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SOAH DOCKET NO. 473-14-1665
DOCKET NO. 42004

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APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE
PUBLIC SERVICE COMPANY FOR §
AUTHORITY TO CHANGE RATES AND §
TO RECONCILE FUEL AND § OF
PURCHASED POWER COSTS FOR THE §
PERIOD JULY 1, 2012 THROUGH §
JUNE 30, 2013 § ADMINISTRATIVE HEARINGS

SOUTHWESTERN PUBLIC SERVICE COMPANY'S
RESPONSE TO ALLIANCE OF XCEL MUNICIPALITIES'
FOURTEENTH REQUEST FOR INFORMATION
QUESTION NOS. 14-1 THROUGH 14-3
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**SOUTHWESTERN PUBLIC SERVICE COMPANY'S
RESPONSE TO ALLIANCE OF XCEL MUNICIPALITIES'
FOURTEENTH REQUEST FOR INFORMATION
QUESTION NOS. 14-1 THROUGH 14-3**

Southwestern Public Service Company ("SPS") files this response to Alliance of Xcel Municipalities' ("AXM") Fourteenth Request for Information Question Nos. 14-1 through 14-3.

I. WRITTEN RESPONSES

SPS's written responses to AXM Fourteenth Request for Information are attached and incorporated by reference. Each response is stated on or attached to a separate page on which the request has been restated. SPS's responses are made in the spirit of cooperation without waiving SPS's right to contest the admissibility of any of these matters at hearing. In accordance with P.U.C. PROC. R. 22.144(c)(2)(A), each response lists the preparer or person under whose direct supervision the response was prepared and any sponsoring witness. When SPS provides certain information sought by the request while objecting to the provision of other information, it does so without prejudice to its objection in the interests of narrowing discovery disputes under P.U.C. PROC.

R. 22.144(d)(5). As allowed under P.U.C. PROC. R. 22.144(c)(2)(F), SPS stipulates that its responses may be treated by all parties as if they were made under oath.

II. INSPECTIONS.

If responsive documents are more than 100 pages but less than eight linear feet in length, the response will indicate that the attachment is voluminous (“(V)”) and, pursuant to P.U.C. PROC. R. 22.144(h)(2), the exhibit will be made available for inspection at SPS’s voluminous room at 401 Congress Avenue, Suite 2100, Austin, Texas 78701; telephone number (512) 370-2867. Voluminous exhibits will also be provided on CD to any requesting party. Further, SPS will upload all voluminous documents, along with all native files for review to SPS’s Sharepoint website:

<https://collaboration.xcelenergy.com/sps/SPSFinalRateCases/default.aspx>

All parties will be provided a log in id number at time of intervention to access the Sharepoint website.

If a response or the responsive documents are provided pursuant to the protective order in this docket, the response will indicate that it or the attachment is either confidential (“CONF”) or highly Sensitive (“HS”) as appropriate under the protective order. Confidential and Highly Sensitive materials will be served on all parties that have signed and filed the certification under the protective order entered in this docket. Confidential and Highly Sensitive responsive documents will also be made available for inspection at SPS’s voluminous room, unless they form a part of a response that exceeds eight linear feet in length; then they will be available at their usual repository in accordance

with the following paragraph. Please call in advance for an appointment to ensure that there is sufficient space to accommodate your inspection.

If responsive documents exceed eight linear feet in length, the response will indicate that the attachment is subject to the FREIGHT CAR DOCTRINE, and, pursuant to P.U.C. PROC. R. 22.144(h)(3), the attachment will be available for inspection at its usual repository, SPS's offices in Amarillo, Texas, unless otherwise indicated. SPS requests that parties wishing to inspect this material provide at least 48 hour notice of their intent by contacting Ron Moss of Winstead P.C., 401 Congress Avenue, Suite 2100, Austin, Texas 78701; telephone number (512) 370-2867; facsimile transmission number (512) 370-2850; email address rhmoss@winstead.com. Inspections will be scheduled to accommodate all requests with as little inconvenience to the requesting party and to SPS's operations as possible.

Respectfully submitted,

XCEL ENERGY SERVICES INC.

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BY: 

ATTORNEYS FOR
SOUTHWESTERN PUBLIC SERVICE COMPANY

RESPONSES

QUESTION NO. AXM 14-1:

[TCRF Baseline] Ref: Freitas Direct, pages 22-24 and Att. APF-RR-3. The referenced testimony generally describes the approach used to calculate the TCRF baseline set forth on Attachment APF-RR-3. Attachment APF-RR-3 employs a slightly different format when compared to Exhibit F-1, Transmission Cost Recovery Factor Baseline, to the settlement agreement in the last Texas retail rate case. Other than the referenced schedule reformatting, was it the Company's intent to use the same basic methodology and include/exclude the same FERC accounts/subaccounts as Exhibit F-1? Please identify and describe any differences other than formatting changes.

RESPONSE:

Apart from the formatting changes, the only other change to the TCRF baseline is in the treatment of income tax expense. In the TCRF baseline included as Exhibit F-1 to the settlement agreement in Docket No. 40824, income tax expense was calculated in two steps. Current income tax was calculated as the sum of current tax expense and deferred tax expense. Current tax expense was calculated by taking operating income and subtracting Schedule M timing differences (both permanent and temporary) to arrive at taxable income. Taxable income was then multiplied by the tax rate of 35% to calculate current tax expense. Deferred tax expense was calculated by multiplying the Schedule M temporary timing differences by the negative tax rate.

In the baseline in the current case, income tax expense is calculated on a total tax basis, as opposed to the method discussed above. Taxable income is calculated as operating income less Schedule M permanent timing differences. Total income tax expense is taxable income times the 35% tax rate. This change was implemented to simplify the calculation of income tax expense in the TCRF. This change in the method of calculating income tax expense did not change the amount included in the baseline because, in the method used in the baseline in Docket No. 40824, the deferred tax expense was a calculation based on the Schedule M timing differences that were used to derive the current tax expense so any change to the Schedule M timing difference had equal and offsetting effects on the current tax expense and deferred tax expense.

Preparer: Arthur P. Freitas
Sponsor: Arthur P. Freitas

QUESTION NO. AXM 14-2:

[TCRF Baseline] Ref: Freitas Direct, pages 22-24 and Att. APF-RR-3. The referenced testimony generally describes the approach used to calculate the TCRF baseline. In general, the individual amounts on Attachment APF-RR-3 could be traced to the transmission System and Radial Lines category amounts in the spreadsheet supporting Attachment KMK-RR-1. Please provide the following:

- a. The amount on Line 3 of Attachment APF-RR-3, Accumulated Depreciation, appears to include amounts related to general intangible plant allocated to the transmission system and radial lines categories. Was this intentional or inadvertent? Please explain.
- b. The amount on Line 22 of Attachment APF-RR-3, Permanent and Flow-Through Differences, reflects permanent differences only. Did SPS change the calculation approach to exclude flow-through differences because the inclusion of such differences would have been separately normalized resulting in no change in overall TCRF income taxes? Please explain.
- c. The amount on Line 39 of Attachment APF-RR-3, SPP Schedule 1a – 561.8 – Total SPS, is linked to hard input numbers on spreadsheet file KMK-RR-1_1.2.xlsx. Please provide a further breakdown of the \$706,651.
- d. Referring to part (c) above, please explain why the presentation of SPP Schedule 1a amounts on Attachment APF-RR-3 is different from Exhibit F-1, Transmission Cost Recovery Factor Baseline, in the settlement agreement from the last Texas retail rate case.

RESPONSE:

- a. The inclusion of general and intangible plant on line 3 of Attachment APF-RR-3 was unintended and inadvertent. Please refer to Exhibit SPS-AXM 14-2 for a corrected TCRF Baseline. SPS will correct Attachment APF-RR-3 to the Direct Testimony of Arthur P. Freitas in an errata filing.
- b. No. SPS does not have transmission related flow-through differences, which is why only permanent differences were included in Attachment APF-RR-3, line 22.
- c. Please refer to the native files provided in the response to Question No. AXM 6-1, specifically, the file “Exhibit AXM 6-1c Transmission Adjustments - 565 and Admin Fees.xls” on the “Admin Fees” tab for the calculation of the \$706,651.

- d. The presentation of Schedule 1-A fees was changed from the presentation found in Exhibit F-1, Transmission Cost Recovery Factor Baseline to make the presentation of Schedule 1-A fees in Attachment APF-RR-3 more simplified and straightforward. In both cases, only the Schedule 1-A fees recorded in FERC Account 561.8 are included in the TCRF baseline. Please refer to the response to Question No. AXM 6-2 for details of the per book expenses (both Schedule 1-A and non-SPP expenses) recorded in FERC Account 561.8.

Preparer: Arthur P. Freitas
Sponsor: Arthur P. Freitas

QUESTION NO. AXM 14-3:

[TCRF Baseline] Ref: Freitas Direct, pages 22-24 and Att. APF-RR-3. The referenced testimony generally describes the approach to calculating the TCRF baseline and identifies Attachments KMK-RR-1 (pages 233-234) and KMK-RR-2 as data sources for the jurisdictional and functional allocation factors, respectively, for the proposed TCRF baseline calculated on Attachment APF-RR-3. In general, the individual amounts on Attachment APF-RR-3 could be traced to the transmission System and Radial Lines category amounts in the spreadsheet supporting Attachment KMK-RR-1. Please provide the following:

- a. Please confirm that Attachments KMK-RR-1 and APF-RR-3 include the Texas retail effect of the 200 MW reduction in Golden Spread contract demand effective June 1, 2015 in the quantification of the jurisdictional demand allocation factors (Hudson direct at 58-59). If the Company cannot provide the requested confirmation, please explain.
- b. Referring to part (a) above, please explain why it is considered appropriate to quantify the Texas Retail TCRF baseline to be effective January 1, 2015, using jurisdictional allocation factors that reflect a shift in jurisdictional allocations that, theoretically, would not become effective until June 1, 2015.
- c. Please quantify the effect of the shift in jurisdictional allocation factors referenced in part (a) above on the TCRF baseline set forth on Attachment APF-RR-3.

RESPONSE:

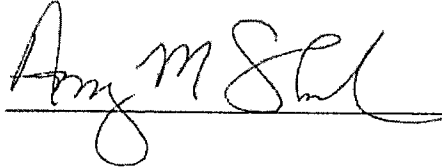
- a. Confirmed.
- b. The TCRF baseline included as Attachment APF-RR-3 represents SPS's proposed baseline given the costs and allocators presented in the filed cost of service. Over the course of the current proceeding, many of these items are likely to be changed through settlement or Commission decision. The final rates in this case will be decided prior to the Golden Spread load reduction. When a settlement or Commission decision is reached on the final base rates, it will include a TCRF baseline that is consistent with the final base rates from this proceeding. Depending on the treatment of Golden Spread's load in the allocators, SPS envisions presenting two TCRF baselines, one for TCRF rates that are effective prior to June 1, 2015 with Golden Spread load at 500 MW and a second TCRF baseline used for TCRF rates that are effective on or after June 1, 2015 with Golden Spread's load at 300 MW.

- c. Please refer to Exhibit SPS-AXM 14-3. Please note that this exhibit quantifies the impact of the Golden Spread load reduction on the TCRF baseline relative to the corrected baseline presented in Exhibit SPS-AXM 14-2.

Preparer: Arthur P. Freitas
Sponsor: Arthur P. Freitas

CERTIFICATE OF SERVICE

I certify that on the 10th day of March 2014, a true and correct copy of the foregoing instrument was served on all parties of record by electronic service and by either hand delivery, Federal Express, regular first class mail, certified mail, or facsimile transmission.



SOUTHWESTERN PUBLIC SERVICE COMPANY

Transmission Cost Recovery Factor - Baseline
At June 30, 2013

Line No.	Description	TCRF Baseline
1	Invested Capital	
2	Total Transmission Gross Plant in Service	612,576,463
3	Accumulated Depreciation	(145,079,826)
4	Accumulated Deferred Income Taxes	(105,563,448)
5		
6	Net Plant in Service	361,933,189
7		
8	Total Transmission Invested Capital	361,933,189
9		
10	Authorized Rate of Return on Invested Capital	8.43%
11		
12	Return on Invested Capital	30,510,968
13		
14	Depreciation Expense	15,015,364
15		
16	Property Tax	4,785,344
17		
18	Income Tax Expense	
19	Earnings	30,510,968
20	Weighted Cost of Debt	2.83%
21	Synchronized Interest	10,242,709
22	Permanent and Flow-Through Differences	292,240
23	Federal Taxable Income	20,560,499
24	Federal Tax Rate	35.00%
25	Federal Income Tax Expense	7,196,175
26	Impact of Production Tax Deduction	0
27	Subtotal Income Tax Expense	7,196,175
28	Income Tax Gross Up Factor	1.538462
29	Income Tax Expense	11,071,038
30		
31	Revenue Credits	(22,694,732)
32		
33	Total Investment Related Costs - "revreqt"	38,687,982
34		
35	Approved Transmission Charges	
36		
37	RTO Administrative Fees	
38	SPP Schedule 1a - 561.4	2,178,779
39	SPP Schedule 1a - 561.8 - Total SPS	706,651
40	RETAIL-TRAN Allocator	73.48%
41	SPP Schedule 1a - 561.8 - Texas Jurisdiction	519,261
42		
43	Total RTO Administrative Fees	2,698,040
44		
45	Wholesale Transmission Charges	
46	Schedule 9 Tri County	1,273,747
47	Schedule 11	36,144,634

SOUTHWESTERN PUBLIC SERVICE COMPANY

48	Schedule 12	1,054,155
49	Non-RTO Wholesale Transmission	4,546,824
50	Total Wholesale Transmission Charges	43,019,360
51		
52	Total Approved Transmission Charges - "ATC"	45,717,400
53		
54	Total TCRF Baseline Costs	84,405,381

	Allocators	Texas Jurisdiction		
1	Transmission Demand			
2	12CP-TRAN	45.73%		
3				
4	Production Demand			
5	12CP-PROD	52.13%		
6				
7	Retail Transmission Demand			
8	RETAIL-TRAN	73.48%		
9				
10	Transmission Plant in Service			
11	PIS-TRAN	46.58%		
12				
13	Net Plant in Service			
14	PIS-NET	54.64%		
15				
16	Direct Assigned			
17	TX	100.00%		
18	NM	0.00%		
19	WHLS	0.00%		
20				
21				
22			Transmission	Transmission
23			Interconnection	System
24	Transmission System (Functional)			Radial
25	TRAN	0.000%	100.000%	Lines
26				
27	Transmission Radial Lines (Functional)			
28	TRAN RL	0.000%	0.000%	100.000%
29				
30	Transmission Interconnection (Functional)			
31	TRAN IN	100.000%	0.000%	0.000%
32				
33	Plant in Service Transmission (Functional)			
34	PLTSVC-TRAN	2.142%	90.569%	7.290%
35				
36	Plant in Service Net (Functional)			
37	PLTSVC-N	0.666%	28.151%	2.266%

	Customer Class Allocation	ClassALLOC
1		
2	Residential Service	33.362%

SOUTHWESTERN PUBLIC SERVICE COMPANY

3		
4	Small General Service	1.834%
5		
6	Secondary General Service	20.213%
7		
8	Primary General Service	12.589%
9		
10	Large General Service - Transmission:	
11	69 kV	4.827%
12	115 kV +	23.809%
13		
14	Small Municipal and School Service	0.084%
15		
16	Large Municipal Service	1.589%
17		
18	Large School Service	1.422%
19		
20	Street and Area Lighting	<u>0.271%</u>
21		
22	Total	100.000%

SOUTHWESTERN PUBLIC SERVICE COMPANY

Transmission Cost Recovery Factor - Baseline
At June 30, 2013

Line No.	Description	AXM 14-2 Corrected for Gen Plant Accum Depr TCRF Baseline	AXM 14-3 Baseline with GSEC at 500 MW TCRF Baseline	Difference
1	Invested Capital			
2	Total Transmission Gross Plant in Service	612,576,463	612,576,463	0
3	Accumulated Depreciation	(145,079,826)	(145,079,826)	0
4	Accumulated Deferred Income Taxes	(105,563,448)	(105,672,920)	(109,472)
5				
6	Net Plant in Service	361,933,189	361,823,717	(109,472)
7				
8	Total Transmission Invested Capital	361,933,189	361,823,717	(109,472)
9				
10	Authorized Rate of Return on Invested Capital	8.43%	8.43%	
11				
12	Return on Invested Capital	30,510,968	30,501,739	(9,228)
13				
14	Depreciation Expense	15,015,364	15,015,364	0
15				
16	Property Tax	4,785,344	4,785,174	(170)
17				
18	Income Tax Expense			
19	Earnings	30,510,968	30,501,739	(9,228)
20	Weighted Cost of Debt	2.83%	2.83%	
21	Synchronized Interest	10,242,709	10,239,611	
22	Permanent and Flow-Through Differences	292,240	292,240	
23	Federal Taxable Income	20,560,499	20,554,368	
24	Federal Tax Rate	35.00%	35.00%	
25	Federal Income Tax Expense	7,196,175	7,194,029	
26	Impact of Production Tax Deduction	0	0	
27	Subtotal Income Tax Expense	7,196,175	7,194,029	
28	Income Tax Gross Up Factor	1.538462	1.538462	
29	Income Tax Expense	11,071,038	11,067,737	(3,301)
30				
31	Revenue Credits	(22,694,732)	(22,694,732)	0
32				
33	Total Investment Related Costs - "revreqt"	38,687,982	38,675,282	(12,699)
34				
35	Approved Transmission Charges			
36				
37	RTO Administrative Fees			
38	SPP Schedule 1a - 561.4	2,178,779	2,178,779	0
39	SPP Schedule 1a - 561.8 - Total SPS	706,651	706,651	0
40	RETAIL-TRAN Allocator	73.48%	73.48%	
41	SPP Schedule 1a - 561.8 - Texas Jurisdiction	519,261	519,261	0
42				
43	Total RTO Administrative Fees	2,698,040	2,698,040	0
44				
45	Wholesale Transmission Charges			
46	Schedule 9 Tri County	1,273,747	1,273,747	0
47	Schedule 11	36,144,634	36,144,634	0
48	Schedule 12	1,054,155	1,054,155	0
49	Non-RTO Wholesale Transmission	4,546,824	4,326,891	(219,933)
50	Total Wholesale Transmission Charges	43,019,360	42,799,427	(219,933)
51				
52	Total Approved Transmission Charges - "ATC"	45,717,400	45,497,467	(219,933)
53				
54	Total TCRF Baseline Costs	84,405,381	84,172,749	(232,632)