RESPONSES

QUESTION NO. TIEC 4-1:

To the extent not already provided, please provide all schedules, attachments, tables, figures, and supporting workpapers in electronic format with all formulas intact supporting the testimonies of Ms. Martin, Mr. Shipman, Mr. Totten, and Mr. D'Ascendis. This is an ongoing request for all subsequent testimonies filed by these witnesses.

RESPONSE:

Please refer to the following exhibits supporting Ms. Martin's direct and update testimonies not previously provided:

Please refer to SPS's responses to Question No. AXM 1-11 and 1-14 for additional supporting workpapers referenced or supporting Ms. Martin's direct and update testimonies.

Please refer to the following exhibits supporting Ms. Martin's tables:

Table	Source Documents and/or Workpapers
PLM-RR-1	Schedule K-1 to Rate Filing Package
PLM-RR-2	Please refer to Exhibit SPS-AXM 1-3(V) and Exhibit SPS-AXM 1-3(V)(SUPP1)
PLM-RR-3	Exhibit SPS-TIEC 4-1.1(CONF)(ShareFile)
PLM-RR-4	Exhibit SPS-TIEC 4-1.1(CONF)(ShareFile)
PLM-RR-5	Exhibit SPS-TIEC 4-1.4(ShareFile)
PLM-RR-6	Schedule K-1 to Rate Filing Package

Please refer to the following exhibits supporting Ms. Martin's charts:

Chart	Source Documents and/or Workpapers
PLM-RR-1	Exhibit SPS-TIEC 4-1.2
PLM-RR-2	Exhibit SPS-TIEC 4-1.5(ShareFile)
PLM-RR-3	Exhibit SPS-TIEC 4-1.3

Please refer to the following exhibits supporting Mr. D'Ascendis direct and update testimonies not previously provided:

Please refer to SPS's responses to Question No. AXM 1-15, 1-16 and 1-17 for additional documents supporting Mr. D'Ascendis' direct and update testimonies.

There are no other responsive materials for the testimonies of Mr. Totten and Mr. Shipman.

Preparers: Kaydra Kirtz, Andrea Rossi
Sponsor: Patricia L. Martin

Our $84 PO is derived using an sum-of-the-parts (SOTP) approach, with the utilities and parent segment valued on a 2025E P/E basis, and the generation segment valued on a 2025E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of fixed fee IDR (DCF, at 6.7% disc rate). We assign 25E peer multiples of 16.5x for electric and 27.6x for water (grossed up by 5% and 7%, respectively, to reflect capital appreciation) with discount/premium to reflect the growth/risk profile of the businesses. We apply a 3x premium for FPL and Gulf. For NEER, we apply a peer EV/EBITDA multiple of 9.6x, which we adjust depending on asset type. We give contracted renewables and 8x premium given fuel type and contracted nature. We utilize a DCF of new renewable for projects beyond 2024 and include a 12x terminal multiple. We value contracted nuclear on a DCF approach using an 8% discount rate. We apply a 1x premium multiple to pipelines, -4.5x discount to gas infrastructure and -1x discount for supply and trading given lower asset quality, a 1x premium for contracted gas peakers and 1x discount for merchant peakers (other), again based on asset quality.

Risks to achievement of PO and rating are 1) regulatory/political/legislative outcomes, 2) weather and natural disasters, 3) commodity price changes, 4) fluctuations in stock prices for NextEra Energy Partners, 5) renewable development margins & margin, and 6) election commission review

NextEra Energy Partners (NEP)
Our $53/sh PO is based on a 67%/33% weighted forward dividend yield model/discounted cash flow (DCF) methodology. Our value for DDM is $71 (weighted 67%) and our value for DCF is $18 (weighted 33%).

Main assumptions in our Div Discount Model are:
- Growing annualized 2021 $2.67 DPU at 14% per year for two years, and 13% through '26 with 3% terminal growth rate
- Capitalizing DPU at a 6.5% required yield through '28 and 8.5% terminal yield
- Discounting terminal value and interim dividends back to 2022 using a CAPM-derived discount rate.

Main DCF assumptions are
- Our 7.7% cost of equity is calculated with CAPM methodology and includes a 0.25% company-specific premium.
- Corporate Opex of $25 Mn in 2021, escalating at 2.0% per year.
- PPA escalators of 1.0% across the portfolio
- No taxes for the next 15 years.
- Outstanding corporate debt is refinanced at maturity with amortizing debt with an eight-year term

Upside/Downside risks are 1) the company may or may not be able to implement its full cost savings plan, 2) the company may or may not be able to access capital markets at favorable terms, 3) the company may or may not be able to make accretive acquisition opportunities to fuel growth, 4) the company may or may not be able to grow DPS at the targeted growth rate, 5) the company may or may not be able to sustain its current dividend levels, and dividend yield could increase, 6) the company's operations could be materially impacted by weather events.

Southern Company (SO)
Our $64 PO is derived from a sum-of-the-parts analysis (SOTP). We use a P/E valuation approach on 2025 estimates and use peer multiples of 16.3x for electric and 16.2x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross up these multiples by +5% to account for sector wide EPS growth to derive a 12-month forward PO. We subtract 50% of the 2025 parent interest expense multiple by an electric P/E peer multiple to reflect parent leverage supporting the utilities. We net out

Morningstar Equity Analyst Note | Report as of 28 Oct 2022 21:07, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NASDAQ - ALL MARKETS

Xcel Energy Inc XEL ★★ 27 Oct 2022 21:18, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
65.37 USD 28 Oct 2022	58.00 USD 24 Aug 2022 17:24, UTC	1.13	34.60 USD Bil 28 Oct 2022	Narrow	Stable	Low	Standard	5 Oct 2022 05:00, UTC

Financial Leverage (Reporting Currency)	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Debt/Capital %	58.6	58.6	60.0	60.4	60.8	60.6	60.6	59.8
Assets/Equity	3.8	3.7	3.7	3.6	3.6	3.5	3.5	3.4
Net Debt/EBITDA	4.7	5.0	5.3	5.2	5.1	5.0	4.8	4.4
Total Debt/EBITDA	4.8	5.1	5.4	5.2	5.1	5.0	4.8	4.6
EBITDA/ Net Interest Expense	5.3	5.1	5.3	5.5	5.6	5.4	5.5	5.7

Forecast Revisions as of 19 Sep 2022	2022		2023		2024	
Prior data as of 24 Aug 2022	**Current**	**Prior**	**Current**	**Prior**	**Current**	**Prior**
Fair Value Estimate Change (Trading Currency)	58.00	58.00	—	—	—	—
Revenue (USD Mil)	12,534	12,534	13,100	13,100	13,623	13,613
Operating Income (USD Mil)	2,474	2,474	2,775	2,775	2,999	2,989
EBITDA (USD Mil)	4,854	4,854	5,325	5,325	5,749	5,739
Net Income (USD Mil)	1,735	1,735	1,801	1,807	1,921	1,925
Earnings Per Share (Diluted) (USD)	3.18	3.18	3.28	3.29	3.46	3.47
Adjusted Earnings Per Share (Diluted) (USD)	3.18	3.18	3.28	3.29	3.46	3.47
Dividends Per Share (USD)	1.94	1.94	2.06	2.06	2.19	2.19

Key Valuation Drivers as of 19 Sep 2022	
Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.5
Weighted Average Cost of Capital %	6.1
Long-Run Tax Rate %	25.0
Stage II EBI Growth Rate %	5.0
Stage II Investment Rate %	62.5
Perpetuity Year	15

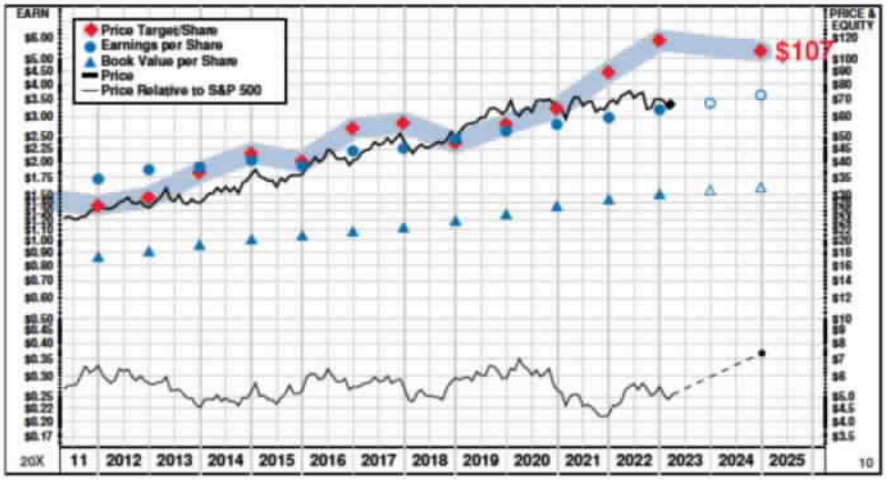
Additional estimates and scenarios available for download at https://pitchbook.com/

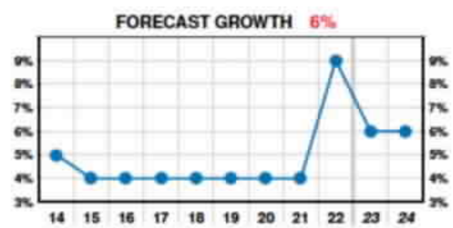
Discounted Cash Flow Valuation as of 19 Sep 2022	**USD Mil**
Present Value Stage I	1,927
Present Value Stage II	9,003
Present Value Stage III	39,280
Total Firm Value	**50,210**
Cash and Equivalents	166
Debt	-23,385
Other Adjustments	3,976
Equity Value	**30,967**
Projected Diluted Shares	548
Fair Value per Share (USD)	**58.00**

Value Targets

XEL is expected to continue to be an important Value Builder reflecting capital returns that are forecasted to exceed the cost of capital. Xcel Energy's current Price Target of $107 represents a +59% change from the current price of $67.24. This neutral appreciation potential results in an appreciation score of 58 (42% of the universe has greater appreciation potential.) Reinforcing this neutral Appreciation Score of 58, the neutral Power Rating of 46 contributes to an Value Trend Rating of C.

Xcel Energy's current Price Target is $107 (–9% from the 2022 Target of $118 but +59% from the 03/16/23 price of $67.24). This slight fall in the Target is the result of a +3% increase in the equity base and a –12% decrease in the price/equity multiple. The forecasted increase in cost of equity has a very large negative impact on the price/equity multiple and the forecasted decline in growth has a large negative impact as well. Partially offsetting these Drivers, the forecasted increase in return on equity has a very large positive impact.





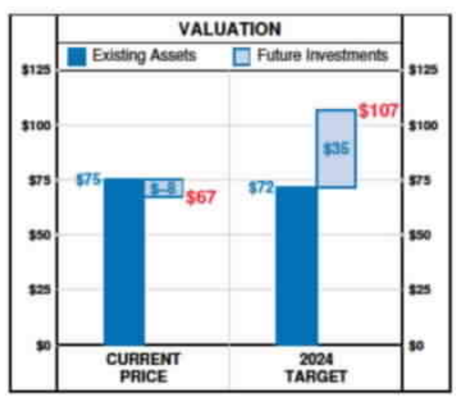
PTR's return on equity forecast is 11.2% -- slightly above our recent forecasts. Forecasted return on equity exhibited a slight, erratic decline between 2014 and 2022. The current forecast is steady at the 2019 peak of 10%.

PTR's growth forecast is 6.0% -- slightly below our recent forecasts. Forecasted growth enjoyed a dramatic, erratic increase between 2014 and 2022. The current forecast is steady at the 2021 low of 4%.

PTR's cost of equity forecast is 5.4% -- in line with recent levels. Forecasted cost of equity enjoyed a dramatic, erratic decline between 2014 and 2022. The current forecast is steady at the 2015 peak of 6.5%.

At Xcel Energy's current price of $67.24, investors are placing a negative value of $-8 on its future investments. This view is not supported by the company's most recent performance that reflected a growth rate of 9.0% per year, and a return on equity of 8.4% versus a cost of equity of 4.1%.

PTR's 2024 Price Target of $107 is based on these forecasts and reflects an estimated value of existing assets of $72 and a value of future investments of $35.



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QUESTION NO. TIEC 6-16:

Referring to page 14 regrading Low Retail Rates. Has Mr. Totten undertaken his own analysis of low cost and rates, or does he rely upon Mr. Starkweather's and Mr. Rodriguez's analysis?

RESPONSE:

Mr. Totten has not undertaken his own analysis of low cost and rates, and he relies upon Mr. Starkweather's and Mr. Rodriguez's analysis.

Preparer: Jess Totten
Sponsor: Jess Totten

QUESTION NO. TIEC 6-17:

Referring to page 16, lines 20-22. Does Mr. Totten contend that SPS's generation output always exceeded customer load during Winter Storm Uri? Please provide an hourly list of load and generation during each hour of winter storm Uri, accounting for losses.

RESPONSE:

Mr. Totten does not contend that SPS's generation output always exceeded customer load during Winter Storm Uri.

SPS does not have the requested information.

Preparer: Counsel, Jess Totten
Sponsor: Counsel, Jess Totten

QUESTION NO. TIEC 6-20:

Provide the basis for Mr. Totten's conclusion that PURA 36.204 "provides an open-ended encouragement of renewable energy for regulated utilities." Please explain why regulated utilities need an incentive beyond earning a reasonable return on rate base in order to pursue renewable energy

RESPONSE:

PURA Section 36.204 permits the Commission to "authorize additional incentives for conservation, load management, purchased power, and renewable resources." Authorizing an incentive for renewables seems clearly to be a means of encouraging their use by utilities. Mr. Totten has recommended that the Commission approve a reasonable rate of return in this case and has not proposed an incentive beyond that.

Preparer: Jess Totten
Sponsor: Jess Totten

QUESTION NO. TIEC 6-21:

To Mr. Totten' s knowledge, has the Commission ever awarded an additional incentives for any of conservation, load management, purchased power, or renewables since Section 36.204 was enacted? If so, provide the docket Mr. Totten relies upon to support that claim.

RESPONSE:

Mr. Totten is not aware of any such decision.

Preparer: Jess Totten
Sponsor: Jess Totten

QUESTION NO. TIEC 10-2:

Please provide the amount of money SPS received each year from retaining 10% of off-system sales from 2017-2022 and the partial year 2023 year-to-date.

RESPONSE:

Please refer to Exhibit SPS-TIEC 10-2.

Preparer: Michael Mally
Sponsor: Brooke A. Trammell

Southwestern Public Service Company
Exhibit SPS-TIEC 10-2
PUC Docket No. 54634

Line No.		Texas Retail 10% OSS Margins *
1	Cal Yr 2017	$851,400.02
2	Cal Yr 2018	$1,830,080.63
3	Cal Yr 2019	$40,750.85
4	Cal Yr 2020	$1,294,111.00
5	Cal Yr 2021	$13,270,201.80
6	Cal Yr 2022	$1,758,385.29
7	YTD 2023 (May)	$492,238.00

* All amounts reported on a GL basis, negative amounts are reflective of SPP resettlements

QUESTION NO. TIEC 10-3:

Please provide the executive compensation programs for the five highest paid employees of SPS, of the five highest paid employees at Xcel Shared Services, and for the five highest paid employees of Xcel Energy. Please breakout how much of each executive's compensation is tied to (a) reduction in CO2 emissions, (b) other Environmental Social and Governance Goals (ESG). Please provide the job title for each of the employees and list the other ESG goals that are part of executive compensation.

RESPONSE:

Please refer to the Direct Testimony of SPS Witness Michael P. Deselich Table MPD-RR-5 for the 2022 Corporate Scorecard, outlining the annual incentive goals and weighting, and SPS's response to Question No. AXM 4-40 regarding the Xcel Energy Omnibus Incentive plan document. Refer to Exhibit SPS-TIEC 10-3 for remaining information related to the title and breakdown of compensation.

Preparer: Jason Lin
Sponsor: Michael P. Deselich

QUESTION NO. TIEC 10-5:

Does SPS plan to be carbon-free by 2050?

RESPONSE:

SPS does not currently have an approved or proposed resource plan through 2050. Xcel 2050 goal is an enterprise goal and not specific to SPS.

Preparers: Roopesh Aggarwal, Brooke A. Trammell
Sponsor: Brooke A. Trammell

QUESTION NO. TIEC 10-6:

Please provide all presentations made by SPS or Xcel Energy Shared Services to Xcel Energy' s CEO, COO, CFO and/or Chief Sustainability Officer within the last five years concerning (a) SPS plans to help meet Xcel Energy's goal to lower CO2 emissions and water consumption by 25% by 2030 or (b) SPS' s plans to be carbon-free by 2050.

RESPONSE:

SPS has not made such presentations. Please see SPS's response to Question No. TIEC 10-5.

Preparer: Brooke A. Trammell
Sponsor: Brooke A. Trammell

QUESTION NO. TIEC 10-7:

Please provide all presentations made by SPS or Xcel Energy to the Southwest Power Pool (SPP), including SPP staff, within the last five years concerning SPS ' s or Xcel Energy' s ESG goals, including reducing CO2 emissions or going carbon-free.

RESPONSE:

SPS has not made such presentations.

Preparer: Jarred Cooley
Sponsor: Jarred Cooley

QUESTION NO. TIEC 10-11:

Does Mr. Starkweather believe that SPS's rate performance relative to other utilities was primarily due to exceptional management performance? If yes, please provide any analysis performed by Mr. Starkweather that quantifies the impact of management performance relative to SPS' s ability to access natural gas from the Waha hub, coal from the Powder River Basin, percentage of sales from industrial customers, or other factors unrelated to management performance. If not, please explain why not.

RESPONSE:

A utility's rate performance relative to other utilities over time can be an indicator of the utility's underlying management processes and actions. For example, more efficient business processes – all other things being the same – could lead to lower costs and rates. However, to determine to what extent a utility's management processes and actions (or decisions) lead to lower costs and rates during a specific time period (e.g., 2017-2021) would require a detailed review and analysis of the utility's business processes, cost structure, and rates.

Mr. Starkweather did not perform any analysis that quantifies the impact of management performance relative to SPS' s ability to access natural gas from the Waha hub, coal from the Powder River Basin, percentage of sales from industrial customers, or other factors unrelated to management performance. Such analysis was outside the scope of Mr. Starkweather's benchmarking analysis.

Preparer: Richard D. Starkweather
Sponsor: Richard D. Starkweather

RESPONSES

QUESTION NO. STAFF 3-1:

Please explain and provide documentation detailing the calculation for, and total amount of, SPS's retained share of off-system sales margins related to Winter Storm Uri.

RESPONSE:

SPS has not performed a calculation of margins from off-system sales specifically for Winter Strom Uri. In accordance with Texas rules per 16 Tex. Admin. Code § 25.72(f) and the FERC Uniform System of Accounts per 18 C.F.R. Part 101, General Instruction No. 4, SPS maintains its accounting records on a monthly basis, and SPS's monthly fuel cost reports filed pursuant to 16 Tex. Admin. Code § 25.82, which include the sharing of margins from off-system sales, are based on those monthly records. Thus, for purposes of this response, reference is made to results for the operating month of February 2021.

As described in the direct testimony of SPS witness Bryan R. Davis, SPS uses the accrual method of accounting, which involves recording estimates of amounts related to a month's operations based on best available information and then adjusting those estimates in subsequent periods based on new or better information, such as Southwest Power Pool ("Power Pool") resettlements, which can impact the calculation of margins from off-system sales. Accordingly, a review of SPS's retained share of margins from off-system sales earned during February 2021 requires isolating the February 2021 impacts recorded in any accounting month since that time. As Mr. Davis described in his direct testimony, SPS was unable to finalize its calculation of margins from off-system sales at the time of closing its books for February 2021 and thus first recorded such effects in March 2021. As of March 31, 2022, adjustments to February 2021 off-system sales have been recorded in four additional months: May 2021, June 2021, August 2021, and December 2021.

Exhibit SPS-Staff 3-1 presents a calculation of amounts related to margins from February 2021 off-system sales as included in SPS's monthly fuel cost reports for each accounting month impacted to-date as described above, including the derivation of the Texas Retail Amount Retained. As further Power Pool resettlements are possible for the February 2021 time period, these amounts remain subject to change.

<u>**SUPP 1**</u>

SPS wishes to clarify that the adjustments that occurred in August 2021 and December 2021 were outside of the fuel reconciliation period. Exhibit SPS-Staff 3-1 (SUPP 1) depicts the off-system sales margins resulting from February 2021 at the close of the Reconciliation Period.

Preparer: Allison Johnson
Sponsors: Bryan R. Davis, Michael E. Mally

SOAH DOCKET NO. 473-22-1801
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**

SOUTHWESTERN PUBLIC SERVICE COMPANY'S FIRST SUPPLEMENTAL RESPONSE TO COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION QUESTION NO. 3-1

See file entitled: "Exhibit SPS-Staff 3-1 (SUPP 1).xlsx"

ENTERGY TEXAS, INC.
PUBLIC UTILITY COMMISSION OF TEXAS
DOCKET NO. 53719

Response of: Entergy Texas, Inc. to the Fifth Set of Data Requests	Prepared By: Richard D. Starkweather Sponsoring Witness: Richard D. Starkweather
of Requesting Party: Texas Industrial Energy Consumers	Beginning Sequence No. EV2345 Ending Sequence No EV2345

Question No.: TIEC 5-10 Part No.: Addendum:

Question:

Please admit or deny that decisions made by utilities, such as what generation should be built, taken up to 30-40 years prior to 2017 have a substantial impact on utility rates during 2017-2021.

Response:

Richard D. Starkweather admits that decisions made by utilities, such as what generation should be built, several years prior to 2017 can have an impact on utility rates during 2017-2021, though it is unclear how substantial this impact may be. Certainly, decisions about generation mix would impact fuel and operating costs, and the inclusion of different assets with differing depreciation rates in rate base would also impact utility rates. However, a detailed analysis of a utility's underlying rate base and operating costs would have to be completed to determine the impact of such earlier decisions on utility rates during a specific time period.

CSG-4 NATIVE FILES PROVIDED ELECTRONICALLY AND UPLOADED TO PUC INTERCHANGE

Exhibit SPS-Staff 3-1 (SUPP 1).xlsx

CSG-4 CONFIDENTIAL FILE
PROVIDED
TO PARTIES PURSUANT TO
PROTECTIVE ORDER