, and (v) Obtain All Other Approvals and Authorizations Necessary to Effectuate the Merger, Reorganization and Related Transactions.
7. Case No. 2717, In the Matter of Southwestern Public Service Company's Application for Approval of a Certificate of Public Convenience and Necessity to Construct and Operate a 100 MW Class Combustion Turbine Unit at its Cunningham Station Near Hobbs, New Mexico, and Avoided Capacity Cost Filings Under NMPUC Rule 570.18.
8. Case No. 2770, In the Matter of Southwestern Public Service Company's Request for Approvals and Authorizations Necessary to (I) Enter into a Contract for the Purchase of Capacity and Energy from the Phillips Cogeneration Project; and (ii) Contract with its Affiliated Interest, Quixx Corporation, to the Purchase Capacity and Energy from the Phillips Project.
9. Case No. 2771, In the Matter of Southwestern Public Service Company's Advice Notice No. 179 for Proposed Renewable Energy, Photovoltaic Pumping Systems, and Interruptible Irrigation Rates.
10. Case No. 2798, In the Matter of the Commission's Investigation of the Rates for Southwestern Public Service Company.
11. Case No. 3116, In The Matter of the Application of Southwestern Public Service Company for Approvals and Authorizations of the Merger Between New Century Energies, Inc., Southwestern's Parent/Holding Company, Into Northern States Power Company/Xcel Energy Inc., Approval of Southwestern's Second Amended General

Diversification Plan that Reflects the Merger; and All Other Approvals and Authorizations Required to Effectuate and Implement the Merger.

12. Case No. 3220, Application of Southwestern Public Service Company for approval of Competitive Transition Plan in Accordance with the New Mexico Electric Industry Restructuring Act.
13. Case No. 3709, Application of Southwestern Public Service Company for approval of Continued Use of its Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC") using a Monthly Adjustment Factor Pursuant to NMPRC Rule 550, Authorization to Implement the Proposed Monthly Adjustment Factor on an Interim Basis, Granting a Variance from Rule 550.9(a), and Approval of the Reconciliation of its Collections Under the FPPCAC for the Period October 1999 through September 2001.
14. Case No. 3849, In the Matter of Southwestern Public Service Company's Application for NMPRC Approval of and Authorization for Translink Transmission Company, LLC to Operate and Control Southwestern's New Mexico Certificated Transmission Facilities in Accordance With the Proposed Private Power Operating Agreement Between Southwestern Public Service Company and Translink Transmission Company, LLC.
15. Case No. 04-00060-UT, In the Matter of Southwestern Public Service Company's Application for an Order Approving and Authorizing (1) Southwestern's Participation in the Xcel Energy Utility Money Pool, (2) Southwestern's Class II Transactions Related to its Participation in the Utility Money Pool, and (3) Required Amendments to Southwestern Public Service Company's General Diversification Plan.
16. Case No. 03-00371-UT, In the Matter of Staff's Petition for an Order to Show Cause, for Implementation of Temporary Billing Measures and for an Investigation into Southwestern Public Service Company's Estimated Billings Practice.
17. Case No. 04-00253-UT, In the Matter of the Commission's Determination of the Reasonable Cost Threshold for Renewable Energy.
18. Case No. 04-00334-UT, In the Matter of Southwestern Public Service Company's 2003 Annual Portfolio Report and 2004 Annual Portfolio Procurement Plan Pursuant to the Renewable Energy Act (Laws 2004, Ch 65).
19. Case No. 05-00271-UT, Petition of Southwestern Public Service Company for Approval of Renewable Energy Cost Recovery Methodology in Accordance with Renewable Energy Act, (Laws 2004, Ch 65).
20. Case No. 05-00341-UT, In The Matter Of Southwestern Public Service Company's Application For Approval Of (1) Continued Use Of Its Fuel And Purchased Power Cost Adjustment Clause ("FPPCAC") Using A Monthly Adjustment Factor Pursuant To NMPRC Rule 550, (2) The Existing Variance From Rule 550.14(A), And (3) The Report Regarding Collections Under The Previous Annual FPPCAC In Effect During The Period October 2001 Through January 2002, And Collections Under The Existing Monthly FPPCAC For The Period February 2002 Through May 2005.
21. Case No. 05-00354-UT, Southwestern Public Service Company's Annual Renewable Energy Portfolio Report And Petition Of Southwestern Public Service Company For Approval Of Its Annual Renewable Energy Portfolio Procurement Plan.

22. Case No. 06-00432-UT, In the Matter of Lea Power Partners, LLC's Application for the Location of the Hobbs Generation Station in the SW ¼ of Section 24, Township 18s Range 36E Pursuant to the Public Utility Act, NMSA 62-9-3.
23. Case No. 07-00084-UT, In the Matter of Southwestern Public Service Company's Application for Issuance of a Certificate of Convenience and Necessity Authorizing Southwestern Public Service Company to Construct and Operate 115 and 230 kV Transmission Lines and Substation Facilities that will be Associated with Lea Power Partners, LLC's Hobbs Generating Station in Lea County, New Mexico, and for Approval of the Location of the Proposed 230 kV Transmission Line.
24. Case No. 07-00319-UT, In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Electric Rates Pursuant to Advice Notice Nos. 208 and 209 and All Associated Approvals.
25. Case No. 07-00390-UT, In the Matter of an Investigation Into the Prudence of Southwestern Public Service Company's Participation in the Southwest Power Pool Regional Transmission Organization.
26. Case No. 08-00331-UT, In the Matter of the Joint Application of Southwestern Public Service Company and Golden Spread Electric Cooperative, Inc., For Approval of Their Replacement Power Sales Agreement in Accordance With the Final Orders in Case Nos 04-00426-UT and 05-00341-UT.
27. Case No. 08-00354-UT, In the Matter of the Application of Southwestern Public Service Company For Revision of its Retail Electric Rates Pursuant to Advice Notice Nos. 217, 218, and 219 and Request For Expedited Interim Relief Authorizing Recovery of Capacity Related Costs Associated With the New Hobbs Generating Station.
28. Case No. 10-00170-UT, In the Matter of Southwestern Public Service Company's Application For: (1) Issuance of a Certificate of Convenience and Necessity For an Additional Combustion Turbine at Jones Station in Lubbock County, Texas; and (2) Approval of a Contract for the Purchase of Capacity and Energy from Calpine Energy Services, L.P. From 2012 through 2018 in Accordance With Case No. 08-00354-UT.
29. Case No. 17-00044-UT, In the Matter of Southwestern Public Service Company's Application Requesting: (1) Issuance of a Certificate of Convenience and Necessity Authorizing Construction and Operation of Wind Generation and Associated Facilities, and Related Ratemaking Principles Including an Allowance for Funds Used During Construction for the Wind Generation and Associated Facilities; and (2) Approval of a Purchased Power Agreement to Obtain Wind-Generated Energy.
30. Case No. 17-00255-UT, In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Rates Under Advice Notice No. 272.

PUBLIC UTILITY COMMISSION OF TEXAS

1. Docket No. 6063, Standard Avoided Cost Filing of SPS Pursuant to P.U.C. SUBST. R. 23.66(h)(3).

2. Docket No. 7288, Standard Avoided Cost Filing of SPS Pursuant to P.U.C. SUBST. R. 23.66(h)(3).
3. Docket No. 7934, Standard Avoided Cost Filing of SPS Pursuant to P.U.C. SUBST. R. 23.66(h)(3).
4. Docket No. 8484, Application of Southwestern Public Service Company to Amend Tariff Concerning J. M. Huber Corp.
5. Docket No. 9229, Standard Avoided Cost Filing of SPS Pursuant to P.U.C. SUBST. R. 23.66(h)(3).
6. Docket No. 10836, Standard Avoided Cost Filing of SPS Pursuant to P.U.C. SUBST. R. 23.66(h)(3).
7. Docket No. 11248, Application of Southwestern Public Service Company and Cap Rock Electric Cooperative, Inc. for Certificate of Convenience and Necessity to Construct Transmission Facilities.
8. Docket No. 11520, Petition of the General Counsel for an Inquiry into the Reasonableness of Rates and Services of Southwestern Public Service Company.
9. Docket No. 12592, Application of Cap Rock Electric Cooperative, Inc., to Amend CCN for Proposed Transmission Line and Substation within Midland, Glasscock, Reagan, Upton, Howard, and Mitchell Counties.
10. Docket No. 12700, Application of El Paso Electric Company and Central and Southwest Corporation for Approval to Merge.
11. Docket No. 13827, Application of Southwestern Public Service Company for Approval of Notices of Intent for a 203 MW Phillips Cogeneration Project and a 103 MW Combustion Turbine Project.
12. Docket No. 14980, Application of Southwestern Public Service Company Regarding Proposed Business Combination With Public Service Company of Colorado.
13. City of Spearman, TX, Ordinance No. 676, City of Spearman, Texas PURA Section 2.211 Complaint Against Southwestern Public Service Company.
14. Docket No. 16738, Application of Southwestern Public Service Company to Amend Certificated Service Area Boundaries to Provide for Dual Certification in Hockley and Cochran Counties, Texas.
15. Docket No. 17525, Application of Southwestern Public Service Company for Certificate of Qualifying Facility Purchased Power Contract Under Section 2.209 of PURA 95.
16. Docket No. 19512, Petition of Southwestern Public Service Company for: (1) Reconciliation of its Fuel and Purchased Power Costs for 1995 through 1997; (2) Findings of Special Circumstances.
17. Docket No. 20395, Application of Southwestern Public Service Company for Approval of Preliminary Integrated Resource Plan and for Good-Cause Exception.

18. Docket No. 21190, Application of Southwestern Public Service Company Regarding Proposed Merger Between New Century Energies and Northern States Power Company.
19. Docket Nos. 21952 and 21990, Application of Southwestern Public Service Company for Approval of its Proposed Business Separation Plan Pursuant to PURA § 39.051(e).
20. Docket No. 22351, Application of Southwestern Public Service Company for Approval of Unbundled Cost of Service Rate Pursuant to PURA § 39.201 and Public Utility Commission Substantive Rule § 25.344.
21. Docket No. 23345, Application of Southwestern Public Service Company for Approval of Its Transition to Competition Plan and Related Relief.
22. Docket No. 23718, Application of Southwestern Public Service Company for Authority to: (1) Revise its Fixed Voltage Level Fuel Factors; (2) Surcharge its Historical Fuel Under-Recoveries; (3) Surcharge its Estimated Fuel Under-Recoveries; and (4) Related Good-Cause Waivers.
23. Docket No. 25088, Application of Southwestern Public Service Company to Recover Transition to Competition Costs Pursuant to Section 39-409 of PURA.
24. No. 24229, Remand of Docket No. 14454, Petition of Lamb County Electric Cooperative, Inc. for a Cease and Desist Order Against Southwestern Public Service Company and Petition of Bailey County Electric Cooperative Association for a Cease and Desist Order Against Southwestern Public Service Company.
25. Docket No. 27052, Application Of Southwestern Public Service Company To Transfer Functional Control Of Electric Transmission Facilities To TRANSLink Transmission Company, LLC, and for Related Relief.
26. Docket No. 26186, Application of Southwestern Public Service Company for: (1) Reconciliation of its Fuel and Purchased Power Costs for 2000 and 2001; and (2) Related Relief.
27. Docket No. 27751, Application of Southwestern Public Service Company for: (1) Authority to Revise its Fuel Factors; (2) Authority to Institute Quarterly Adjustments to its Fuel Factors; (3) Authority to Surcharge its Fuel Cost Under-Recoveries; and (4) Related Good Cause Exceptions.
28. Docket No. 29801, Application of Southwestern Public Service Company for: (1) Reconciliation of its Fuel Costs for 2002 and 2003; (2) A Finding of Special Circumstances; and (3) Related Relief.
29. Docket No. 32766, Application Of Southwestern Public Service Company For: (1) Authority to Change Rates; (2) Reconciliation of Its Fuel Costs for 2004 and 2005; (3) Authority to Revise the Semi-Annual Formulae Approved in Docket No. 27751 Used to Adjust Its Fuel Factors; And (4) Related Relief.
30. Docket No. 34442, Complaint of JD Wind 1, LLC, JD Wind 2, LLC, JD Wind 3, LLC, JD Wind 4, LLC, JD Wind 5, LLC, JD Wind 6, LLC, Against Southwestern Public Service Company.

31. 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.
32. Docket No. 37901, Southwestern Public Service Company's: (1) Report of Sale of Assets; (2) Request For a Finding that the Sale of Assets is in the Public Interest; (3) Request for Authority to Discontinue Retail Electric Service in its Dually Certificated Service Area Within the City of Lubbock and Adjacent Areas; and (4) Request for Findings Regarding Wholesale Power Sales Agreements.
33. Docket No. 38147, Application of Southwestern Public Service Company for Authority to Change Rates and to Reconcile Fuel and Purchased Power Costs for 2008 and 2009.
34. Docket No. 42004, Application of SPS for Authority to Change Rates and to Reconcile Fuel and Purchased Power Costs for the Period July 1, 2012 through June 30, 2013.
35. Docket No. 45524, Application of Southwestern Public Service Company for Authority to Change Rates.
36. Docket No. 46936, Application of Southwestern Public Service Company for Approval of Transactions with ESI Energy, LLC 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 Related Approvals
37. Docket No. 47527, Application of Southwestern Public Service Company For Authority To Change Rates.

PUBLIC UTILITIES COMMISSION OF COLORADO

1. Docket No. 95A-531EG, Application of Public Service Company of Colorado Regarding Proposed Business Combination with Southwestern Public Service Company.
2. Docket No. 00A-600E, Application of Public Service Company of Colorado for a 345 KV CCN (Tie Line).

FEDERAL ENERGY REGULATORY COMMISSION

1. Docket No. EL89-50-000, Golden Spread Electric Cooperative, Inc. Rate Investigation.
2. Docket No. ER85-477-010, Southwestern Public Service Company (On Remand).
3. Docket Nos. EC94-7-000 and ER94-898-000, El Paso Electric Company and Central and Southwest Services, Inc., November 11, 1994.
4. Docket No. ER95-1138-000, Southwestern Public Service Company Application for Open Access Transmission Service Tariffs.
5. Docket No. EL95-24-000, Golden Spread Electric Cooperative, Inc. v. Southwestern Public Service Company.
6. Docket No. EC96-2-000, Public Service Company of Colorado and Southwestern Public Service Company, November 9, 1995.

7. Docket No. ER96-1551-000, Public Service Company of New Mexico.
8. Docket No. OA96-200-000, El Paso Electric Company Open Access Transmission Tariff.
9. Docket No. ER00-536-000, Southwestern Public Service Company Rate Application.
10. Docket No. ER04-1174-000, Southwestern Public Service Company and Public Service Company of Colorado Rate Application.
11. Docket No. ER01-205-007, Xcel Energy Services Updated Market-Based Rate Application.
12. Docket No. EL05-19-002, Golden Spread Electric Cooperative, Inc. v. Southwestern Public Service Company.
13. Docket No. ER06-274-000, Southwestern Public Service Company.
14. Docket No. ER08-313-000, Southwestern Public Service Company.
15. Docket No. ER08-749-000, Southwestern Public Service Company.

KANSAS CORPORATION COMMISSION

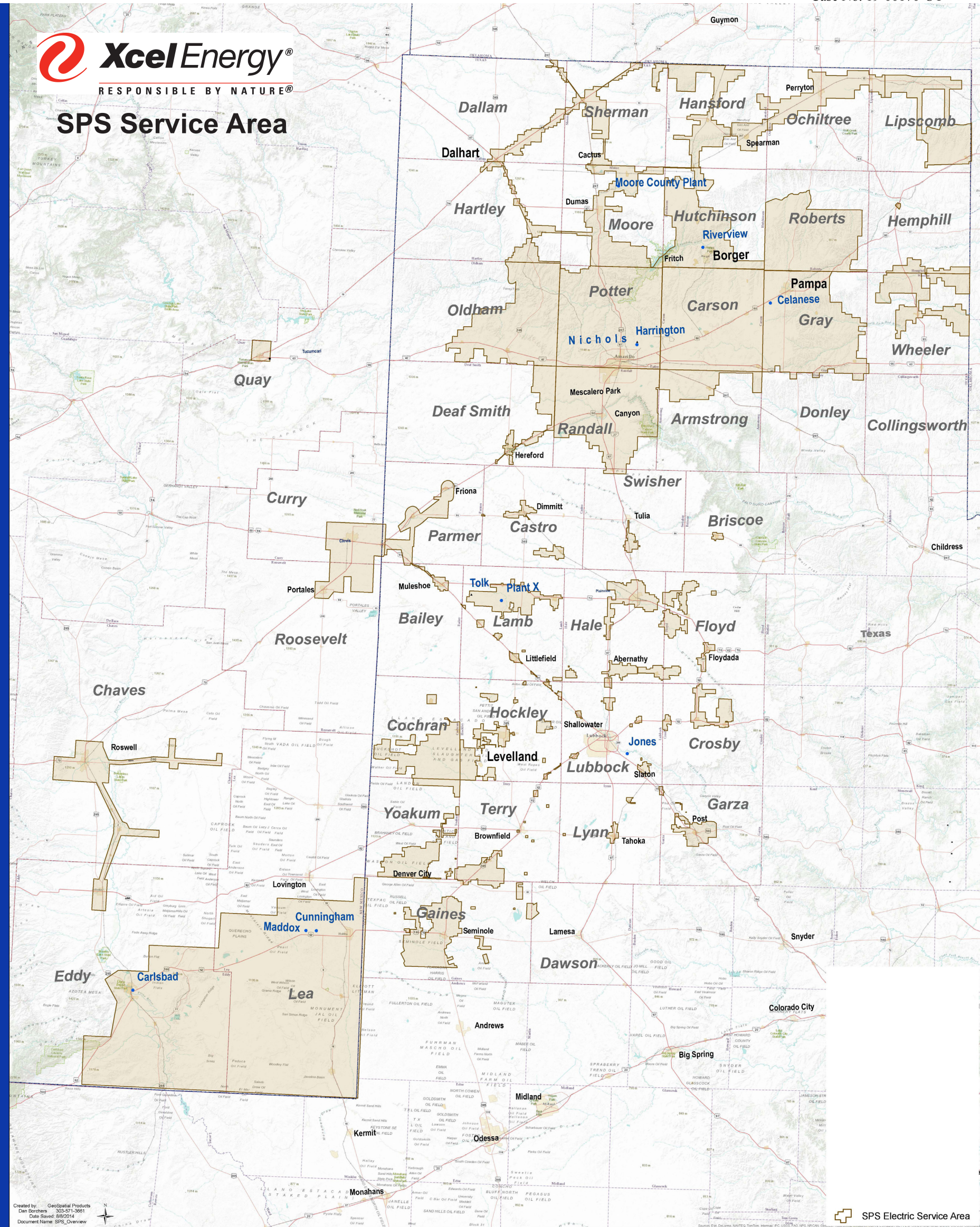
1. Docket No. 99-SWPE-764-MIS, In the Matter of the Application of Southwestern Public Service Company for a Siting Permit for the construction of a 345 kV Transmission Line in Hamilton, Kearny, Finney, Grant, and Stevens Counties, Kansas.

WYOMING PUBLIC SERVICE COMMISSION

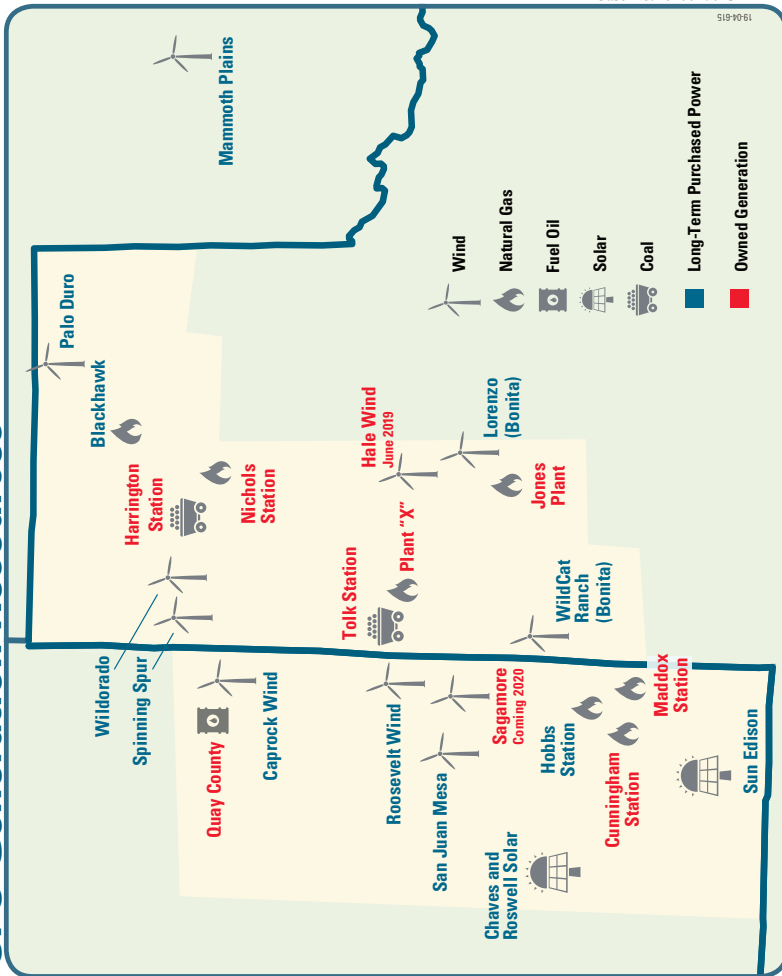
1. Docket Nos. 30005-GA-95-39 and 20003-EA-95-40, Application of Cheyenne Light, Fuel and Power Company (SPS/PSCo Merger).

OKLAHOMA CORPORATION COMMISSION

1. Cause No. PUD990000037, Application of Southwestern Public Service Company for a Certificate Authorizing it to Create Liens on its Properties in the State of Oklahoma to Secure up to \$105,000,000 Principal Amount of its First Mortgage Bonds.
2. Cause No. PUD 9900000621, Application of Ernest G. Johnson, Director of the Public Utility Division of the Oklahoma Corporation Commission to review the Impact of the Merger of the New Century Energy, Inc., with and into Northern States Power Company, On Oklahoma Jurisdictional Customers of Southwestern Public Service Company, a wholly owned Subsidiary of New Century Energy, Inc.
3. Cause No. PUD 200000031, Application of Southwestern Public Service Company for Approval of Merger Savings Credit Rider to Retail Tariffs.



SPS Generation Resources



Southwestern Public Service Company
Summary of New Mexico Retail Rate Increase Request

Line No.	Description	Current Revenue	Rate Case Request	Proposed Revenues	Net Revenue Increase	Net Percent Increase
1	Base Rate Revenue	\$ 272,697,842	\$ 50,778,291	\$ 323,476,133	\$ 50,778,291	18.62%
2						
3	Energy Efficiency Revenue	11,944,287	-	11,944,287	-	
4						
5	RPS Revenue	26,114,747	-	26,114,747	-	
6						
7	Net Non-Fuel Revenue	\$ 310,756,876	\$ 50,778,291	\$ 361,535,167	\$ 50,778,291	16.34%
8						
9	Fuel and Purchased Energy Revenue	137,997,916	(25,261,613)	112,736,303	\$ (25,261,613)	(18.31%)
10						
11	Total New Mexico Retail Revenue	<u>\$ 448,754,792</u>	<u>\$ 25,516,678</u>	<u>\$ 474,271,470</u>	<u>\$ 25,516,678</u>	<u>5.69%</u>