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DOCKET NO. 57856

APPLICATION OF SOUTHWESTERN	§	
PUBLIC SERVICE COMPANY FOR	§	
EXPEDITED APPROVAL OF	§	PUBLIC UTILITY COMMISSION
DEFERRED ACCOUNTING	§	OF TEXAS
TREATMENT FOR EXCESS	§	
LIABILITY INSURANCE EXPENSE		

**SOUTHWESTERN PUBLIC SERVICE COMPANY'S
RESPONSE TO TEXAS INDUSTRIAL ENERGY CONSUMER'S
FIRST REQUEST FOR INFORMATION
QUESTION NOS. 1-1 THROUGH 1-2**

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Southwestern Public Service Company ("SPS") files this response to the Texas Industrial Energy Consumer's ("TIEC") First Request for Information, Question Nos. 1-1 through 1-2. In accordance with the Commission's *Second Order Suspending Rules* entered in Project No. 50664, SPS has provided notice by email to all parties that SPS's Responses to TIEC's First Request for Information have been filed with the Commission and are available for download from the Commission's Interchange website. In addition, SPS has posted SPS's Responses to TIEC's First Request for Information and all accompanying exhibits (including Voluminous, Confidential and Highly Sensitive exhibits, if any) on SPS's file sharing platform. SPS's notice of service includes a link to SPS's file sharing platform.

I. WRITTEN RESPONSES

SPS's written responses to TIEC's First Request for Information are attached and incorporated by reference. Each response is stated on or attached to a separate page on which the request has been restated. SPS's responses are made in the spirit of cooperation, without waiving SPS's right to contest the admissibility of any of these matters at hearing. In accordance with 16 Tex. Admin. Code ("TAC") § 22.144(c)(2)(A), each response lists the preparer or person under whose direct supervision the response was prepared and any sponsoring witness. When SPS provides certain information sought by the request while objecting to the provision of other

information, it does so without prejudice to its objection in the interests of narrowing discovery disputes under 16 TAC § 22.144(d)(5). Pursuant to 16 TAC § 22.144(c)(2)(F), SPS stipulates that its responses may be treated by all parties as if they were made under oath.

II. INSPECTIONS

If responsive documents are more than 100 pages but less than eight linear feet in length, the response will indicate that the attachment is voluminous (“(V)”) and, pursuant to 16 TAC § 22.144(h)(2), the exhibit will be made available for inspection at SPS’s voluminous room at 919 Congress Avenue, Suite 900, Austin, Texas 78701; telephone number (714) 944-9130. Voluminous exhibits will also be provided on SPS’s file sharing platform.

If a response or the responsive documents are provided pursuant to the protective order in this docket, the response will indicate that it or the attachment is either Confidential (“CONF”) or Highly Sensitive (“HS”) as appropriate under the protective order. Access to Confidential and Highly Sensitive materials will be available on SPS’s file sharing platform to all parties that have signed and filed the certification under the protective order entered in this docket. Confidential and Highly Sensitive responsive documents will also be made available for inspection at SPS’s voluminous room, unless they form a part of a response that exceeds eight linear feet in length; then they will be available at their usual repository in accordance with the following paragraph. Please call in advance for an appointment to ensure that there is sufficient space to accommodate your inspection.

If responsive documents exceed eight linear feet in length, the response will indicate that the attachment is subject to the FREIGHT CAR DOCTRINE, and, pursuant to 16 TAC § 22.144(h)(3), the attachment will be available for inspection at its usual repository, SPS’s offices in Amarillo, Texas, unless otherwise indicated. SPS requests that parties wishing to inspect this material provide at least 48-hour notice of their intent by contacting Leila Melhem at Xcel Energy

Services Inc., 919 Congress Avenue, Suite 900, Austin, Texas 78701; telephone number (714) 944-9130; email address Leila.Melhem@xcelenergy.com. Inspections will be scheduled to accommodate all requests with as little inconvenience to the requesting party and to SPS's operations as possible.

Respectfully submitted,

/s/ Stephanie G. Houle
XCEL ENERGY SERVICES INC.

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ATTORNEYS FOR
SOUTHWESTERN PUBLIC SERVICE COMPANY

III. RESPONSES

QUESTION NO. TIEC 1-1:

Referring to the Direct Testimony of Roger L. Miller at 19-20:

- a. Please provide any documents, reports, or analysis related to Xcel's evaluation of self-insurance.
- b. Please provide a detailed explanation of the "substantial complexities" in providing self-insurance.
- c. Please state the ELI premium amount that SPS considers "feasible to self-insure."
- d. Does self-insurance require a utility to only use its own funds, a captive to cover liabilities, or a combination of both? Please explain your response in detail.
- e. Please confirm that SPS has authority under existing law to self-insure against third-party wildfire liability. In responding, please provide a detailed explanation of SPS's response.

RESPONSE:

- a) SPS did not utilize self-insurance for the October 2024 renewal and does not have any specific documents or analysis regarding self-insurance related to that renewal. SPS did utilize its captive to provide coverage in gaps in SPS's program structure created by insurers taking new positions in their underwriting practices. SPS is currently working with its brokers and insurers to develop an optimized program structure for the October 2025 renewal. That structure could include an expanded self-insurance element.
- b) The wildfire peril is a rapidly evolving risk that needs to be carefully analyzed. Across the United States there are several potential solutions actively being discussed at the state and federal levels. Self-insurance could be a stand-alone option or a component of a solution. The optimal program structure will likely be a combination of solutions. The challenge lies in optimizing the program structure to effectively balance the cost of the retained risk, with the cost of the risk transferred to the insurers.
- c) Please refer to the Direct Testimony of Robert L. Miller, pages 19 and 20. SPS is continuing to evaluate self-insurance as an option and evaluating whether it would be feasible to self-insure in a manner to provide the type of coverage necessary and with premiums that reduce costs.
- d) Self-insurance and captive insurance are both risk management strategies where the decision is made to retain its own risks instead of transferring them to a commercial insurance company, but they differ significantly in their structure. Self-insurance is self-

funding where a company sets aside funds to cover potential losses, whereas captive insurance involves a separate insurance company being established to insure the risk of its owner. Actuaries are engaged to assist with establishing premium levels to be collected to fund potential losses.

- e) This request for information calls for a legal conclusion, and SPS is not aware of any cases testing specifically whether a utility may recover self-insurance costs for third-party wildfire liability.

Preparers: Nicole Doyle, Robert L. Miller
Sponsor: Robert L. Miller

QUESTION NO. TIEC 1-2:

Please respond to the following with reference to proposed Texas legislation SB 2025, which states: “It is an affirmative defense to liability in a civil action brought against an electric utility, municipally owned utility, or electric cooperative for personal injury or property damages caused by a wildfire ignited or propagated by the utility’s or cooperative’s facilities if a court of competent jurisdiction finds that the utility or cooperative was in material compliance with relevant measures of its approved plan . . .”:

- a. If SPS’s proposed wildfire mitigation plan is approved by the Commission and the proposed legislation is passed, would SPS’s wildfire liability exposure be reduced? If not, please explain why not.
- b. Did Xcel consider SPS’s proposed wildfire mitigation plan when allocating the ELI premium to SPS?
- c. If the answer to subpart (b) is no, please give a detailed explanation as to whether or not the ELI premium allocated to SPS would be lower if SPS’s wildfire mitigation plan was enacted.
- d. If the proposed legislation is passed, would SPS’s wildfire liability exposure be reduced? If not, please explain why not. If yes, please explain in detail whether or not the ELI premium would also be lower.

RESPONSE:

- a) As explained in the Direct Testimony of Robert L. Miller, SPS does expect activities under its Wildfire Mitigation Plan to reduce SPS’s wildfire risk, which could result in lower insurance premiums. At the same time, whether and when lower premiums materialize is also dependent on the broader insurance market, including the risk profile of the entire industry, wildfire mitigation activities of other utilities, and the number of companies that are willing to provide such insurance (and associated competition among those providers).
- b) Excess liability insurance premiums include a direct charge portion and an allocated portion. The direct charge amount is directly assigned to each of the Xcel Energy’s four operating companies by insurers (not Xcel Energy) based on a wildfire load (provided by the insurer) and a claim load, which is based on prior claim history. Consistent with SPS response to subpart (a), the direct charge portion may be influenced by Wildfire Mitigation Plan activities in the future but were not predicted by the insurer in the 2024 renewal process.
Xcel Energy Services, Inc. allocates the remaining portion among applicable Xcel Energy affiliates using the General Allocator, which is comprised of three equally weighted factors: Total Assets, Total Revenues, and Number of Employees.
- c) Please refer to SPS’s responses to subparts (a) and (b).

d) Please refer to SPS's responses to subparts (a) through (b).

Preparers: Brooke A. Trammell, Robert L. Miller, Nicole Doyle

Sponsors: Brooke A. Trammell, Robert L. Miller

CERTIFICATE OF SERVICE

I certify that, on the 19th day of May 2025, notice of the filing of the foregoing instrument with the Commission was served on all parties of record by electronic service, in accordance with the Commission's *Second Order Suspending Rules* issued in Project No. 50664.

/s/ Samantha Rabas