



Control Number: 42004



Item Number: 315

Addendum StartPage: 0

FILED

14 MAR 31 PM 4:43

SOAH DOCKET NO. 473-14-1665

DOCKET NO. 42004 PUBLIC UTILITY COUNSEL
FILING CLERK

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
SECOND SUPPLEMENTAL RESPONSE TO
OFFICE OF PUBLIC UTILITY COUNSEL'S
FOURTH REQUEST FOR INFORMATION
QUESTION NOS. 4-22 AND 4-24**

(Filename: SPSRespOPUC4th(S

I. WRITTEN SUPPLEMENTAL RESPONSE	2
II. INSPECTIONS.	3
SUPPLEMENTAL RESPONSES	6
QUESTION NO. OPUC 4-22:	6
QUESTION NO. OPUC 4-24:	7
CERTIFICATE OF SERVICE	8
EXHIBITS ATTACHED:	
Exhibit SPS-OPUC 4-22(SUPP2)(non-native format)	9
SPS-OPUC 04 (SUPP2)(CD)	77

PUC Docket No. 42004
SOAH Docket No. 473-14-1665
Southwestern Public Service Company's
Second Supplemental Response to
Office of Public Utility Counsel's Fourth Request for Information
Question Nos. 4-22 and 4-24

- 1-

315

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

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

**SOUTHWESTERN PUBLIC SERVICE COMPANY'S
SECOND SUPPLEMENTAL RESPONSE TO
OFFICE OF PUBLIC UTILITY COUNSEL'S
FOURTH REQUEST FOR INFORMATION
QUESTION NOS. 4-22 AND 4-24**

Southwestern Public Service Company ("SPS") files this supplemental response to Office of Public Utility Counsel's ("OPUC") Fourth Request for Information, Question Nos. 4-22 and 4-24.

I. WRITTEN SUPPLEMENTAL RESPONSES

SPS's written supplemental responses to OPUC's Fourth 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.

*PUC Docket No. 42004
SOAH Docket No. 473-14-1665
Southwestern Public Service Company's
Second Supplemental Response to
Office of Public Utility Counsel's Fourth Request for Information
Question Nos. 4-22 and 4-24*

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.

WINSTEAD P.C.

Stephen Fogel
State Bar No. 07202010
Matthew P. Loftus
State Bar No. 24052189
816 Congress Avenue, Suite 1650
Austin, Texas 78701-2471
Office: (512) 478-7267
Facsimile: (512) 478-9232
e-mail: stephen.e.fogel@xcelenergy.com
e-mail: matthew.p.loftus@xcelenergy.com

Ron H. Moss
State Bar No. 14591025
401 Congress Avenue, Suite 2100
Austin, Texas 78701
Office: (512) 370-2867
Facsimile: (512) 370-2850
e-mail: rhmoss@winstead.com

GRAVES, DOUGHERTY, HEARON & MOODY P.C.

Thomas B. Hudson, Jr.
State Bar No. 10168500
401 Congress Avenue, Suite 2200
Austin, Texas 78701
Office: (512) 480-5740
Facsimile: (512) 480-5840
e-mail: thudson@gdhm.com

COURTNEY, COUNTISS, BRIAN & BAILEY, LLP

Amy M. Shelhamer
State Bar No. 24010392
600 S. Tyler, Suite 1700
Amarillo, Texas 79101
Office: (806) 372-5569
Facsimile: (806) 372-9761
e-mail: ashelhamer@courtneylawfirm.com

BY: 
ATTORNEYS FOR
SOUTHWESTERN PUBLIC SERVICE COMPANY

SUPPLEMENTAL RESPONSES

QUESTION NO. OPUC 4-22:

For the period of the fuel reconciliation and test year, provide the minutes, notes, and presentations of the SPS committee which considers and recommends generation resource planning commitments.

SUPPLEMENTAL RESPONSE:

This supplemental response serves as notice to OPUC, Commission Staff and the parties of an error in the production of documents responsive to this request. In its initial response filed on March 11, 2014, SPS inadvertently included non-responsive documents in Exhibit SPS-OPUC 4-22(V). These same documents were also provided as confidential documents in response to Question Nos. OPUC 4-24(a) and OPUC 4-24(c).

SPS corrects the error in its initial response by providing new exhibits, Exhibit SPS-OPUC 4-22(SUPP2), which replaces SPS's original response in its entirety.

Preparer: Bennie F. Weeks
Sponsor: Bennie F. Weeks

QUESTION NO. OPUC 4-24:

Separately shown for each PPA that SPS seeks a finding of prudence and reasonableness in this proceeding, please provide:

- a. All documentation of the evaluation of RFPs for the PPA, including internal e-mails and presentations to upper management;

...

- c. Internal correspondence regarding the negotiation of the PPA agreement;

...

SUPPLEMENTAL RESPONSE:

The following supplements SPS's initial response to subparts (a) and (c):

- a. SPS inadvertently omitted documents responsive to this request. Please refer to Exhibits SPS-OPUC 4-24(a)(V)(SUPP2), provided on the enclosed CD, and SPS-OPUC 4-24(a)(SUPP2)(CD)(CONF) for additional documentation related to purchased power agreements entered into during the Reconciliation Period or under which costs were incurred during the Reconciliation Period.

The confidential native files are being provided on SPS-OPUC 04 (SUPP2)(CD)(CONF).

...

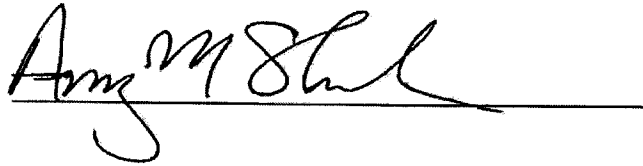
- c. Subsequent to the filing of Exhibits SPS-OPUC4-24(c)(V)(SUPP1) and SPS-OPUC 4-24(c)(V)(SUPP1)(CONF), SPS discovered an error in the pagination and labeling of the confidential exhibit. For purposes of clarity, SPS is replacing these exhibits in their entirety with the corrected pagination and labeling. Please refer to Exhibits SPS-OPUC 4-24(c)(V)(SUPP2), provided on the enclosed CD and SPS-OPUC 4-24(c)(V)(SUPP2)(CONF), which will be provided on the confidential CD.

...

Preparers: Jeff Butler, Bennie F. Weeks, Mark Baylor, Kathleen Little
Sponsors: Bennie F. Weeks, Jeffrey C. Klein

CERTIFICATE OF SERVICE

I certify that on the 31st 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.

A handwritten signature in black ink, appearing to read "Amy M. Stuhl", is written over a horizontal line.

SPS TX Wind RFP Update and Recommendation

Resource Planning

October 5, 2009

SPS Wind RFP

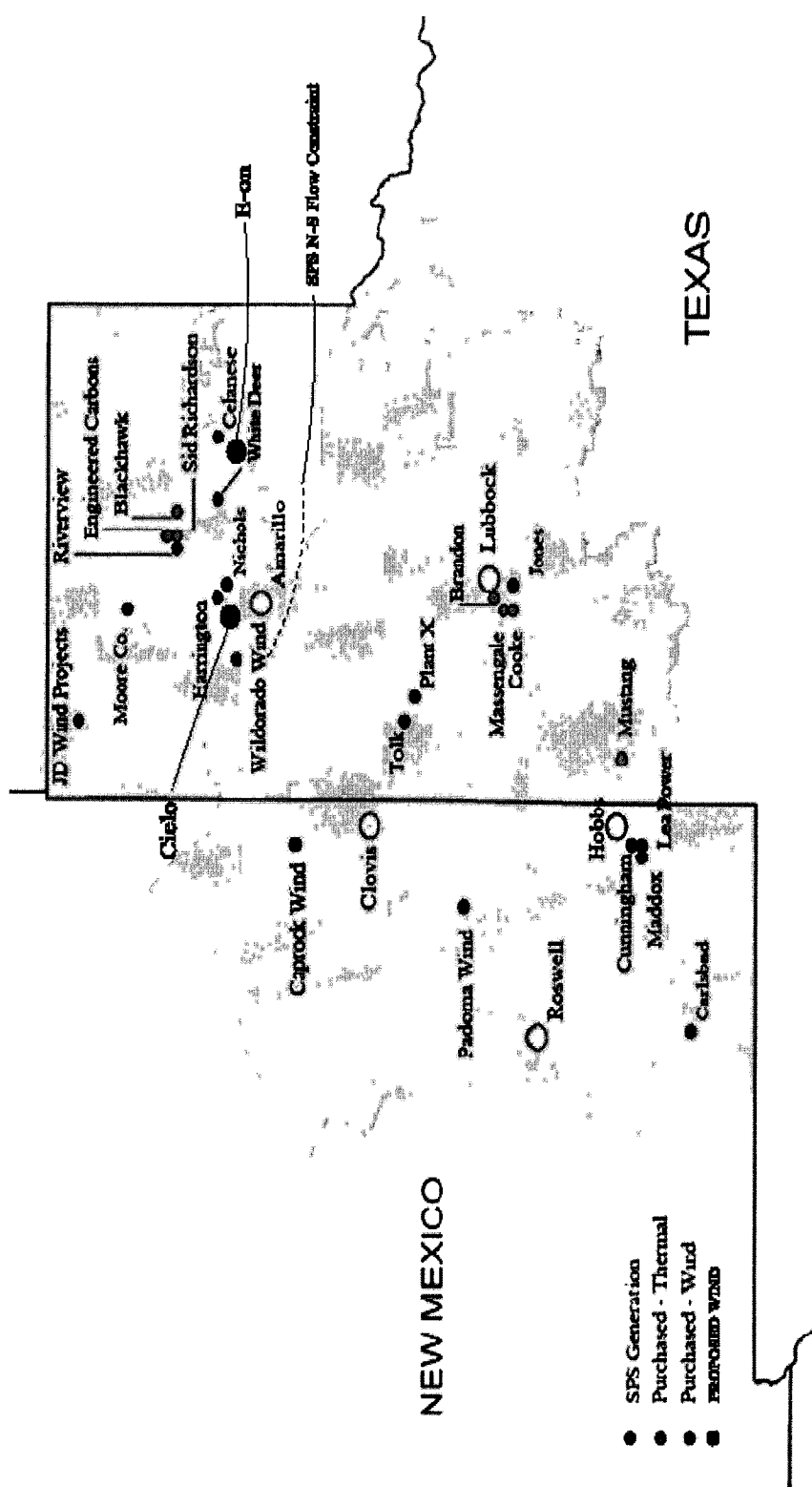
- Purpose
 - Take advantage of market slowdown and the current PTC extension
 - Position for possible National RPS
 - Contribute to future carbon reduction
 - Allow QF's to offer in their projects
- Received refreshed pricing on June 15, 2009
- Completed primary due diligence



SPS Price Comparison

<u>RFP Bids</u>	<u>MW</u>	<u>Location</u>	<u>Term</u>	<u>COD</u>	<u>Levelized Price \$/MWh</u>	<u>Rank</u>
EON-Conway	140	Carson County, TX	15 Yr	2011-12	\$46.62	1
Cielo West	161	Oldham County, TX	20 Yr	2011-12	\$46.71	2
EON-Sherman County	340	Sherman County, TX	15 Yr	2011-12	\$47.96	3
Cielo Wildorado II	80	Potter/Oldham County, TX	20 Yr	2011-12	\$50.52	4
Noble	114	Hansford County, TX	20 Yr	2011-12	\$50.75	5
Gamesa	150	Floyd County, TX	20 Yr	2011-12	\$51.06	6
<u>Existing SPS Wind</u>	<u>MW</u>	<u>Location</u>	<u>Term</u>	<u>Remaining</u>	<u>Levelized Price \$/MWh</u>	
Widorado	160	Potter/Oldham County, TX	19 Yr		\$38.75	
Whitedeer	80	Whitedeer, TX	8 Yr		\$26.66	
Caprock	80	Quay County, NM	14 Yr		\$30.65	
San Juan Mesa	120	Elida, NM	16 Yr		\$31.74	
Subtotal	440					

Wind Interconnections



Summary of Results

- Recommendation
 - ◆ Cielo West 161 MW (20 yr term, 2011/12 COD) \$46.71/MWh
 - ◆ EON-Conway 140 MW (15 yr term, 2011/12 COD) \$46.62/MWh
- Modeled savings (2011 \$NPV) = \$307.5 M
 - ◆ Gas price \$8.22/MMBtu
 - ◆ No carbon, integration or transmission upgrades
 - ◆ Break-even gas price \$5.43/MMBtu
- Transmission studies to be completed (internal consultant and SPP Aggregate Study)
- Model PPA (initial turn of the agreement provided)
- Requesting approval to begin formal negotiations and provide letter of intent to Cielo West for DOE funding, subject to the outcome of the transmission studies



SPS 2010/2011 Resource Update

Resource Planning
August 30, 2010

Exhibit SPS-OPUC 4-22 (SUPP2)
Page 6 of 68

0014

2013 Resource Options

- Tie Capacity (259 MW)
- Renew Brandon/Massengale (95 MW)
- Jones Unit 4 (168 MW)
- Reciprocating Units (50-100 MW)
- Additional 50 MW PNM transmission to 4C
 - ◆ Re-dispatch necessary
- Interruptible service option

SPS Capacity Position

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
13.6% Reserve Requirement	(161)	(382)	(337)	(181)	(317)	(216)	(329)	116
16.0% Reserve Requirement	(270)	(493)	(447)	(288)	(427)	(324)	(439)	21
Capacity Options								
Ties	259	259	259	109	109	109	109	109
Brandon/Massengale		95	95	95	95	95	95	0
Engineered Carbons	16	16	16	16	16	16	16	16
Subtotal	275	370	370	220	220	220	220	125
Other Alternatives								
JO CT #4		168	168	168	168	168	168	168
Reciprocating Units		50-100	50-100	50-100	50-100	50-100	50-100	50-100
Increased SPP Import								
(TUCO-Woodward 345 kV)		300	300	300	300	300	300	300
Additional 50 MW Western Ties	50	50	50					
New Combined Cycle*		278	278	278	278	278	278	278
Jones Repower**		-66	-66	-66	-66	-66	-66	-66

* Incremental MWs above Jones Units 3&4. Gain 614 MW of combined cycle energy
 ** Loose 66 MW of capacity but gain 513 MW of combined cycle energy.

PVRR Comparison – 2013 In-service

	Jones 4 167.5 MW	Wartsilas 164.4 MW
Total Capital Cost (\$000)	\$91,954	\$177,495
Quick-start package		
\$/kW	\$549	\$1,080
without quick-start		
with quick-start		
PVRR (\$000)	\$12,497	\$12,534
Value of Quick Start (\$000)		\$12,000

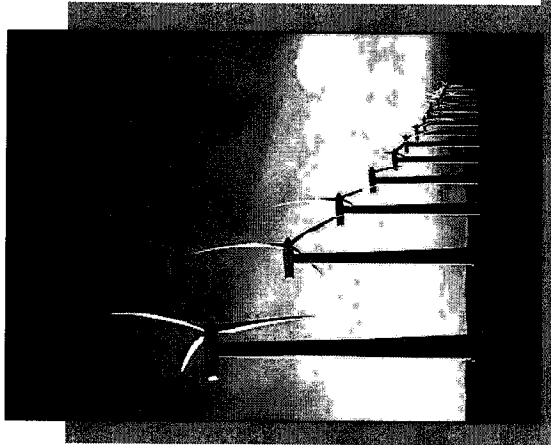
Future Decisions

- Impact of 2013 acquisition
- Long-term scenarios
 - ◆ Large SPP Purchase (Calpine or Other) – up to 350 MW
 - ◆ New Combined Cycle - (2014 or later)
 - ◆ Jones Unit 2 Repower – (2014 or later)
 - ◆ Purchase from Odessa Plant – (2014 forward)
- Other considerations
 - ◆ Additional transmission import capacity – (2014 forward)
 - ◆ Plant retirements
 - ◆ Impact upon must-run generation in SPS BA
 - ◆ ~~Retain 100-200 MW uncommitted transmission path~~





SPS Resource Planning Capacity Need 2013 – 2018



September 2, 2011

SPS Load Requirements

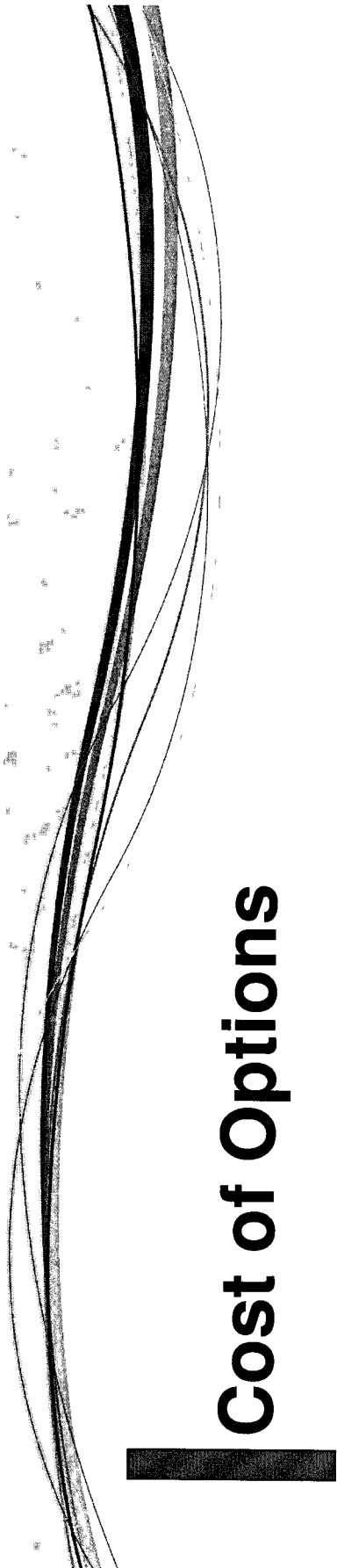
Resource Need @ 13.6%						
	(188)	(130)	28	(91)	16	(77)
Resource Need @ 16.0%						
	(311)	(252)	(91)	(213)	(91)	(186)
Additional Load						
Occidental	12	12	12	12	12	12
Frontier	18	18	18	18	18	18
International Potash			100	100	100	100
Surplus Capacity @ 13.6%	(218)	(160)	(102)	(221)	(114)	(207)
Surplus Capacity @ 16%	(341)	(282)	(221)	(343)	(221)	(316)

SPS Capacity Options (After Jones 4)

Resource Need @ 13.6%	(216)	(160)	(102)	(221)	(114)	(207)
Resource Need @ 16.0%	(341)	(282)	(221)	(343)	(221)	(316)

Current Negotiation						
Brandon/Mass	97	97				
Engineering Carbons	16					
Total Resources	113	97	0	0	0	0
Surplus Capacity @ 13.6%	(105)	(63)	(102)	(221)	(114)	(207)
Surplus Capacity @ 16%	(228)	(185)	(221)	(343)	(221)	(316)

Other Options						
Lamar	109	109	109	109	109	109
GSEC	120	70				
Calpine		200	200	200	200	200
Brandon/Mass			97	97	97	97
Engineering Carbons		16	16	16	16	16



Cost of Options

	<u>\$/kW</u>	<u>Heat Rate</u>	
GSEC	\$5.85	12.000	1 yr. (June 2013-May 2014)
	\$17.50	12.000	Summer (June - Sept)
Calpine	\$6.39	7.350	2 yr. term (2014-15)
	\$7.58	7.350	5 yr. term (2014-2018)
Brandon/Mass	\$7.00	7.800	



Recommendation

Subject to Cost Recovery:

- Relinquish PNM transmission in 2013
- Complete contract for Brandon and Massengale 2012/13
- Contract with GSEC - 2013
 - ◆ Possible mitigation for CSAPR re-dispatch
- Contract with Calpine
 - ◆ 100 MW - 2014
 - ◆ 200 MW – 2014-2018
- Contract with PSCo as necessary



APPENDIX

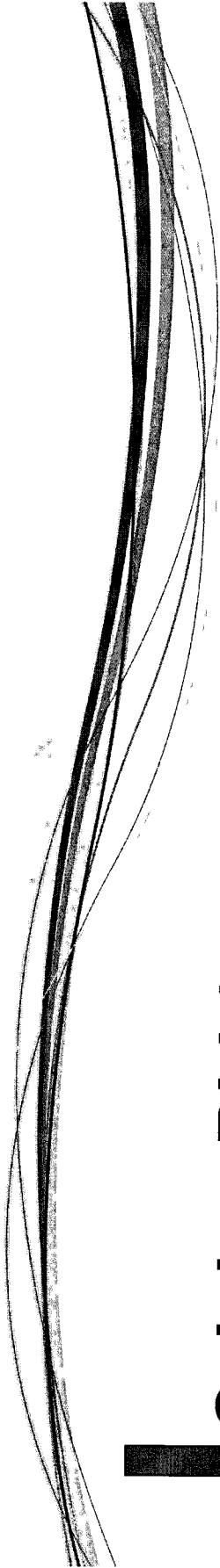
PVRRs for Resource Options

2011-2049 PVRR (\$millions)

Jones 4 Base	\$24,241
--------------	----------

Incremental PVRR

Calpine 100 - 2yr Ext	\$13
Calpine 100 - 5yr Ext	(\$25)
Calpine 200 - 2yr Ext	\$10
Calpine 200 - 5yr Ext	(\$31)
Brandon/Mass	(\$48)
Brandon/Mass+Calpine 100_5yr	(\$10)
Brandon/Mass+GSEC CT	(\$38)



Calpine Bid (*Confidential and Proprietary*)

Total Quantity: 50 MW, 130 MW or 200 MW (incremental to existing 200 MW PPA)

Term: Term 1: January 1, 2014 through December 31, 2015 (two years), or
Term 2: January 1, 2014 through December 31, 2018 (five years)

Capacity Price: Term 1: **\$6.39/kW-month in 2014**, escalating each year at 2.3%, paid on annual quantity

Term 2: **\$7.58/kW-month in 2014**, escalating each year at 2.3%, paid on annual quantity

	Dispatch Level (MW)	Heat Rate (Btu/kWh)
Existing	150	8,100
	200	7,350
Proposed	250	7,650
	330	7,750
	400	7,350

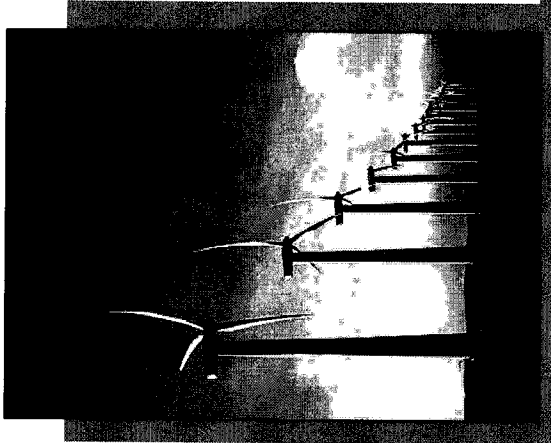


CSAPR Issues

- Purchases within BA to minimize costs of redispatch
 - ◆ GSEC offer to sell Mustang CC in off-peak months (489 MW)
 - ◆ Lea County offer to sell Wartsilas in off-peak months 42 MW (Jan-May); 20 MW (Sept-Dec)
- Hedge gas to minimize costs
 - ◆ Regulatory cost recovery



SPS Capacity Planning Update 2012 – 2018



September 15, 2011

SPS 2012 Capacity Need

Planning Reserve Margin - 13.6%	
Capacity Position: Long (Short)	(123)

Planning Reserve Margin - 16%	
Capacity Position: Long (Short)	(243)

Available Options:	
Lamar*	109
PNM Transmission	100
Engineered Carbons	16

After Options:	
Planning Reserve Margin - 13.6%	
Capacity Position: Long (Short)	117

Planning Reserve Margin - 16%	
Capacity Position: Long (Short)	(1)

* Lamar includes reserves

Additional 2012 Issues and Options

- CSAPR
 - ◆ Impacts and timing of potential redispatch
- Forecast update
 - ◆ Available October
- Request to PNM for 75 MW of additional transmission
- Full utilization of all other transmission import paths
- No other generation available in the BA

0033

Resource Need @ 13.6%	(188)	(130)	28	(91)	16	(77)
Resource Need @ 16.0%	(311)	(252)	(91)	(213)	(91)	(186)
Additional Load						
Occidental	12	12	12	12	12	12
Frontier	18	18	18	18	18	18
International Potash			100	100	100	100
Surplus Capacity @ 13.6%	(218)	(160)	(102)	(221)	(114)	(207)
Surplus Capacity @ 16%	(341)	(282)	(221)	(343)	(221)	(316)

SPS Capacity Options (After Jones 4)

Resource Need @ 13.6%		(219)	(160)	(102)	(221)	(114)	(207)
Resource Need @ 16.0%		(341)	(282)	(221)	(343)	(221)	(316)
Current Negotiation							
Brandon/Mass	97	97					
Engineering Carbons	16						
Total Resources	113	97	0	0	0	0	0
Surplus Capacity @ 13.6%	(105)	(63)	(102)	(221)	(114)	(207)	(207)
Surplus Capacity @ 16%	(228)	(185)	(221)	(343)	(221)	(316)	(316)
Other Options							
Lamar	109	109	109	109	109	109	109
GSEC	120	70					
Calpine/SPP Transmission		200	200	200	200	200	200
Brandon/Mass			97	97	97	97	97
Engineering Carbons		16	16	16	16	16	16

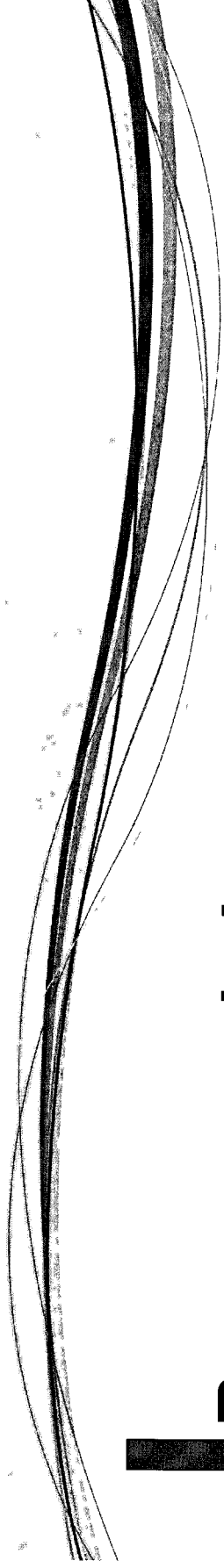
Cost of Options

	<u>\$/kW</u>	<u>Heat Rate</u>	
GSEC	\$5.85	12.000	2 yr. (2013-2014)
Calpine	\$8.13	7.350	5 yr. term (2014-2018)
Brandon/Mass	\$7.00	7.800	2 yr. (2013-14)

Variance to Budget

	2,012	2,013	2,014	2,015	2,016
Existing LT PPA's					
Updated Current - Resource Plan					
Brandon/Masengale	\$ 93,603	\$ 90,404	\$ 91,169	\$ 92,022	\$ 92,833
Orion (Engineering Carbons)	\$ 2,522	\$ 7,954	\$ 5,432		
Lamar	\$ 521	\$ 521			
GSEC *	\$ 1,308				1,200
Calpine/SPP *		\$ 4,914	\$ 4,534	\$ 731	
Sub-Total	\$ 4,351	\$ 13,389	\$ 11,382	\$ 19,961	\$ 20,420
PNM Transmission	\$	\$ (3,647)	\$ (1,564)	\$ 20,692	\$ 21,620
Redispatch Credit	\$	\$ (3,500)			
Total incl. PNM Trans & Redispatch	\$ 97,954	\$ 96,646	\$ 110,953	\$ 112,714	\$ 114,453
Budget PPA Demand Costs	\$ 97,303	\$ 107,372	\$ 115,173	\$ 130,537	\$ 127,195
Variance to Budget	\$ 652	\$ (10,727)	\$ (4,220)	\$ (17,822)	\$ (12,742)

* Assumes June 1 Start Date of PPA

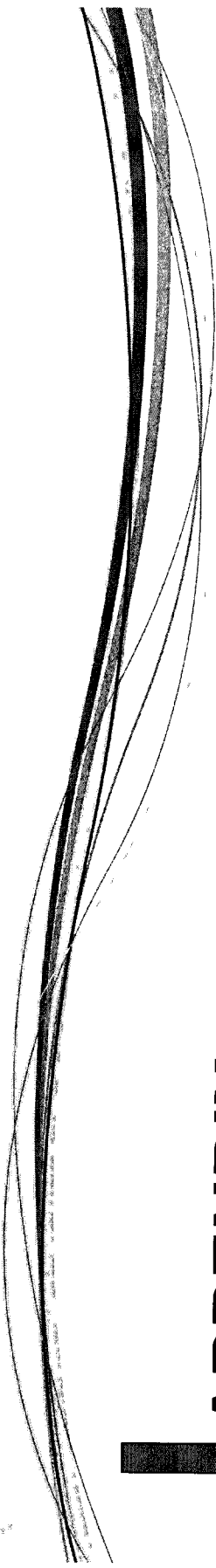


Recommendation

Subject to Cost Recovery:

- Re-evaluate PNM transmission for 2013
- Complete contract for Brandon and Massengale 2012/13
- Contract with GSEC – 2013/14
 - ◆ Possible mitigation for CSAPR re-dispatch
- Continue Calpine/SPP evaluation
 - ◆ 200 MW – 2014-2018 (maintain transmission path)
- Contract with PSCo as necessary





APPENDIX

PVRRs for Resource Options

2011-2049 PVRR (\$millions)	
Jones 4 Base	\$24,241

Incremental PVRR

Brandon/Massengale	(\$48)
Brandon/Mass + GSEC CT	(\$38)
Calpine 200 - 5yr Ext	(\$27)
Calpine 100 - 5yr Ext	(\$23)
Brandon/Mass + Calpine 100_5yr	(\$19)

Calpine Bid (*Confidential and Proprietary*)

Total Quantity: 50 MW, 130 MW or 200 MW (incremental to existing 200 MW PPA)

Term: Term 2a: June 1, 2014 through December 31, 2018 (55 months)
Term 2b: June 1, 2014 through May 31, 2019 (five years)

Capacity Price: Term 2a: **\$8.09/kW-month in 2014**, escalating each year at 2.3%, paid on annual quantity

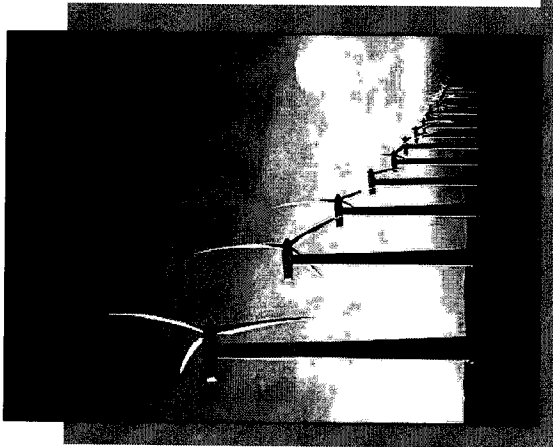
Term 2b: **\$8.13/kW-month in 2014**, escalating each year at 2.3%, paid on annual quantity

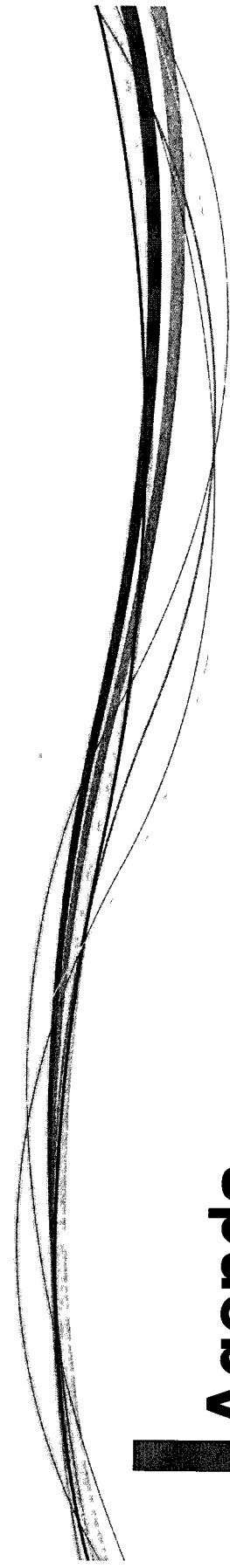
	Dispatch Level (MW)	Heat Rate (Btu/kWh)
<i>Existing</i>	150	8,100
	200	7,350
<i>Proposed</i>	250	7,650
	330	7,750
	400	7,350



SPS Capacity and Biomass Purchase

November 16, 2011





Agenda

- Capacity Forecast (short-term need 2014 -2018)
- Alternatives Considered
- Future SPP Transmission Network Service (2014)
- Response to RFP (Calpine and Exelon)
- RFP Analysis
- Possible Concerns
- Biomass Purchase
- Recommendation
 - ◆ Pursue PPA with Calpine
 - ◆ Pursue Biomass PPA – file at the NMPRC for approval

SPS Capacity Options (After Jones 4)

Resource Need @ 13.6%	(219)	(158)	(11)	(108)	(1)	(93)
Resource Need @ 16.0%	(344)	(261)	(131)	(231)	(121)	(214)

Current Negotiation						
Brandon/Mass	97	97				
Engineering Carbons	15					
GSEC	110	25				
Calpine		200	200	200	200	200
Engineering Carbons		15	15	15	15	15
Total Resources	222	337	215	215	215	215

Surplus Capacity @ 13.6%	3	179	204	107	214	122
Surplus Capacity @ 16% **	(122)	56	84	(16)	94	1

Other Options						
Lamar	109	109	109	109	109	109
Brandon/Mass			97	97	97	97
PNM Transmission						

** Loose life-lines without Calpine



Alternatives to Consider

- **New 200 MW import path from SPP (2014)**
 - ◆ Calpine 200 MW PPA
 - ◆ Exelon 200 MW PPA (\$1.35 M higher annual expense)
 - Requires re-submittal of transmission request to SPP
 - Risk of losing path, delay in decision for nearly 1 year
- **Brandon and Massengale PPA plus 100 MW point-to-point**
 - ◆ Approximately \$3 M higher annual expense
 - ◆ Requires waiver of SPP tariff (conversion to point-to-point)
- **Brandon and Massengale PPA plus PSCo 100 MW purchase**
 - ◆ Utilizes only remaining lifeline
 - ◆ PSCo does not have adequate capacity
- PNM
 - ◆ Too expensive and unreliable



Transmission

- **SPP aggregate study shows 2 x 100 MW firm transmission network service requests available beginning June 2014**
- **SPS must have bilateral agreement to keep firm network service**
- **SPS submitted letter of intent to SPP for the transmission service on Nov. 9, 2011**
- **SPS does not expect additional studies in this aggregate**

Request for Proposals (2014-18)

- RFP issued October 3, 2011
 - ◆ Targeted suppliers in the SPP
 - ◆ 5 year term (2014-18)
- Responses October 17, 2011
- Received two responses

	<u>\$/kW</u>	<u>Heat Rate</u>
Calpine	\$7.58	7,350
Exelon	\$8.14	7,450



PVRR of Options

2011-2018 PVRR (\$millions)

Calpine 200 Base	\$7,955
------------------	---------

Exelon	\$10
Brandon Mass	\$6

Recommendation: Calpine 200 MW

Variance to Budget

	2,012	2,013	2,014	2,015	2,016
Existing LT PPA's					
Updated Current - Resource Plan					
Brandon/Masengale	\$ 93,603	\$ 90,404	\$ 91,169	\$ 92,022	\$ 92,833
Orion (Engineering Carbons)	\$ 2,522	\$ 8,730	\$ 5,820		
Lamar	\$ 488	\$ 488			
GSEC *	\$ 1,408				
Calpine/SPP *		\$ 4,505	\$ 4,241	\$ 731	
Sub-Total	\$ 4,419	\$ 13,723	\$ 10,612	\$ 19,961	\$ 20,420
PNM Transmission	\$	\$ (3,647)	\$ (1,564)	\$ 20,692	\$ 20,420
Redispatch Credit	\$	\$ (3,500)	\$ (3,500)		
Total incl. PNM Trans & Redispatch	\$ 98,022	\$ 96,979	\$ 106,778	\$ 112,714	\$ 113,253
Budget PPA Demand Costs *	\$ 97,303	\$ 107,372	\$ 115,173	\$ 130,537	\$ 127,195
Variance to Budget	\$ 719	\$ (10,393)	\$ (8,395)	\$ (17,822)	\$ (13,942)

* Budget includes Odessa PPA