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Filing Date - 2025-03-03 03:00:15 PM

Control Number - 57758

Item Number - 6

DOCKET NO. 57758

**APPLICATION OF SOUTHWESTERN § PUBLIC UTILITY COMMISSION
PUBLIC SERVICE COMPANY FOR §
APPROVAL OF A TRANSMISSION § OF TEXAS
COST RECOVERY FACTOR §**

**DIRECT TESTIMONY
of
ALLISON M. JOHNSON**

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: JohnsonTCRFDirect.doc; Total Pages: 17)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
ADIT	Accumulated Deferred Federal Income Taxes
ATC	Approved Transmission Charges
Commission	Public Utility Commission of Texas
FERC	Federal Energy Regulatory Commission
Rule 25.239	16 Tex. Admin. Code § 25.239
SPS	Southwestern Public Service Company, a New Mexico corporation
Stipulation	Unanimous Stipulation from Commission Docket No. 54634
TCRF	Transmission Cost Recovery Factor
Test Year	January 1, 2024 through December 31, 2024
TIC	Transmission Invested Costs
Update Period	January 1, 2023 through December 31, 2024
WACC	Weighted Average Cost of Capital
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
AMJ-1	TCRF Update Period Revenue Requirement Summary (<i>Filename: AMJ-1.pdf</i>)
AMJ-2	Workpapers to the Direct Testimony of Allison M. Johnson (<i>Filename: AMJ-2.xlsx</i>)

**DIRECT TESTIMONY
OF
ALLISON M. JOHNSON**

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Allison M. Johnson. My business address is 1800 Larimer Street, Denver, Colorado 80202.

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").

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

A. I am employed by Xcel Energy Services Inc. ("XES"), the service company subsidiary of Xcel Energy, as Manager of Revenue Analysis.

Q. Please briefly describe your duties as Manager of Revenue Analysis.

A. I provide project supervision and technical expertise for jurisdictional cost of service studies, revenue requirement determinations, and related projects for the Xcel Energy Operating Companies.¹

Q. Please describe your educational background.

A. I received a Bachelor of Arts, with a double major in Accounting and Spanish from Loras College in 2007. I also received a Master of Science in Management, with a

¹ The Operating Companies are Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS.

1 specialization in Organizational Change and Innovation from Colorado State
2 University in 2013.

3 **Q. What is your professional experience?**

4 A. Prior to joining XES, I was employed by TransMontaigne Partners L.P. as a Senior
5 Accountant. Prior to TransMontaigne Partners L.P., I was employed in various
6 industries in a financial capacity including Retail, Aviation, and Professional Services.
7 I joined XES as a Senior Financial Analyst in Commercial Accounting in 2015. My
8 most recent position prior to my current role was Sr. Manager, Capital Asset Recovery
9 Accounting.

10 **Q. Have you testified before any regulatory authorities?**

11 A. Yes. I have filed testimony before the Public Utility Commission of Texas in
12 Docket Nos. 56595 and 57135. I have also submitted testimony before the
13 Colorado Public Utilities Commission, the Federal Energy Regulatory Commission
14 ("FERC"), the Minnesota Public Utilities Commission, and the North Dakota
15 Public Service Commission.

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

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

3 A. The purpose of my testimony is to present the calculation of the revenue
4 requirement used in the development of the Transmission Cost Recovery Factor
5 (“TCRF”) tariff that SPS is seeking approval of in this case. I describe how SPS
6 calculated the “revreqt” and Approved Transmission Charges (“ATC”) elements of
7 the TCRF formula set forth in 16 Tex. Admin. Code § 25.239 (“Rule 25.239”). I
8 also apply the Texas retail allocation factor to those amounts to derive the Texas
9 jurisdictional amounts. SPS witness Taylor J. Hurt allocates the Texas retail
10 jurisdictional revenue requirement among customer classes and divides the class
11 revenue requirements by the billing determinants to arrive at a TCRF for each class.

12 **Q. Please summarize your testimony.**

13 A. SPS’s revenue requirement for purposes of the TCRF is \$21,584,970.² That amount
14 is composed of \$21,359,378³ as the “revreqt” element of the calculation and
15 \$225,593⁴ as the “ATC” element of the TCRF calculation. Those amounts have
16 been calculated in accordance with the baseline amounts from SPS’s last base rate
17 case, Docket No. 54634.⁵ The retail allocators used to allocate costs to the Texas
18 retail jurisdiction are also based on the allocations used to develop the baselines
19 approved in Docket No. 54634.

² AMJ-1, line 49.

³ AMJ-1, line 31.

⁴ AMJ-1, line 47.

⁵ *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 54634, Final Order (Apr. 11, 2024).

1 **Q.** **Were Attachments AMJ-1 and AMJ-2 prepared by you or under your direct**
2 **control and supervision?**

3 **A.** **Yes.**

1 **III. CALCULATION OF THE REVENUE REQUIREMENT**

2 **A. The TCRF Formula**

3 **Q. Please describe the formula for calculating the TCRF recovery mechanism**
4 **prescribed by Commission rule.**

5 A. Rule 25.239 prescribes the following formula to determine a utility's TCRF:

TCRF = $\frac{RR * ClassALLOC}{BD}$	
Where:	TCRF = transmission cost recovery factor in dollars per unit, for billing each customer class.
	RR = transmission cost recovery factor revenue requirement, calculated pursuant to subsection (e) of this section.
	ClassALLOC = the customer class allocation factor used to allocate the transmission revenue requirement in the utility's most recent base rate case.
	BD = each customer class's annual billing determinant (kilowatt-hour, kilowatt, or kilovolt-ampere) for the previous calendar year.

6 **Q. What parts of the formula do you discuss in your testimony?**

7 A. I explain how SPS calculated the revenue requirement component (the "RR"
8 element) of the TCRF formula in accordance with Rule 25.239(e). Mr. Hurt
9 describes the customer class allocation factors used to allocate the transmission
10 revenue requirement among the customer classes and subclasses (the "ClassAlloc"
11 element) and the annual billing determinants used to design the TCRF for each
12 customer class (the "BD" element). Mr. Hurt also applies the formula to provide
13 the TCRF for each customer class.

1 **Q. How is the revenue requirement portion of the TCRF formula calculated?**

2 A. Rule 25.239(e) prescribes the following equation to quantify the revenue
3 requirement element of the TCRF formula:

4
$$RR = [\text{revreq} + \text{ATC}] * \text{ALLOC}$$

5 I will discuss each element of that equation in my testimony.

6 **B. The “ALLOC” Component of the Revenue Requirement**

7 **Q. What is the “ALLOC” component of the revenue requirement equation?**

8 A. “ALLOC” is defined in Rule 25.239(e) as “the utility’s Texas retail allocation of
9 transmission revenue requirements, as established in the utility’s most recent base
10 rate case.”

11 **Q. Why is it necessary to determine the Texas retail allocation of transmission**
12 **revenue requirements?**

13 A. SPS is a multi-jurisdictional utility that operates under Texas, New Mexico, and
14 FERC regulation. The use of an allocator ensures that Texas retail customers pay
15 only for their jurisdictional share of transmission costs.

16 **Q. Rule 25.239 requires the utility to use the retail allocation established in its**
17 **most recent base rate case. What was SPS’s most recent base rate case?**

18 A. SPS’s most recent base rate case was Docket No. 54634, which was resolved by
19 Unanimous Stipulation (“Stipulation”). The Commission issued a final order
20 approving the Stipulation on April 11, 2024.

21 **Q. Does the Docket No. 54634 Stipulation prescribe the allocators to use for the**
22 **transmission revenue requirement?**

1 A. Yes. Attachment E to the Stipulation contains the allocators agreed upon by the
2 parties and approved by the Commission for purposes of the TCRF. See worksheet
3 tabs entitled, “Dkt. 54634 TCRF Baseline” and “Dkt. 54634 Allocation Factors” of
4 my Attachment AMJ-2 for the TCRF baseline and allocation factors as ordered in
5 Docket No. 54634.

6 **Q. Has SPS used the transmission plant and expense allocators agreed to and**
7 **approved in Docket No. 54634 to establish the transmission revenue**
8 **requirement in this case?**

9 A. Yes. For each element of cost included in the TCRF revenue requirement, SPS
10 used the jurisdictional allocator for the corresponding element of cost in the Docket
11 No. 54634 cost of service. For example, in the Docket No. 54634 cost of service,
12 SPS used the “12CP-Tran” allocator to allocate costs recorded in FERC Account
13 352. For purposes of establishing the revenue requirement in this case, SPS used
14 costs recorded to FERC Account 352 as of December 31, 2024, and allocated those
15 costs using the “12CP-Tran” allocator. The allocator for each FERC account used
16 in the TCRF calculation appears on the worksheet tab entitled, “TCRF Detail” of
17 my Attachment AMJ-2.

18 **C. The “revreqt” Component of the Revenue Requirement**

19 **Q. Please explain what the “revreqt” component of the RR formula means.**

20 A. “Revreqt” is defined in Rule 25.239(e) as “the sum of the return on [Transmission
21 Invested Costs], net of accumulated depreciation and associated accumulated
22 deferred income taxes, plus investment-related expenses such as income taxes,
23 other associated taxes, depreciation, and transmission-related miscellaneous

1 revenue credits, but not including operation and maintenance expenses or
2 administrative expenses.”

3 **Q. What are Transmission Invested Costs?**

4 A. Transmission Invested Costs, (“TIC”) are defined in Rule 25.239(b)(2) as the “net
5 change in the electric utility’s transmission investment costs including additions,
6 upgrades and retirements as booked in FERC accounts 350-359, and accumulated
7 depreciation.”

8 **Q. How is the “return on TIC” component of the “revreqt” equation calculated?**

9 A. Rule 25.239(e) provides that the return on TIC
10 shall be calculated by multiplying the TIC by the utility’s weighted
11 average cost of capital (WACC) as established for the utility in a
12 final commission order in a base rate case, provided that the order
13 was filed within three years prior to the initiation of the TCRF
14 docket. Otherwise, a proxy WACC shall be used, with a cost of
15 equity of 10%; and the capital structure and cost of debt as reported
16 in the utility’s most recent Earnings Monitoring Report filed
17 pursuant to §25.73 of this title (relating to Financial and Operating
18 Reports), adjusted for known and measurable changes.

19 **Q. Was a weighted average cost of capital (“WACC”) established in SPS’s most
20 recent base rate case?**

21 A. Yes, but only for the limited purposes of use in proceedings filed before the
22 Commission where a WACC is required, such as this TCRF proceeding, and the
23 calculation of the net cost of the Hale and Sagamore wind projects, which are not
24 at issue here. In that case, the Commission approved the agreed to WACC of
25 7.11%.⁶

⁶ See Docket No. 54634, Final Order at Findings of Fact 67-68.

1

2 **Q. Did you make any adjustments to the “revreqt”?**

3 A. Yes. Table AMJ-1 lists the adjustments I have made to the TCRF “revreqt” and
4 provides a brief description of the adjustments. All adjustments are related to
5 calendar year 2024 and there are no adjustments for items beyond 2024. For
6 specific adjustment dollar amounts by FERC account, please refer to the worksheet
7 tab entitled, “Adjustments” in my Attachment AMJ-2.

8

Table AMJ-1

Adjustment	Description
SPS Unblended Adjustment	Adjusts the per book accumulated depreciation, accumulated deferred income taxes (“ADIT”), and depreciation expense to reflect Texas-approved depreciation rates.
Eliminate Non-recurring Transmission Revenue and Expense	Removes non-recurring transmission revenue and expense in calendar year 2024.
Annualized Depreciation Expense	Adjusts depreciation expense to reflect depreciation associated with calendar year 2024 plant.
Eliminate Wildfire Costs	Removes the entirety of costs associated with SPS’s response to wildfires and high wind events in calendar year 2024.

9

10 **D. ATC**

11 **Q. The “revreqt” is only the first element of the RR equation. What is the “ATC”**
12 **component of the RR equation?**

13 A. ATC is an acronym for “Approved Transmission Charges,” a term that is defined
14 in Rule 25.239(b)(1) as “wholesale transmission charges approved by a federal

1 regulatory authority that are not being recovered through the electric utility's other
2 retail or wholesale rates and that are properly allocated to Texas retail customers."

3 The definition further explains that the charges "may relate to the use of
4 transmission facilities owned and operated by another transmission service
5 provider or regional transmission organization, including transmission-related
6 administrative fees but not including dispatch fees, congestion charges, costs
7 incurred to hedge congestion charges, or ancillary service charges."

8 **Q. What is the total amount of ATCs included in the TCRF calculation?**

9 A. The incremental amount of ATCs above what is included in the baseline costs
10 sought by SPS is \$225,593.⁷

11 **Q. Did you make any adjustments to the ATCs?**

12 A. Yes. I eliminated Schedule 1-A administrative charges related to wholesale in the
13 amount of \$219. For specific adjustment dollar amounts by FERC account, please
14 refer to the worksheet tab entitled, "Adjustments" in my Attachment AMJ-2.

15 **E. Total TCRF Revenue Requirement**

16 **Q. What is the total of the "revreqt" and "ATC" components of the equation?**

17 A. The "revreqt" amount is \$21,359,378⁸, and the ATC amount is \$225,593⁷, for a
18 total of \$21,584,970⁹. That is the value to be used for "RR" in the TCRF formula.

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

20 A. Yes, it does.

⁷ AMJ-1, line 47.

⁸ AMJ-1, line 31.

⁹ AMJ-1, line 49.

AFFIDAVIT

STATE OF COLORADO)
)
COUNTY OF DENVER)

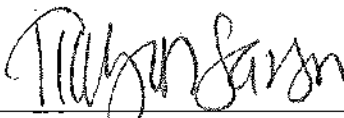
ALLISON M. JOHNSON, first being sworn on her oath, states:

I am the witness identified in the preceding testimony. 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. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.

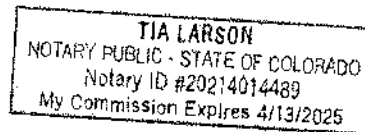


ALLISON M. JOHNSON

Subscribed and sworn to before me this 25 day of February 2025 by ALLISON M. JOHNSON.



Notary Public, State of Colorado
My Commission Expires: 4/13/25



CERTIFICATE OF SERVICE

I certify that on March 3, 2025, this instrument was filed with the Public Utility Commission of Texas, and a true and correct copy of it was served on the Staff of the Public Utility Commission of Texas, the Office of Public Utility Counsel, and each party of record in SPS's most recent base rate case, Docket No. 54634, by electronic service, in accordance with the Commission's Second Order Suspending Rules in Project No. 50664.



Michael K. Knapp

Southwestern Public Service Company
Revenue Requirement Summary
Update Period 1/1/2023 - 12/31/2024

Line No.	Description	54634 Baseline	TCRF December-24	Baseline Variance
1	Invested Capital			
2	Total Transmission Gross Plant in Service	\$ 1,771,773,532	\$ 1,957,535,874	\$ 185,762,342
3	Accumulated Depreciation	(309,130,541)	(381,273,721)	(72,143,180)
4	Accumulated Deferred Income Taxes	\$ (278,260,985)	\$ (284,338,111)	\$ (6,077,126)
5				
6	Net Plant in Service	\$ 1,184,382,005	\$ 1,291,924,042	\$ 107,542,037
7				
8	Total Transmission Invested Capital	\$ 1,184,382,005	\$ 1,291,924,042	\$ 107,542,037
9				
10	Authorized Rate of Return on Invested Capital	7.11%	7.11%	
11				
12	Return on Invested Capital	\$ 84,209,561	\$ 91,855,799	\$ 7,646,239
13				
14	Depreciation Expense	\$ 44,407,539	\$ 49,029,509	\$ 4,621,970
15				
16	Taxes Other Than Income	\$ 16,612,835	\$ 14,382,757	\$ (2,230,078)
17				
18	Income Tax Expense			
19	Earnings	\$ 84,209,561	\$ 91,855,799	
20	Weighted Cost of Debt	1.90%	1.90%	
21	Synchronized Interest	\$ 22,503,258	\$ 24,546,557	
22	Permanent and Flow-Through Differences	704,854	(1,938,345)	
23	Taxable Income	\$ 62,411,156	\$ 65,370,898	
24	Composite Tax Rate	22.34%	22.34%	
25	Subtotal Income Tax Expense	\$ 13,944,919	\$ 14,606,233	
26	Income Tax Gross Up Factor	1.2877244	1.2877244	
27	Income Tax Expense	\$ 17,957,213	\$ 18,808,802	\$ 851,590
28				
29	Revenue Credits	\$ (111,461,180)	\$ (100,991,523)	\$ 10,469,657
30				
31	Total Investment Related Costs - "revreqt"	\$ 51,725,968	\$ 73,085,346	\$ 21,359,378
32				
33	Approved Transmission Charges			
34				
35	RTO Administrative Fees			
36	SPP Schedule 1a - 561.4	\$ 2,459,756	\$ 3,263,231	\$ 803,475
37	SPP Schedule 1a - 561.8	943,228	1,681,315	738,088
38	Total RTO Administrative Fees	\$ 3,402,983	\$ 4,944,547	\$ 1,541,563
39				
40	Wholesale Transmission Charges			
41	Schedule 9	153,317	231,291	77,974
42	Schedule 11	70,067,300	68,050,724	(2,016,577)
43	Schedule 12	1,449,747	1,980,977	531,231
44	Schedule 2	14,327	105,728	91,401
45	Total Wholesale Transmission Charges	\$ 71,684,690	\$ 70,368,719	\$ (1,315,971)
46				
47	Total Approved Transmission Charges - "ATC"	\$ 75,087,673	\$ 75,313,266	\$ 225,593
48				
49	Total TCRF Baseline Costs	\$ 126,813,642	\$ 148,398,612	\$ 21,584,970

Southwestern Public Service Company

PUC DOCKET NO. 57758

APPLICATION OF SOUTHWESTERN PUBLIC SERVICE
COMPANY FOR APPROVAL OF A TRANSMISSION COST
RECOVERY FACTOR

The following is provided in native format:

Attachment AMJ-2 (*filename: AMJ-2.xlsx*)

The following files are not convertible:

AMJ-2.xlsx

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact centralrecords@puc.texas.gov if you have any questions.