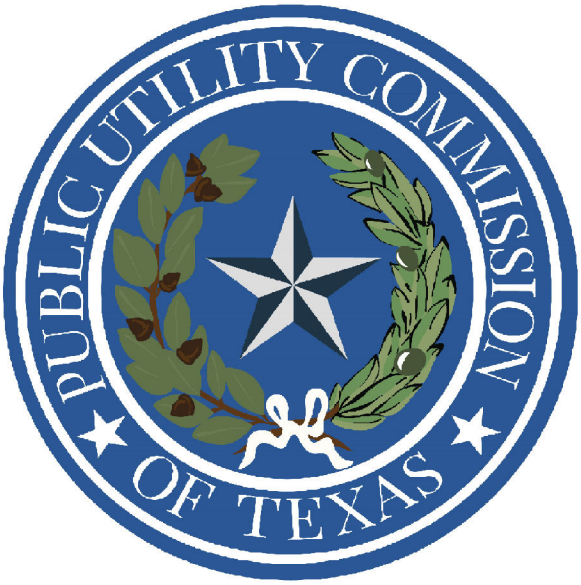

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APPLICATION OF SOUTHWESTERN PUBLIC SERVICE COMPANY FOR AUTHORITY TO RECONCILE FUEL AND PURCHASED POWER COSTS FOR THE PERIOD JULY 1, 2018 THROUGH JUNE 30, 2021	**§**	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

REBUTTAL TESTIMONY
of
BROOKE A. TRAMMELL

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym/Defined Term	Meaning
AXM	Alliance of Xcel Municipalities
Commission	Public Utility Commission of Texas
EEA	Energy Emergency Alert
FERC	Federal Energy Regulatory Commission
IM	Power Pool Integrated Marketplace
NERC	North American Electric Reliability Corporation
OPUC	Office of Public Utility Counsel
Power Pool	Southwest Power Pool, Inc.
Reconciliation Period	July 1, 2018 through June 30, 2021
SPS	Southwestern Public Service Company, a New Mexico corporation
Staff	Commission Staff
SO_2	Sulfur Dioxide
TAC	Texas Administrative Code
TIEC	Texas Industrial Energy Consumers
Tolk 2	Tolk Generating Station Unit 2
Xcel Energy	Xcel Energy Inc.

LIST OF ATTACHMENTS

Attachment	Description
BAT-FR-R1	SPS Conservation Notices from Winter Storm Uri
BAT-FR-R2	OPUC RFI Responses
BAT-FR-R3	Transcript Excerpts from the Deposition of Karl Nalepa, August 2, 2022
BAT-FR-R4	Transcript Excerpts from the Deposition of Scott Norwood, August 4, 2022

DIRECT TESTIMONY
OF
BROOKE A. TRAMMELL

I. WITNESS IDENTIFICATION

Q. Please state your name and business address.

A. My name is Brooke A. Trammell. My business address is 790 South Buchanan Street, Amarillo, Texas 79101.

Q. By whom are you employed and in what position?

A. I am employed by Southwestern Public Service Company, a New Mexico Corporation ("SPS") as Regional Vice President, Regulatory and Strategic Planning.

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

A. I am filing testimony on behalf of SPS, which is a wholly-owned electric utility subsidiary of Xcel Energy Inc. ("Xcel Energy").

Q. Are you the same Brooke A. Trammell who adopted the direct testimony of William A. Grant on behalf of SPS in this docket?

A. Yes.

II. SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. What is the scope of your rebuttal testimony?

A. My rebuttal testimony provides an overview of SPS's response to the testimony and recommendations of several intervenors and Public Utility Commission of Texas ("Commission") Staff ("Staff") witnesses and supports SPS's reasonable and necessary fuel and purchased power costs incurred in the prudent operation of its system during the Reconciliation Period.[1] My rebuttal testimony also responds to specific recommendations to disallow portions of the fuel and purchased power costs SPS incurred during the Reconciliation Period. Specifically, I respond to arguments and recommendations put forth by the following witnesses:

- Mr. Jeffry Pollock and Mr. Charles Griffey, who testify on behalf of Texas Industrial Energy Consumers ("TIEC") regarding allocation of SPS's Winter Storm Uri costs and SPS's retention of margins from off-system sales during Winter Storm Uri;
- Mr. Karl Nalepa and Mr. Scott Norwood, who testify on behalf of the Alliance of Xcel Municipalities ("AXM") regarding proposed disallowances to SPS's eligible fuel expenses related to gas storage, gas purchases, SPS's operations during Winter Storm Uri, and SPS's retention of margins from off-system sales during Winter Storm Uri;
- Ms. Laurie Tomczyk, who testifies on behalf of the Office of Public Utility Counsel ("OPUC") regarding SPS's loss factors, and SPS's retention of margins from off-system sales during Winter Storm Uri; and
- Ms. Tsungirirai Gotora, who testifies on behalf of Commission Staff regarding SPS's retention of margins from off-system sales during Winter Storm Uri.

I also introduce the other SPS witnesses who are providing rebuttal testimony in response to the above issues and others.

[1] The Reconciliation Period is the 30-month period from July 1, 2018 through June 30, 2021.

Q. Please summarize your testimony and recommendations.

A. SPS acted prudently throughout the Fuel Reconciliation Period and has demonstrated that all its eligible fuel and purchased power costs were reasonable and necessary. As also discussed by SPS witness Ruben Moreno, I set out the standard to evaluate the prudence of a utility's decision. While SPS performed exceptionally well throughout the Reconciliation Period, the proper review of the prudency of SPS decision is based on the reasonableness of the decisions based on the information available to SPS at the time those decisions were made. Specifically, my testimony addresses the following issues:

- SPS's actions during Winter Storm Uri ensured it minimized its fuel and purchased power costs, while maximizing opportunities for off-system sales that helped to stabilize the larger Power Pool footprint. SPS's decisions were prudent based on its experience and the information available to it at the time. The outcome of these decisions also provided significant cost reductions for SPS customers. This evidence directly contradicts Mr. Norwood's suggestion that SPS did not maximize the operation of its generation fleet during Winter Storm Uri.
- SPS's communications with its customers regarding the conservation of power during the extreme impacts from Winter Storm Uri were reasonable and prudent, and Mr. Norwood's criticism regarding price-based messaging is not supported by any evidence or analysis and could have been counterproductive.
- SPS has allocated costs consistent with accounting practice and Commission rules, and it is not reasonable to treat Winter Storm Uri costs differently as proposed by Mr. Pollock.
- SPS should retain 10% of its off-system sales margins under the Commission's rules, and no party has presented evidence to support a good cause exception to the application of those well-established and clear rules. and
- The loss factors SPS used during the Reconciliation Period are properly based on its Commission approved loss study, and Ms. Tomczyk's proposal to reduce those factors based on book losses is not reflective of SPS's actual system losses and is inconsistent with the Commission's rules and precedent.

The arguments advanced by the Intervenor and Staff witnesses in support of their proposed disallowances are fatally flawed, and the Commission should reject them.

III. OVERVIEW OF SPS REBUTTAL TESTIMONY

Q. Please summarize SPS's requests for relief in this fuel reconciliation proceeding.

A. As explained in my direct testimony, SPS requests the following form of relief from the Commission in this docket:

1. a finding that all of the fuel and purchased power expenses SPS incurred during the Reconciliation Period were eligible fuel and purchased power costs under 16 Texas Administrative Code ("TAC") § 25.236(a), and that it was reasonable and necessary for SPS to incur those expenses to provide reliable electric service for its customers;

2. a finding that SPS properly accounted for the fuel-related revenues collected through the fuel factor during the Reconciliation Period;

3. approval of SPS's fuel expense under-recovery balance of $101,553,219.33 as of June 30, 2021, excluding interest;

4. approval of SPS's cumulative over-recovered interest balance of ($51,079.88) as of June 30, 2021;

5. a finding that short-term, economy, or emergency wholesale sales made from SPS's generating resources (i.e., generation book) into the Southwest Power Pool Inc. ("Power Pool") Integrated Marketplace ("IM"), when such resources are unnecessary to serve SPS's obligation-load customers, are off-system sales eligible for margin sharing under 16 TAC § 25.236(a)(8) and (9);

6. approval of SPS's optimized operations of its Tolk units to conserve the plant's limited groundwater in order to extend the lives of the units; and

7. authorization for SPS to accrue its rate case expenses associated with this docket (including requests for reimbursement from municipalities participating in this docket) for review and recovery in a separate, future proceeding.

Q. Have the Intervenor and Staff witnesses recommended the Commission deny part of that relief?

A. Yes. As I understand the Intervenor and Staff witnesses' testimonies, they have addressed the following issues:

- SPS's retention of 10% of its margins from off-system sales during Winter Storm Uri (all parties);[2]
- SPS's actions to prepare for and operate during Winter Storm Uri, including those actions related to Tolk generating station Unit 2 ("Tolk 2") (AXM – Norwood);[3]
- SPS's purchases of gas and SPS's use of gas storage during Winter Storm Uri (AXM – Nalepa);[4]
- SPS's allocation of Winter Storm Uri costs among customers (TIEC – Pollock);[5]
- SPS's loss factors during the Reconciliation Period (OPUC – Tomczyk);[6] and
- SPS allocation of costs associated with Electric Commodity Trading and sulfur dioxide ("SO_2") emission credits (OPUC – Tomczyk).[7]

In addition, the Intervenor and Staff witnesses are recommending that the Commission disallow the amounts set forth in Table BAT-FR-R1:

Table BAT-FR-R1

Party	Witness	Issue	Approximate Recommended Disallowance[8]
TIEC	Griffey	SPS's retention of 10% off-system sales margins during Winter Storm Uri	$12 million

[2] Direct Testimony of Charles S. Griffey at 5-18 ("Griffey Direct"); Direct Testimony & Attachments of Scott Norwood at 13-19 ("Norwood Direct"); Direct Testimony of Tsungirirai Gotora at 5-8 ("Gotora Direct"); Direct Testimony of Laurie Tomczyk at 24-28 ("Tomczyk Direct").

[3] Norwood Direct at 5-13.

[4] Direct Testimony and Attachments of Karl J. Nalepa at 3-14 ("Nalepa Direct").

[5] Direct Testimony of Jeffry Pollock at 10-13 ("Pollock Direct").

[6] Tomczyk Direct at 14-20.

[7] Tomczyk Direct at 14.

[8] Disallowance amounts listed are approximate.

Party	Witness	Issue	Approximate Recommended Disallowance[8]
AXM	Nalepa	Concord Energy purchases during Winter Storm Uri	$16 million (Total Company)[9]
		Use of Gas Storage during Winter Storm Uri	$72.5 million (Total Company)
	Norwood	Replacement power for Tolk 2 during Winter Storm Uri	$26 million
		SPS's retention of 10% off-system sales margins during Winter Storm Uri	$12 million
OPUC	Tomczyk	Reduction to SPS Loss factors	$1.75 million
		SPS's retention of 10% off-system sales margins during Winter Storm Uri	$12 million
Staff	Gotora	SPS's retention of 10% off-system sales margins during Winter Storm Uri	$12 million

Q. Are you the only SPS witness who will be rebutting the Intervenor and Staff testimony?

A. No. SPS is presenting the rebuttal testimonies of eight witnesses in total. Table BAT-FR-R2 lists the other SPS rebuttal witnesses, along with a list of the topics each witness covers:

[9] Mr. Nalepa acknowledged that his proposed disallowance was calculated on a Total Company basis and he had not determined the Texas retail jurisdictional amount. Deposition of Karl Nalepa at 22-23 (attached as Exhibit BAT-FR-R3).

Table BAT-FR-R2

SPS Witness	Topics Addressed in Rebuttal Testimony
Bryan R. Davis	• SPS has accurately calculated its off-system sales margins for the Reconciliation Period; • SPS has a robust process to verify Power Pool settlement statement charges and credits; • Book losses reflect a subset of energy across the SPS system and are not an appropriate basis for loss factors; and • SPS's accounting and allocation of its fuel expenses, including resettlements, is consistent with generally accepted accounting principles ("GAAP"), FERC accounting rules, and Commission precedent, and should not be altered for Winter Storm Uri costs.
David A. Low	• SPS has robust procedures in place to prepare its generation fleet for severe winter events like Winter Storm Uri; and • SPS was diligent and prudent in the maintenance and operation of its generation fleet before and during Winter Storm Uri, particularly Tolk 2.
Jeffrey C. Haskins	• SPS should continue to retain 10% of its off-system sales margins; • The Commission's off-system sales margin sharing policy appropriately aligns utilities' interests with customers' interests, and SPS's actions during Winter Storm Uri are what the policy was intended to encourage; • SPS's prudent planning and preparations as well as prudent operations during Winter Storm Uri allowed it to serve its customers and make significant off-system sales that provided large offsets to costs for customers; • SPS used its Cost Calculator proprietary tool to accurately determine off-system sales margins for the reconciliation period; and • SPS did not purchase replacement power

SPS Witness	Topics Addressed in Rebuttal Testimony
	related to the derate of Tolk 2.
Richard L. Derryberry	• The prices SPS paid for purchases under contracts with Concord Energy were accurately reflected in the Schedules to SPS's Application; and • SPS prudently used gas storage during Winter Storm Uri, and additional injections would not have provided additional supply because SPS's withdrawals from storage were capped each day.
Michael E. Mally	• SPS's accounting and allocation of costs associated with Winter Storm Uri is consistent with standard accounting practice and Commission Rules; • SPS's allocation of costs between fuel classes is appropriate and reasonable, but SPS does not oppose the allocation of costs amongst fuel classes and sub classes using Production Month energy kWh sales so long as the Commission also adopts certain guardrails; and • SPS class allocation of Electric Commodity Trading Margin credits and proceeds from the sale of SO_2 emission allowances is reasonable and appropriate, but SPS takes no position regarding OPUC's recommendation on class allocation using at the source energy kWh sales.
Duane Ripperger	• The system losses SPS applied during the Reconciliation Period and reflected in its Application are calculations based on actual SPS system losses; therefore, they are reasonable and consistent with the Commission's rules.
Ruben Moreno	• SPS's actions in preparation for and during Winter Storm Uri were prudent; and • SPS's use of gas storage during Winter Storm Uri was prudent and reasonable in light of the information that was known and knowable at

SPS Witness	Topics Addressed in Rebuttal Testimony
	the time SPS prepared for, and during the course of, the storm.

IV. SPS ACTED PRUDENTLY PREPARING FOR AND OPERATING DURING WINTER STORM URI

Q. What is the appropriate standard of review for evaluating the prudency of a utility's decision.

A. As also described by Mr. Moreno in his direct and rebuttal testimony, the key to evaluating whether a utility like SPS has acted prudently, is to review what the utility knew or could have known at the time the decisions were made. The standard has been established by the Commission and the Texas courts as follows:

> [T]he exercise of that judgement and the choosing of one of that select range of options which a reasonable utility manager would exercise or choose in the same or similar circumstances given the information or alternatives available at the point in time such judgment is exercised or option is chose.[10]

In other words, the evaluation should not be based on hindsight review. That doesn't mean that hindsight review isn't conducted for the purposes of continuous learning within an organization; however, the appropriate basis for prudency review should be whether utility action was reasonable in light of the information known, or which should have been known, at the time of action was taken. Not the information known in a post-event analysis. This basis for the applicable standard of review in the context of Winter Storm Uri is relevant in evaluating the claims of

[10] *See Entergy Gulf States, Inc. v. Pub. Util. Comm'n of Tex.* 112 S.W.3d 208, 210 n. 2(Tex. App. – Austin 2002, pet. denied).

intervenors that SPS should have taken different actions in preparation for Winter Storm Uri, and the associated proposals for disallowances.

Q. Please describe Winter Storm Uri.

A. Winter Storm Uri was a significant winter weather event, the impacts of which were felt across Texas and much of the United States in February of 2021. The storm spread snowfall and damaging ice from the Northwest into the South, Midwest, and Northeast from around February 12 through February 16, 2021. Although the storm did not result in temperatures or precipitation that were significantly different from what is typically experienced in the SPS service territory during winter months, the impact in other areas, including the ERCOT region was far greater.

Coincident with Winter Storm Uri, the natural gas market experienced unprecedented decreases in natural gas supply availability, and in combination with a substantial increase in demand for natural gas and electricity, there was a dramatic short-term increase in natural gas prices across much of the central United States. SPS prepared prudently for the winter weather event by securing gas supplies for natural gas-fired generation facilities and ultimately maintained safe and reliable service; however, SPS was not immune to the impacts of the event on natural gas prices nor was SPS immune to the effects of operational challenges that natural gas infrastructure or other load-serving entities in the Power Pool would face. As also discussed by Mr. Moreno, market prices that were ultimately experienced during the event could not have been anticipated at the levels they ultimately reached.

Q. Why is the severe nature of Winter Storm Uri relevant to this proceeding?

A. The severe nature of Winter Storm Uri impacted oil and gas production in much of Texas. The majority of SPS's natural gas supply comes from Texas, Oklahoma, and New Mexico. As noted in the report prepared by the Federal Energy Regulatory Commission ("FERC") and North American Electric Reliability Corporation ("NERC") staff, at the height of Winter Storm Uri, the average decline in production of natural gas in these states was more than 60% due to well freeze offs and natural gas processing plant failures associated with extreme cold weather and power outages in ERCOT.[11] SPS was affected by the loss of physical gas supply and extreme prices that resulted from that loss of supply, but in keeping with SPS's activities to prepare for cold weather, SPS was properly prepared and was able to continue its operations, serve customers, and make additional sales into the Power Pool IM throughout the storm. Despite this preparation and continued service, Mr. Norwood supports his proposed disallowances by reviewing the outcome after the storm to claim SPS was not sufficiently prepared and could have done more. In addition, Mr. Norwood and the other parties argue that the extreme nature of the event alone is sufficient justification to deny SPS's retention of 10% of the margins realized from its off-system sales.

Q. How did SPS maintain and operate its plants prior to and during Winter Storm Uri?

A. As described in more detail in the direct testimony of Mr. Low, SPS has a robust process for maintaining its units to be sure they are prepared for operations in

[11] *The February 2021 Cold Weather Outages in Texas and the South Central United States*, FERC, NERC and Regional Entity Staff Report, November 16, 2021 at 174. https://www.ferc.gov/media/february-2021-cold-weather-outages-texas-and-south-central-united-states-ferc-nerc-and

various conditions. SPS invested in winterizing its units well before Winter Storm Uri and followed established checklists for cold weather preparations. During the storm, SPS personnel recognized the reliable operation of generation facilities would serve not only SPS Texas retail customers, but New Mexico retail customers, end-use customers of entities SPS provides wholesale production and transmission service to, as well as customers served by neighboring utilities and load serving entities throughout the 14-state footprint of the Power Pool. SPS employees were committed to ensuring generation units were online and available throughout the storm. As a company, we witnessed employees and contractors--without hesitation--taking individual actions to ensure the safe and reliable operations of the generation fleet.

Q. What steps did SPS take to manage gas supply and limit the economic impact to customers during Winter Storm Uri?

A. SPS prepares for safe and reliable operations in severe weather like Winter Storm Uri every year, beginning well before any single event. During the winter months, SPS's meteorologists monitor changes in weather to identify significant storms that could impact the SPS system. As further discussed by Mr. Derryberry in his direct and rebuttal testimony, as part of the normal course of business, SPS purchased baseload gas and had substantial gas in storage locked in at a pre-February price. Once SPS was aware of the potential severe weather predicted to occur during Winter Storm Uri, SPS put a plan in place to maximize storage inventories, purchased sufficient gas supplies to meet load demand throughout the President's Day holiday weekend, and worked with plants to switch to fuel oil to minimize the

need to purchase high priced gas during the storm. Although SPS experienced a disruption in gas supply, it was able to procure sufficient supply to keep critical natural gas-fired generation online throughout the event. Proactive preparations and real-time decisions and actions at generation facilities and in various operational departments enabled opportunities that limited the economic impact to customers, including the availability of generation units for off-system sales.

Q. In light of these facts, are Mr. Nalepa's criticisms of SPS's management of its gas supply during Winter Storm Uri and the proposed disallowances reasonable?

A. No. The proper review of the prudency and reasonableness of SPS's decisions should be based on what SPS knew or could have known at the time. SPS has demonstrated that it took all reasonable steps consistent with prudent utility operations in advance of a cold weather event. Mr. Nalepa's criticism of SPS's use of gas storage is based on a hindsight analysis which involves a misunderstanding of the limitations of gas storage. Further, Mr. Derryberry and Mr. Moreno explain why SPS's use of its gas storage was reasonable and prudent. Mr. Nalepa's bases for his proposed disallowances are without merit, in addition the numbers he provides are inflated because they are presented on a total company basis, and not specific to SPS's Texas retail jurisdiction.[12] In addition, Mr. Derryberry's rebuttal testimony demonstrates why, contrary to Mr. Nalepa's claims, SPS's purchases from Concord Energy were reasonable and accounted for correctly under the

[12] Deposition of Karl Nalepa at 22-23 (attached as Exhibit BAT-FR-R3).

different relevant contracts. Mr. Nalepa's recommendations are not based on the proper prudence analysis, nor the actual, unrefuted evidence SPS has presented and are not reliable.

Q. How did SPS's generation fleet perform during Winter Storm Uri?

A. As further discussed by Mr. Low in his direct and rebuttal testimony, SPS's generation fleet performed extremely well. SPS was able to run its coal units throughout the storm, including Tolk 2 which was converted from synchronous condenser operations prior to the storm so that it would be available to produce much needed power. As described in detail by Mr. Low, SPS's maintenance and repair of Tolk 2 meant it was available during Winter Storm Uri. While it was derated, the derate ensured the unit was able to reliably serve customers during the event. Due to the curtailment of gas supplies, SPS also cofired units at the Jones generation station and Plant X generation station with gas and fuel oil. Of the units that were available at the beginning of the storm, only Cunningham Unit 2 (192 megawatts) faced cold weather-related issues and was ultimately taken offline.

Q. In light of what you and other SPS witnesses have presented regarding the preparation and operation of SPS's fleet during Winter Storm Uri, is Mr. Norwood's criticisms and proposed disallowances reasonable?

A. No, they are not. Again, Mr. Norwood's review of SPS's actions is largely based on a hindsight analysis. SPS has established that it's actions to prepare for and operate during Winter Storm Uri were prudent and reasonable based on the historical experience during cold weather events and condition of the system before and during the storm. Even if a hindsight analysis were appropriate, it shows that

SPS's actions resulted in significant off-system sales, which contributed to significant reductions in customer costs. Mr. Norwood's proposed disallowance should also be disregarded because it is based on the supposed need to buy replacement power for reduced operations at Tolk 2. As detailed by Mr. Haskins, SPS did not purchase replacement power given it was producing more power than it needed to serve its load. Mr. Norwood's proposal is not logical or reasonable and the Commission should reject it.

A. Notice to SPS Customers

Q. Did SPS communicate with customers before and during Winter Storm Uri?

A. Yes. SPS sent notices before Winter Storm Uri arrived advising customers of the potential impacts of the storm. SPS also sent multiple notices during the storm to alert customers to regional power supply shortages, ultimately asking customers to conserve power, an action requested by the Power Pool to help ensure reliable operations in the larger Power Pool footprint. These notices are attached to my testimony as Attachment BAT-FR-R1.

Q. Please describe SPS's conservation notices to customers during Winter Storm Uri.

A. Based on the expected the widespread operational challenges I described above, SPS anticipated the Power Pool system conditions might deteriorate to emergency alert levels and therefore began requesting that customers conserve electricity. Said another way, operations on SPS's system were reliable and sufficient to balance the challenges of cold weather demand, but the same couldn't be said for the larger Power Pool region, primarily due to natural gas supply disruptions. SPS's February

14 communication noted power supplies on that day were adequate but reserve margins could decrease going forward. SPS stated that reduced demand would improve the chances of maintaining uninterrupted electricity supply.

As Power Pool system conditions did in fact deteriorate, the Power Pool (which dispatches a 14-state balancing area) declared an Energy Emergency Alert ("EEA") Level 2 on Monday, February 15, 2021 at 7:22 a.m. and remained at either EEA Level 2 or the more severe EEA Level 3 until Tuesday, February 16, 2021 at 12:31 p.m.[13] On February 15, SPS communicated to customers that it believed controlled outages would be forthcoming and warned customers of those circumstances and how to prepare. SPS again requested customers reduce electricity usage to help avoid further disruptions. Later in the day on February 15, SPS confirmed it had implemented controlled outages to customers and had restored service. SPS continued to communicate that controlled outages in the SPS region were ensuring the reliable operation of the larger Power Pool grid. See Attachment BAT-FR-R1.

EEA Level 2 was declared again later that day at 6:28 p.m. until Wednesday, February 17, 2021 at 1:15 p.m. EEA Level 3 was declared by the Power Pool during two periods – Monday, February 15, 2021 from 10:08 a.m. to

[13] According to the NERC reliability standards, EEA Level 2 means that load management procedures must be instituted because the balancing authority (i.e., Power Pool) is no longer able to provide its expected energy requirements; the balancing authority is energy deficient but is able to maintain minimum contingency reserve requirements. At EEA Level 3, firm load interruption is imminent or in progress because the balancing authority is no longer able to meet minimum contingency reserve requirements. State more plainly, at EEA Level 2, the system is endangered. At EEA Level 3, immediate action by those with responsibility to operate the grid to reduce meaningful amounts of load is necessary to keep the grid functioning. That load reduction is in the form of controlled outages.

2:00 p.m., and Tuesday, February 16, 2021 from 6:15 a.m. to 11:37 a.m. – and SPS implemented controlled outages on both days.

Q. Did SPS's conservation notices to customers during Winter Storm Uri discuss spikes in wholesale power prices? Why or why not?

A. No. The focus of conservation notices to customers during this time were appropriately focused on the operational threats to the larger electric system. SPS engages in conservation messaging during emergency situations where reliability and system integrity issues are or may be present. SPS's communications to customers during weather emergencies like Winter Storm Uri are focused on safety concerns and asking customers to conserve energy to avoid potential power shortages. SPS has not historically sent notices to customers related to high power prices.

Q. Does AXM witness Mr. Norwood suggest that SPS should have warned customers of high prices during the storm?

A. Yes. AXM witness Scott Norwood suggests that SPS did not take sufficient steps to mitigate costs during the storm in part because it did not warn customers of high power prices.[14] The communications from SPS to customers during the storm were quintessential examples of reliability-based conservation messaging during an operational emergency. Mr. Norwood presents no evidence that notices regarding spikes in power prices in addition to or in place of the conservation messages would have resulted in lower demand from customers.

[14] Norwood Direct at 8.

It should also be recognized that reliability-based conservation messaging purposefully calls for near-term behavioral changes from customers but not for extended durations of time. Even the controlled outages SPS ultimately needed to implement lasted generally for 30 or 60 minutes. In contrast, price-based conservation appeals would likely not have resulted in material economic benefits for customers particularly if only implemented on the short-term basis and because of the way fuel costs are recovered from retail customers. It is also unlikely that, for example, when faced with extreme cold temperatures and the need to stay safe and warm in their homes, customers would have reduced their usage in such a manner and for a duration of time long enough to materially reduce their incurred fuel costs.

Mr. Norwood agreed in his deposition it would be pure speculation as to whether any additional reduction in demand would have materialized with different notices.[15] The issuance of price-based conservation appeals during a time when SPS was managing the operational challenges experienced by the larger Power Pool footprint may have inserted additional risk to safe and reliable operations by confusing customers. When reliability-priced conservation appeals are issued, it is for reliability concerns and that concern should be clearly communicated to customers who might face a service interruption. A complicating factor for potential use of price-based conservation appeals is customers may be willing to pay the perceived costs during the event, unaware that their economic decisions

[15] Deposition of Scott Norwood at 110-111, 116 (attached as Exhibit BAT-FR-R4).

may have negative implications for the reliability of the grid and safety of utility operations. While the economic decision ultimately resides with individual customers, it illustrates the complexities and potential challenges of simultaneous conservation messaging for differing purposes. Mr. Norwood could not point to any other utility or region that sends notices to customers related to power prices instead of conservation messages related to reliability.[16]

Q. Did SPS see a reduction in demand as a result of the conservation notices to customers?

A. Yes. As detailed by Mr. Haskins in his rebuttal testimony, after notices to take conservation measures were sent to customers SPS saw less demand than had been forecast. Because customers were experiencing severely cold weather and therefore needed to heat their homes, it is unclear whether a message to customers about high power prices would have further reduced their energy consumption during such an extreme event. Even under an improper hindsight analysis, there's no clear evidence to support an argument that pricing messages would have improved outcomes. Given the benefit of the reduced demand that SPS *did* experience, introducing the potential for customer confusion from sending price-based conservation appeals would not have been a prudent utility practice. The safety of SPS customers was paramount in light of the extreme low temperatures and the challenging operational circumstances SPS faced as it was instructed to reduce load in its territory to support larger Power Pool operations. The potential

[16] Deposition of Scott Norwood at 113-114 (attached as Exhibit BAT-FR-4).

counterproductive nature of any long-duration, price-based conservation appeals made concurrently with the immediate need for reliability-based conservation appeals deterred SPS from considering such customer messaging.

Q. Does Mr. Norwood have a recommended disallowance associated with his criticism of SPS's messaging?

A. No. Although he seems to use his criticism to support his overall claim that SPS could have performed better during Winter Storm Uri, the disallowance he recommends is associated with the operation of Tolk 2 (which is addressed in more detail by Mr. Low, Mr. Haskins and Mr. Moreno).

Q. Do you agree with Mr. Norwood's criticism support any disallowance?

A. No. As I have explained, there is no evidence to suggest different messaging would have resulted in more demand reduction than the reductions SPS saw after sending its conservation messages. In fact, such messaging could have had the opposite effect or no effect at all. Given that context, Mr. Norwood's criticism is misplaced and does not support or warrant any disallowance for SPS.

B. Allocation of Winter Storm Uri Costs

Q. How does SPS allocate fuel and purchased power costs to customers?

A. SPS's allocates its fuel and purchased power costs based on customers' billed usage during the month in which the costs are recorded. As Mr. Davis explains, this methodology is also referred to as recording costs in the "Accounting Month."

Q. What changes has TIEC witness Mr. Pollock proposed regarding allocation of costs from Winter Storm Uri?

A. Mr. Pollock proposes allocating costs associated with Winter Storm Uri to customers based on the customers actual usage during February 2021, the timing of which would be referred to as "Production Month" in this context. He goes on to propose the Winter Storm Uri costs should be segregated and addressed in a separate proceeding.

Q. Is Mr. Pollock's proposal workable?

A. No. As further discussed by Mr. Mally and Mr. Davis, to reallocate the costs from Winter Storm Uri would be inconsistent with generally accepted accounting principles, the accounting treatment of all of SPS's other eligible fuel and purchased power costs, and the manner in which SPS allocates all other fuel costs to customers.

Q. Should the Winter Storm Uri costs recorded during the Fuel Reconciliation Period be addressed in this proceeding?

A. Yes. All costs recorded during the Reconciliation Period should be addressed in this proceeding consistent with the Commission's rules and to avoid any further regulatory uncertainty. Most of the costs SPS incurred associated with the storm were accounted for more than a year ago, and SPS should have certainty in how those costs are to be addressed.

V. NO GOOD CAUSE EXISTS TO DEVIATE FROM THE COMMISSION'S OFF-SYSTEM SALES MARGINS RULE.

Q. Please explain the significance of SPS's off-system sales.

A. SPS makes off-system sales when it sells power into the Power Pool IM above the amount of load on its system. Any margins from those sales are applied to offset costs to customers, except to the extent SPS is allowed to retain 10% of the margins pursuant to the Commission's criteria set out in its rules.

Q. Does SPS meet the Commission's criteria to retain 10% of its off-system sales margins?

A. Yes. Commission rule 16 TAC § 25.236(a)(9), expressly allows a utility to retain 10% of the off-system sales margins produced by its generating units:

> An electric utility may retain 10% of the margins from an off-system energy sales transaction if the following criteria are met:
> (A) the electric utility participates in a transmission region governed by an independent system operator or a functionally equivalent independent organization;
> (B) a generally-applicable tariff for firm and non-firm transmission service is offered in the transmission region in which the electric utility operates; and
> (C) the transaction is not found to be to the detriment of its retail customers.

As confirmed by Commission witness Ms. Gotora, SPS meets those criteria: SPS participates in the Power Pool, which is a Regional Transmission Organization that qualifies as a "functionally equivalent independent organization" of an independent system operator; Power Pool offers a generally applicable Open Access Transmission Tariff for firm and non-firm transmission service; and there has been no showing that any of the transactions with off-system sales margins were detrimental to retail customers.

Q. Do the Intervenor or Staff witnesses contend SPS has failed to satisfy one or more of the criteria listed in 16 TAC § 25.236(a)(9)?

A. No.

Q. What were the results of SPS's off-system sales during the Reconciliation Period?

A. SPS off-system sales produced significant margins during the Reconciliation Period resulting in more than $154 million in offsets to customers. SPS's off-system sales were particularly beneficial to customers in light of the increased costs during Winter Storm Uri, and they were also important to the reliable operation of the greater Power Pool system during Winter Storm Uri.

Q. Have any of the Parties' witnesses requested the Commission grant a good-cause exception to 16 TAC § 25.236(a)(9)?

A. Yes. The parties argue that a good cause exception to the Commission's off-system sales margin rule is justified to deny SPS the ability to retain 10% of margins related to sales made during Winter Storm Uri due to the extraordinary nature of the storm and the energy costs experienced.

Q. What bases do the Parties' witnesses provide to support their arguments that SPS should not be allowed to retain 10% of the margins from off-system sales made during Winter Storm Uri?

A. In support of their arguments that SPS should not be allowed to retain 10% of its off-system sales margins, Parties primarily point to two issues: 1. power prices for SPS's off-system sales spiked during the storm which resulted in larger than typical margins; and 2. fuel and purchased power costs to serve SPS customers spiked

significantly during the storm. Because of the increase in margins and costs, Parties argue SPS should not be allowed to retain 10% of the margins it realized during Winter Storm Uri as it would otherwise be permitted to do under the Commission's rules.

Q. Do you agree that as a result of an event which creates high wholesale power prices and fuel costs, SPS should not be allowed to retain 10% of its off-system sales margins?

A. No. A significant price event in and of itself does not justify a good cause exception to the Commission's rules to deny SPS the ability to retain a small portion of the margins realized from off-system sales. The rate impacts to SPS customers resulting from the recovery of Winter Storm Uri costs have already been moderated by extending the period customers will pay the associated surcharge.[17] SPS has agreed to extend the collection of Winter Storm Uri expenses from 12 months as provided for under the Commission's rules, to a 30-month period without interest.[18]

SPS's strong performance during the storm put it in the position to make substantial off-system sales and therefore realize margins of approximately $120 million (Texas Retail), 90% of which were applied to offset customer costs. To deny SPS's ability to retain just 10% of the margins will act as a disincentive to SPS and other utilities in the future to make every reasonable effort to be ready and available to provide power above and beyond the need to serve its own load. SPS's

[17] *Application of Southwestern Public Service Company to Implement an Interim Net Surcharge for Under-Collected Fuel Costs*, Docket No. 52210, Complete Unanimous Stipulation (Jul. 29, 2022).

[18] *Id.*

off-system sales not only resulted in a significant decrease in costs to its customers, but also supported the reliable operation of the Power Pool grid as a whole. Further, SPS made decisions, particularly as it relates to its risks, in light of the Commission's prior finding that it meets the criteria under the Commission's rules to be able to retain 10% of the margins from its off-system sales. It is inconsistent with good public policy to punish SPS's stellar performance which resulted in large margins and customer benefits, and reverse course after the fact to deny SPS the ability to retain just 10% of those margins.

Q. What other arguments are raised by the parties?

A. TIEC witness Mr. Griffey makes the same argument he has made unsuccessfully in the past, that the Commission's rule on off-system sales margins is outdated and no longer needed. In particular, Mr. Griffey claims that because of the Power Pool's IM, no incentive is needed for SPS to make off-system sales.

Q. Does the retention of 10% of margins encourage off-system sales?

A. Yes. SPS takes every reasonable action to ensure its units are available and operating. As explained in greater detail in the rebuttal testimony of Mr. Haskins, the combination of SPS's available units and the way they are offered into the market helps to maximize the opportunity to make off-system sales, but also involves risk. The ability to retain 10% of margins helps to mitigate the risks SPS takes on to make those sales.

Q. Do you agree with Mr. Griffey that the Commission's off-system margins rule is "antiquated"?

A. No. Mr. Griffey claims it is antiquated because SPS participates in the Power Pool IM and its off-system sales are not pursuant to bilateral contracts but based on market sales. In the Power Pool IM, SPS must offer all of its available power into the market, which Mr. Griffey claims is done without any discretion. As Mr. Haskins explains in his rebuttal testimony, SPS does have discretion over how and when to offer its units into the market and the retention of margins does act as an incentive to make off-system sales. So, although SPS does not make off-system sales through bilateral contracts as it did prior to the implementation of the IM, SPS does takes steps which impact the extent of its off-system sales and the size of the associated margins.

Q. Is this proceeding the appropriate venue to challenge the validity of the Commission's rules?

A. No. If Mr. Griffey and TIEC believe the Commission's rule should be changed, there is a process to request a Commission rule change. Both SPS and Southwestern Electric Power Company have operated within the Power Pool IM, which has been in place since 2014, and the Commission has approved both utilities' eligibility to retain 10% of margins during that time. The Commission has not taken any action to amend or change the applicability of its rule, and this contested proceeding is not the appropriate place to litigate TIEC's proposal.

Q. Should the Commission allow SPS to retain 10% of its off-system sales during Winter Storm Uri?

A. Yes. SPS meets all of the criteria under the Commission's rules, and the parties have not presented any legitimate justification to deny SPS the ability to retain 10%

of its off-system sales margins. The retention of the 10% in margins from off-system sales maintains the correct incentive for a utility that kept the power on for customers during an extreme weather event and offset their costs.

VI. SPS'S APPROVED LINE LOSS FACTORS ARE THE MOST ACCURATE REPRESENTATION OF ITS ACTUAL SYSTEM LOSSES

Q. What are the Commission's requirements for use of line loss factors for purposes of recovery of fuel expense?

A. Commission rule 16 TAC § 25.237(a)(1) requires a utility's fuel factors to "account for system losses and for the difference in line losses corresponding to the voltages at which the electric service is provided."

Q. What line loss factors did SPS use in the Fuel Reconciliation Application?

A. SPS used the line loss factors initially approved by the Commission in Docket No. 47527. Those factors were determined in a line-loss study submitted in that proceeding.

Q. Do the book losses shown in SPS's Schedule FR-4.1 reflect SPS's actual system losses? Please explain.

A. No. As further explained by Mr. Ripperger and Mr. Davis, there is a distinct difference between the SPS's actual system losses determined through a line loss study, and the "book losses" reflected on Schedule 4.1 and SPS's FERC Form 1. In particular, the information provided in Schedule 4.1 only reflects a subset of the power that flows across the SPS system and therefore the book losses are not SPS's actual system losses.

Q. In light of those differences, is it appropriate to use the book losses reflected in Schedule 4.1 to determine the loss factors to be applied during the Fuel Reconciliation Period, as proposed by OPUC witness Ms. Tomczyk?[19]

[19] Tomczyk direct at 14-20.

A. No. What Ms. Tomczyk proposes is contrary to the Commission rules and does not reflect the actual losses SPS experiences on its system. Even Ms. Tomczyk admits she is unaware of any instance where the Commission has used loss factors based on something other than a loss study.[20]

Q. Are other parties opposed to Ms. Tomczyk's proposal?

A. Yes. Ms. Tomczyk's proposal is opposed by TIEC witness Mr. Pollock. In his cross-rebuttal testimony, Mr. Pollock points to the fact that Ms. Tomczyk's proposal would seek to impose improperly calculated loss factors that are different from the loss factors that were in place during the Reconciliation Period.[21]

Q. Is it appropriate to change the loss factors in SPS's fuel factors on a retroactive basis?

A. No. The Commission's rules provide that the establishment of fuel factors must include system losses. Fuel factors are determined based on a utility's "projected" net eligible fuel expenses.[22] So the loss factors are determined and applied within the fuel factors which are used prospectively to recover SPS's projected costs. To change the loss factors on a retrospective basis is at odds with the plain meaning and intent of the Commission's rules. Again, Ms. Tomczyk admitted in discovery that she is unaware of a time when the Commission had revised loss factors during a fuel reconciliation proceeding, nor an instance where the Commission changed

[20] *See* Attachment BAT-FR-R2, OPUC's Response to Question No. SPS-OPUC 1-11.

[21] Cross-Rebuttal Testimony of Jeffry C. Pollock at 2.

[22] 16 Tex. Admin. Code § 25.237(a)(1).

loss factors retroactively.[23] Ms. Tomczyk's proposal by her own admission is something out of step with Commission rules and practice.

Q. Does SPS have plans to change its loss factors?

A. Yes. As part of the settlement reached in SPS's most recent base rate case, SPS agreed to prepare and file an updated line loss study.[24] SPS has prepared the study and plans to file it with the Commission before the end of the year so it can be incorporated into SPS's fuel factors on a prospective basis. As noted by Mr. Ripperger in his rebuttal testimony, the loss factors are consistent with those SPS has established through prior loss studies.

Q. Should SPS's line loss factors be reduced in this proceeding?

A. No. Ms. Tomczyk's proposal would retroactively apply revised loss factors using calculations that do not reflect SPS's actual system losses. Therefore, Ms. Tomczyk's proposal is contrary to the Commission's rules and should be rejected.

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

A. Yes.

[23] *See* Attachment BAT-FR-R2, OPUC's Responses to Question Nos. SPS-OPUC 1-10 and 1-13.

[24] *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 51802, Order at Finding of Fact No. 103 (May 20, 2022).

AFFIDAVIT

STATE OF TEXAS)
)
COUNTY OF POTTER)

BROOKE A. TRAMMELL, first being sworn on her oath, states:

I am the witness identified in the preceding testimony. I have read the direct testimony and the accompanying attachments 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.

BROOKE A. TRAMMELL

Subscribed and sworn to before me this 1st day of August 2022 by BROOKE A. TRAMMELL.

CINDY BAEZA
Notary Public, State of Texas
Comm. Expires 10-06-2024
Notary ID 130783650

Notary Public, State of Texas
My Commission Expires: 10-06-2024

CERTIFICATE OF SERVICE

I certify that on the 10th day of August 2022, a true and correct copy of the foregoing instrument was served on all parties of record by email.

Andrea Moore Stover

Xcel Energy Media Relations
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Amarillo, TX 79101
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Xcel Energy prepares for extreme cold across area

Company employees ready the grid for expected rise in demand, potential outages

AMARILLO, Texas (Feb. 11, 2021) – Xcel Energy is preparing for record-setting cold temperatures by bringing all available power plants online to meet an expected increase in demand, staging operational resources in central areas for quick power restorations and reminding customers of the tools they have to communicate with the company in the event of outages.

"This is the coldest weather we've seen in our region in 10 years, and we've made a lot of changes since then to harden the grid against extreme temperatures," said David Hudson, president, Xcel Energy – New Mexico, Texas. "Even so, service disruptions could still be possible. We've been organizing all week to ensure our resources are staged across the area to respond as quickly as possible in the event of power outages and to ensure our supplies of electricity are adequate to meet the higher demand."

Xcel Energy owns a fleet of generating stations that can supply the needs of area customers and has invested in new lines that connect the region with a wider power market, enabling the company to import additional electricity. Power supplies are tightening across the U.S. as much of the nation is expected to be affected by extreme cold, Hudson said, but Xcel Energy and regional utilities still expect to be able to meet the demand.

Consistent peaks in demand and icing on overhead power lines can sometimes overload local distribution lines and transformers, so Xcel Energy crews and contractors will be on call across the region to move in quickly should this occur. Contract crews will be shifted to key areas across the region, and the company is reaching out to local support such as heavy equipment operators and towing companies to assist if heavy snow strands any of Xcel Energy's work vehicles. As always, the safety of employees and the public will be the company's No. 1 priority in working power outages, and the company will continue to prioritize jobs that restore the most customers at a time in the safest way possible.

Though Xcel Energy is not expecting major service disruptions, customers should still be prepared with flashlights, food, water, warm clothes and blankets should power outages occur. Xcel Energy recommends customers download the free Xcel Energy app, available through the Apple store and Google Play, which allows customers to report and track outages easily. Customers may also report outages by calling 1-800-895-1999 or through the My Account feature at xcelenergy.com.

– More –

Xcel Energy prepares for extreme cold across area

"Most importantly, it's critical that we make safety a top priority. If you see downed lines, stay away from them and report the location to us as soon as possible," Hudson said. "And let's remember to check on neighbors who are elderly or sick to make sure they are staying warm and have everything they need."

About Xcel Energy

Xcel Energy (NASDAQ: XEL) provides the energy that powers millions of homes and businesses across eight Western and Midwestern states. Headquartered in Minneapolis, the company is an industry leader in responsibly reducing carbon emissions and producing and delivering clean energy solutions from a variety of renewable sources at competitive prices. For more information, visit xcelenergy.com or follow us on Twitter and Facebook.

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Feb. 14, 2021

Xcel Energy asks customers to curb electricity use

AMARILLO – Xcel Energy is asking electric customers to conserve energy because of expected high electric demand overnight and on Monday as regional temperatures dip to historic lows.

The company urges customers to limit their power use in order to conserve electricity as power supplies tighten in the multistate region served by the Southwest Power Pool, of which Xcel Energy is a member. Currently, power supplies are adequate, but it is possible that reserve margins could tighten further as temperatures become even more frigid overnight and into Monday.

Ways customers can help prevent power emergencies include:

- Turn down thermostats to 68 degrees.
- Close shades and blinds to reduce the amount of heat lost through windows.
- Turn off and unplug non-essential lights and appliances.
- Avoid using large appliances (ovens, washing machines, etc.).
- Businesses should minimize the use of electric lighting and electricity-consuming equipment as much as possible.
- Large consumers of electricity should consider shutting down or reducing non-essential production processes.

“All the central U.S. is experiencing historically low temperatures, and every available power plant is being called into service,” said David Hudson, president, Xcel Energy – New Mexico, Texas. “If we work together to reduce demand, we’ll improve our chances of keeping the power flowing through the worst of this weather. We are seeing similar notices across Texas as record-breaking energy usage is occurring.”

Xcel Energy anticipates strong demand throughout the early part of this week and will communicate any further needs to conserve electricity later on Monday.

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Xcel Energy, area electric co-ops and municipals continue urging conservation as more outages likely

AMARILLO, Texas (Feb. 15, 2021) – Additional curtailment of natural gas to regional power plants is setting up another possible round of controlled outages in Xcel Energy's Texas-New Mexico service area into the morning hours on Tuesday.

Xcel Energy and the electric cooperatives* in the Texas South Plains, Texas Panhandle and eastern and southeastern New Mexico regions, along with municipal systems such as Lubbock Power & Light, have extended appeals to area electric customers to back off their use of electricity to help avoid further disruptions.

Extreme cold weather has created energy deficiencies not only on Xcel Energy's regional system but in the Southwest Power Pool's (SPP) region as well. SPP manages the electric grid across 17 central and western U.S. states and provides energy services on a contract basis to customers in both the Eastern and Western Interconnections. SPP and Xcel Energy declare an Energy Alert only when a reduction in electricity use is urgently needed to maintain the continuity of the electricity system and service to customers.

"We are watching the situation very closely but believe it's likely SPP will direct Xcel Energy to initiate controlled outages based on current and anticipated system conditions," said David Hudson, president, Xcel Energy – New Mexico, Texas. "We will have a clearer picture of the situation in the morning but want area customers to be prepared for an additional round of controlled outages that would be initiated to maintain the continuity of the system."

Hudson said natural gas production is off because of the extreme cold, and supplies are freezing up in the wellfields, limiting the amount of gas that can be delivered over pipelines to power plants across the region and beyond. This is occurring across multiple states, including all of Texas.

Controlled outages last between 30 minutes to an hour and are spread over the entire footprint of the company's Texas-New Mexico area in order to minimize disruptions. As the controlled outage is cycled, a different group of customers will be interrupted in the subsequent set.

Suggestions on how customers can reduce electric load to help stretch limited power supplies include:

- Set thermostats to 68 degrees or lower.
- Open drapes and blinds to maximize heat from direct sunlight. Otherwise, close them to insulate warm air inside from the cold windowpanes.
- Run ceiling fans in a clockwise direction to push warm air down from the ceiling, adding comfort and savings.
- Keep interior doors open to help circulate air more freely and maintain constant heating levels.
- Suspend use of electrical appliances (dishwashers, washing machines, clothes dryers, vacuum cleaners, etc.).
- Put off tasks at work, if possible, that would demand electricity (power tools, maintenance equipment, etc.).
- Turn off televisions and electronic equipment unless they are necessary to conduct business or to ensure your health and safety.
- Limit the opening and reopening of refrigerators, which are major users of electricity in most homes.
- Turn off unnecessary lighting, leaving on only enough to move about safely indoors.

Xcel Energy indicates that, if customers do not reduce their use, electricity demand may exceed the amount of electricity the company will be able to supply. Failure to reduce electricity demand could result in controlled electric service interruptions within the region.

** Electric cooperatives in the Texas South Plains, Texas Panhandle and eastern and southeastern New Mexico regions include:*

- Bailey County Electric Cooperative Association (Texas)
- Big Country Electric Cooperative, Inc. (Texas)
- Deaf Smith Electric Cooperative, Inc. (Texas)
- Greenbelt Electric Cooperative, Inc. (Texas)
- Lamb County Electric Cooperative, Inc. (Texas)
- Lighthouse Electric Cooperative, Inc. (Texas)
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- South Plains Electric Cooperative, Inc. (Texas)
- Swisher Electric Cooperative, Inc. (Texas)
- Central Valley Electric Cooperative (New Mexico)
- Farmers Electric Cooperative (New Mexico)
- Roosevelt County Electric Cooperative (New Mexico)
- Lea County Electric Cooperative (New Mexico)

Xcel Energy, area municipals and co-ops declare energy emergency, initiate controlled outages

AMARILLO, Texas (Feb. 15, 2021) – Extreme cold has slowed the flow of natural gas fuel to power plants in the central U.S. including Xcel Energy power plants in Texas and New Mexico, limiting output at a time of record energy demand.

To protect the regional grid and maintain reliability, Xcel Energy, along with area electric co-ops and municipal utilities such as Lubbock Power & Light that purchase electricity from Xcel Energy, have been forced to interrupt power to pre-selected electric circuits for up to one hour at a time until system conditions improve.

More than one service interruption may be possible. There is no need to report an outage during a controlled outage event. If customers experience a service interruption of more than one hour they should contact 1-800-895-1999 or report the outage at xcelenergy.com or through the Xcel Energy customer app.

"These temporary, controlled power outages help bring balance to the supply and demand of electricity in the market," said David Hudson, president, Xcel Energy – New Mexico, Texas. "Xcel Energy uses controlled outages as a last resort, and regrets that the extreme conditions today have led to these interruptions in service."

Xcel Energy is a member of the Southwest Power Pool (SPP), which manages the electric grid across 17 central and western U.S. states and provides energy services on a contract basis to customers in both the Eastern and Western Interconnections. Xcel Energy initiated controlled outages after SPP called on its members to relieve loading on the central U.S. grid, affecting electric customers in multiple states.

Xcel Energy has notified local governments and law enforcement officials so they can be prepared to direct vehicular traffic if traffic signals are affected.

"We appreciate the patience and understanding of our customers at this time," Hudson said. "We can see real-time at our control center that customers are conserving energy and we are encouraged by the regional spirit in helping each other out in this emergency situation."

ENERGY ALERT CONTINUES, CONSERVATION URGED

AMARILLO, Texas (Feb. 15, 2021) – Xcel Energy urges customers to continue to conserve electricity through Wednesday as extreme cold weather grips the area, creating heavy use of the regional power supply.

Some customers experienced a power outage today when the Southwest Power Pool (SPP) indicated an urgent reduction in electricity use was needed to maintain continuity of the electricity system and service to customers. Power has been restored to those customers, but there continues to be a potential for controlled outages of 35-45 minutes.

"We appreciate the patience and understanding of our customers," said David Hudson, president, Xcel Energy - New Mexico, Texas. "We have seen in real-time at our control center that customers are conserving energy and we are encouraged by the regional spirit in helping each other out in this extreme weather event. We are continuing our public appeal for our customers to turn off lights and appliances unless it would harm their health."

Failure to reduce electricity demand still presents the threat of having to initiate rotating controlled electric service interruptions within the region.

Should controlled outages become necessary, Xcel Energy expects the intentional outages to last between 35 and 45 minutes. Customers are encouraged to only report a power outage lasting longer than 60 minutes using Xcel Energy's automated phone system or mobile app.

Suggestions on how reduce electric load include:

- Set thermostats to 68 degrees or lower.
- Open drapes and blinds to maximize heat from direct sunlight. Otherwise, close them to insulate warm air inside from the cold windowpanes.
- Run ceiling fans in a clockwise direction to push warm air down from the ceiling, adding comfort and savings.
- Keep interior doors open to help circulate air more freely and maintain constant heating levels.
- Suspend use of electrical appliances (dishwashers, washing machines, clothes dryers, vacuum cleaners, etc.).
- Put off tasks at work, if possible, that would demand electricity (power tools, maintenance equipment, etc.).
- Turn off televisions and electronic equipment unless they are necessary to conduct business or to ensure your health and safety.
- Limit the opening and reopening of refrigerators, which are major users of electricity in most homes.
- Turn off unnecessary lighting, leaving on only enough to move about safely indoors.

Xcel Energy offers more tips for saving money and energy at xcelenergy.com. The company also offers incentives and rebates customers can use to make their homes and businesses more efficient. Information on these programs can be found at www.xcelenergy.com by selecting the "Programs & Rebates" link at the top of the homepage.

Xcel Energy joins electric cooperatives in the Texas South Plains, Texas Panhandle and eastern and southeastern New Mexico regions in declaring an Energy Alert urging customers to cut back on their use of electricity.

SPP manages the electric grid across 17 central and western U.S. states and provides energy services on a contract basis to customers in both the Eastern and Western Interconnections.

Xcel Energy, area electric co-ops and municipals continue urging conservation as more outages likely

AMARILLO, Texas (Feb. 16, 2021) – Power plant operations across the central U.S. are still hampered by limited natural gas supplies, which could lead to additional controlled outages in multiple states and in Xcel Energy's Texas-New Mexico service area on Wednesday.

Because of this continued tight supply of electricity, Xcel Energy and the electric cooperatives* in the Texas South Plains, Texas Panhandle and eastern and southeastern New Mexico regions, along with municipal systems such as Lubbock Power & Light, have extended appeals to area electric customers to reduce energy use and help avoid further disruptions.

Xcel Energy, area municipals and co-ops declare energy emergency, initiate controlled outages

AMARILLO, Texas (Feb. 16, 2021) – Persistent deficiencies in natural gas supplies that fuel power plants in the central U.S., including Xcel Energy power plants in Texas and New Mexico, are threatening area utilities' ability to meet customer demand.

To protect the regional grid and maintain reliability, Xcel Energy, along with area electric co-ops and municipal utilities such as Lubbock Power & Light that purchase electricity from Xcel Energy, have been forced to interrupt power to pre-selected electric circuits for up to one hour at a time until system conditions improve.

More than one service interruption may be possible. There is no need to report an outage during a controlled outage event. If customers experience a service interruption of more than one hour they should contact 1-800-895-1999 or report the outage at xcelenergy.com or through the Xcel Energy customer app.

"Natural gas production is off because of the extreme cold, and supplies are freezing up in the wellfields, limiting the amount of gas that can be delivered over pipelines to power plants across the region and beyond. This is occurring across multiple states, including all of Texas." said David Hudson, president, Xcel Energy – New Mexico, Texas.

Xcel Energy is a member of the Southwest Power Pool (SPP), which manages the electric grid across 17 central and western U.S. states and provides energy services on a contract basis to customers in both the Eastern and Western Interconnections. Xcel Energy initiated controlled outages after SPP called on its members to relieve loading on the central U.S. grid, affecting electric customers in multiple states.

Xcel Energy has notified local governments and law enforcement officials so they can be prepared to direct vehicular traffic if traffic signals are affected.

Controlled outages last between 30 minutes to an hour and are spread over the entire footprint of the company's Texas-New Mexico area in order to minimize disruptions. As the controlled outage is cycled, a different group of customers will be interrupted in the subsequent set.

"We appreciate everything our customers are doing to conserve energy, and we know these power issues are disruptive," Hudson said. "As the temperatures warm, we expect the system to recover quickly and in the meantime are doing everything we can to stretch fuel supplies for our generating fleet in this region."

Xcel Energy initiated a round of controlled outages this morning and stopped once conditions improved in the afternoon. Currently there are no controlled outages being initiated in the area. These outages can last at least an hour and are spread over the entire footprint of the company's Texas-New Mexico area in order to minimize

disruptions. As the controlled outage is cycled, a different group of customers will be interrupted in the subsequent set.

"We want to thank our customers for their patience as we implemented controlled outages today to protect the electric grid from widespread damage," Hudson said. "We know it's difficult to be without service when it is extremely cold, and we would not have taken these actions if we had other options."

** Electric cooperatives in the Texas South Plains, Texas Panhandle and eastern and southeastern New Mexico regions include:*

- Bailey County Electric Cooperative Association (Texas)
- Big Country Electric Cooperative, Inc. (Texas)
- Deaf Smith Electric Cooperative, Inc. (Texas)
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- Swisher Electric Cooperative, Inc. (Texas)
- Central Valley Electric Cooperative (New Mexico)
- Farmers Electric Cooperative (New Mexico)
- Roosevelt County Electric Cooperative (New Mexico)
- Lea County Electric Cooperative (New Mexico)

Xcel Energy, area electric co-ops and municipals continue urge continued conservation Thursday

AMARILLO, Texas (Feb. 17, 2021) – Slight improvements in natural gas fuel deliveries to power plants and conservation by customers of Xcel Energy and other utilities helped prevent controlled outages on Wednesday across the Panhandle and South Plains regions of Texas and eastern and southeastern New Mexico.

Even so, electricity supply remains extremely tight through at least Thursday. Xcel Energy, regional electric cooperatives and municipal systems such as Lubbock Power & Light, are extending appeals to area electric customers to reduce energy use through Thursday and help avoid further disruptions.

"Electric customers have done a fantastic job responding to calls for energy conservation, and we can see the results as morning peak energy use has fallen," said David Hudson, president, Xcel Energy – New Mexico, Texas. "The natural gas delivery issues are still persisting, however, and we're expecting another night of really low temperatures. It's critical that we continue conserving electricity until producers can get the gas flowing again as temperatures begin to rise."

Hudson said natural gas production is off because of the extreme cold, and supplies are freezing up in the wellfields, limiting the amount of gas that can be delivered over pipelines to power plants across the region and beyond. This is occurring across multiple states, including all of Texas.

"We are so appreciative of the sacrifices our customers have made the past few days, especially their willingness to turn down heat to help preserve the continuity of the power grid," Hudson said. "Their efforts have really paid off."

** Electric cooperatives in the Texas South Plains, Texas Panhandle and eastern and southeastern New Mexico regions include:*

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- Lea County Electric Cooperative (New Mexico)

Xcel Energy, area electric co-ops and municipals de-escalate emergency status to conservative operations

AMARILLO, Texas (Feb. 18, 2021) – Significant improvements in generation resources in the Southwest Power Pool footprint have led the SPP, Xcel Energy and other regional utilities to downgrade the energy emergency status.

But Xcel Energy cautions that regional power plants are still experiencing natural gas curtailments, and customers are still encouraged to continue conserving power as the system recovers into the weekend. At the present time Xcel Energy does not anticipate any more controlled outages. Even so, electricity demand is high with low temperatures and not all resources are able to run due to natural gas scarcity.

Xcel Energy, regional electric cooperatives and municipal systems such as Lubbock Power & Light, have entered conservative operations, meaning that the power generating fleet will continue operating at capacity unless emergency repairs are needed, and maintenance on key transmission lines will be delayed until seasonal temperatures allow for normal operations.

"The power pool has regained generation in other states, meaning they can operate the integrated electrical system at a higher capacity to meet electricity demand that is still high because of cold temperatures," said David Hudson, president, Xcel Energy – New Mexico, Texas. "This coupled with an outstanding effort on the part of area electric customers to conserve energy has improved the outlook considerably. We're extremely grateful for the patience and action of our customers during this trying time.

"However, we are still asking for customer conservation as natural gas supplies to area power plants are still being curtailed until the natural gas pipelines build back their pressures."

** Electric cooperatives in the Texas South Plains, Texas Panhandle and eastern and southeastern New Mexico regions include:*

- Bailey County Electric Cooperative Association (Texas)
- Big Country Electric Cooperative, Inc. (Texas)
- Deaf Smith Electric Cooperative, Inc. (Texas)
- Greenbelt Electric Cooperative, Inc. (Texas)
- Lamb County Electric Cooperative, Inc. (Texas)
- Lighthouse Electric Cooperative, Inc. (Texas)
- Lyntegar Electric Cooperative, Inc. (Texas)
- North Plains Electric Cooperative, Inc. (Texas)
- Rita Blanca Electric Cooperative, Inc. (Texas)
- South Plains Electric Cooperative, Inc. (Texas)
- Swisher Electric Cooperative, Inc. (Texas)
- Central Valley Electric Cooperative (New Mexico)
- Farmers Electric Cooperative (New Mexico)
- Roosevelt County Electric Cooperative (New Mexico)
- Lea County Electric Cooperative (New Mexico)

Southwest Power Pool, Xcel Energy and regional cooperative utilities return to normal operations

AMARILLO, Texas (Feb. 21, 2021) – The Southwest Power Pool moved to normal operating status at 10 p.m. Saturday, signaling the end of a power emergency across its 14-state footprint that includes Xcel Energy's Texas and New Mexico service area along with regional electric cooperatives and municipal utilities.

"We are relieved this emergency is behind us and grateful for the support and understanding of our customers who conserved energy through a long and frigid week," said David Hudson, president, Xcel Energy – New Mexico, Texas. "Likewise, our power plant workers did an amazing job generating electricity in the harshest of conditions with limited supplies of fuel, sparing us from the lengthy outages experienced in other parts of the state."

The Southwest Power Pool directed Xcel Energy to initiate two brief rounds of controlled outages on Feb. 15 and 16 when customer demand exceeded available energy resources in the SPP area. Both rounds of controlled outages were limited to the morning hours, with most affected customers experiencing outages of one and one-half hour or less. Enough power plants were available to meet the demand, but many did not have an adequate supply of fuel after regional natural gas production dropped sharply in the frigid cold.

"We will work with our suppliers and regulators to identify the problems that led to these fuel shortages and take steps to ensure they are corrected," Hudson said. "This was an unusual weather event but it can happen again. We deeply appreciate our customers' efforts to conserve energy to help preserve the bulk electric system."

SOAH Docket No. 473-22-1801
PUC Docket No. 53034
OPUC's Response to Southwestern Public Service Company's First Request for Information

SPS-OPUC 1-10:

To your knowledge, has the Commission ever modified line-loss factors during a fuel reconciliation proceeding? If the answer is yes, please provide the docket number(s).

RESPONSE:

No.

Prepared by: Laurie Tomczyk

Sponsored by: Laurie Tomczyk

SOAH Docket No. 473-22-1801
PUC Docket No. 53034
OPUC's Response to Southwestern Public Service Company's First Request for Information

SPS-OPUC 1-11:

To your knowledge, has the Commission ever modified line-loss factors based on something other than a line-loss study? If the answer is yes, please provide the docket number(s) and an explanation of the basis for the line-loss factors.

RESPONSE:

No.

Prepared by: Laurie Tomczyk

Sponsored by: Laurie Tomczyk

SOAH Docket No. 473-22-1801
PUC Docket No. 53034
OPUC's Response to Southwestern Public Service Company's First Request for Information

SPS-OPUC 1-13:

Is Ms. Tomcyzk aware of any instances where any state utility commission has retroactively modified line-loss factors? If the answer is yes, please provide the relevant final order.

RESPONSE:

No.

Prepared by: Laurie Tomczyk

Sponsored by: Laurie Tomczyk

SOAH DOCKET NO. 473-22-1801

PUC DOCKET NO. 53034

APPLICATION OF SOUTHWESTERN PUBLIC SERVICE COMPANY FOR AUTHORITY TO RECONCILE FUEL AND PURCHASED POWER COSTS	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS

ORAL DEPOSITION OF

KARL J. NALEPA

Tuesday, August 2, 2022

(Contains Confidential Portions)

ORAL DEPOSITION of KARL J. NALEPA, produced as a witness at the instance of the Applicant and duly sworn, was taken in the above-styled and numbered cause on Tuesday, August 2, 2022, from 1:00 p.m. to 3:58 p.m., before Lorrie A. Schnoor, Certified Shorthand Reporter in and for the State of Texas, Registered Diplomate Reporter and Certified Realtime Reporter, reported by computerized stenotype machine at the offices of Baker Botts, L.L.P., 98 San Jacinto Boulevard, Suite 1500, Austin, Texas 78701, pursuant to the Texas Rules of Civil Procedure and the provisions stated on the record or attached hereto.

A Correct.
Q And those dates -- you picked those dates because those were days where the prices at those hubs had spiked as a result of the storm and the freeze offs that were happening in part of the country. Correct?
A Yes. Yes.
Q Okay. I'm going to switch gears just a little bit. On Page 3 of your testimony --
A Page 3, uh-huh.
Q Uh-huh -- you under -- underneath the question that asks you to summarize your recommendations, you point to -- you have three points that you make, the first one being that you recommend that the attendant cost impact of $16,227,400 be removed from eligible fuel costs in February 2021. This is for SPS. Correct?
A That's correct.
Q Is that number a total company number, or has that been adjusted for Texas jurisdictional purposes?
A Let me think about that. That came from the Company's schedules, which I believe those -- actually, I believe those are total company, but I'd have to double-check the schedule.
Q Okay. Do you recall doing any calculation to determine what the Texas jurisdictional number would be?
A Yes, and that's why I'm trying to remember

which number that is, but I was aware of the Texas jurisdictional numbers from the schedules.

Q Okay. Did you include the Texas jurisdictional number for this recommendation anywhere in your testimony?

A Yeah, I don't know. I'd have to go -- I'd have to look.

Q Okay. Do you want to take a minute and see if you can --

A Sure.

(Pause)

No, I think these are total company numbers.

Q Okay. So, again, on Page 3, your second recommendation starting on Line 10 -- actually, I'm starting to read here on Line 12 -- it says: After increasing the amount of gas in storage and recalculating the spot purchases, I recommend that SPS's eligible fuel costs in February 2021 be reduced by $72.5 million. That's a total company number. Is that correct?

A Yes. Again, I'm thinking about the storage contract. If that's a total company, then that would be a total company number, correct.

Q Okay. Do you intend to supplement your

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PUC DOCKET NO. 53034

APPLICATION OF SOUTHWESTERN PUBLIC SERVICE COMPANY FOR AUTHORITY TO RECONCILE FUEL AND PURCHASED POWER COSTS	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS

ORAL DEPOSITION OF

SCOTT NORWOOD

Thursday, August 4, 2022

ORAL DEPOSITION of SCOTT NORWOOD, produced as a witness at the instance of the Applicant and duly sworn, was taken in the above-styled and numbered cause on Thursday, August 4, 2022, from 9:00 a.m. to 12:36 p.m., before Lorrie A. Schnoor, Certified Shorthand Reporter in and for the State of Texas, Registered Diplomate Reporter and Certified Realtime Reporter, reported by computerized stenotype machine at the offices of Baker Botts, L.L.P., 98 San Jacinto Boulevard, Suite 1500, Austin, Texas 78701, pursuant to the Texas Rules of Civil Procedure and the provisions stated on the record or attached hereto.

hour before the event to more than $2400 a megawatt hour during the event, it is evident that such a request could have resulted in a significant reduction from the level of reconcilable fuel expenses that SPS incurred and is now requesting in this case.

Q In your direct testimony, did you present any evidence to suggest that warning customers of higher prices would result in demand reductions beyond any reductions SPS may have realized from its conservation appeals?

A I think what I -- no, I don't have any analysis that says -- demonstrates for sure, and that's why I said it's not possible to know for sure because now we're beyond the event and the damage has been done, so it's not possible to go back and prove customers, if they're told, you know, you can cut your bill in half by, you know, curtailing 5 percent would have done that.

Q Do you have any analysis that suggests that -- that such a warning -- that is, do you have any analysis -- back up.

A second ago you suggested or you stated that you don't have any analysis that proves that a cost warning would have resulted in a demand reduction. Is that correct?

A Yeah, it's hard to prove when you're after the

fact and --

Q Do you have any analysis that suggests that a cost warning would have resulted in a demand reduction?

A You know, other than -- yeah, not for this case.

Q No? Okay.

Have you ever analyzed or studied demand response programs for electric utilities?

A I've analyzed that, yes.

Q Have you ever analyzed ones that do warnings based on high costs?

A I've analyzed tariff offerings that provide the utility to curtail based upon economic issues.

Q Is that for --

A And I've analyzed a demand management/conservation program in Oklahoma that basically allowed customers to install thermostats that would, in periods of high pricing, automatically, you know, turn their air conditioner off. Basically, they signed up knowing that they would have a -- an energy bill credit for allowing the utility to have that control and --

Q Did SPS have this sort of tariff?

A They do not.

Q And to your knowledge --

would not allow the utility to force that, but it would allow them to ask -- to make the customers aware, "if you don't, your -- you know, your bill is going to be much higher; if you just use a little less, you're going to get a big bill break," and customers under their existing tariffs would have seen a big break if they -- if they curtailed.

Q Do any other utilities have a tariff -- or any other utilities, to your knowledge, issue warnings about high prices to their customers?

A Let me think about that. I think only to the extent through, for example, this -- this OG&E tariff that I'm familiar with -- I think it's called Smart Energy or something to that effect -- allows a customer -- first of all, it informs them, "Your costs are higher during peak periods. Your air conditioner can contribute to high charges. If we -- if you'll agree to put this thermostat in which will curtail your usage when prices get at this level, we'll give you this kind of discount." That's the only one that I know of that has -- that I've studied that has an explicit information of price signal to residential customers that guarantee some price relief.

Q Do you know if that -- if OG&E issues price warnings to each of those customers during times of high

prices, or do they merely just affect their -- change their thermostat for them?

A Well, only to the extent having that tariff. I don't know that they did that during Uri, for example.

Q Have you ever reviewed any literature on the effectiveness of warnings generally?

A That's pretty broad. No, I don't -- I can't -- nothing occurs to me right now.

Q In order to quantify the impact of a warning, do you have to have an estimate of how many people would respond?

A Yeah. I think if you want a reasonable estimate of the impact, you need to have some idea of what your customers would do, yeah.

Q So you've estimated the impact would be 5 percent. Is that correct?

A Yes.

Q So how many customers -- how many customers do you estimate would respond to that warning?

A It's a hypothetical. I mean, I said -- I say in the testimony it's not possible to know, but if it could have produced this kind of savings.

Q So you haven't estimated how many people would respond to a cost warning?

A No. I assumed there will be 5 percent overall

perhaps, but...

Q Your 5 percent number, was that based on anything?

A It -- it's an assumption. It's just saying if they had, it could have saved as much as this.

Q But is it a wild guess or is it based on a particular fact?

A I say right up front on Line 16 that it's not possible to know for sure.

Q But you do have a possibility of a guess. Right? You've written 5 percent, haven't you?

A Yeah.

Q So how did you pick the number 5 percent as opposed to 4 percent or 7 percent?

A It's -- it's an assumption.

Q Okay. And there is no evidence behind that assumption. Correct?

A Well, again, the Company didn't offer it. They didn't -- they didn't try it, so it's kind of hard to --

Q Okay.

A -- have any evidence.

Q Have you ever been asked to draft a warning?

A To?

Q Draft a warning?

A I guess I'm not hearing --