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**SOAH DOCKET NO. 473-22-1073
PUC DOCKET NO. 52485**

APPLICATION OF SOUTHWESTERN PUBLIC SERVICE COMPANY TO AMEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONVERT HARRINGTON GENERATING STATION FROM COAL TO NATURAL GAS	§ § § § § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
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**OFFICE OF PUBLIC UTILITY COUNSEL'S
EXCEPTIONS TO THE PROPOSAL FOR DECISION**

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August 18, 2022

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**OFFICE OF PUBLIC UTILITY COUNSEL’S
EXCEPTIONS TO THE PROPOSAL FOR DECISION**

The Office of Public Utility Counsel (“OPUC”), representing the interests of residential and small commercial consumers in Texas, respectfully submits these exceptions to the Proposal for Decision (“PFD”) issued by the State Office of Administrative Hearings (“SOAH”) in this proceeding on July 25, 2022.

The PFD concludes that Southwestern Public Services Company (“SPS”) has “met its burden to show that the proposed conversion of all three Harrington units to natural gas is necessary for the service, accommodation, convenience, or safety of the public,”¹ and the SOAH Administrative Law Judges (“ALJs”) recommend the Public Utility Commission of Texas (“Commission”) “approve SPS’s proposal to construct, own, and operate a new pipeline along Route 2 to supply natural gas to Harrington.”² OPUC agrees with the ALJs’ overall recommendation to grant SPS’s application to amend its certificate of convenience and necessity, and its exceptions are limited to one aspect of the ALJs’ recommendation relating to the treatment of depreciation for SPS’s proposed pipeline.³ For the reasons discussed below, OPUC requests that the Commission issue an order in this proceeding consistent with OPUC’s exceptions.

I. DEPRECIATION OF THE PIPELINE

The ALJs explained that the conversion of Harrington Generating Station’s coal-fired units would require modifying each of Harrington’s existing units and the plant’s natural gas supply

¹ PFD at 62.

² *Id.*

³ PFD at 43.

system, including the construction of a new 20-inch-diameter natural gas supply pipeline.⁴ Including allowance for funds used during construction, SPS estimates the cost of conversion ranges from \$65 million to \$75 million on a total company basis, with the majority of these costs attributable to the proposed pipeline, estimated at \$57 million on a total company basis.⁵ However, the ALJs declined to address the appropriate rate treatment of the pipeline in this proceeding, finding: (1) treatment of depreciation for the proposed pipeline to Harrington is more appropriately addressed in a future rate proceeding, and (2) concern that commingling of generation and pipeline expenses could potentially make OPUC's advocated rate treatment more difficult to quantify was conclusory.⁶

The contemplated useful life of the Harrington generation facility is much shorter than that of the proposed useful life of the pipeline.⁷ OPUC advocates for a resolution that contemplates a future rate proceeding in which SPS accounts for the depreciation of the pipeline asset separately from that of the generation facility.⁸ To be clear, OPUC is not asking that the Commission determine the service lives of the converted units or the pipeline in this proceeding; only that the conversion units and pipeline be accounted for separately in a future rate proceeding so that an appropriate service life determination can be properly undertaken. 16 Tex. Admin. Code ("TAC") §25.72(c) requires, for the purpose of accounting and reporting to the Commission, that each electric utility maintain its books and records in accordance with the Federal Energy Regulatory Commission's ("FERC") uniform system of accounts for electric utilities ("FERC USOA"). However, the FERC USOA does not provide an account for booking the cost of a natural gas transmission pipeline like the one SPS proposes.⁹ Therefore, SPS is free to commingle the pipeline costs with the account of its choosing, compromising separate accounting for the pipeline costs.

⁴ PFD at 6.

⁵ PFD at 6-7.

⁶ PFD at 44.

⁷ PFD at 43.

⁸ PFD at 43.

⁹ The FERC USOA consists of the following plant accounts: Intangible Plant (accounts 301-303), Steam Production Plant (accounts 310-317), Nuclear Production Plant (accounts 320-326), Hydraulic Production Plant (accounts 330-337), Other Production Plant (accounts 340-348), Transmission Plant (accounts 350-359), Distribution Plant (accounts 360-374), Regional Transmission and Market Operation Plant (accounts 380-387) and General Plant (accounts 389-399). The cost of the natural gas transmission pipeline proposed by SPS does not fit into any of these electric production, electric transmission, or electric distribution plant accounts.

OPUC's concern with this result is not conclusory. Rather, it is a valid concern based on a foreseeable outcome that directly results from permitted Commission accounting practices. This is demonstrated by the fact that SPS operates other natural gas pipelines¹⁰ but does not account for them separately, nor do they separately depreciate, these assets.¹¹ Because of the large useful life disparity between the proposed pipeline and the converted units in this docket, OPUC does not believe that these items should be commingled.¹² Due to the lack of a direct Commission rule and SPS's treatment of their existing pipelines, OPUC has serious concerns regarding the rate treatment of these assets without a proper accounting. The Commission has an opportunity to correct this accounting error, at least for the Harrington Station natural gas transmission pipeline costs, in this proceeding.

Accordingly, OPUC requests that the Commission include a finding that the pipeline costs are to be identified and accounted for by SPS separately from the generation plant accounts, thereby preserving the Commission's ability to properly investigate the appropriate rate treatment of the pipeline asset in a future proceeding.

II. CONCLUSION

For the reasons stated herein, OPUC respectfully requests that the PFD be modified to include findings of fact and conclusions of law consistent with these exceptions and that OPUC be granted any other relief to which it may be entitled.

¹⁰ Lytal Direct at 13.

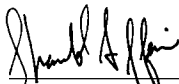
¹¹ See Docket No. 51802, *Application of Southwestern Public Service Company for Authority to Change Rates*, Schedules C-2, and D-1. Neither SPS's plant in service by FERC Account or related Accumulated Provision for Depreciation contains accounts that explicitly reflects natural gas transmission pipeline costs.

¹² OPUC Initial Brief at 3.

August 18, 2022

Respectfully submitted,

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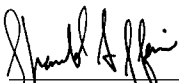
ATTORNEYS FOR THE
OFFICE OF PUBLIC UTILITY COUNSEL

CERTIFICATE OF SERVICE

SOAH Docket No. 473-22-1073

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I hereby certify that a copy of the foregoing document was served on all parties of record in this proceeding on this 18th day of August 2022, by facsimile, electronic mail, and/or first class, U.S. Mail.



Sharbel A. Sfeir