

SOAH DOCKET NO. 473-19-6677

DOCKET NO. 49831

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APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE  
PUBLIC SERVICE COMPANY FOR § FILING CLERK  
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS

**SOUTHWESTERN PUBLIC SERVICE COMPANY'S  
RESPONSE TO COMMISSION STAFF'S  
EIGHTEENTH REQUEST FOR INFORMATION  
QUESTION NOS. 18-1 THROUGH 18-3**  
(Filename: SPSRespStaff18th.doc; Total Pages: 13)

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Southwestern Public Service Company's Response to  
Commission Staff's Eighteenth Request for Information

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§ 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) 370-2891. Voluminous exhibits will also be provided on CD to any requesting party.

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 16 TAC § 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 Leila Melhem at Winstead PC, 401 Congress Avenue, Suite 2100, Austin, Texas 78701; telephone number (512) 370-2891; facsimile transmission number (512) 370-2850; email address [lmelhem@winstead.com](mailto:lmelhem@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,

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ATTORNEYS FOR  
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## RESPONSES

### QUESTION NO. Staff 18-1:

In the Final Order for Docket 42729, the Commission approved SPS's Wolfforth to Carlisle project at an estimated cost of \$27,023,250. In SPS's supplemental response to Staff's Second RFI, SPS reports that it has spent \$30,621,581.74 on constructing this project as of June 30, 2019. Please explain the reason for this increase in cost above what was ordered by the Commission and explain how SPS has acted prudently in incurring these costs.

### RESPONSE:

SPS disagrees with the premise of the question, which is that the cost of \$27,023,250 "was ordered by the Commission" in the Docket No. 42729 Final Order. The Final Order identified that amount as SPS's estimate of what the project would cost. Please refer to Finding of Fact No. 40 in the Docket No. 42729 Final Order. Nothing in the Final Order "ordered" SPS to build the project for that amount.

SPS was obligated to build the Wolfforth to Carlisle project in a timely manner because of its acceptance of the SPP Notification to Construct (NTC) 200229. The project consisted of building a new 230-kV transmission line between Carlisle Substation and Wolfforth Interchange and implementing significant modifications at both existing stations. Typically, building a new line has fewer cost risks than modifying an existing station because a new line can be designed to readily assessable conditions, whereas modifying an existing station inherently presents more unknowns until detailed field investigations and detailed design are completed. In this case, the cost of the new Carlisle to Wolfforth line was approximately \$500,000 under its estimated cost, but the cost of the modifications to the existing stations exceeded the estimated cost by approximately \$4,100,000.

At the Wolfforth Interchange, a defective steel dead-end structure, missing parts, and the resulting labor for rework resulted in the costs exceeding the estimate. The dead-end structure used to terminate the new line in the interchange was not manufactured correctly and was missing parts, requiring the structure to be returned to the factory to be fixed. In order to keep the project on schedule, another dead-end structure was brought in from a different project, and field modifications had to be made to this structure to adapt it to this specific application. Additionally, the vendor providing the kits to upgrade two existing switches in Wolfforth Interchange did not deliver all the parts needed for the upgrade, so the missing parts had to be obtained before the work on these switches could be completed. These issues resulted in costs exceeding the estimate by approximately \$930,000.

At the Sundown Interchange, the project required upgrades on the Sundown to Wolfforth 230-kV line terminal at the Sundown Interchange. When completing the detailed design, the remote terminal unit at Sundown Interchange was determined to not be adequate to accommodate the upgrades required by the project, so the remote terminal unit had to be replaced. In addition, new arresters and the foundations and stands for the arresters and

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voltage transformers were not included in the estimate. These items were not identified until the detailed engineering, design and construction phases of the project, and thus were not anticipated or included in the estimated cost, resulting in costs exceeding the estimate by approximately \$710,000.

At the Lubbock South Interchange, the project required upgrades on the Lubbock South to Wolfforth 230-kV line terminal at the Lubbock South Interchange. New arresters and the foundations and stands for the arresters and voltage transformers were not included in the estimate. In addition, the cost of the relay panel wiring to accommodate the revised control scheme and communications exceeded the estimated costs. These items were not identified until the detailed engineering, design and construction phases of the project, and thus were not anticipated or included in the estimated cost, resulting in costs exceeding the estimate by approximately \$190,000.

At the Carlisle Substation, several unforeseen issues caused the costs to exceed the original estimate. First, the substation footprint had to be expanded to accommodate the new 230-kV ring bus arrangement and the additional terminal for the new line to Wolfforth Interchange. The grading and rocking of this yard expansion required more labor and materials than estimated because of the soil conditions due to weather conditions and the additional rock needed to match the existing station's rock surface. The 230/115-kV transformer was replaced with a larger unit (on a different project) and the 115-kV bus connection from the new transformer to the existing 115-kV bus could not be re-built as originally planned because of the difference in heights and location of the new transformer connections, requiring the installation of six new foundations and bus stands. In addition, the hydro-evacuation work needed to expose the existing conduits and ground grid conductors required more extensive effort than estimated, particularly for the removal of the existing 230-kV foundations and the additional work needed to install the new 115-kV bus foundations. Also, one existing 230-kV wave trap was found to have mechanical issues when it was being relocated and had to be replaced, which was not anticipated. These complications were not identifiable until the detailed engineering, design and construction phases of the project. The additional unforeseen material, labor and services along with weather delays resulted in costs exceeding the estimate by approximately \$2,270,000.

SPS acted prudently in incurring these additional costs to complete this project in a timely manner. As described previously, there are always significant unknowns when doing work in an existing station, and SPS personnel made prudent decisions on how to best handle the material and design issues encountered on this project. The issues that increased the cost above the estimate were related to material issues, additional service work, and the necessary labor to complete this project that were discovered in due course in the detailed engineering, design, and construction phases of the project. Had any of this additional work been identified in the initial project planning and approval, it would have been included in the estimate. In addition, a portion of the additional cost was related to completing the project in a timely manner as required by SPS's acceptance of the SPP NTC for this project. Keeping construction projects on schedule is important and prudent because many tasks are planned

in a sequence to minimize the required labor and tasks to complete the project, which typically leads to lower costs. Sequenced tasks include the delivery of materials to the construction site at specified times and the scheduling of outages of other facilities required to perform the new construction, which are arranged for specific times to maintain system reliability.

Finally, although the cost of the particular project identified in this question exceeded the initial project estimate for the reasons stated in this response, that project is not representative of SPS's overall project performance. Just as the costs of some projects have come in above the original estimate, many of the other project costs identified in SPS's first supplemental response to Staff's second set of requests for information have come in below SPS's original estimate. On an overall basis, as shown in the chart below, SPS's actual costs are consistently below the estimates for each of the three project categories and for the all the projects as a whole.

| <b>Groups of Projects from Staff 2<sup>nd</sup> (SUPP1)</b>   | <b>Number of Projects Over Estimate</b> | <b>Number of Projects Under Estimate</b> | <b>Total of All Projects - Forecasted Actuals to Estimates</b> |
|---|---|--|--|
| 4 projects that required Texas CCNs<br>(see Staff 2-5(SUPP1))   | 2                                       | 2  | 4.4% Under CCN Estimate  |
| 8 Transmission Line Projects<br>(see Staff 2-6(SUPP1))  | 3                                       | 5  | 4.0% Under Company Estimate                                    |
| 6 Transmission Station Projects<br>(does not include the 3 stations with customer contributions or La Plata Substation, which is included in the NE Hereford to La Plata project under the CCN projects)<br>(see Staff 2-9 (SUPP1)) | 3                                       | 3  | 1.3% Under Company Estimate                                    |
| <b>Total of All Projects Reported in Staff 2<sup>nd</sup> (SUPP1)</b>   | <b>8</b>                                | <b>10</b>                                | <b>3.6% Under Estimate</b>                                     |

Preparers: Robert Alexander, Duane Ripperger  
Sponsor: Jarred J. Cooley

**QUESTION NO. Staff 18-2:**

In the Final Order for Docket 45158, the Commission approved SPS's NE Hereford to La Plata Substation project at an estimated cost of \$11,802,312 with comprised of \$4,898,928 for the transmission line and \$6,904,062 for substation costs. In SPS' supplemental response to Staff's Second RFI, SPS reports that it has spent \$9,030,982.55 on the transmission line (and some substation modifications) and \$4,101,226.81 for the La Plata Substation on constructing this project as of June 30, 2019. Please explain the reason for this increase in cost above what was ordered by the Commission and explain how SPS has acted prudently in incurring these costs.

**RESPONSE:**

SPS disagrees with the premise of the question, which is that the cost of \$11,802,312 "was ordered by the Commission" in the Docket No. 45158 Final Order. The Final Order identified that amount as SPS's estimate of what the project would cost. Please refer to Finding of Fact No. 33 in the Docket No. 45158 Final Order. Nothing in the Final Order "ordered" SPS to build the project for that amount

For an explanation of the reasons for the increase in actual costs above the estimated costs, please refer to SPS's response to Question No. Staff 9-5.

SPS acted prudently in incurring these additional costs to complete this project as required by SPS's acceptance of the SPP Notification to Construct (NTC) 200256 and to complete this project in timely manner. The additional costs for the new control house were required to complete the project because no other viable options were available. The additional costs from using contract labor versus internal construction crews was necessary because SPS's internal construction crews were not available to build this project because of previous commitments to other internal construction projects. Using contract labor for the construction of these facilities was necessary to keep the project on schedule with the other projects under construction. Keeping construction projects on schedule is important because many tasks are planned in a sequence to minimize the required labor and tasks to complete the project. Sequenced tasks include the delivery of materials to the construction site at specified times and the scheduling of outages of other facilities required to perform the new construction, which are arranged for specific times to maintain system reliability. Additionally, construction labor needs to be carefully planned to provide effective and efficient construction of the project and to avoid costly mobilizing or re-mobilizing of construction labor to complete the project.

Finally, although the cost of the particular project identified in the question exceeded the initial project estimate for the reasons stated in this response, that project is not representative of SPS's overall project performance. Just as the costs of some projects have come in above the original estimate, the costs of many of the other projects identified in SPS's first supplemental response to Staff's second set of requests for information have come in below SPS's original estimate. On an overall basis, as shown in the chart below,



SPS's actual project costs are consistently below the estimates for each of the three project categories and for the all the projects as a whole.

| <b>Groups of Projects from Staff 2<sup>nd</sup> (SUPP1)</b>   | <b>Number of Projects Over Estimate</b> | <b>Number of Projects Under Estimate</b> | <b>Total of All Projects - Forecasted Actuals to Estimates</b> |
|---|---|--|--|
| 4 projects that required Texas CCNs<br>(see Staff 2-5(SUPP1))   | 2                                       | 2  | 4.4% Under CCN Estimate  |
| 8 Transmission Line Projects<br>(see Staff 2-6(SUPP1))  | 3                                       | 5  | 4.0% Under Company Estimate                                    |
| 6 Transmission Station Projects<br>(does not include the 3 stations with customer contributions or La Plata Substation, which is included in the NE Hereford to La Plata project under the CCN projects)<br>(see Staff 2-9 (SUPP1)) | 3                                       | 3  | 1.3% Under Company Estimate                                    |
| <b>Total of All Projects Reported in Staff 2<sup>nd</sup> (SUPP1)</b>   | <b>8</b>                                | <b>10</b>                                | <b>3.6% Under Estimate</b>                                     |

Preparers: Robert Alexander, Duane Ripperger  
Sponsor: Jarred J. Cooley

**QUESTION NO. Staff 18-3:**

Reference the responses to Staff's 2nd RFIs. For each project for which Staff requested a final cost, and a final cost was not available as of June 30, 2019, please provide an estimate of the amount of trailing costs that SPS has yet to incur for the project and describe the types of expenses that comprise the trailing costs.

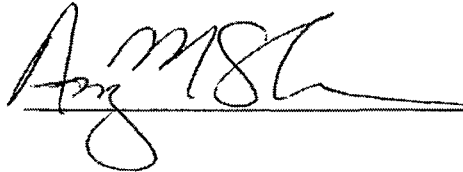
**RESPONSE:**

Please refer to Exhibit SPS-Staff 18-3.

Preparers: Robert Alexander, Gregory Ragon, Duane Ripperger  
Sponsor: Jarred J. Cooley

### **CERTIFICATE OF SERVICE**

I certify that on the 10th day of February 2020, 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, appearing to read "Amy M. St. John", is written over a horizontal line.

| Row Number | Project Name, (with CCN Docket No., if any)         | Total "Life to Date" Project Cost as of December 31, 2019 in dollars | Estimate of Remaining Trailing Costs Yet to be Incurred on Project in dollars | Description of the Types of Charges that Comprise the Remaining Trailing Costs Yet to be Incurred   |
|------------|---|--|---|---|
| 1          | Outpost Substation                                  | 5,478,305  | 51,000  | Trailing vendor invoices for necessary relay changes at Coulter Substation, final material issues and returns, and completion of as-built drawings and records                                    |
| 2          | Atoka to Eagle Creek 115-kV Line                    | 24,926,179   | 2,500   | Final material issues and returns and completion of as-built drawings and records   |
| 3          | Carlisle to Wolfforth 230-kV Line, CCN Docket 42729 | 30,610,705   | 2,500   | Final material issues and returns and completion of as-built drawings and records   |
| 4          | Needmore Switching Station                          | 30,611   | (30,611)  | Have agreement with customer to pay total cost of the project - final true-up of project costs pending  |
| 5          | Blanco Switching Station                            | (21,959)   | 21,959  | Have agreement with customer to pay total cost of the project - final true-up of project costs pending  |
| 6          | Lost Draw Switching Station                         | (85,976)   | 85,976  | Have agreement with customer to pay total cost of the project - final true-up of project costs pending  |
| 7          | Ink Basin Interchange                               | 15,050,945   | 100,000   | Trailing vendor invoices for necessary relay changes at Yoakum County Interchange and Denver City Interchange, final material issues and returns, and completion of as-built drawings and records |
| 8          | Quincy Switching Station                            | 8,949,546  | 355,000   | Costs to extend road and underground municipal utilities to City of Lubbock specifications, final material issues and returns, and completion of as-built drawings and records                    |
| 9          | Mahoney Switching Station                           | 5,509,302  | 45,000  | Trailing vendor invoices for materials and services, final material issues and returns, and completion of as-built drawings and records   |

| Row Number | Project Name, (with CCN Docket No., if any)           | Total "Life to Date" Project Cost as of December 31, 2019 in dollars | Estimate of Remaining Trailing Costs Yet to be Incurred on Project in dollars | Description of the Types of Charges that Comprise the Remaining Trailing Costs Yet to be Incurred  |
|------------|---|--|---|--|
| 10         | Mustang to Shell CO2 115-kV Line, CCN Docket 47585    | 18,989,709   | 100,000   | Storm water pollution protection plan inspection and closeout, trailing vendor invoices for required relay upgrades at Yoakum County Interchange and Denver City Interchange, final material issues and returns, and completion of as-built drawings and records |
| 11         | NE Hereford to La Plata 115-kV Line, CCN Docket 45158 | 9,034,038  | 2,500   | Final material issues and returns and completion of as-built drawings and records  |
| 12         | La Plata Substation                                   | 4,116,241  | 1,500   | Final material issues and returns and completion of as-built drawings and records  |
| 13         | Livingston Ridge to Sage Brush 115-kV Line            | 16,808,132   | 1,500   | Final material issues and returns and completion of as-built drawings and records  |
| 14         | Hobbs Plant to Kiowa 345-kV Line                      | 53,187,061   | 140,000   | Storm water pollution protection plan inspection and closeout, right of way remediation, final material issues and returns, and completion of as-built drawings and records  |
| 15         | Kiowa Interchange                                     | 12,342,480   | 1,500   | Final material issues and returns and completion of as-built drawings and records  |
| 16         | Kiowa to North Loving 345-kV Line                     | 29,491,611   | 76,500  | Storm water pollution protection plan inspection and closeout, right of way remediation, final material issues and returns, and completion of as-built drawings and records  |
| 17         | North Loving to China Draw 345-kV Line                | 29,838,360   | 50,000  | Storm water pollution protection plan inspection and closeout, right of way remediation, final material issues and returns, and completion of as-built drawings and records  |
| 18         | Yoakum to Hobbs Plant 345-kV Line, CCN Docket 44726   | 77,685,846   | 100,000   | Storm water pollution protection plan inspection and closeout, right of way remediation, final material issues and returns, and completion of as-built drawings and records  |
| 19         | Greyhound to Kilgore 115-kV Line                      | 9,368,813  | 2,000   | Final material issues and returns and completion of as-built drawings and records  |
| 20         | Capitan To Chaves Co 115-kV Line                      | 13,387,851   | 0   | Cost listed is final cost for project  |
| 21         | Carpenter Switching Station                           | 14,164,320   | 1,500   | Final material issues and returns and completion of as-built drawings and records  |