

ELECTRIC TARIFF

**SOUTHWEST POWER POOL INTEGRATED MARKETPLACE DEMAND RESPONSE
OPTION**

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PHONE LINE OR ALTERNATIVE COMMUNICATION REQUIREMENTS: Customer is responsible for the cost of installing and maintaining a properly working communication path(s) between Customer and Company. The communication path(s) must be dedicated, and can include, but is not limited to, a dedicated analog phone line to the meter location. For Customers who select the No Notice Option, Customer will be required to have two communication paths, one to the meter location and one to the Remote Terminal Unit that will receive Company's disconnect signals. A communication path(s) must be installed and working before Customer may begin taking service under this rate schedule.

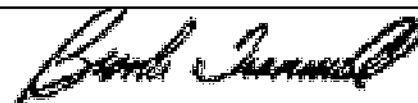
In the event that Company issues an interruption during a time in which Customer's phone line, or other communication path, is not working, the penalties detailed in the prior section for "SPP Integrated Marketplace Penalties" shall apply if Customer fails to comply with the interruption.

PHYSICAL CONTROL: A No Notice Option Customer must install and maintain a Company specified dedicated phone line to the meter location. In addition, a No Notice Option Customer must also pay for the communication charges associated with the Company specified communication equipment installed in the Remote Terminal Unit (RTU) used to receive and transmit interruption signals and real time usage information.

A No Notice Option Customer shall either:

- (i) utilize its own Energy Management System (EMS) automated intelligent equipment to remove Customer's SPP Interruptible Demand for a SPP Integrated Marketplace Interruption. Customer will pay for the cost of an RTU that will receive the interruption and restore signals via phone or cellular communication. The RTU shall be designed, purchased, installed, and tested by Company or Company contractor at Customer's expense. Customer must demonstrate that its automated intelligent device or equipment will receive Company's signal and automatically act upon that signal to remove load down to the Contract Firm Demand level within a time period to be specified in the Agreement. A \$1,000 non-refundable contribution is required to perform the engineering and design work required to determine the costs associated with purchasing and installing the RTU; or

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PHYSICAL CONTROL (cont.):

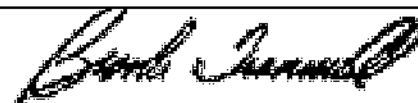
- (ii) utilize a Company owned and operated switch to remove Customer's SPP Interruptible Demand for a SPP Integrated Marketplace Interruption. Use of a Company switch requires that Customer have no Contract Firm Demand. Customer must pay for the cost of Company-owned switch and an RTU that will receive the interruption and restore signals via phone or cellular communication, and lock Customer's load out during a Capacity or Contingency Interruption. The RTU shall be designed, purchased, installed, and tested by Company at Customer's expense. A \$1,000 non-refundable contribution is required to perform the engineering and design work needed to determine the costs associated with providing Company physical control over Customer's load. A minimum of six (6) months is required to design, order, install and test the required equipment to give the Company control over Customer's load. During a Capacity or Contingency Interruption, the Company shall lock out Customer's load to prevent Customer from terminating the interruption before release.

A No Notice Option Customer shall submit to equipment testing facilitated by Company at SPP's discretion.

TAMPERING: If Company determines that its load management or load control equipment on Customer's premises has been rendered ineffective due to tampering by use of mechanical, electrical, or other devices or actions, then Company may terminate Customer's Agreement. In addition, Customer may be billed for all expenses involved with the removal, replacement or repair of the load management equipment or load control equipment and any charges resulting from the investigation of the device tampering. A Customer that is removed from the program is only eligible to participate again at the discretion of Company. Company will verify installation has been corrected before Customer is permitted to participate in the program again.

LIMITATION OF LIABILITY: Customers who elect to take service under this rate schedule shall agree to indemnify and hold harmless Company from all claims or losses of any sort due to death or injury to person or property resulting from interruption of electric service under this rate schedule or from the operation of the interruption signal and switching equipment.

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Attachment D – Standard Customer Agreements

V-1, Rev. 14 – Table of Rules

V-34, Org. – Interruptible Credit Option Agreement

V-35, Org. – Off-Peak Alternate Rider Customer Agreement

V-33, Org. – Southwest Power Pool Integrated Marketplace Demand Response Option Agreement

RULES, REGULATIONS AND CONDITIONS OF SERVICE

TABLE OF RULES

<u>Rule No.</u>	<u>Sheet No.</u>	<u>Revision No.</u>	<u>Title</u>
1.	V-1	13	Table of Rules
2.	V-2	2	General Statement of Purpose
3.	V-3	4	Definitions
4.	V-4	4	Application for Service
5.	V-5	2	Supplying of Service
6.	V-6	1	Character of Service
7.	V-7	1	Continuity of Service
8.	V-8	5	Refusal, Discontinuance and Suspension of Service
9.	V-9	1	Use of Service
10.	V-10	1	Right-of-Way
11.	V-11	1	Access to Premises
12.	V-12	2	Change of Premises of Customer
13.	V-13	1	Temporary Service
14.	V-14	2	Customer's Installation
15.	V-15	3	Transformer Vaults
16.	V-16	3	Company's Installations
17.	V-17	15	Extension to Customers
18.	V-18	2	Metering
19.	V-19	3	Billing
20.	V-20	3	Application of Rate Schedules
21.	V-21	6	Deposits
22.	V-22	2	Application of Rules and Regulations--Conflicts
23.	V-23	1	Unauthorized Communication Devices
24.	V-25	2	Load Control Equipment for Customers
26.	V-27	1	Customer Complaints
28.	V-29	1	Retail Electric Switchover
29.	V-30	Original	Residential Billing of Vacant Rental Property
30.	V-31	2	Deduct and Ancillary Meters
31.	V-32	Original	Temporary or Permanent Relocation/Modification Of Company Facilities and Fees



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TABLE OF RULES

<u>Rule No.</u>	<u>Sheet No.</u>	<u>Revision No.</u>	<u>Title</u>
32.	V-33	Original	Southwest Power Pool Integrated Marketplace Demand Response Agreement
33.	V-34	Original	Interruptible Credit Option Agreement
34.	V-35	Original	Texas Off-Peak Alternate Rider Agreement

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RULES, REGULATIONS AND CONDITIONS OF SERVICE

INTERRUPTIBLE CREDIT OPTION AGREEMENT

(Customer Name)

Premise Number _____

THIS INTERRUPTIBLE CREDIT OPTION AGREEMENT ("Agreement"), is made and entered into this ____ day of _____, 20 ____, between Southwestern Public Service Company, a New Mexico Corporation, hereinafter called "Company", and _____, hereinafter called "Customer". This Agreement relates to the sale of electric energy by Company to Customer at _____ ("Point of Delivery").

WHEREAS, Customer desires to take electric service at the Point of Delivery under Company's Interruptible Credit Option Tariff ("ICO Tariff"), which is Tariff No. ____ of Company's Electric Tariffs on file with the Public Utility Commission of Texas ("Commission"); and

WHEREAS, Company has determined that Customer meets the eligibility requirements for taking electric service under the ICO Tariff;

NOW THEREFORE, in consideration of the mutual covenants set forth below, Company and Customer agree as follows:

1. **Terms and Conditions.** This Agreement is subject to the ICO Tariff, which is by this reference made a part of and incorporated into this Agreement. This Agreement, and the electric service provided to Customer, is also subject to the other tariffs, rules and regulations of the Company. The Company reserves the right to apply at any time to the Commission to modify or terminate its tariffs, including the ICO Tariff, this



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Agreement, and to change its rules and regulations. This Agreement shall be deemed to be modified to conform to any change or revision to Company's tariffs, including the ICO Tariff, any modification to this Agreement, or any change to rules and regulations as of the date of the effectiveness of such change.

The Customer acknowledges that its participation under the ICO Tariff is conditional on Customer's load at the Point of Delivery not being allowed to be interrupted under another interruptible program offered by Company or by a third-party. By signing this Agreement, the Customer agrees that the load interrupted pursuant to the ICO Tariff is not also permitted to be interrupted by any other third-party for any reason.

2. **Term and Termination.** This Agreement shall be effective as of the first day of _____, 20____, and the Service Period shall remain in effect for an initial term ending December 31, 20____ and shall automatically renew for a period of 12 months each calendar year, unless terminated as set forth in the ICO Tariff. This Agreement shall terminate concurrent with the termination of the ICO Tariff.

If reliability constraints are identified by (i) adding Point of Delivery to the system or (ii) by terminating the agreement to participate, Company may require Customer to participate and will not be eligible to opt out or terminate. Any such limitation would be specified in the contract for service. If this stipulation is applicable to this Agreement, a copy of the contract for service with these terms and conditions must be included as a supplement to the Agreement.

Any Customer who otherwise terminates the Agreement prior to the end of its term shall be required to pay the Company, as a penalty, an amount equal to the product of one hundred and ten percent (110%) times Customer's Contract Interruptible Loan ("CIL"), times Customer's Monthly Credit Rate ("MCR") for each of the remaining months of the unexpired contract term.



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3. **Customer Elections.** Customer makes the following elections regarding its service under this Agreement. Customer may change its elections under this section annually, by providing written notice to Company prior to December 31, which change(s) shall become effective on the succeeding January 1 and shall remain in effect for twelve months. If no notice of change is received by Company, then the elections in effect during the prior calendar year shall remain in effect during the succeeding calendar year.

a. **Contract Firm Demand.** Customer hereby nominates _____ kW of Contract Firm Demand, as defined in the ICO Tariff.

b. **Number of Interruptible Hours (Hrs).** Customer hereby elects the following hours of interruption per calendar year: (check one)

- 40 Hrs
- 80 Hrs
- 160 Hrs

c. **Notice Option.** Customer hereby elects the following notice option as described in the ICO Tariff:

- One Hour Notice Option
- No Notice Option

(in selecting the No Notice Option, Customer acknowledges that until such time as Company has completed development of and satisfactorily tested systems and equipment required to implement and manage the No Notice Option, and Customer's use of the No Notice Option has been tested and approved by Company, service will not be provided under the No Notice Option and will instead be provided under the One Hour Notice Option.

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d. Minimum Duration of Interruption. Customer hereby makes the following election with regard to the minimum duration of an interruption called by Company under the ICO Tariff: N

Four Hour Minimum applies

Four Hour Minimum is waived

(in selecting waiver of the Four Hour Minimum, Customer acknowledges that until such time as Company has completed development of and satisfactorily tested systems and equipment required to implement and manage the waiver of the Four Hour Minimum, the waiver will not be in effect and the Four Hour Minimum will instead apply.)

4. Secure Website. Company shall provide Customer with access to a secure website for purposes of obtaining information regarding Customer's ICO account, interruptions (historic and current), and near real time load information. The website shall also be used by Customer for notifying Company of the buy-through of an economic interruption as provided in section 5 and updating contact information as provided in section 6.

5. Buy Through of Economic Interruption. If electing to buy-through an economic interruption, Customer shall notify Company of the amount of kW of Interruptible Load that Customer desires to buy-through during each hour of the economic interruption via the secure website identified in section 4.

If electing to buy-through an economic interruption in advance, as provided in the ICO Tariff, Customer shall notify Company of such election through the Customer's Xcel Energy Service Representative by electronic mail, specifying the amount of kW that Customer desires to buy-through, the maximum price per kWh, Customer's name, service address, premise number, and effective date. Customer's advance election buy-through price shall remain in effect until cancelled or modified by Customer.

Customer agrees to pay the actual cost, calculated as provided in the ICO Tariff, incurred by Company for all buy-through Kilowatts requested by the Customer. N



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6. **Notice of Interruption.** Company shall provide notice to Customer of interruptions via text message, email and/or recorded phone message at the phone numbers and email addresses listed on the ICO Contact Information Form attached to this Agreement. Customer shall be responsible for the accuracy of the information on the Form and for updating the contact information on the Form via the secure website identified in section 4.

installation of additional facilities, or the replacement of equipment due to obsolescence. In the event of a planned outage/shutdown, Company must receive notification from Customer at least 14 calendar days before the day that the load reduction is unavailable. Notifications received with less than 14 calendar day notice may result in Customer being subject to charges, fees, and/or penalties imposed by SPP due to the unavailability of Customer's load reduction. Customer's inability to provide the offered load reduction amount is subject to verification by Company.

7. **Other Notice.** Except as otherwise provided herein, other notices or information that either party may desire to give to the other regarding this Agreement shall be given in writing to the following address, or to such other address as either of the parties shall designate in writing:

To: Xcel Energy
Attention: Demand Management / TX ICO Program Manager
401 Nicollet Mall
Minneapolis, MN 55401

To: Customer
Attention: _____



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8. **Limitation of Liability.** *Customer shall indemnify and save harmless Company from any claims or losses of any sort due to death or injury to persons or property, resulting from interruption of electric service or resulting from the operation of the interruption signal and switching equipment.*

9. **Entire Agreement.** This Agreement, together with its attachments, the ICO Tariff and the tariffs, rules and regulations of Company (as changed periodically), constitute the entire agreement among the parties with respect to the electric service provided to Customer by Company under this Agreement.

10. **Successors Bound.** This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties respectively. Without limiting the foregoing, Customer shall: (1) cause any and all actions to be taken that are necessary to cause any successor or assign of Customer to be subject to and bound by the terms of this Agreement and the ICO Tariff; (2) upon any Change in Control, as defined below, cause any and all actions to be taken that are necessary in order for the electric service provided by Company at the Point of Delivery to continue to be provided pursuant to the terms of this Agreement and the ICO Tariff, and to cause a succeeding control entity to be subject to and bound by the terms of this Agreement and the ICO Tariff; and (3) shall notify Company of same. Failure to comply with this section shall be deemed to be a termination of this Agreement by Customer without complying with the Service Period requirements of the ICO Tariff and shall be subject to the Early Termination Penalty provided in the ICO Tariff.

For purposes of this Agreement, "Change in Control" includes, without limitation: a stock transfer or sale; change in voting control; change of name; merger; conversion; divisive merger; division; consolidation; reorganization; restructuring; dissolution; liquidation; transfer, sale, gift or lease of assets; change in a management or operational arrangement; temporary or permanent abandonment; temporary or permanent cessation of operations; or any other transaction or event that results in or causes Customer or its direct or indirect owner or owners to lose the capacity or ability to contract with respect to the electric service provided



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by Company to the Point of Delivery, or to be bound by the obligations under this Agreement and the ICO
Tariff. N

11. **Jurisdiction.** The laws of the State of Texas and the rules and regulations of the Public Utility
Commission of Texas shall govern this Agreement.

IN WITNESS WHEREOF, the parties have executed this Interruptible Credit Option Agreement in their
respective names, by their duly authorized representatives as of the date and year first written above.

Southwestern Public Service Company

Customer

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

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ICO CONTACT INFORMATION

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Customer Name: _____

Service Address: _____

Premise Number: _____

Date: _____

You may provide up to 3 phone numbers and 2 Email addresses per contact.

NAME: _____

TITLE: _____

PHONE NUMBERS: _____

EMAIL ADDRESSES: _____

TEXT MESSAGE ADDRESS: _____

NAME: _____

TITLE: _____

PHONE NUMBERS: _____

EMAIL ADDRESSES: _____

TEXT MESSAGE ADDRESS: _____



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NAME: _____

TITLE: _____

PHONE NUMBERS: _____

EMAIL ADDRESSES: _____

TEXT MESSAGE ADDRESS: _____

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OFF-PEAK ALTERNATE RIDER AGREEMENT

(Customer Name)

Premise Number _____

THIS OFF-PEAK ALTERNATE RIDER AGREEMENT ("Agreement"), is made and entered into this _____ day of _____ 20 _____, between Southwestern Public Service Company, a New Mexico Corporation, hereinafter called "Company", and _____, hereinafter called "Customer". This Agreement relates to the sale of electric energy by Company to Customer at _____ ("Point of Delivery").

WHEREAS, Customer desires to take electric service at the Point of Delivery under Company's Off-Peak Alternate Use Rider ("OPA Rider"), under Tariff No. _____ of Company's Electric Tariffs on file with the Public Utility Commission of Texas ("Commission"); and

WHEREAS, Company has determined that Customer meets the eligibility requirements for taking electric service under the OPA Rider;

NOW THEREFORE, in consideration of the mutual covenants set forth below, Company and Customer agree as follows:

1. **Terms and Conditions.** This Agreement is subject to the OPA Rider, which is by this reference made a part of and incorporated into this Agreement. This Agreement, and the electric service provided to Customer, is also subject to the other tariffs, rules and regulations of the Company. The Company reserves the right to apply at any time to the Commission to modify or terminate its tariffs, including the OPA Rider, and to change its rules and regulations. This Agreement shall be deemed to be modified to conform to any



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change or revision to Company's tariffs, including the OPA Rider, or any change to rules and regulations as of the date of the effectiveness of such change.

The Customer acknowledges that its participation under the OPA Rider is conditional on Customer's load at the Point of Delivery not being allowed to be interrupted under another interruptible program offered by Company or by a third-party. By signing this Agreement, the Customer agrees that the load interrupted pursuant to the OPA Rider is not also permitted to be interrupted by any other third-party for any reason.

2. **Term and Termination.** This Agreement shall be effective as of the first day of _____, 20 _____, and the Service Period shall remain in effect for an initial term of 5 years and shall automatically renew for a period of 12 months each year, unless terminated as set forth in the OPA Rider. This Agreement shall terminate concurrent with the termination of the OPA Rider.

3. **Notice of Interruption.** Customer acknowledges that Company may interrupt Customer without prior notice. However, Company may provide prior notice when system conditions allow. Company shall provide notice to Customer of interruptions via text message, email and/or recorded phone message at the phone numbers and/or email address(es) listed on the OPA Contact Information Form attached to this Agreement. Customer shall be responsible for the accuracy of the information on the Form and for updating the contact information.

4. **Metering.** Customer must have metering equipment at the Point of Delivery capable of participating in the OPA Rider. If Company determines Customer needs additional/replacement metering equipment, Company shall install the required metering equipment at Customer's expense. Company shall own and maintain all metering equipment.



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5. **Communication and Physical Control Requirements.** Customer must pay for the communication charges associated with the Company specified communication equipment installed in the Remote Terminal Unit (RTU) used to receive and transmit interruption signals and real time usage information. The communication path(s) must be installed and working before Customer may begin taking service under this rate schedule.

A Customer shall either:

utilize its own Energy Management System (EMS) automated intelligent equipment to remove Customer's entire load when requested by Company. Customer will pay for the cost of an RTU that will receive the interruption and restore signals via phone or cellular communication. The RTU shall be designed, purchased, installed, and tested by Company or Company contractor at Customer's expense.

Customer must demonstrate that its automated intelligent device or equipment will receive Company's signal and automatically act upon that signal to remove load in its entirety within 10 minutes or less; or utilize a Company owned and operated switch to remove Customer's entire load during a Capacity or Contingency Interruption. Customer must pay for the cost of Company-owned switch and an RTU that will receive the interruption and restore signals via phone or cellular communication, and lock Customer's load out during a Capacity or Contingency Interruption. The RTU shall be designed, purchased, installed, and tested by Company at Customer's expense. A minimum of six (6) months is required to design, order, install and test the required equipment to give the Company control over Customer's load. During an Interruption, the Company shall lock out Customer's load to prevent Customer from terminating the interruption before release.



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Customer shall submit to equipment testing at least once per year at Company's discretion, provided no other events occurred in the past 12 months that could be used to verify the correct operation of the disconnect equipment and RTU. N

6. **Phone Line Requirements.** Customer is responsible for the cost of installing and maintaining a properly working communication path between Customer and Company. The communication path must be dedicated. Options for the communication path include but are not limited to, a dedicated phone line to the meter location, or a cellular connection. The communication path must be installed and working before Customer may begin taking service under the OPA Rider.

7. **Other Notice.** Except as otherwise provided herein, other notices or information that either party may desire to give to the other regarding this Agreement shall be given in writing to the following address, or to such other address as either of the parties shall designate in writing:

To: Xcel Energy
Attention: Demand Management / TX OPA Program
Manager
401 Nicollet Mall
Minneapolis, MN 55401

To: Customer
Attention: _____

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8. **Limitation of Liability.** *Customer shall indemnify and save harmless Company from any claims or losses of any sort due to death or injury to persons or property, resulting from interruption of electric service or resulting from the operation of the interruption signal and switching equipment.*

9. **Entire Agreement.** This Agreement, together with its attachments, the OPA Rider and the tariffs, rules and regulations of Company (as changed from time to time), constitute the entire agreement among the parties with respect to the electric service provided to Customer by Company under this Agreement.

10. **Successors Bound.** This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties respectively. Without limiting the foregoing, Customer shall: (1) cause any and all actions to be taken that are necessary to cause any successor or assign of Customer to be subject to and bound by the terms of this Agreement and the OPA Rider; (2) upon any Change in Control, as defined below, cause any and all actions to be taken that are necessary in order for the electric service provided by Company at the Point of Delivery to continue to be provided pursuant to the terms of this Agreement and the OPA Rider, and to cause a succeeding control entity to be subject to and bound by the terms of this Agreement and the OPA Rider; and (3) shall notify Company of same. Failure to comply with this paragraph 10 shall be deemed to be a termination of this Agreement by Customer without complying with the Service Period requirements of the OPA Rider and shall be subject to the Early Termination Penalty provided in the OPA Rider.

For purposes of this Agreement, "Change in Control" includes, without limitation: a stock transfer or sale; change in voting control; change of name; merger; conversion; divisive merger; division; consolidation; reorganization; restructuring; dissolution; liquidation; transfer, sale, gift or lease of assets; change in a management or operational arrangement; temporary or permanent abandonment; temporary or permanent cessation of operations; or any other transaction or event that results in or causes Customer or its direct or



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indirect owner or owners to lose the capacity or ability to contract with respect to the electric service provided by Company to the Point of Delivery, or to be bound by the obligations under this Agreement and the OPA Rider.

11. **Jurisdiction.** The laws of the State of Texas and the rules and regulations of the Public Utility Commission of Texas shall govern this Agreement.

IN WITNESS WHEREOF, the parties have executed this Off-Peak Alternate Rider Agreement in their respective names, by their duly authorized representatives as of the date and year first written above.

Southwestern Public Service Company

Customer

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____



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OPA RIDER CONTACT INFORMATION

Customer Name: _____

Service Address: _____

Premise Number: _____

Date: _____

You may provide up to 3 phone numbers and 2 Email addresses per contact.

NAME: _____

TITLE: _____

PHONE NUMBERS: _____

EMAIL ADDRESSES: _____

TEXT MESSAGE ADDRESS: _____

NAME: _____

TITLE: _____

PHONE NUMBERS: _____

EMAIL ADDRESSES: _____

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TEXT MESSAGE ADDRESS: _____

NAME: _____

TITLE: _____

PHONE NUMBERS: _____

EMAIL ADDRESSES: _____

TEXT MESSAGE ADDRESS: _____

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SOUTHWEST POWER POOL INTEGRATED MARKETPLACE DEMAND RESPONSE OPTION AGREEMENT

(Customer Name)

Premise Number _____

THIS SOUTHWEST POWER POOL INTEGRATED MARKETPLACE DEMAND RESPONSE OPTION ("Agreement"), is made and entered into this _____ day of _____ 20 _____, between Southwestern Public Service Company, a New Mexico Corporation, hereinafter called "Company", and _____, hereinafter called "Customer". This Agreement relates to the sale of electric energy by Company to Customer at _____ ("Point of Delivery").

WHEREAS, Customer wishes to enter into an Agreement with Company for service available under Company's Southwest Power Pool Integrated Marketplace Demand Response Option Tariff ("SPPIM Tariff"), or any successor approved by the Public Utility Commission of Texas ("Commission"), in order to provide one or more type(s) of demand response ("DR") resource(s) in the Southwest Power Pool ("SPP") wholesale markets. Customer Point(s) of Delivery with firm load(s) are listed in Attachment A.

WHEREAS, Company has determined that Customer meets the eligibility requirements for taking electric service under the SPPIM Tariff;

NOW THEREFORE, in consideration of the mutual covenants set forth below, Company and Customer agree as follows:



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ARTICLE I. **TERMS AND CONDITIONS**

A. General Terms and Conditions. This Agreement is subject to the SPPIM Tariff, which is by this reference made a part of and incorporated into this Agreement. This Agreement, and the electric service provided to Customer, is also subject to the other tariffs, rules and regulations of the Company. The Company reserves the right to apply at any time to the Commission to modify or terminate its tariffs, including the SPPIM Tariff, and to change its rules and regulations. This Agreement shall be deemed to be modified to conform to any change or revision to Company's tariffs, including the SPPIM Tariff, any modification to this Agreement, or any change to rules and regulations as of the date of the effectiveness of such change.

The Customer acknowledges that its participation under the SPP IM Tariff is conditional on Customer's load at the Point of Delivery not being allowed to be interrupted under another interruptible program offered by Company or by a third-party. By signing this Agreement, the Customer agrees that the load enrolled pursuant to the SPPIM Tariff is not permitted to be interrupted by any other third-party for any reason.

B. Timing. The Effective Date of this Agreement shall be the first day of the calendar month following the completion of (1) the installation and operational readiness of required electric metering and communication equipment and collection of any data required in the registration process, and (2) full acceptance of the DR resource(s) registration by SPP. Timing of registration and full participation by DR resource(s) in SPP's wholesale markets will be subject to SPP's planning cycles and normally scheduled market model updates in accordance with SPP Market Protocols and the SPP Open Access Transmission Tariff. Company shall begin offering Customer's DR resource(s) in the SPP Integrated Marketplace on the Effective Date unless a later date is agreed to by Company and Customer.

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C. Communications. Company may utilize either telephone or electronic communication as the primary means to notify Customer of events and to process updates. This mechanism for communication may be altered at the sole discretion of Company. Customer is responsible for notifying Company in the event that the communication method is temporarily unavailable and will provide Company with an alternate form of communication. Customer must provide and maintain 24-hour contact information. Customer is responsible for the cost of installing and maintaining a properly working communication path between Customer and Company. The communication path must be dedicated. Options for the communication path include but are not limited to, a dedicated phone line to the meter location, or a cellular connection. The communication path must be installed and working before Customer may begin taking service under this rate schedule.

D. Metering. If Customer does not have an adequate interval data recording electric meter capable of providing the load metering frequency and telemetry required by Company and by SPP in the applicable Market Protocols for each participating Point of Delivery or a more frequent interval, adequate metering will be installed by Company at the Customer's expense before participation may begin. Company shall own and maintain all metering equipment.

E. Testing. Customer must demonstrate load reduction capability as specified by SPP's applicable requirements in the Market Protocols and SPP Open Access Transmission Tariff.

ARTICLE II. ENERGY MARKET & SUPPLEMENTAL RESERVE PROCESS

A. Default Demand Response Offer. Customer will establish a default Demand Response Offer consistent with applicable SPP requirements that will be submitted by Company to SPP in the SPP Energy Market and/or Supplemental Reserve Market. Customer is responsible for including applicable elections and parameters in Attachment A of this Agreement.



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B. Updates to Demand Response Offer. Customer may update the parameters of its Demand Response Offer through submittal of an updated Attachment A. In order to be incorporated into the SPP Integrated Marketplace and/or Energy Market, Company must receive Customer's updated Demand Response Offer ninety (90) days before the offer update is to be effective. These updated Demand Response Offer parameters will be used for the Customer's Real-Time Market offer for the following quarter. Updated Demand Response Offer parameters will be effective and will replace the Customer's default Demand Response Offer going forward unless requested by Customer. Company may alter Customer's Demand Response Offer by increasing the resource's notice time to allow Company time to communicate SPP instructions to Customer.

C. Event Notification. For all products, Customer must be capable of receiving and acknowledging start and stop instructions through electronic, telephonic, or other means to be determined by Company. Customer must be capable of receiving and following SPP dispatch instruction, which will be relayed to Customer by Company through electronic means to be determined by Company. Participation in the Supplemental Reserves Market requires customer to be on the No Notice Option.

ARTICLE III. REGISTRATION

Customer must submit all information required by SPP for market registration at least 90 days prior to the applicable SPP deadline for the quarterly commercial model update in which Customer wants to register. All testing as may be required by SPP, which will require interaction between Company and Customer, must be completed before the SPP deadline.



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ARTICLE IV. SETTLEMENTS & AVAILABILITY NOTIFICATION

A. Monthly Settlements. Customer will be eligible for compensation for energy-only load reduction for participating in an event when cleared and dispatched by SPP in the SPP Energy and Supplemental Reserve Markets and/or for qualifying amount of capacity registered and cleared. SPP settlement information will be used as the basis to establish Customer compensation. Subject to the provisions of SPPIM Tariff, Company will retain 30% of any net SPP revenues related to participation under this SPPIM Agreement received during the monthly billing period. Customer is responsible for all charges, fees, and/or penalties by SPP as set forth in the SPPIM Tariff.

B. Customer Operational Issues. Compensation is not provided for any load reduction planned or unplanned for any reason other than notification by Company to Customer of a cleared Demand Response Offer in the SPP Day-Ahead and Real-Time wholesale markets and/or for qualifying amount of capacity registered and cleared. Customer shall not receive compensation for any SPP-called event during which Customer's firm load(s) is already reduced from the applicable Consumption Baseline due to planned or unplanned outage as a result of renovation, repair, refurbishment, maintenance outage, force majeure event, strike, or any event that otherwise affects Customer's normal operating condition.

Customer must immediately notify Company if load reduction is unavailable due to a forced or unplanned outage/shutdown or other physical operating restriction. Forced outages are defined as: equipment is out of service at the time of the request or is operable but is known to be compromised and must be taken out of service. In the event of a forced outage, it is the Customers duty to inform Company immediately without delay. Customer is responsible for all charges, fees, and/or penalties imposed by SPP due to the unavailability of Customer's load reduction.

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Planned outages must be provided to Company. Planned outages are as defined as: resource is known to be operable with little risk of a forced outage, and Customer desires to perform preventative maintenance, troubleshooting, repairs that are not viewed as urgent, system improvements such as capacity upgrades, the installation of additional facilities, or the replacement of equipment due to obsolescence. In the event of a planned outage/shutdown, Company must receive notification from Customer at least 14 calendar days before the day that the load reduction is unavailable. Notifications received with less than 14 calendar day notice may result in Customer being subject to charges, fees, and/or penalties imposed by SPP due to the unavailability of Customer's load reduction. Customer's inability to provide the offered load reduction amount is subject to verification by Company.

C. Interruption of Service. If electric service is interrupted during a SPP-called event, Company shall not be responsible for compensating Customer for energy reductions in excess of the amount received by Company from SPP. Electric service may be interrupted without limitation for accidents, adverse weather, equipment failures or malfunctions, or periods of involuntary load curtailment. Additionally, Customer shall not receive any compensation for any event excluded pursuant to the applicable SPP Market Protocols.

ARTICLE VI. ASSIGNMENT

Customer may not assign this Agreement without the express written consent of Company.

ARTICLE V. FORCE MAJEURE

For purposes of this SPPIM Agreement, the term "Force Majeure" means any cause or event not reasonably within the control of the Party claiming Majeure, including, but not limited to, the following: acts of God, strikes, lockouts, or other industrial disturbances; acts of public enemies; orders or permits or the absence of the necessary orders or permits of any kind which have been properly applied for from the government of United



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States, the State of Texas, any political subdivision or municipal subdivision or any of their departments, agencies or officials, or any civil or military authority; unavailability of a fuel or resource used in connection with the generation of electricity; extraordinary delay in transportation; unforeseen soil conditions; equipment, material, supplies, labor or machinery shortages; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; drought; arrest; war; civil disturbances; explosions; breakage or accident to machinery, transmission lines, pipes or canals; partial or entire failure of utilities; breach of contract by any supplier, contractor, subcontractor, laborer or materialman; sabotage; injunction; blight; famine; blockade; or quarantine.

If either Party is rendered wholly or partly unable to perform its obligations under this SPPIM Agreement because of Force Majeure, both Parties shall be excused from whatever obligations under this SPPIM Agreement are affected by the Force Majeure (other than any obligations incurred prior to or separate from the Force Majeure event) and shall not be liable or responsible for any delay in the performance of, or the inability to perform, any such obligations for so long as the Force Majeure continues. The Party suffering an occurrence of Force Majeure shall, as soon as is reasonably possible after such occurrence, give the other Party written notice describing the particulars of the occurrence and shall use commercially reasonable efforts to remedy its inability to perform; provided, however, that the settlement of any strike, walkout, lockout or other labor dispute shall be entirely within the discretion of the Party involved in such labor dispute.

**ARTICLE VI. CONTRACT PERIOD, SCHEDULE AMENDMENTS,
AND CONTRACT TERMINATION RIGHTS**

The initial term of this SPPIM Agreement will be for 90 days from the Effective Date. Participation will continue after the initial term until and unless Company or Customer gives notice of termination of this SPPIM Agreement through a minimum of 90-day written notice. In the event the Commission approves any



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amendment or replacement or successor to SPPIM Tariff ("Amended Schedule"), and the provisions of the Amended Schedule conflict with the provisions of this SPPIM Agreement, then the Amended Schedule shall govern. If the Commission terminates the SPP IM Tariff, this Agreement shall terminate concurrent with the termination of the SPPIM Tariff. After termination of this Agreement, Customer shall still be responsible for true-ups to penalties and payments received by Company from the SPP for all transactions occurring prior to termination.

If the Customer fails to comply with SPPIM Tariff and/or this SPPIM Agreement during a SPP-called event, Company and Customer will discuss methods to comply during future SPP-called events. If Customer fails to perform consistent with this SPPIM Agreement including, but not limited to, failure to make timely payment of any net charges, fees, and/or penalties owed per SPPIM Tariff, or if there are system reliability issues created by the Customer's failure to adequately perform, Company may at its option suspend participation for 90 days or terminate this SPPIM Agreement. Participation will also terminate immediately upon notification to Company from SPP that the Customer is no longer eligible to participate in SPP's wholesale markets.

ARTICLE VII. LIMITATION OF LIABILITY

To the fullest extent permitted by law, Customer and Company shall indemnify, defend and hold harmless the other Party and its parent company, subsidiaries, affiliates and their respective shareholders, officers, directors, employees, agents, representatives, successors and assigns (collectively, the "Indemnified Parties"), from and against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, fines, damages, costs or expenses, including without limitation reasonable attorneys' fees ("Claim"), resulting from (a) any breach of the representations, warranties, covenants and obligations of either Party under this Agreement, (b) any act or omission of either Party, whether based upon that Party's negligence, strict liability



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or otherwise, in connection with the performance of this SPPIM Agreement, or (c) any third party claims of any kind, whether based upon negligence, strict liability or otherwise, arising out of or connected in any way to either Party's performance or non-performance under this SPPIM Agreement. Neither Party to this SPPIM Agreement shall be liable for consequential damages of any kind related to performance or non-performance under this SPPIM Agreement.

ARTICLE VIII. DISPUTES

In the event of any dispute between the Parties arising out of or relating to this SPPIM Agreement, the Parties agree to seek informal dispute resolution or settlement prior to the institution of any other dispute resolution process. Should the informal dispute resolution process described herein be unsuccessful, the Parties agree that no written or oral representations made during the course of the attempted dispute resolution shall constitute a Party admission or waiver and that each Party may pursue any other legal or equitable remedy it may have available to it. The Parties agree that the existence of any dispute or the institution of any dispute resolution process (either formal or informal) shall not delay the performance of each Party's undisputed responsibilities under this SPPIM Agreement.

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ARTICLE IX. Other Notice

Except as otherwise provided herein, other notices or information that either party may desire to give to the other regarding this Agreement shall be given in writing to the following address, or to such other address as either of the parties shall designate in writing:

To: Xcel Energy
Attention: Demand Management / SPPIM Program Manager
401 Nicollet Mall
Minneapolis, MN 55401

To: Customer
Attention: _____

ARTICLE X. Successors Bound

This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties respectively. Without limiting the foregoing, Customer shall: (1) cause any and all actions to be taken that are necessary to cause any successor or assign of Customer to be subject to and bound by the terms of this Agreement and the SPPIM Tariff; (2) upon any Change in Control, as defined below, cause any and all actions to be taken that are necessary in order for the electric service provided by Company at the Point of Delivery to continue to be provided pursuant to the terms of this Agreement and the SPPIM Tariff, and to cause a succeeding control entity to be subject to and bound by the terms of this Agreement and the SPPIM

N

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Tariff; and (3) shall notify Company of same. Failure to comply with this Article X shall be deemed to be a termination of this Agreement by Customer without complying with the Service Period requirements of the SPPIM Tariff and shall be subject to the Early Termination Penalty provided in the SPPIM Tariff.

For purposes of this Agreement, "Change in Control" includes, without limitation: a stock transfer or sale; change in voting control; change of name; merger; conversion; divisive merger; division; consolidation; reorganization; restructuring; dissolution; liquidation; transfer, sale, gift or lease of assets; change in a management or operational arrangement; temporary or permanent abandonment; temporary or permanent cessation of operations; or any other transaction or event that results in or causes Customer or its direct or indirect owner or owners to lose the capacity or ability to contract with respect to the electric service provided by Company to the Point of Delivery, or to be bound by the obligations under this Agreement and the SPPIM Tariff.

ARTICLE XI. Entire Agreement

This Agreement, together with its attachments, the SPPIM Tariff and the tariffs, rules and regulations of Company (as changed from time to time), constitute the entire agreement among the parties with respect to the electric service provided to Customer by Company under this Agreement.



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IN WITNESS WHEREOF, the parties have executed this Southwest Power Pool Integrated Marketplace Demand Response Agreement in their respective names, by their duly authorized representatives as of the date and year first written above.

Southwestern Public Service Company:

Customer:

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

N
N
N



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ATTACHMENT A – Customer Point(s) of Delivery with Capacity Commitment

Part 1. Customer Information

Customer Name	Premise Number	Meter Number

Part 2. Energy Market Bid Parameters

Energy Market Participation

SPP Interruptible Demand (MW)	
Energy Cost (\$/MWh)	
Startup Cost (\$/Interruption)	
Hourly Cost (\$/Hour)	

Part 3. Supplemental Reserve Market Parameters

Supplemental Reserve Market Participation

SPP Interruptible Demand (MW)	
Energy Cost (\$/MWh)	
Startup Cost (\$/Interruption)	
Hourly Cost (\$/Hour)	
Supplemental Reserve Activation Cost (\$/MW)	

If customer participates in both Energy Market and Supplemental Reserve Market, Capacity Commitment, Energy Cost, Startup Cost, and Hourly Cost from Energy Market Bid Parameters must match corresponding Supplemental Reserve Market Bid Parameters. By checking the Supplemental Reserve Market Participation box above, customer acknowledges that Supplemental Reserve Interruptions require customer to select the No Notice option.



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Part 4. **Customer Elections**

Number of Daily Interruptions

- 1 Interruption/Day & 7 Interruptions/Week
- 2 Interruptions/Day & 14 Interruptions/Week

Interruption Notice Period

- No Notice
- 1-Hour Notice

**No Notice required for Supplemental Reserve Market Participation*

Minimum Length of Interruption

- 4 Hour Minimum Interruption
- Waive 4 Hour Minimum Interruption

Minimum Downtime Between Events

- 2 Hour Minimum Downtime
- Waive 2 Hour Minimum, Downtime

N
|
N

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ATTACHMENT B – Customer Contact Information

Customer Name	
Service Address	
Premise Number	
Date	

You may provide up to 3 phone numbers and 2 Email addresses per contact.

Primary Contact

Name			
Title			
Phone Number(s)			
SMS Number(s)			
Email Address(es)			

Secondary Contact

Name			
Title			
Phone Number(s)			
SMS Number(s)			
Email Address(es)			



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Tertiary Contact

Name			
Title			
Phone Number(s)			
SMS Number(s)			
Email Address(es)			

N
|
N



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ATTACHMENT C – Company Contact Information

For general questions regarding this program, billing, equipment, or any other general inquiry, Customer should contact their Xcel Energy representative or contact the Business Solutions Center.

To report Customer Operational Issues as outlined in Article IV of the SPPIM Customer Agreement, please use the contact information provided below.

For general questions regarding this program, billing, equipment, or any other general inquiry, Customer should contact their Xcel Energy representative or contact the Business Solutions Center.

To report Customer Operational Issues as outlined in Article IV of the SPPIM Customer Agreement, please use the contact information provided below.

Energy Markets Control Center

Phone Number	
Email Address	

N
N
N
N



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DOCKET NO. 56921

**APPLICATION OF SOUTHWESTERN §
PUBLIC SERVICE COMPANY TO §
AMEND ITS INTERRUPTIBLE § PUBLIC UTILITY COMMISSION
CREDIT OPTION TARIFF, AND FOR §
APPROVAL OF A SOUTHWEST §
POWER POOL INTEGRATED § OF TEXAS
MARKETPLACE DEMAND §
RESPONSE OPTION TARIFF AND §
AN OFF-PEAK ALTERNATE RIDER §**

**DIRECT TESTIMONY
of
RICHARD LAIN**

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: LainDirect.docx; Total Pages: 32)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Commission	Public Utility Commission of Texas
FERC	Federal Energy Regulatory Commission
IM	Integrated Marketplace
MW	Megawatt
OATT	Open Access Transmission Tariff
Operating Companies	Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS
Operating Company	One of the Operating Companies
SPP IM Tariff	Southwest Power Pool Integrated Marketplace Demand Response Option Tariff
PRM	Planning Reserve Margin
SPS	Southwestern Public Service Company, a New Mexico corporation
Xcel Energy	Xcel Energy Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
RL-1	Profile of Southwestern Public Service Company <i>(non-native format)</i>
RL-2	Previous Direct Testimony by Richard Lain <i>(non-native format)</i>
RL-3	Load & Resource Tables

**DIRECT TESTIMONY
OF
RICHARD LAIN**

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Richard Lain. My business address is 919 Congress Avenue, Suite 900, Austin, Texas 78701.

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

A. I am filing testimony on behalf of Southwestern Public Service Company, a New Mexico corporation (“SPS”) and wholly owned electric utility subsidiary of Xcel Energy Inc. (“Xcel Energy”). I have provided a profile of SPS as Attachment RL-1.

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

A. I am employed by SPS as Rate Case Manager.

Q. Please briefly outline your responsibilities as Manager, Rate Cases.

A. I am responsible for managing the development, filing, and processing of rate cases and other regulatory filings for SPS. More specifically, I direct case teams from various areas within SPS and Xcel Energy Services Inc. and provide direction and overall management support for rate case and other filing preparations. My department facilitates the development of policy issues and advocacy to be included in regulatory filings, and it coordinates the overall preparation of filed testimony, attachments, schedules, and workpapers to produce filings in accordance with applicable rules and procedures in the regulatory jurisdictions in which SPS operates.

1 **Q. Please describe your educational background.**

2 A. I graduated from the University of Texas at Austin with a bachelor of business
3 administration degree in management and a bachelor of arts degree in government
4 in 1989. I also hold a master of business administration degree from the University
5 of Nevada with a concentration in finance. I hold the designations of Chartered
6 Financial Analyst® (“CFA”) and Certified Management Accountant (“CMA”). I
7 am also licensed by the Texas State Board of Public Accountancy as a Certified
8 Public Accountant (“CPA”).

9 **Q. Please describe your professional experience.**

10 A. In December 1998, I began my career in the utility industry as a financial analyst
11 at the Public Utility Commission of Texas (“Commission”) and after accepting
12 progressively higher positions of responsibility, in 2008, I became Director of the
13 Tariff and Rate Analysis section in the Commission’s Rate and Regulation
14 Division. In addition to managing the employees of the Tariff and Rate Analysis
15 section, my principal responsibilities as Director included performing costing and
16 pricing analyses of regulated and non-regulated electricity and telecommunications
17 providers and preparing and presenting testimony as a Staff witness on rate-related
18 issues in docketed proceedings before the Commission and the State Office of
19 Administrative Hearings. In March 2012, I accepted a position with GDS
20 Associates, Inc. in Austin, as a Project Manager. In this role, I was responsible for
21 conducting analyses and providing deliverables and testimony on electric, gas, and
22 water utility cost-of-service studies, revenue requirements, cost allocation, and rate
23 design. While employed at GDS Associates, Inc., in addition to filing testimony at
24 the Commission, I filed testimony in three gas rate cases before the Railroad

1 Commission of Texas, and in one electric rate case before the Michigan Public
2 Service Commission. In January 2014, I accepted a position with Entergy Texas,
3 Inc. as Manager, Regulatory Affairs. In this role, I was responsible for executing
4 strategies that met company objectives by coordinating and conducting internal
5 processes in the provision of regulatory deliverables, supporting organizational
6 positions with internal and external parties, and coordinating, preparing, and
7 sponsoring testimony before regulatory agencies.

8 **Q. Have you previously filed testimony before any regulatory authorities?**

9 A. Yes. I have testified on behalf of SPS in Docket Nos. 56595 and 56781. A
10 comprehensive list of my prior testimonies is provided as Attachment RL-2.

1 **II. SUMMARY OF TESTIMONY AND RECOMMENDATIONS**

2 **Q. What is the scope of your direct testimony in this proceeding?**

3 A. My direct testimony outlines SPS’s near-term capacity needs and its demand-side
4 proposals in this Application aimed at addressing those needs. Specifically, my
5 direct testimony provides an overview of SPS’s three voluntary interruptible
6 program requests proposed in this Application, introduces the role and value of the
7 tariffs in helping to manage SPS’s near term capacity needs while also creating new
8 and expanded rate and program options for customers and, specifically with regard
9 to the proposed new market tariff, expanding interruptible program value beyond
10 SPS’s balancing area and into the larger Southwest Power Pool’s Integrated
11 Marketplace.

12 **Q. What approvals is SPS requesting from the Commission?**

13 A. SPS requests the Commission approve:
14 (1) amendments to its existing Interruptible Credit Option tariff (“ICO Tariff”);
15 (2) amendments to SPS’s existing Secondary General Service (“SG”), Primary
16 General Service (“PG”), and Large General Service-Transmission (“LGST”) tariffs
17 to add a new, optional Off-Peak Alternate Rider; and
18 (3) its proposed new Southwest Power Pool Integrated Marketplace Demand
19 Response Option tariff (“SPP IM Tariff”).

20 The first two tariff proposals that I describe above are different compared to the
21 proposed SPP IM Tariff, which is a Southwest Power Pool Integrated Marketplace
22 (“IM”) product, and is discussed in more detail in Section VII of my direct
23 testimony. In addition, SPS is seeking Commission approval of standard customer
24 agreements associated with each of the above-referenced tariffs.

1 **Q. Why is SPS filing this Application?**

2 A. SPS is filing this Application as part of its ongoing efforts to pursue and propose
3 cost-effective solutions for Commission-approval, aimed at addressing its near-
4 term capacity needs. SPS expects the tariff modifications and new SPP IM market
5 product to be able to provide valuable and unique demand response offerings to
6 SPS customers. These demand response programs receive capacity accreditation
7 under the Southwest Power Pool's resource adequacy requirements. Therefore,
8 these resources can help address SPS's near-term capacity needs.

9 **Q. Please describe SPS's need for capacity.**

10 A. SPS has experienced material increases in customer load requests since 2021 as
11 economic activity emerged from the pandemic. The increasing pace of industrial
12 electrification in SPS's service territory is similar to the load growth trend the
13 Electric Reliability Council of Texas is experiencing and incorporating into its
14 system planning considerations.¹ SPS's expected load growth is largely driven by
15 oil and gas development and the electrification of operations in the Permian Basin.
16 The *S&P Global* study, "Electrifying the Permian Basin," developed in 2022 and
17 sponsored by a number of large industrial customers that operate in the SPS service
18 territory, demonstrates the Texas Panhandle and surrounding area are experiencing
19 growth similar to other areas of the state. Longer-term, a host of other industries,
20 such as aerospace and aviation, other fuels production, data centers, manufacturing,
21 and distribution centers, continue to be attracted to SPS's service territory due to
22 high electric reliability, attractive energy prices, and economic development

¹ <https://www.crcot.com/gridinfo/load/forecast>

1 foundations such as available land, qualified workforces, and transportation
2 capabilities.

3 **Q. To address its need for capacity, please describe how SPS is building its**
4 **portfolio of resources to account for the expected changes.**

5 A. In 2022, SPS’s near-term capacity needs were heavily impacted by continued large
6 load requests and a sharp increase to the Southwest Power Pool’s planning reserve
7 margin requirement. Shortly after these events, SPS issued a request for proposals
8 for generation capacity through 2027, the time period prior to its next regular
9 resource planning cycle that would be addressing capacity additions in 2028
10 through 2030. As a result of evaluation of available bids submitted in response to
11 the 2022 All-Source Request for Proposals (“RFP”), SPS selected the most reliable
12 and economic portfolio of resources to address capacity needs forecasted at the time
13 through 2027. That resulting portfolio of resources was referred to as SPS’s
14 “Recommended Portfolio” and included the life extensions of two of SPS existing
15 owned natural gas units, three self-build solar projects totaling 418 megawatts
16 (“MWs”) to replace generation at three retiring generation units, a self-build battery
17 project, and two long-term Power Purchase Agreements (one with an existing gas
18 plant and one with a new battery project).² SPS’s Recommended Portfolio from
19 its 2022 All-Source RFP is listed in Table RL-1 below.

² *Application of Southwestern Public Service Company to Amend Its Certificate of Convenience and Necessity to Construct Generation Facilities in Lamb County, Texas and Lea County, New Mexico; for Good-Cause Exceptions; and for Related Relief*, Docket No. 55255 (July 26, 2023) and *Application of Southwestern Public Service Company for Approval of Power Purchase Agreements Pursuant to PURA §36.205(e)*, Docket No. 55849, at 1-2 (Nov. 11, 2023).

1

Table RL-1: SPS’s Recommended Portfolio from 2022 All-Source RFP

SPS Recommended Portfolio				
Resource:	Structure:	Resource Type:	Maximum Capability:	Location:
Plant X Solar Project	Self-build	Solar	150 MW	Lamb County, Texas
Cunningham 1 Solar Project	Self-build	Solar	72 MW	Lea County, New Mexico
Cunningham 2 Solar Project	Self-build	Solar	196 MW	Lea County, New Mexico
Cunningham 1 Battery	Self-build	BESS	36 MW	Lea County, New Mexico
Borger PPA	PPA	Natural gas	230 MW	Hutchinson County, Texas
Wildcat BESS PPA	PPA	BESS	48 MW	Cochran County, Texas
Cunningham Unit 2	Service-life extension	Natural gas	183 MW	Lea County, New Mexico
Maddox Unit 2	Service-life extension	Natural gas	61 MW	Lea County, New Mexico

2

3 **Q. Did SPS’s Recommended Portfolio provide sufficient capacity to cover its**
4 **needs through 2027?**

5 A. At the time of bid evaluation and portfolio selection, yes. As proposed, SPS’s
6 Recommended Portfolio provides 976 megawatts of additional capacity. As
7 presented in SPS’s resource approval filings for the Recommended Portfolio, SPS’s
8 Texas position was as outlined in Table RL-2, below.³

9
10
11

**Table RL-2:
SPS’s Capacity Need – 2022 All-Source RFP Recommended Portfolio
(Texas Position)**

	2024	2025	2026	2027
Capacity Position at Time of Resource Selection	357	66	(303)	(606)
New Resources Accredited Capacity	-	-	224	581
Maddox Unit 2 Extension	-	-	62	62
Cunningham Unit 1 Extension	-	-	183	-
PRM Capacity Position	357	66	166	37

³ Application of Southwestern Public Service Company for Approval of Power Purchase Agreements Pursuant to PURA §36.205(e), Docket No. 55849, at 8 (Nov. 11, 2023)

1 **Q. Has SPS’s capacity need continued to grow since the filing of the resource**
2 **approvals for the Recommended Portfolio?**

3 A. Yes. SPS has continued to receive increased load requests from customers and,
4 additionally, the Southwest Power Pool increased the Summer Planning Reserve
5 Margin (“PRM”) again from 15% to 16%, effective in 2026. In SPS’s rebuttal
6 testimony in Docket No. 55255,⁴ SPS noted its remaining need for capacity in 2027,
7 even if all of its resources proposed in the Recommended Portfolio were approved.⁵
8 Subsequently in 2023, in Docket No. 55849,⁶ SPS continued to highlight its need
9 for capacity and that it would continue to pursue supply side and demand side
10 solutions to address its near-term capacity need.

11 **Q. Does this filing represent a demand-side solution?**

12 A. Yes. Demand response programs receive capacity accreditation under SPP’s
13 resource adequacy policies. Specifically, the Southwest Power Pool’s current
14 policies treat demand response programs as a load reduction, rather than a resource
15 addition. Accordingly, a MW of demand response is a one-for-one load reduction
16 which reduces the capacity resources needed on SPS’s system but also reduces the
17 amount of additional capacity resources needed to cover SPS’s PRM requirement.
18 Therefore, the tariff and market offerings proposed by SPS in this Application can
19 directly contribute to reducing SPS’s near term capacity needs.

⁴ *Application of Southwestern Public Service Company to Amend Its Certificate of Convenience and Necessity to Construct Generation Facilities in Lamb County, Texas and Lea County, New Mexico; for Good-Cause Exceptions; and for Related Relief*, Docket No. 55255 (July 26, 2023).

⁵ Docket No. 55255, Rebuttal Testimony of Ben R. Elsey at 11-12, February 7, 2024; and Rebuttal Testimony of Brooke A. Trammell at 8, February 7, 2024.

⁶ *Application of Southwestern Public Service Company for Approval of Power Purchase Agreements Pursuant to PURA §36.205(e)*, Docket No. 55849, at 6 (Nov. 11, 2023)

1 **Q. At a high level, how does the Southwest Power Pool accredit demand response**
2 **programs like those proposed in this Application?**

3 A. Under Southwest Power Pool’s current accreditation methodologies, SPS’s
4 planning requirements are reduced as a result of acquiring the right to interrupt
5 participating customers’ load. This load can be called upon primarily as a demand-
6 side peaking resource and assists SPS in managing system costs. Indeed, under the
7 Southwest Power Pool’s Schedule 6, Operating Reserve, Supplemental Reserve
8 Service may be provided by: (1) generating units that are on-line but unloaded, (2)
9 quick-start generation, or (3) interruptible load or other non-generation resources
10 capable of providing this service.⁷

11 **Q. Will SPS customers be affected by these tariffs?**

12 A. Current ICO Tariff customers may be impacted by SPS’s proposed modifications
13 to the tariff, such as the new provision requiring customers to have metering
14 equipment at the Point of Delivery. The Off-Peak Alternate Rider and the SPP IM
15 Tariff are new, optional offerings that will be available to eligible commercial and
16 industrial customers as outlined in the tariffs. No SPS customer is required to
17 participate in these interruptible programs, and all customers are expected to benefit
18 from cost savings related to SPS’s reduced need for generating resources, if
19 customers choose to participate.

⁷ spp.etariff.biz:8443/viewer/viewer.aspx (emphasis added). At this link, under “Tariff” click on “Open Access Transmission Tariff, Sixth Revised Volume No. 1” and then click “Schedule 6 Operating Reserve - Supplemental Reserve Service,” for the details.

1 **Q. Is SPS seeking to recover any costs associated with these tariff modifications**
2 **or proposals in this proceeding?**

3 A. No. SPS is not requesting recovery of the costs associated with these tariffs in this
4 proceeding.

5 **Q. Please describe how SPS determined the rates for the tariffs.**

6 A. The Commission approved the rates in the ICO Tariff in SPS's last base rate case,
7 Docket No. 54634. SPS is not seeking to modify any of these rates in this
8 proceeding. With respect to the rates under the Off-Peak Alternate Rider to the SG,
9 PG, and LGST tariffs, SPS is proposing to use the same Commission-approved
10 standby power rates from Docket No. 54634, as discussed by SPS witness Wesley
11 L. Berger. With respect to the SPP IM Tariff, SPS is proposing a credit sharing
12 mechanism, discussed in more detail below in Section VII of my direct testimony.

13 **Q. Are other witnesses filing testimony supporting SPS's Application?**

14 A. Yes. Mr. Berger, Manager, Rate Cases, discusses the proposed modifications to
15 the ICO Tariff, the SG, PG, and LGST Tariffs for the addition of the Off-Peak
16 Alternate Rider, and SPP IM Tariff in more detail in his direct testimony.

1 **III. SPS'S CAPACITY NEEDS**

2 **Q. Please describe SPS's expected capacity needs from 2027 - 2030.**

3 A. As shown below in Table RL-3, based upon its Texas position,⁸ SPS currently
4 forecasts an accredited summer capacity need of 901 MW in 2027, which increases
5 to 3,223 MW in 2030. This table reflects the PUCT's verbal approval of resources
6 in Docket No. 55255, including the denial of SPS's proposed Cunningham 1 battery
7 project presented as part of the Recommended Portfolio. The table also assumes
8 approval of the Borger and Wildcat long-term PPAs presented for approval in
9 Docket No. 55849. If the Wildcat battery PPA is not approved, SPS's accredited
10 capacity need materializes one summer earlier: in 2026, as opposed to 2027.

11 **Table RL-3:**
12 **SPS's Accredited Capacity Need in MW (Texas Position)⁹**
13

Season	2026	2027	2028	2029	2030
Summer	11	(901)	(1,723)	(3,000)	(3,120)
Winter	203	(586)	(1,766)	(3,086)	(3,223)

14
15 **Q. Please describe SPS's resource planning process through the end of the**
16 **decade.**

17 A. On July 22, 2024, SPS issued an All-Source RFP to solicit resources through 2030
18 ("July 2024 RFP"). SPS's July 2024 RFP reflects SPS's most current load forecast
19 as well as expected changes in the Southwest Power Pool methodology of

⁸ SPS's capacity need in Texas, its "Texas Position," is based on the components provided in Attachment RL-3 - Load & Resource Tables.

⁹ See Attachment RL-3 - Load & Resource Tables for SPS's projected loads and resources, which ties these amounts to SPS's July 2024 Request for Proposals filing in New Mexico.

1 accreditation that include Performance Based Accreditation for conventional
2 thermal resources and Effective Load Carrying Capability of wind, solar, and
3 energy storage resources. The July 2024 RFP also represents changes in the
4 Southwest Power Pool minimum required PRM from 15% to seasonal values of
5 16% in the summer months and 36% in the winter months. The increased summer
6 PRM is binding on load serving entities, like SPS, by the summer of 2026. Since
7 SPP has not previously had a winter PRM requirement, the 36% winter PRM must
8 be approved by FERC. A decision from FERC regarding the winter PRM is
9 expected in 2025.

10 **Q. Please describe the components that comprise SPS's accredited capacity**
11 **needs.**

12 A. The components that comprise SPS's accredited capacity needs, identified in
13 megawatts in Table RL-3, above, are SPS's current accredited capacity, total
14 coincident peak demand (derived from SPS's Summer 2024 planning forecast),
15 interruptible load, and the PRM. The details of these components, by year 2027 –
16 2030, are provided in Attachment RL-3.

17 **Q. How does SPS determine the amount of available capacity from its resources?**

18 A. When calculating the amount of available capacity of its generation fleet for
19 capacity planning purposes, SPS adheres to the requirements specified in
20 Attachment AA of SPP's Open Access Transmission Tariff ("OATT") and
21 supporting business practices. Specifically, the OATT requires SPS to only count
22 a resource's accredited capacity towards its PRM requirements.¹⁰

¹⁰ Southwest Power Pool - Open Access Transmission Tariff, Sixth Revised Volume No. 1 - Attachment AA Resource Adequacy at Section 10.4, page 21; [SPP OATT attachment AA tariff.pdf](#)

1 **Q. What is accredited capacity?**

2 A. Accredited capacity refers to the amount of a resource's capacity that may be
3 counted towards a utility's capacity requirements (*i.e.*, the amount of capacity
4 needed to serve its planned system peak demand together with the PRM). A
5 resource's accredited capacity may be significantly lower than its nameplate
6 capacity, which refers to the maximum generation capability of a unit.

7 **Q. How is accredited capacity determined?**

8 A. The Southwest Power Pool requires accredited capacity to be calculated according
9 to the methodology contained in Attachment AA of the OATT. This methodology
10 is determined by Southwest Power Pool's Supply Adequacy Working Group and
11 can change as best practices are developed. The methodology considers the
12 resource's reliability and the alignment of its production with periods of peak
13 system demand, which results in different resource types having different ratios of
14 accredited capacity to nameplate capacity. For example, wind resources have
15 relatively low ratios of accredited capacity to nameplate capacity, because the high
16 wind production hours of the day (and year) do not consistently align well with
17 periods of system peak demand. On the other hand, hours of high solar production
18 in the Texas Panhandle and southeast New Mexico often coincide with periods of
19 peak demand, which means solar projects will have a relatively high accredited
20 capacity value.

21 SPS submits its capacity position, including any required supporting
22 documentation, to the Southwest Power Pool on an annual basis for validation and

1 approval. Because accredited capacity determinations are based on each individual
2 resource's performance, capacity accreditations can vary from year to year.

3 **Q. What is total coincident peak demand?**

4 A. Total coincident peak demand is the amount of electricity consumed during SPS's
5 period of highest system demand and it is based on SPS's load forecasts.

6 **Q. What is a load forecast?**

7 A. A load forecast is a utility's projection of the energy and capacity needs of its
8 customers throughout its electric system.

9 **Q. How often does SPS provide load forecasts?**

10 A. SPS typically provides two forecasts each year: one in early spring and one in the
11 summer; although the precise release dates vary from year to year. SPS's total
12 coincident peak demand is derived from SPS's load forecasts and provided in
13 Attachment RL-3. In addition, SPS's most current load forecast was included as
14 Appendix D to SPS's July 2024 RFP that I refer to above.

15 **Q. Are there other factors besides load growth which impact SPS's capacity
16 position in future years?**

17 A. Yes. The PRM established by the Southwest Power Pool continues to increase and
18 impacts SPS's capacity position.

19 **Q. Please describe the minimum PRM requirement.**

20 A. As a general matter, to provide reliable service, electric utilities must have a
21 minimum level of capacity that exceeds the projected peak load to allow for system
22 contingencies, including generating unit or transmission outages and other
23 uncertainties. The available capacity in excess of the projected peak load is referred

1 to as the “Planning Reserve Margin” or PRM. When utilities are members of
2 RTOs, PRM requirements are frequently promulgated by the RTO to which the
3 utility belongs.

4 SPS is a member of the Southwest Power Pool RTO. Under its rules for net
5 planning capability, Southwest Power Pool currently requires each member to have
6 a minimum summer PRM of 15% of its peak demand forecast. Additionally, SPP
7 recently approved an increase in the summer PRM to 16% effective 2026.¹¹
8 Compliance with the Southwest Power Pool’s minimum PRM is necessary, and it
9 would be imprudent for a utility to have reserves below the PRM.

10 The PRM is, however, only one of many considerations in the resource
11 planning process and does not substitute for SPS’s overall approach necessary to
12 adequately plan for expected customer needs. Other considerations include, but are
13 not limited to, operational constraints, such as congestion management and
14 transmission stability, and ensuring there is sufficient energy available to serve
15 forecasted load at all times.

16 **Q. Please describe the last component in determining SPS’s accredited capacity**
17 **need.**

18 A. The last component in determining SPS’s capacity need is interruptible load that
19 SPP identifies through various demand response programs that allow utilities to
20 interrupt customer load during peak periods or emergencies. For the purpose of
21 including interruptible load in its Load & Resource Tables, SPS has assumed 24
22 megawatts.

¹¹ SPP board approves new planning reserve margins to protect against high winter, summer use - Southwest Power Pool

1 **IV. INTERRUPTIBLE LOAD PROGRAMS**

2 **Q. How does SPS plan to meet its forecasted capacity needs?**

3 A. As it has historically, SPS relies on a resource planning process which reflects a
4 “portfolio approach,” containing a mix of supply-side and demand-side resource
5 alternatives. This approach is based upon a fundamental principle of asset
6 diversification. A portfolio of diverse resource types allows SPS to better manage
7 risks, including price volatility.

8 Certain resource options respond in opposite directions to one another, or
9 in lower magnitude to market risks, reducing overall portfolio risk (such as changes
10 in fuel prices or escalating construction costs). For example, certain resources, such
11 as wind and coal, have higher fixed, but lower variable, costs. Therefore, these
12 resources are not as affected by fuel price volatility as other resources, such as gas-
13 fired resources. By having a diverse mix of resources on the system, the overall
14 price volatility to customers is mitigated.

15 **Q. Do interruptible programs have a role in a diversified portfolio?**

16 A. Yes, they do. Interruptible load programs are a type of demand response program
17 that allow utilities to manage electricity demand by temporarily reducing power
18 usage when the ability to serve additional customer load is limited by resource
19 capacity, in exchange for incentives provided to the participating customers. The
20 amount of capacity available in any month via an interruption is referred to as
21 “interruptible load” and is expressed in kilowatts (“kW”). The right to interrupt
22 can reduce SPS’s capital planning requirements and can directly reduce the amount
23 of capital expenditures that SPS would be required to undertake to meet an

1 anticipated increase in demand. In addition, interruptible load programs can assist
2 with meeting unexpected energy demands, whether from unusually high customer
3 demands or outages associated with existing power generating resources on the
4 supply side.

5 **Q. What load management programs are currently offered by SPS in Texas?**

6 A. SPS currently offers the ICO Tariff, Texas Standard Offer program, a special
7 contract to Canadian River Municipal Water Authority, Peak Day Partner tariff, the
8 Commercial and Industrial Controlled Air Conditioning rider, and the Residential
9 Controlled Air Conditioning rider. Saver's Switch for Business is offered under
10 the Commercial and Industrial Controlled Air Conditioning rider, and Saver's
11 Switch is offered under the Residential Controlled Air Conditioning rider. SPS is
12 seeking to expand its load management program offerings through this Application.

13 **Q. Please provide a high-level description of SPS's interruptible load programs
14 proposed in this Application.**

15 A. SPS is seeking to expand its ICO Tariff by removing the maximum 200 MW cap
16 on customer enrollment. SPS is also proposing two new offerings: the Off-Peak
17 Alternate Rider and the SPP IM Tariff. Eligible customers opting to participate in
18 the Off-Peak Alternate Rider program will receive firm capacity during off-peak
19 periods as defined in the tariffs and permit SPS to interrupt their load during peak
20 periods without notice. The SPP IM Tariff is a pilot program for eligible LGST
21 customers, in which participants authorize SPS to bid their load into the IM as a
22 demand response resource. If the bid clears, then the customer must interrupt its
23 load during the hours requested by Southwest Power Pool.

1 A customer may elect to participate in any one of these programs at a time
2 based on its needs, operational flexibility, and risk appetite. As described in Mr.
3 Berger's direct testimony, these programs are mutually exclusive, meaning a
4 customer may not participate in more than one interruptible load program.

5 **Q. Please describe Southwest Power Pool and the IM.**

6 A. Southwest Power Pool is a regional transmission organization ("RTO") mandated
7 by the Federal Energy Regulatory Commission ("FERC") to ensure reliable
8 supplies of power, adequate transmission infrastructure, and competitive wholesale
9 electricity prices on behalf of its members. The IM is the market system Southwest
10 Power Pool operates to facilitate the buying and selling of wholesale electricity
11 across its service area, which includes the SPS footprint.

12 **Q. As a load serving entity in the Southwest Power Pool, how does SPS participate
13 in the IM?**

14 A. SPS offers all of its generation into the IM and purchases the power needed to serve
15 its load obligations from the IM.

16 **Q. What are the benefits of interruptible load programs like those proposed here?**

17 A. Compared to supply-side resources, interruptible load programs can be
18 implemented quickly because a certificate of convenience and necessity is not
19 required, there is not a lengthy construction process, and SPS does not have to make
20 large capital investments to implement them. Moreover, unlike supply-side
21 resources, they are not directly impacted by the potential for escalating construction
22 costs, fuel cost volatility, or transmission constraints. Accordingly, interruptible

1 load programs can be a cost-effective solution to managing the very top of the
2 system peak.

3 **Q. Regarding the Off-Peak Alternate Rider, are there any additional benefits**
4 **associated with this offering?**

5 A. Yes. When customers reduce on-peak usage and/or shift their usage to off-peak
6 hours, their shifted consumption can reduce SPS's capital planning requirements
7 and directly reduces the amount of capital expenditures that SPS would be required
8 to undertake to meet an anticipated increase in demand.

9 **Q. Why are interruptible load programs effective in addressing peak system**
10 **needs?**

11 A. The peaking nature of super-high system loads generally occurs only a few hours
12 of the year, during the hottest days of the summer season or the coldest days of the
13 winter season, necessitating generation capacity to meet peak demands. If
14 customers are able to reduce their consumption during peak times, all customers
15 benefit by avoiding the related costs. Thus, interruptible load is an effective
16 demand response substitute to adding peaking generation.

1 **V. ICO TARIFF**

2 **Q. Please describe SPS's existing ICO Tariff.**

3 A. SPS's existing ICO Tariff, Tariff Sheet IV-177, was first approved in 2007 as part
4 of Docket No. 32766. The tariff has been revised six times with the most recent
5 revision being effective February 1, 2024, as part of SPS's most recent base rate
6 case, Docket No. 54634. The revisions approved in Docket No. 54634 updated the
7 capacity credits paid to participating customers, expanded the ICO program to the
8 SG and PG customer classes, increased the cap on the amount of enrolled
9 interruptible load to 200 MW, and made other administrative changes to the tariff.

10 **Q. How are customers who participate in the ICO Tariff compensated?**

11 A. A customer participating in the ICO Tariff receives a monthly bill credit reflecting
12 the value of the load the customer grants SPS the right to interrupt. The specific
13 amount of the credit varies, based on the amount of load made available under the
14 customer's contract with SPS, the amount of notice required before interruption,
15 and the total number of hours of permitted interruption. The monthly credits,
16 referred to as "monthly credit rate" or "MCR" in the ICO Tariff, are applied to the
17 amount of load contributed by the customer. The basis for calculating the credit is
18 the avoided cost of constructing a power plant that could provide a similar resource,
19 adjusted to take into account identifiable differences between the ICO resource and
20 the avoided supply-side resource.

1 **Q. How did SPS determine the credits to be paid to customers who participate in**
2 **its ICO program?**

3 A. In Docket No. 54634, SPS identified and proposed the avoided costs of supply-side
4 resources used to evaluate credits to be paid to customers. Because interruptible
5 resources provide value like that of traditional supply-side resources, the
6 participant's compensation should reflect the value of the supply-side resource
7 replaced. The relevant supply-side resource varies depending upon the avoided
8 capacity, energy, and other attributes of the interruptible contract. Customers that
9 place restrictions on the number of hours, notice, and performance of their
10 interruptible load, such that the value of that particular load is below that of the
11 comparable supply-side resource, should receive discounted payments. Therefore,
12 in evaluating credits to be paid to customers participating in the ICO Tariff, relevant
13 test-year avoided cost information was used, as well as other factors germane to
14 setting the credit levels. SPS is not proposing these Commission-approved
15 elements be changed in this filing.

16 **Q. What changes to the ICO tariff are proposed by SPS in this docket?**

17 A. As Mr. Berger describes, SPS is proposing to remove the currently-approved
18 participation cap to the ICO Tariff.

1 **Q. Does SPS currently have a Commission-approved ICO Tariff customer**
2 **agreement?**

3 A. No, it does not. However, the Commission has approved customer agreements for
4 optional tariffs employed by other utilities.¹² Mr. Berger also outlines the details
5 of SPS's proposed ICO customer agreement in his direct testimony.

¹² See e.g., *Application of Entergy Texas, Inc. for Authority to Change Rates*, Docket No. 53719, ETI's Clean Record Copy of Tariffs at 272-79 (Aug. 31, 2023); Docket No. 53153, *Entergy Texas, Inc.'s Statement of Intent and Application for Approval of Two Voluntary Renewable Option Tariffs, Rider SVRO and Rider LVRO*, Docket No. 53153, Stamped Approved Tariff at 4-6 (Sep. 1, 2022); see also Southwestern Electric Power Company's Tariffs for Electric Service at Section VI, available at: <https://www.swepco.com/lib/docs/ratesandtariffs/Texas/TexasRatesChargesandFees04-26-2022.pdf> (including Contract for Electric Service); Oncor Electric Delivery Company LLC's Tariff for Retail Delivery Service 182-83, available at: <https://ftp.puc.texas.gov/public/puct-info/industry/electric/rates/Trans/Oncor.pdf> (discretionary service agreement); AEP Texas's Tariff for Retail Delivery Service at 342-76, available at: <https://ftp.puc.texas.gov/public/puct-info/industry/electric/rates/Trans/AEP.pdf> (providing standard customer agreements for facilities extensions and metering equipment); Texas-New Mexico Power Tariff for Retail Delivery Service at 239-92, available at: <https://ftp.puc.texas.gov/public/puct-info/industry/electric/rates/Trans/TNMP.pdf> (same); CenterPoint Energy Houston Electric, LLC at 303-56, available at: <https://ftp.puc.texas.gov/public/puct-info/industry/electric/rates/Trans/CNP.pdf> (same).

1 **VI. OFF-PEAK ALTERNATE RIDER**

2 **Q. What is the purpose of this section of your testimony?**

3 A. The purpose of this section of my testimony is to describe SPS's proposed Off-Peak
4 Alternate Rider, an optional program for customers, which may assist SPS in
5 meeting its capacity needs at a lower cost than adding supply-side generation
6 resources.

7 **Q. Please provide an overview of the Off-Peak Alternate Rider.**

8 A. As discussed in more detail by Mr. Berger, the Off-Peak Alternate Rider is a
9 voluntary tariff that would be available to SPS's customers that take service under
10 SPS's SG, PG, and LGST tariff schedules. It allows customers to take firm service
11 during off-peak hours only. The Off-Peak Alternate Rider is not available to
12 customers who are participating in SPS's ICO program, SPP IM program, or are
13 under contract with a third-party aggregator in Southwest Power Pool to interrupt
14 load at the same Point of Delivery. Moreover, so that SPS can ensure customers
15 are participating in only one program, all third-party aggregators must provide SPS
16 with each customer's Point of Delivery included in the third-party program and the
17 amount of load a customer has nominated at each Point of Delivery for
18 participation. SPS is proposing this rider as a possible option to address its growing
19 need for capacity. As Mr. Berger discusses, the Off-Peak Alternate Rider
20 essentially utilizes peak hours for an interruptible program to qualify as a Tier 1
21 program under the Southwest Power Pool's new accreditation system expected to
22 take effect in either 2026 or 2027.

1 **Q. How does the Off-Peak Alternate Rider differ from SPS's other interruptible**
2 **load programs?**

3 A. Under the Off-Peak Alternate Rider, participants would be agreeing to firm service
4 only during off-peak hours for a minimum of five calendar years. During summer
5 peak hours and winter peak hours (as defined in the tariffs), SPS may interrupt any
6 power use without notice to the customer. If the participant fails to interrupt during
7 peak hours, then the participant would pay a material financial penalty. All of these
8 elements make the Off-Peak Alternate program unique.

9 **Q. How was the financial penalty for failure to interrupt developed?**

10 A. The penalty provision is intended to reflect the capacity penalty Southwest Power
11 Pool charges to SPS, if SPS is capacity deficient. Specifically, the Southwest
12 Power Pool charges its members, such as SPS, a production capacity penalty charge
13 based on the Cost of New Entry and the level of overall planning reserves in the
14 Southwest Power Pool region. Because customers' load in this program effectively
15 serves to address SPS's capacity needs like a supply-side resource, the penalty
16 provision is reasonable.

1 **VII. SPP IM TARIFF**

2 **Q. What is the purpose of this section of your testimony?**

3 **A.** The purpose of this section of my testimony is to describe SPS's proposed SPP IM
4 Tariff that could provide SPS with needed capacity if customers choose to
5 participate.

6 **Q. Please provide an overview of the SPP IM Tariff.**

7 **A.** SPS's SPP IM Tariff defines the parameters under which SPS's LGST customers
8 can participate in the IM as a demand response option, as well as how Aggregators
9 of Retail Customers who represent SPS's retail customers with demand response
10 capabilities can operate in the IM if they wish to engage with SPS's customers. The
11 SPP IM tariff outlines which customers are eligible to participate, defines technical
12 terms, and describes how the tariff will work for participants in the tariff. As
13 discussed in more detail by Mr. Berger, the SPP IM tariff is a voluntary pilot
14 interruptible program that allows participating customers to have SPS bid the
15 customer's load into the SPP IM as a resource. If the customer's bid clears, then
16 the customer will be expected to interrupt its load during the hours requested by the
17 Southwest Power Pool. The main difference between the SPP IM program and
18 SPS's other interruptible load programs is that participants will be paid only when
19 their load is successfully bid into the SPP IM.

20 **Q. Is SPS proposing that the SPP IM Tariff start as a pilot program?**

21 **A.** Yes. As outlined in Table RL-3, SPS currently forecasts to be capacity deficient
22 beginning in 2027. In addition to SPS's plan to acquire additional generation
23 resources, SPS is proposing these additional interruptible service options to help

1 meet its expected capacity needs. The pilot represents an opportunity for customers
2 to take advantage of their operational flexibility, better manage their energy costs,
3 and provide benefits to the broader electric grid. The proposed pilot structure,
4 which is initially limited to LGS-T customers, allows SPS to implement and operate
5 this market program with a subset of customers before potentially expanding to
6 greater participation.

7 **Q. How long does SPS expect this pilot program to be in place?**

8 A. SPS is not proposing a term limit for its SPP IM Tariff at this time. If this pilot is
9 successful, then the program could be expanded in the future to include other rate
10 classes and additional services.

11 **Q. How will participants be paid if their bids clear?**

12 A. Participants will be paid based on a credit sharing mechanism as set forth in the
13 “SPP Integrated Marketplace Credit” section of the SPP IM tariff. Specifically, if
14 the customer’s bid is successful, SPS will receive net revenue from Southwest
15 Power Pool for the customer’s interruptible demand. SPS is proposing to credit
16 70% of this net revenue to the customer’s monthly bill, subject to any true-up
17 performed by Southwest Power Pool. SPS would retain the remaining 30% in order
18 to cover the incremental costs associated with executing the program.

19 **Q. How did SPS develop the 30% credit retention?**

20 A. After reviewing its current SPP IM commercial operations and the estimated costs
21 of administering the proposed program, SPS determined the 30% retention ensures
22 the program starts off in a robust and effective manner for its customers who choose
23 to participate. In designing the program, SPS identified several program costs that

1 are in addition to the administrative costs approved for recovery through its base
2 rates, including increased allocation of service company expenses for internal
3 program management to oversee the bidding and IM settlements, costs associated
4 with interruption notifications, equipment installation labor costs, and the related
5 education required for customers to understand the IM activities (bid submissions
6 and monitoring, settlement financial transactions, and compliance activities). SPS
7 expects the 30% credit retention to cover these incremental costs; therefore, SPS is
8 not seeking to recover any costs associated with the SPP IM Tariff in this
9 proceeding.

10 **Q. Will SPS track the costs associated with administering the SPP IM Tariff?**

11 A. Yes. SPS will separately track the incremental costs described above to enable it
12 to identify and account for the costs attributed to this pilot program. If, at some
13 later date, it is determined that the amount of retained revenue credits exceeds the
14 incremental costs incurred, SPS will credit the excess amounts back to the
15 participating customers.

16 **Q. In closing, what approvals is SPS requesting from the Commission?**

17 A. SPS requests the Commission approve its proposed tariff changes, new SPP IM
18 Tariff, and the associated customer agreements. Approving these tariff changes
19 and offerings are in the public interest as SPS expects them to be able to provide
20 valuable and unique demand response offerings for SPS's customers and these
21 programs receive capacity accreditation under the Southwest Power Pool's
22 resource adequacy requirements, which can help address SPS's near-term capacity
23 needs. No SPS customer is required to participate in these interruptible programs,

1 and all customers are expected to benefit from cost savings related to SPS's reduced
2 need for generating resources, if customers choose to participate. Thus, upon
3 Commission approval, a number of benefits will be available to SPS's customers
4 while, at the same time, allowing SPS to utilize more tools in meeting its near-term
5 capacity need.

6 **Q. Does this conclude your pre-filed direct testimony?**

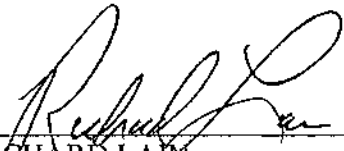
7 A. Yes, it does.

AFFIDAVIT

STATE OF TEXAS)
)
COUNTY OF TRAVIS)

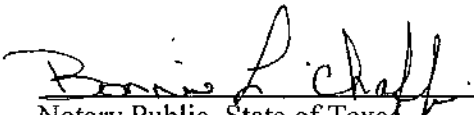
RICHARD LAIN, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I am over 18 years of age, of sound mind, and am capable of making this affidavit. I have read the testimony and the accompanying attachments and am familiar with their contents. Based upon my personal knowledge, the facts stated in the testimony are true and correct. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.

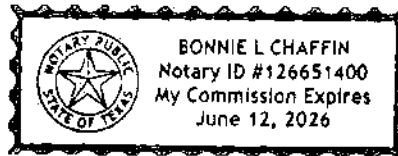


RICHARD LAIN

Subscribed and sworn to before me this 15th day of August 2024 by RICHARD LAIN



Notary Public, State of Texas
My Commission Expires: June 12, 2026



CERTIFICATE OF SERVICE

I certify that on the date this document was filed with the Public Utility Commission of Texas a true and correct copy of it was served on the Staff of the Public Utility Commission of Texas and on all other parties to Docket No. 54634, Southwestern Public Service Company's prior fuel reconciliation proceeding, by electronic mail.

/s/ *Scottie Agnew*



Overview of SPS

SPS's total company service territory encompasses a 52,000 square-mile area in the Texas Panhandle, the Texas South Plains, and eastern and southeastern New Mexico.

In Texas, SPS provides retail electric service to approximately 277,000 customers in parts of 29 counties and in 80 municipalities. SPS's electric system in Texas is comprised of over 16,000 miles of transmission and distribution miles and over 300 substations. SPS's customer profile is unique to other utilities because it is predominately made up of commercial and industrial loads.

SPS supplies customers with reliable and affordable energy through a diverse generation mix.

SPS owns and currently operates a total of 20 generating units, 14 of which are located physically in Texas. During 2023, SPS's generation peak was 4,325 MW. SPS supplied



customers' energy needs with 4,100 MW of installed thermal generating capacity and 1,000MW of owned wind capacity. During 2023, 37% of SPS's total system energy needs were served by wind and solar generation, 22% by coal-fired generation, and 42% by natural gas generation. SPS also purchases firm power and energy under long-term purchased power contracts.

Xcel Energy has been a national leader in wind energy since 2005, according to the American Clean Power Association (formerly the American Wind Energy Association). The table lists each intermittent renewable generator with whom SPS has a long-term PPA, the location of the

Facility	Location	Nameplate Capacity (MW)	Start Year
Caprock	Quay Co, New Mexico	80	2004
San Juan Mesa	Chaves Co, New Mexico	120	2005
Wildorado	Oldham Co, Texas	161	2007
Long Road Solar	Lea/Eddy Co, New Mexico	50	2011
Spinning Spur	Oldham Co, Texas	161	2012
Palo Duro	Hansford Co, Texas	249	2014
Mammoth Plains	Dewey/Blaine Co, Oklahoma	199	2015
Roosevelt	Roosevelt Co, New Mexico	250	2015
Roswell Solar	Chaves Co., New Mexico	70	2016
Chaves County Solar	Chaves Co., New Mexico	70	2016
Bonita (Lorenzo)	Crosby Co., Texas	80	2018
Bonita (WildCat Ranch)	Cochran Co., Texas	150	2018

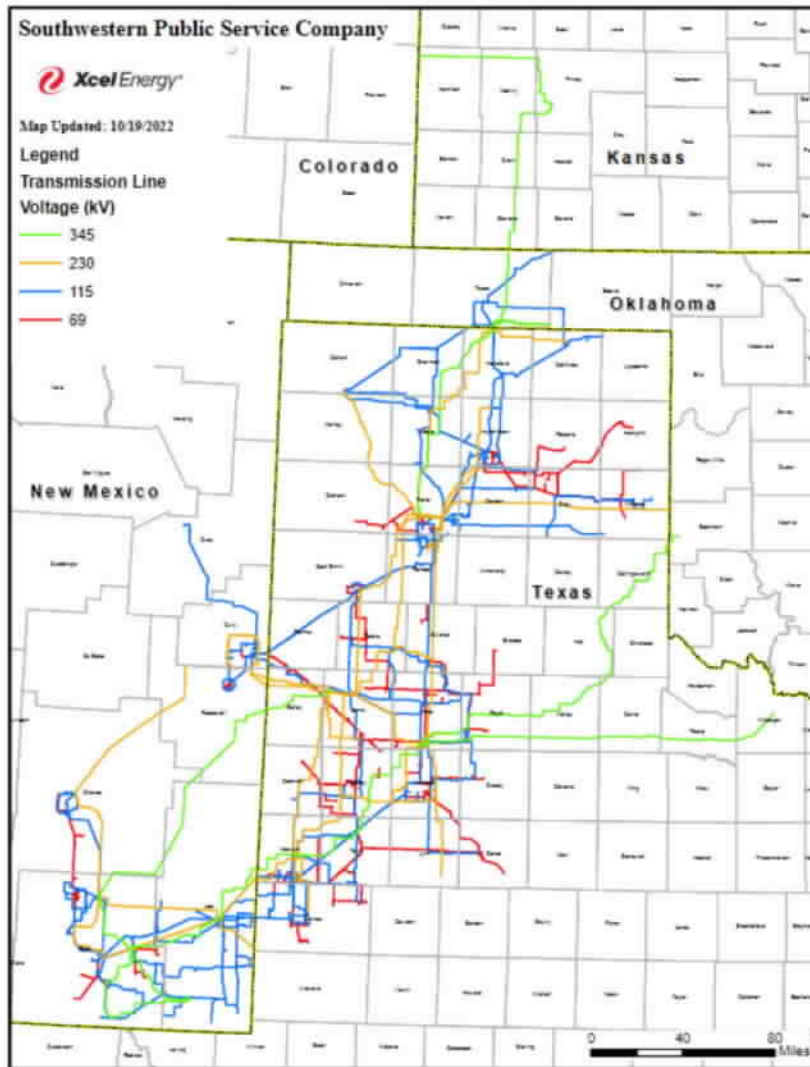
generating facility, the nameplate capacity of the facility, and the year in which SPS began purchasing renewable intermittent energy from that facility.

As of 2022, SPS is purchasing 1,640 MW of energy from wind and solar production facilities, although not all of these facilities are used to serve SPS's Texas retail customers. In addition, SPS currently purchases intermittent renewable energy at avoided cost from numerous Qualifying Facility wind generation facilities in Texas.



SPS is uniquely located relative to the electric grids of North America.

It is a member of the SPP RTO and is synchronously connected to the eastern grid through interconnections with Mid-Kansas Electric Company, Public Service Company of Oklahoma,



Sunflower Electric Power Corporation, and AEP Texas Inc. The seven primary interconnections with the SPP are a 230 kilovolt (“kV”) transmission power line to Elk City, Oklahoma; a 345 kV transmission power line to Oklaunion, Texas; a 345 kV transmission power line between Amarillo, Texas and Holcomb, Kansas; a 115 kV transmission line between Texas County, Oklahoma and Liberal, Kansas; and two 345 kV lines to Woodward, Oklahoma (two connected to the north part of the system and the other at TUCO, near Lubbock, Texas). SPS is also connected to the western grid through three high-voltage direct-current (“DC”) back-to-back converters, or DC ties: (1) through interconnections with Public Service Company of New Mexico (“PNM”) at Clovis, New Mexico; (2)

through interconnections with El Paso Electric Company and PNM at Artesia, New Mexico; and (3) through interconnections with Public Service Company of Colorado (“PSCo”) at Lamar, Colorado. Although SPS operates adjacent to the ERCOT grid, it has no direct interconnections with ERCOT transmission owners.

1 **PREVIOUS DIRECT TESTIMONY BY RICHARD LAIN**

2 **Filed at the Public Utility Commission of Texas:**

3 **Docket No. 56781** – *Application of Southwestern Public Service Company for Authority to*
4 *Implement a Net Surcharge Associated with Docket No. 54634* – July 16, 2024

5 **Docket No. 56595** – *Application of Southwestern Public Service Company to Implement a*
6 *Distribution Cost Recovery Factor* – May 14, 2024

7 **Docket No. 53719** – *Application of Entergy Texas, Inc. for Authority to Change Rates* – July
8 1, 2022

9 **Docket No. 52624** – *Application of Entergy Texas, Inc. to Amend Its Transmission Cost*
10 *Recovery Factor* – October 5, 2021

11 **Docket No. 52457** – *Application of Entergy Texas, Inc. to Amend Its Distribution Cost*
12 *Recovery Factor* – August 31, 2021

13 **Docket No. 52354** – *Application of Entergy Texas, Inc. to Update Its Generation Cost*
14 *Recovery Rider to Reflect the Acquisition of the Hardin County Peaking Facility* – August 3,
15 2021

16 **Docket No. 52302** – *Application of Entergy Texas, Inc. for a Financing Order* – July 9, 2021

17 **Docket No. 51997** – *Application of Entergy Texas, Inc. for Determination of System*
18 *Restoration Costs* – April 19, 2021

19 **Docket No. 51557** – *Application of Entergy Texas, Inc. to Amend Its Generation Cost Recovery*
20 *Rider to Reflect the Acquisition of the Hardin County Peaking Facility* – December 1, 2020.

21 **Docket No. 51416** – *Application of Entergy Texas, Inc. to Amend Its Distribution Cost*
22 *Recovery Factor* – October 22, 2020

Southwestern Public Service Company

- 1 **Docket No. 51406** – *Application of Entergy Texas, Inc. to Amend Its Transmission Cost*
- 2 *Recovery Factor* – October 19, 2020
- 3 **Docket 51381** – *Application of Entergy Texas, Inc. to Establish a Generation Cost Recovery*
- 4 *Rider Related to the Montgomery County Power Station* – October 5, 2020
- 5 **Docket 50714** – *Application of Entergy Texas, Inc. to Amend Its Distribution Cost Recovery*
- 6 *Factor* – March 31, 2020
- 7 **Docket No. 49874** – *Application of Entergy Texas, Inc. to Amend Its Transmission Cost*
- 8 *Recovery Factor* – August 30, 2019
- 9 **Docket No. 49392** – *Application of Entergy Texas, Inc. for a Distribution Cost Recovery*
- 10 *Factor* – March 28, 2019
- 11 **Docket No. 48439** – *Review of Rate Case Expenses Incurred in Docket No. 48371* January
- 12 18, 2019
- 13 **Docket No. 49057** – *Application of Entergy Texas, Inc. to Set a Transmission Cost Recovery*
- 14 *Factor* – December 31, 2018
- 15 **Docket No. 48371** – *Entergy Texas, Inc.'s Statement of Intent and Application for Authority*
- 16 *to Change Rates* – May 15, 2018
- 17 **Docket No. 47416** – *Application of Entergy Texas, Inc. for Approval of Advanced Metering*
- 18 *System (AMS) Deployment Plan, AMS Surcharge, and Non-Standard Metering Service Fees* –
- 19 July 18, 2017
- 20 **Docket No. 47233** – *Application of Entergy Texas, Inc. for Approval to Amend Its Distribution*
- 21 *Cost Recovery Factor* June 1, 2017
- 22 **Docket No. 46357** – *Application of Entergy Texas, Inc. for Approval to Amend Its*
- 23 *Transmission Cost Recovery Factor* September 16, 2016

Southwestern Public Service Company

- 1 **Docket No. 45084** – *Application of Entergy Texas, Inc. for Approval of a Transmission Cost*
2 *Recovery Factor* – September 11, 2015
- 3 **Docket No. 45083** – *Application of Entergy Texas, Inc. for Approval to Amend Its Distribution*
4 *Cost Recovery Factor* – September 4, 2015
- 5 **Docket No. 44704** – *Application of Entergy Texas, Inc. for Authority to Change Rates* June
6 12, 2015
- 7 **Docket No. 43111** – *Application of Entergy Texas, Inc. for Authority to Implement a*
8 *Distribution Cost Recovery Factor Pursuant to P.U.C. Subst. R. 25.243* – September 18, 2014
- 9 **Docket No. 41474** – *Application of Sharyland Utilities, L.P. to Establish Retail Delivery Rates,*
10 *Approve Tariff for Retail Delivery Service, and Adjust Wholesale Transmission Rate* – May
11 31, 2013
- 12 **Docket No. 41445** – *Application of Sharyland Utilities, L.P. to Amend Energy Efficiency Cost*
13 *Recovery Factor and for Good Cause Exception to Administrative Spending Cap* May 1,
14 2013
- 15 **Docket No. 38480** – *Application of Texas-New Mexico Power Company for Authority to*
16 *Change Rates* – November 15, 2010
- 17 **Docket No. 38339** – *Application of CenterPoint Energy Houston Electric, LLC for Authority*
18 *to Change Rates* – September 17, 2010
- 19 **Docket No. 37744** – *Application of Entergy Texas, Inc. for Authority to Change Rates and*
20 *Reconcile Fuel Costs* – June 16, 2010
- 21 **Docket No. 37482** -- *Application of Entergy Texas, Inc. for Approval of a Power Cost Recovery*
22 *Factor* – January 29, 2010

Southwestern Public Service Company

- 1 **Docket No. 36952** – *Application of CenterPoint Energy Houston Electric, LLC, to Defer*
2 *Energy Efficiency Cost Recovery and For Approval of an Energy Efficiency Cost Recovery*
3 *Factor* -- August 3, 2009
- 4 **Docket No. 36025** – *Application of Texas-New Mexico Power Company for Authority to*
5 *Change Rates* June 3, 2009
- 6 **Docket No. 35717** – *Application of Oncor Electric Delivery Company LLC for Authority to*
7 *Change Rates* December 10, 2008
- 8 **Docket No. 35639** – *Application of CenterPoint Energy Houston Electric, LLC for Approval*
9 *of Deployment Plan and Request for Surcharge for an Advanced Metering System* July 8,
10 2008
- 11 **Docket No. 34723** – *Petition for Review of Monthly Per Line Support Amounts from the Texas*
12 *High Cost Universal Service Plan Pursuant to PURA § 56.031 and Subst. R. § 26.403* –
13 February 29, 2008
- 14 **Docket No. 33734** – *Application of Electric Transmission Texas, LLC for a Certificate of*
15 *Convenience and Necessity, for Regulatory Approvals, and Initial Rates* June 18, 2007
- 16 **Docket No. 33310** – *Application of AEP Texas North Company for Authority to Change*
17 *Rates* March 23, 2007
- 18 **Docket No. 33309** – *Application of AEP Texas Central Company for Authority to Change*
19 *Rates* March 23, 2007
- 20 **Docket No. 31462** – *Application of the City of Austin D/B/A Austin Energy to Change Rates*
21 *for Wholesale Transmission Service* November 22, 2005
- 22 **Docket No. 28906** – *Application of LCRA Transmission Services Corporation to Change*
23 *Rates* May 11, 2004

Southwestern Public Service Company

- 1 **Docket No. 25421** – *Application of LCRA Transmission Services Corporation to Change*
- 2 *Rates for Transmission and Transformation Utility Cost of Service*– October 14, 2002
- 3 **Docket No. 25421** – *Application of Bandera Electric Cooperative, Inc. to Change Rates for*
- 4 *Transmission Utility Cost of Service* – October 14, 2002
- 5 **Docket No. 19950** – *Application of Corpus Christi Power and Light for a Certificate of*
- 6 *Convenience and Necessity in Nueces and San Patricio Counties, Texas* – October 25, 2001
- 7 **Docket No. 24336** – *Application of Texas-New Mexico Power for Approval of Unbundled*
- 8 *Cost of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive*
- 9 *Rule §25.344* February 2, 2001
- 10 **Docket No. 22356** – *Application of Entergy Gulf States, Inc. for Approval of Unbundled Cost*
- 11 *of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule*
- 12 *§25.344* – January 16, 2001
- 13 **Docket No. 22355** – *Application of Reliant Energy HL&P for Approval of Unbundled Cost of*
- 14 *Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule*
- 15 *§25.344* December 18, 2000
- 16 **Docket No. 22352** – *Application of Central Power and Light Company for Approval of*
- 17 *Unbundled Cost of Service Rate Pursuant to PURA §39.201 and Public Utility Commission*
- 18 *Substantive Rule §25.344* – November 29, 2000
- 19 **Docket No. 22350** – *Application of TXU Electric Company for Approval of Unbundled Cost*
- 20 *of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule*
- 21 *§25.344* November 20, 2000
- 22 **Docket No. 21711** – *Application of Texas Municipal Power Agency to Change Rates for*
- 23 *Wholesale Transmission Service* May 5, 2000

Southwestern Public Service Company

- 1 **Docket No. 20292** – *Application of Sharyland Utilities L.P. for a Certificate of Convenience*
- 2 *and Necessity in Hidalgo County, Texas*– April 23, 1999

Southwestern Public Service Company

1 **Filed at the Railroad Commission of Texas:**

2 **Gas Utilities Docket No. 10170** – *Statement of Intent filed by Atmos Energy Corp., to Increase*
3 *Gas Utility Rates Within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-*
4 *Tex Division, and consolidated dockets* – August 14, 2012

5 **Gas Utilities Docket No. 10174** - *Statement of Intent filed by Atmos Energy Corp., to Increase*
6 *Gas Utility Rates Within the Unincorporated Areas Served by the Atmos Energy Corp., West*
7 *Texas Division, and consolidated dockets* August 14, 2012

8 **Gas Utilities Docket No. 10182** – *Statement of Intent of CenterPoint Energy Resources Corp.,*
9 *D/B/A CenterPoint Energy Entex and CenterPoint Energy Texas Gas to Increase Rates on a*
10 *Division-Wide Basis in the Beaumont/East Texas Division* – October 23, 2012

11

12 **Filed at the Michigan Public Service Commission:**

13 **Case No. U-17437** – *In the Matter of the Application of DTE Electric Company for Approval*
14 *of a Transitional Cost Recovery Plan and Retail Electric Tariffs Associated with the*
15 *Disposition of the City of Detroit Public Lighting System* November 25, 2013

**Attachment RL-3
Load & Resource Tables
are provided in native format**

DOCKET NO. 56921

**APPLICATION OF SOUTHWESTERN §
PUBLIC SERVICE COMPANY TO § PUBLIC UTILITY COMMISSION
AMEND ITS INTERRUPTIBLE §
CREDIT OPTION TARIFF, AND FOR §
APPROVAL OF A SOUTHWEST § OF TEXAS
POWER POOL INTEGRATED §
MARKETPLACE DEMAND §
RESPONSE OPTION TARIFF AND §
AN OFF-PEAK ALTERNATE RIDER §**

**DIRECT TESTIMONY
of
WESLEY L. BERGER**

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: BergerDirect.docx; Total Pages: 92)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
BDR	Block Demand Response
Commission	Public Utility Commission of Texas
CONE	Cost of New Entry
FERC	Federal Energy Regulatory Commission
ICO	Interruptible Credit Option
IM	Integrated Marketplace
kW	Kilowatt
LGST	Large General Service-Transmission
LMP	Locational Marginal Price
MW	Megawatt
OATT	Open Access Transmission Tariff
Operating Companies	Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS
PRM	Planning Reserve Margin
RUC	Reliability Unit Commitment
SPP IM	Southwest Power Pool Integrated Marketplace Demand Response Option
SPS	Southwestern Public Service Company, a New Mexico corporation
Xcel Energy	Xcel Energy Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
WLB-1	Redline of ICO Tariff <i>(Non-native format)</i>
WLB-2	ICO Tariff Customer Agreement <i>(Non-native format)</i>
WLB-3	Redlines of SG, PG, and LGST Tariffs with Off-Peak Alternate Rider <i>(Non-native format)</i>
WLB-4	Off-Peak Alternate Rider Customer Agreement <i>(Non-native format)</i>
WLB-5	SPP IM Tariff <i>(Non-native format)</i>
WLB-6	SPP IM Customer Agreement <i>(Non-native format)</i>

**DIRECT TESTIMONY
OF
WESLEY L. BERGER**

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Wesley L. Berger. My business address is 790 South Buchanan Street, Amarillo, Texas 79101.

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

A. I am filing testimony on behalf of Southwestern Public Service Company (“SPS”), a New Mexico corporation and wholly-owned subsidiary of Xcel Energy Inc. (“Xcel Energy”). Xcel Energy is a registered holding company that owns a number of electric and natural gas utility operating companies.¹

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

A. I am employed by SPS as Manager, Rate Cases.

Q. Please briefly outline your responsibilities as Manager, Rate Cases.

A. I oversee rate and tariff filings with the Federal Energy Regulatory Commission (“FERC”) that impact SPS. I also provide input on SPS’s cost allocation and cost of service issues for its retail jurisdictions in New Mexico and Texas. In addition, I provide regulatory policy input on various issues impacting SPS.

Q. Please describe your educational background.

A. I graduated from New Mexico State University in 1993, receiving a Bachelor of Science degree in Mathematics and a Bachelor of Arts degree in Economics. I

¹ Xcel Energy is the parent company of four utility operating companies: Northern States Power Company, a Minnesota corporation (“NSP-M”); Northern States Power Company, a Wisconsin corporation (“NSP-W”); Public Service Company of Colorado, a Colorado corporation (“PSCo”); and SPS (collectively, “Operating Companies”).

1 received a Master of Arts degree in Economics with specialization in public utility
2 regulation from New Mexico State University in 1995.

3 **Q. Please describe your professional experience.**

4 A. From June 1995 through April 1997, I worked as a Regulatory Compliance
5 Coordinator for SPS providing rate design and general regulatory compliance
6 support. After SPS and Public Service Company of Colorado merged to form New
7 Century Energies, Inc. in May 1997, I worked as a Pricing Analyst and later as a
8 Pricing Specialist through July 2000. I provided cost of service and rate design
9 support for the retail and wholesale jurisdictions of SPS. After the merger creating
10 Xcel Energy in August 2000, I became a Contract Administration Manager in the
11 Wholesale Origination department, where I attended wholesale market
12 development meetings and regional tariff meetings, and I supported the negotiation
13 of wholesale power purchase and sale agreements. In August 2004, I became an
14 Originator, which meant that my duties focused more on negotiating purchase and
15 sale agreements. In 2005, I returned to Regulatory Administration to direct a retail
16 rate case filing in Texas. In May 2006, I assumed my current position as Manager,
17 Rate Cases.

18 **Q. Have you previously filed testimony before any regulatory authorities?**

19 A. Yes. I have testified before the Public Utility Commission of Texas
20 (“Commission”) in Docket Nos. 34470, 37135, 37361, 47576, 51802, and 54634.
21 I have also testified before the New Mexico Public Regulation Commission and the
22 FERC.

1 **II. SCOPE OF TESTIMONY**

2 **Q. What is the scope of your direct testimony in this proceeding?**

3 A. First, I explain the changes SPS proposes to make to its Interruptible Credit Option
4 (“ICO”) Tariff. Then, I explain the changes SPS proposes to its existing Secondary
5 General, Primary General, and Large General Service-Transmission (“LGST”)
6 tariffs to add a new Off-Peak Alternate Rider. Finally, I present and explain SPS’s
7 proposed Southwest Power Pool Integrated Marketplace Demand Response Option
8 (“SPP IM”) Tariff. I also discuss the accompanying customer service agreements
9 SPS is proposing for the ICO, Off-Peak Alternate Rider, and SPP IM customers.

1 **III. ICO TARIFF**

2 **Q. Please explain the changes SPS is proposing to the ICO Tariff in this**
3 **proceeding.**

4 A. First, SPS is proposing to eliminate the 200 megawatt (“MW”) cap on customer
5 enrollment in its existing ICO Tariff. Instead, SPS proposes that the customer
6 enrollment limit be determined by SPS based on its resource needs. Second, SPS
7 has added language restricting customer participation under the ICO Tariff to those
8 customers who are not also participating in any of SPS’s other proposed
9 interruptible tariffs and are not also participating in a third-party aggregator
10 program allowing their load to be interrupted by the Southwest Power Pool. Third,
11 SPS has added language to clarify that customers participating under the ICO Tariff
12 are responsible for the costs associated with any required modifications to the
13 metering equipment that are necessary for participation.

14 **Q. Where can these modifications be found in the ICO Tariff?**

15 A. These modifications are in the “Availability” paragraph and in a new “Metering”
16 paragraph. I have provided the ICO Tariff modifications in redline format as
17 Attachment WLB-1.

18 **Q. Is SPS proposing anything additional in relation to its ICO Program?**

19 A. Yes. SPS is proposing that the Commission approve a standard ICO Tariff
20 customer agreement.

21 **Q. Why is SPS proposing that the Commission approve a standard ICO Tariff**
22 **customer agreement?**

23 A. Contract negotiation can be a very time-consuming process. In an effort to reduce
24 the time it takes to finalize ICO customer agreements, SPS has developed the

1 customer agreement in Attachment WLB-2 to serve as a standard template. It is in
2 the public interest to have a predictable and standardized process for signing up
3 ICO customers as it provides regulatory certainty to SPS, its customers, the
4 Commission, regulatory intervenors and other interested parties.

5 **Q. Does SPS currently have a Commission-approved ICO Tariff customer**
6 **agreement?**

7 A. No. However, as discussed by SPS witness Richard Lain, the Commission has
8 approved customer agreements for tariffs employed by other utilities.

9 **Q. Please provide an overview of the ICO Tariff customer agreement.**

10 A. The customer agreement sets forth the terms and conditions for taking electric
11 service under the ICO Tariff. Importantly, the agreement: (i) specifies the term of
12 a customer's participation under the ICO Tariff and the customer's certification that
13 its load is eligible to participate; (ii) specifies the customer's firm demand; (iii)
14 specifies the number of annual interruptible hours the customer has elected; (iv)
15 specifies whether the customer chooses to be on the one hour notice or no notice
16 option; (v) indicates whether the customer waives the four hour minimum
17 interruption duration; and (vi) specifies how SPS and the customer will
18 communicate with each other for items related to the ICO Tariff. Items (ii) through
19 (v) encompass the customer elections, which are required to be made by the
20 customer before taking service under the ICO Tariff. The purpose of the customer
21 agreement is to ensure the customer's participation under the ICO Tariff is
22 successful and beneficial to both the customer and SPS.

1 **IV. OFF-PEAK ALTERNATE RIDER**

2 **Q. Please describe the proposed Off-Peak Alternate Rider.**

3 A. SPS is proposing to add an Off-Peak Alternate Rider as an optional service to
4 interested customers who take service under SPS's existing Secondary General
5 Service, Primary General Service, or LGST tariff. Customers who choose to take
6 service under the proposed Off-Peak Alternate Rider agree that any power use
7 during peak hours is interruptible by SPS without notice. In exchange, participating
8 customers pay a discounted generation capacity charge.

9 **Q. Why is SPS proposing the Off-Peak Alternate Rider?**

10 A. As discussed by Mr. Lain, SPS currently forecasts its system to be capacity
11 deficient as early as 2026. In addition to SPS's planning to acquire additional
12 generation resources, SPS is proposing demand-side solutions. SPS's proposed
13 Off-Peak Alternate Rider provides an additional interruptible service option to
14 customers while also contributing to SPS's expected near-term capacity need.

15 **Q. What are the requirements to participate in the program?**

16 A. A customer must currently be taking service from SPS under either the Secondary
17 General Service, Primary General Service, or LGST tariff. All customers taking
18 service under the Off-Peak Alternate Rider must be billed on a calendar month
19 basis. In addition, a customer is not allowed to participate in the Off-Peak Alternate
20 interruptible program and take service under the ICO Tariff, the SPP IM Tariff, or
21 contract with a third-party aggregator to participate in the Southwest Power Pool
22 Integrated Marketplace ("IM").

23 **Q. Is there a limit on participation in the off-peak program?**

1 A. There is no prescribed limit in the tariff. SPS proposes that participation under this
2 optional service be at the discretion of SPS. At the time a customer requests to
3 participate in the off-peak program, SPS will determine whether it will allow
4 additional customers to participate based on resource adequacy and other system
5 reliability considerations.

6 **Q. When will customers be able to join the program?**

7 A. Customers may sign up for the Off-Peak Alternate Rider at any time during the
8 calendar year.

9 **Q. What contract period does SPS propose?**

10 A. SPS proposes an initial contract term of five calendar years. Thereafter, a
11 participating customer may cancel service by providing three years prior written
12 notice to SPS. The purpose for the proposed contract term length is to allow SPS
13 sufficient time to acquire additional firm generation resources prior to a customer
14 exiting the program. Regulatory processes related to resource approvals are a
15 multi-year process and SPS must have sufficient notice that it will potentially need
16 to acquire additional capacity if a customer seeks to end participation.

17 **Q. What are the proposed peak hours for summer and winter?**

18 A. The summer peak hours are 12 pm through 8 pm central time from June 1 through
19 September 30, and the winter peak hours are 6 am through 10 am and 6 pm through
20 10 pm from December 1 through March 31.

21 **Q. How did SPS determine the peak hours?**

22 A. This optional tariff is intended to qualify as a Southwest Power Pool Tier 1
23 interruptible program when the Southwest Power Pool begins accrediting

1 interruptible programs. The Southwest Power Pool is still finalizing its future
2 accreditation process for interruptible program accreditation. So, SPS has used the
3 peak days and hours from a whitepaper currently being discussed in the Southwest
4 Power Pool Supply Adequacy Working Group as a guide. The Southwest Power
5 Pool is expected to finalize its accreditation process before the end of 2024 and
6 make required FERC filings in 2025. Thus, SPS expects the accreditation process
7 to begin in either 2026 or 2027.

8 **Q. Please describe the basis for the rates for the Off-Peak Alternate program.**

9 A. SPS proposes to use the same rates as are currently charged to customers who
10 receive standby power service from SPS. The Commission approved standby
11 power rates for Secondary, Primary, and LGST customers in SPS's most recent rate
12 case, Docket No. 54634. SPS believes these capacity and non-fuel energy rates are
13 reasonable for the Off-Peak Alternate program because customers taking service
14 under this program are expected to be able to be interrupted during on-peak hours
15 without notice. This is similar to standby service in that it is expected that
16 customers under the standby service tariffs will utilize their customer-owned
17 generation during peak hours as long as that generation is available.

18 **Q. Does the off-peak program include penalties for failure to interrupt?**

19 A. Yes.

20 **Q. What is the purpose of the failure-to-interrupt penalty provision as
21 structured?**

22 A. The penalty provision is intended to reflect the capacity penalty charges to SPS if
23 SPS is capacity deficient. Specifically, the Southwest Power Pool charges its

1 members an annual production capacity penalty charge based on what the
2 Southwest Power Pool calls the Cost of New Entry (“CONE”) and the level of
3 overall planning reserves in the Southwest Power Pool region. The calculation for
4 a deficiency payment is as follows:

$$5 \quad \textit{Deficient Capacity} * \textit{CONE} * \textit{CONE Factor}$$

6 Where the CONE Factor is:

- 7 (i) 125% when the Southwest Power Pool Balancing Authority Area
8 Planning Reserve is greater than or equal to the planning reserve
9 margin (“PRM”) plus 8%; or
- 10 (ii) 150% when the Southwest Power Pool Balancing Authority Area
11 Planning Reserve is greater than or equal to the PRM plus 3%, but
12 less than the PRM plus 8%; or
- 13 (iii) 200% when the Southwest Power Pool Balancing Authority Area
14 Planning Reserve is less than the PRM plus 3%.

15 **Q. How did SPS develop the penalty charge?**

16 A. SPS used the most recent Southwest Power Pool CONE capacity rates and the
17 projected Southwest Power Pool regional planning reserve. The CONE is currently
18 set at \$85.61/kW-year (\$7.13/kW-month). Based on the current PRM requirement,
19 the Southwest Power Pool is projecting its entire footprint will have less than 3%
20 planning reserves above the PRM in 2025 and will have insufficient capacity to
21 meet the current PRM by 2027. Due to the declining capacity position across the
22 entire Southwest Power Pool, it is reasonable to assume that any deficiency
23 payment would trend towards the higher side of the range. Therefore, I used 200%
24 in developing the penalty charge.

25 The derivation of the penalty charge for each service level is shown in Table
26 WLB-1, below:

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Table WLB-1: Off-Peak Alternate Rider Penalty Charges

	Secondary	Primary	LGST
(1) SPP CONE (\$/kW-mo)	\$7.13	\$7.13	\$7.13
(2) PRM penalty	200%	200%	200%
(3) SPP Charge [(1) * (2)]	\$14.66	\$14.66	\$14.66
(4) Demand Loss Factor	1.136331	1.109977	1.020504
(5) Penalty Charge [(3) * (4)]	\$16.20	\$15.83	\$14.55

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SPS proposes to bill the applicable penalty charge for 12 months to collect the same aggregate penalty as the Southwest Power Pool would charge SPS if SPS is capacity deficient.

6

Q. Is SPS seeking Commission approval of an Off-Peak Alternate Rider customer agreement?

7

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A. Yes. Like the customer agreement for the ICO Tariff described above, SPS is seeking approval of an Off-Peak Alternate Rider customer agreement in an effort to streamline the contract negotiation process and provide regulatory certainty in this process. The standard template is provided as Attachment WLB-4.

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Q. Please provide an overview of the Off-Peak Alternate Rider customer agreement.

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A. The customer agreement incorporates the requirements to receive service under the Off-Peak Alternate Rider. In addition, the agreement: (i) specifies the term of a customer’s participation under the tariff and the customer’s certification that its load is eligible to participate; (ii) specifies that the customer is responsible for the

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1 costs associated with any additional/replacement metering SPS must install; and
2 (iii) specifies communication requirements for interruptions by SPS. All of these
3 items are intended to ensure the customer's participation under the Off-Peak
4 Alternate Rider is successful and beneficial to both the customer and SPS.

1 **V. SPP IM TARIFF**

2 **Q. Please describe the proposed SPP IM Tariff.**

3 A. As explained by Mr. Lain, the SPP IM Tariff is a pilot interruptible program SPS
4 proposes to offer to its LGST customers. The SPP IM Tariff allows participating
5 customers to have SPS bid the customer's load into the IM as a demand response
6 resource. If the customer's bid is successful, the customer will be expected to
7 interrupt its load during the hours requested by Southwest Power Pool. The main
8 differences between the SPP IM and SPS's other interruptible programs is that the
9 SPP IM Tariff is 1) operated entirely within the IM; and 2) participating customers
10 will be paid only when their load is successfully bid into the IM.

11 **Q. Why is SPS proposing the SPP IM Tariff?**

12 A. As discussed by Mr. Lain, SPS currently forecasts its system to be capacity
13 deficient as early as 2026. In addition to SPS's planning to acquire additional
14 generation resources, SPS is proposing demand-side solutions. SPS's proposed
15 SPP IM Tariff provides an additional interruptible service option to customers
16 while also contributing to SPS's expected near-term capacity need. In addition, if
17 this pilot is successful, the program could be expanded in the future to include other
18 rate classes and additional services in the SPP IM.

19 **Q. What do you mean by additional services in the SPP IM?**

20 A. For this initial pilot, SPS is proposing limit participation to the IM Energy and
21 Supplemental Reserves markets. In the future, the program could be expanded to
22 include other ancillary services markets in the IM, such as the Spinning Reserves
23 market. Expansion of the program into additional ancillary services markets could

1 provide SPS's customers increased opportunity to benefit from interrupting their
2 electric service.

3 **Q. What considerations factored into SPS's design of the SPP IM Tariff?**

4 A. This is SPS's first tariff that will be conducted in the IM. So, SPS needs to develop
5 and implement processes to ensure tracking of the participating customers'
6 interruptibility preferences, settlements with the Southwest Power Pool, and
7 payments to participating customers are done accurately.

1 **VI. SPP IM TARIFF DESIGN**

2 **A. Participation Requirements**

3 **Q. What customer classes are eligible to enroll in the proposed SPP IM program?**

4 A. SPS is proposing that the SPP IM pilot be limited to the LGST customer class.

5 **Q. Are there additional requirements to participate in the program?**

6 A. Yes. First, customers who take standby service, or interruptible service under
7 another tariff are not eligible. Second, a customer must nominate a minimum of
8 300 kilowatts (“kW”) of load for participation. Third, participating customers must
9 certify that their load is not registered as a critical load, a requirement of all retail
10 loads requesting to participate in the IM. Fourth, a customer is not allowed to
11 participate in the SPP IM Tariff and take service under the ICO Tariff, the Off-Peak
12 Alternate interruptible program, or contract with a third-party aggregator to
13 participate in the IM. Finally, customers must assist SPS with the Southwest Power
14 Pool registration requirements to ensure the Southwest Power Pool agrees the
15 customer is eligible to participate in the IM.

16 **Q. Is there a limit on participation in the SPP IM program?**

17 A. Other than limiting participation to the LGST customer class, there is no limit on
18 the number of customers or the amount of load that may participate during the pilot
19 program.

20 **Q. How is a customer’s interruptible demand under the SPP IM Tariff
21 determined?**

22 A. In order to meet the Southwest Power Pool Open Access Transmission Tariff
23 (“OATT”) requirements, the customer’s interruptible demand is either: (i) the