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

**TEXAS INDUSTRIAL ENERGY CONSUMERS' PROPOSED FINDINGS OF FACT
AND CONCLUSIONS OF LAW**

I. PROPOSED FINDINGS OF FACT

Off-System Sales Margin Retention During Winter Storm Uri

1. Winter Storm Uri resulted in the most operationally challenging week in Southwestern Power Pool's (SPP) eighty-year history, setting record temperatures in the SPS service territory, and increasing natural gas prices and power prices in SPP to previously unseen levels.¹
2. Extraordinarily high fuel costs during Winter Storm Uri were a significant component of the \$120 million surcharge currently being assessed to SPS's Texas ratepayers.²
3. Due to extreme locational marginal prices (LMPs) in the SPP, SPS generated over \$200 million in off-system sales (OSS) margins during Winter Storm Uri, which is roughly 10 times as much as SPS booked for OSS margins in the previous 12 months combined.³
4. SPS proposes to retain 10 percent of the OSS margins generated during Winter Storm Uri, which totals \$11.9 million.⁴
5. SPS does not share in the margins from its OSS into the SPP Integrated Market (IM) in its New Mexico or wholesale jurisdictions.⁵

¹ TIEC Ex. 40 at Bates 3; SPS Ex. 7, Direct Testimony of Jeffrey C. Haskins (Haskins Dir.) at 28; TIEC Ex. 3, Griffey Dir. at 15.

² Tr. at 27:4-15 (Trammell Cross) (Aug. 30, 2022).

³ TIEC Ex. 3, Griffey Dir. at 4-5 (Bates 006-007).

⁴ Preliminary Order at 5, ¶ 16(c) (Mar. 1, 2022); SPS In. Br.

⁵ Tr at 31:10-25 (Trammell Cross) (Aug. 30, 2022); TIEC Ex. 10 at Bates 006-007.

6. SPS offers its generating resources for dispatch into the SPP IM and purchases all of the power necessary to serve its native load from the SPP IM. If SPS sells more power from its generation resources than the amount of its load obligation in a given hour, it is deemed to have made an OSS.⁶
7. In the SPP Integrated Marketplace, SPS does not incur any additional risks or any additional costs in making OSS that it does not incur to serve its own load.⁷
8. The OSS margin-sharing rule was adopted prior to the creation of integrated markets, when OSS were made in bilateral markets and required utilities to incur costs and risks.⁸
9. There is good cause to grant an exception to 16 TAC § 25.236(e) and order that SPS return 100 percent of the OSS margins generated during Winter Storm Uri to ratepayers to help offset the burdens of the storm.

Line-Loss Factors

10. In 2016, SPS conducted an engineering study of the actual losses on SPS's system to determine line losses.
11. SPS's 2016 line-loss study was approved by the Commission in Docket No. 47527.⁹
12. SPS's 2016 line-loss study was used to establish SPS's fuel factors during the reconciliation period.¹⁰
13. SPS's application bases line-loss factors on SPS's 2016 line-loss study.¹¹
14. The line-loss factors used in SPS's application are reasonable.
15. The Commission finds that the line-losses in SPS's application should be adopted.

⁶ TIEC Ex. 3, Griffey Dir. at 8 (Bates 010); Tr. at 166:14-168:11 (Haskins Cross) (Aug. 30, 2022).

⁷ TIEC Ex. 3, Griffey Dir. at 11 (Bates 013).

⁸ TIEC Ex. 3, Griffey Dir. at 5-6 (Bates 007-008).

⁹ SPS Ex. 18, Rebuttal Testimony of Duane J. Ripperger Reb. at 6; Tr. at 293:12-14 (Tomczyk Cross) (Aug. 31, 2022).

¹⁰ Tr. at 293:18-20.

¹¹ Tr. at 293:9-11 (Tomczyk Cross) (Aug. 31, 2022).

Allocation of Monthly Fuel Costs to Classes

16. SPS's filing in this case allocated each month's fuel costs to classes based on the kWh billed in that month rather than the kWh used during that month.¹²
17. As a result of using billed kWh rather than used kWh, SPS's initial filing allocated fuel costs for a month to classes based largely on usage in prior months.¹³
18. In contrast, SPS allocated costs to jurisdictions using each jurisdiction's actual usage in a month, which is consistent with cost-causation principles.¹⁴
19. The necessary data for allocating monthly fuel costs based on each class's actual monthly usage is in the record in this case.¹⁵
20. SPS should allocate monthly fuel costs to the classes based on the actual usage of each class in that month.

Assignment of Winter Storm Uri Costs

21. The process of accounting for and reconciling costs associated with Winter Storm Uri took several months.¹⁶
22. SPS booked a large amount of Winter Storm Uri costs to months in the reconciliation period other than February 2021.¹⁷
23. SPS completed and provided the calculation of reconciliation-period Winter Storm Uri costs that were booked to other months and has no objection to assigning those costs to February 2021.¹⁸
24. Reconciliation-period costs attributable to Winter Storm Uri should be assigned to February 2021 fuel costs.

¹² TIEC Ex. 1, Pollock Dir. at 2 (Bates 007).

¹³ TIEC Ex. 1, Pollock Dir. at 2 (Bates 007).

¹⁴ TIEC Ex. 1, Pollock Dir. at 2 (Bates 007).

¹⁵ TIEC Ex. 14; Tr. at 143:18-144:22 (Mally Cross) (Aug. 30, 2022); TIEC Ex. 1, Pollock Dir. at 9 (Bates 014); Exhibit JP-3 (Bates 040-041).

¹⁶ TIEC Ex. 1, Pollock Dir. at 10 (Bates 015).

¹⁷ TIEC Ex. 1, Pollock Dir. at 10, Table 8 (Bates 015).

¹⁸ Tr. at 471:4-10 (Mally Cross) (Aug. 31, 2022); SPS In. Br. at 42.

II. PROPOSED CONCLUSIONS OF LAW

1. There is good cause under 16 TAC § 25.3(b) to return all OSS margins associated with Winter Storm Uri to ratepayers.
2. 16 TAC § 25.237(a)(1) requires that fuel factors account for the difference in losses corresponding to the voltages at which the electric service is provided.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Christian E. Rice, Attorney for TIEC, hereby certify that a copy of this document was served on all parties of record in this proceeding on this 30th day of September, 2022 by electronic mail, facsimile, and/or First Class, U.S. Mail, Postage Prepaid.

/s/ Christian E. Rice

Christian E. Rice