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**DOCKET NO. 58017**

**APPLICATION OF SOUTHWESTERN § PUBLIC UTILITY COMMISSION  
PUBLIC SERVICE COMPANY TO §  
ADJUST ITS ENERGY EFFICIENCY §  
COST RECOVERY FACTOR § OF TEXAS**

**DIRECT TESTIMONY  
of  
PATRICK GRANT GERVAIS**

*on behalf of*

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

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**Table of Contents**

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GLOSSARY OF ACRONYMS AND DEFINED TERMS.....	3
LIST OF ATTACHMENTS .....	5
I. WITNESS IDENTIFICATION AND QUALIFICATIONS .....	6
II. SUMMARY AND RECOMMENDATIONS.....	8
III. SUMMARY OF STATUTORY AND RULE-BASED ENERGY EFFICIENCY REQUIREMENTS.....	13
IV. PY 2026 DEMAND AND ENERGY EFFICIENCY GOALS.....	22
A. Calculation of Demand Savings Goal.....	22
B. Calculation of Energy Savings Goal.....	25
C. Program Modifications to Meet PY 2026 Goals .....	27
V. ENERGY EFFICIENCY AND LOAD MANAGEMENT PROGRAM COST-EFFECTIVENESS .....	28
VI. REASONABLENESS OF 2024 ENERGY EFFICIENCY PROGRAMS COSTS .....	31
VII. REASONABLENESS OF AFFILIATE EXPENSES .....	34
VIII. PERFORMANCE BONUS .....	42
AFFIDAVIT .....	44
CERTIFICATE OF SERVICE .....	45

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TESTIMONY ATTACHMENTS:

Attachment PGG-1 ( <i>non-native format</i> ) .....	46
Attachment PGG-4 ( <i>non-native format</i> ) .....	48
Attachment PGG-Slipsheet.....	53

## **GLOSSARY OF ACRONYMS AND DEFINED TERMS**

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
Commission	Public Utility Commission of Texas
EECRF	Energy Efficiency Cost Recovery Factor
EEPR	Energy Efficiency Plan and Report
EM&V	Evaluation, Measurement, and Verification
FERC	Federal Energy Regulatory Commission
kW	Kilowatt
MTP	Market-Transformation Program
MW	Megawatt
MWh	Megawatt-hour
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
PUHCA 1935	Public Utility Holding Company Act of 1935
PURA	Public Utility Regulatory Act
PY	Program Year
R&D	Research and Development
RCE	Rate Case Expense
TAC	Texas Administrative Code
SIR	Savings-to-Investment Ratio
SOP	Standard Offer Program
SPS	Southwestern Public Service Company, a New Mexico corporation

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

## LIST OF ATTACHMENTS

<b><u>Attachment</u></b>	<b><u>Description</u></b>
PGG-1	List of Prior Testimonies ( <i>Filename: Non-Native Format</i> )
PGG-2	Calculation of SPS's 2026 Goal with Line Loss Details ( <i>Filename: Attachment PGG-2.xls</i> )
PGG-3	Calculation of Net Benefits, Cost Effectiveness, and Performance Bonus for PY 2024 ( <i>Filename: Attachment PGG-3.xls</i> )
PGG-4	Service Agreement between SPS and XES ( <i>Filename: Non-Native Format</i> )
PGG-5	Invoices and Receipts of Non-Labor Affiliate Expenses ( <i>Filename: Non-Native Format</i> )
PGG-6(CONF)	2024 WTW Compensation Study ( <i>Filename: PGG-6.pdf</i> )
PGG-7(WP)	Workpapers for Patrick G. Gervais

**DIRECT TESTIMONY  
OF  
PATRICK GRANT GERVAIS**

1           **I.       WITNESS IDENTIFICATION AND QUALIFICATIONS**

2       **Q.       Please state your name and business address.**

3       A.       My legal name is Patrick Grant Gervais, although my preferred name is Grant  
4               Gervais. My business address is 3500 Blake Street, Denver, Colorado 80202.

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

6       A.       I am filing testimony on behalf of Southwestern Public Service Company, a New  
7               Mexico corporation (“SPS”) and wholly-owned electric utility subsidiary of Xcel  
8               Energy Inc. (“Xcel Energy”).<sup>1</sup>

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

10      A.       I am employed by Xcel Energy Services Inc. (“XES”), the service company  
11              subsidiary of Xcel Energy, as a Regulatory Policy Specialist in the Policy and  
12              Strategy group within the Customer Energy and Transportation Solutions  
13              organization.

14      **Q.       Please briefly outline your responsibilities as Regulatory Policy Specialist,  
15              Policy and Strategy.**

16      A.       As a Regulatory Policy Specialist in the Policy and Strategy group within the  
17              Customer Energy and Transportation Solutions organization, my responsibilities  
18              are to: ensure that Xcel Energy’s energy efficiency and demand response programs

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<sup>1</sup> 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 in Texas, New Mexico, and Colorado adhere to regulatory requirements and  
2 policies; track and report on energy efficiency achievements and financial  
3 operations for SPS; prepare demand side management and other customer-facing  
4 regulatory reports and filings; and analyze the cost-effectiveness of energy  
5 efficiency and load management programs and portfolios for SPS. I am also  
6 responsible for ensuring that proper measurement and verification is being  
7 conducted for all programs.

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

9 A. I graduated from Sam Houston State University with a bachelor's degree in  
10 economics.

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

12 A. My employment with XES began in March 2023. Prior to XES, I worked for Black  
13 Hills Energy as a Regulatory Analyst from 2019 to 2023 and the Public Utility  
14 Commission of Texas ("Commission") as a Rate Analyst from 2013 to 2019.

15 **Q. Have you testified or filed testimony before any regulatory authorities?**

16 A. Yes, in my prior roles, I filed testimony before the Commission as well as the  
17 Colorado Public Utilities Commission. Please see Attachment PGG-1 for a  
18 comprehensive list of dockets in which I have previously testified.  
19



1                                    **II.      SUMMARY AND RECOMMENDATIONS**

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

3      A.      As SPS's overall policy witness, I cover several topics in my testimony. I generally  
4              describe Section 39.905 of the Public Utility Regulatory Act ("PURA"),<sup>2</sup> which is  
5              the statute requiring Texas utilities to reduce demand and energy consumption by  
6              offering energy efficiency programs to eligible customer classes,<sup>3</sup> and provide an  
7              overview of 16 Tex. Admin. Code ("TAC") § 25.181–182, the Commission's rules  
8              implementing PURA's energy efficiency mandate. I also:

- 9                    (1)      describe the relief sought by SPS in this proceeding and the specific  
10                  costs included in SPS's Energy Efficiency Cost Recovery Factor  
11                  ("EECRF"), as authorized by 16 TAC § 25.181;
- 12                  (2)      present and discuss the calculation of the demand and energy  
13                  efficiency goals that SPS seeks to achieve in Program Year ("PY")  
14                  2026;
- 15                  (3)      quantify the demand and energy amounts associated with industrial  
16                  customers who have opted out of SPS's 2025 PY energy efficiency  
17                  programs in accordance with 16 TAC § 25.181(u);
- 18                  (4)      explain that the costs that SPS seeks to recover through the EECRF  
19                  are reasonable and consistent with 16 TAC § 25.182;
- 20                  (5)      explain that SPS's affiliate expenses incurred from XES are  
21                  reasonable and appropriate for recovery under PURA § 36.058;
- 22                  (6)      discuss SPS's Low-Income Program expenditures pursuant to  
23                  16TAC § 25.181(p);
- 24                  (7)      discuss SPS's Evaluation, Measurement, and Verification  
25                  ("EM&V") costs; and
- 26                  (8)      discuss the calculation of SPS's performance bonus for 2024  
27                  pursuant to 16 TAC § 25.182(e).

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<sup>2</sup> PURA is codified at Tex. Util. Code Ann. §§ 11.001–66.016.

<sup>3</sup> PURA § 39.905.

1 I also introduce SPS's other witnesses, Michael Lewis, Taylor Amason, and Kyle  
2 Ingham, and I explain the scope of their testimonies.

3 **Q. What does Mr. Lewis address in his testimony?**

4 A. Mr. Lewis describes the energy efficiency programs that SPS will offer in PY 2026.  
5 He has projected the costs of those programs and demonstrates that those costs are  
6 reasonable. He also sponsors SPS's 2025 Energy Efficiency Plan and Report  
7 ("EEPR"), which was filed on April 1, 2025, and SPS's Amended 2025 EEPR,  
8 which is Attachment MFL-1 to his direct testimony. In addition, Mr. Lewis  
9 provides the estimated useful life for each measure in each program, discusses  
10 SPS's relationship with energy efficiency service providers, and discusses SPS's  
11 energy and demand savings achievements for PY 2024.

12 **Q. What does Mr. Amason address in his testimony?**

13 A. Mr. Amason: (1) supports the allocation of costs among rate classes eligible to  
14 participate in the energy efficiency programs; (2) supports the forecasted PY 2026  
15 billing determinants and the proposed EECRF rate design; (3) demonstrates SPS's  
16 compliance with the customer cost caps imposed by 16 TAC § 25.182(d)(7); (4)  
17 discusses SPS's net over-recovery of EECRF revenues in PY 2024; and (5)  
18 sponsors the EECRF rates for PY 2026 included in SPS's proposed EECRF tariff.  
19

1     **Q.     What does Mr. Ingham address in his testimony?**

2     A.     Mr. Ingham describes and supports the reasonableness of SPS's rate-case expenses  
3           ("RCEs") incurred in preparing, prosecuting, and settling Docket No. 56570, its  
4           2024 EECRF application. In particular, he describes the nature and scope of SPS's  
5           filing in Docket No. 56570; describes the basis for the RCEs addressed in this  
6           docket; and supports the reasonableness of the RCEs being requested.

7     **Q.     Please summarize the recommendations in your testimony.**

8     A.     I recommend the Commission find that for PY 2026:

- 9           (1)     the programs proposed by SPS are cost-effective;
- 10          (2)     the performance bonus earned in 2024 meets the requirements of 16  
11           TAC § 25.182(e);
- 12          (3)     the affiliate costs are reasonable as set forth under PURA § 36.058;
- 13          (4)     the administrative and research and development ("R&D") costs are  
14           lower than the caps set forth in 16 TAC § 25.181(g);
- 15          (5)     the incentives forecasted to be paid are lower than the cap in 16 TAC  
16           § 25.181(f); and
- 17          (6)     SPS reasonably anticipates achieving the required demand and  
18           energy savings reductions.

19           Based on those findings, I recommend the Commission allow SPS to implement an  
20           EECRF rider sufficient to recover \$5,439,692 during PY 2026. This amount  
21           includes:

- 22           •       SPS's forecasted energy efficiency costs in PY 2026 (including forecasted  
23           incentives, R&D, and administrative costs) of \$5,078,439;<sup>4</sup>

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<sup>4</sup> \$4,447,275 incentives + \$241,164 program-specific administrative costs + \$230,000 general administrative costs + \$160,000 R&D. See Michael L. Lewis Direct Testimony, Attachment MFL-1, Amended 2025 EEPR, at Table 7.

- 1           •     Projected EM&V expenses for PY 2026 in the amount of \$52,415;
- 2           •     \$(533,808) net over-recovery, including interest,<sup>5</sup> of PY 2024 energy
- 3           efficiency costs;
- 4           •     \$39,667 of rate-case expenses incurred in Docket No. 56570, SPS's 2024
- 5           EECRF proceeding; and
- 6           •     SPS's performance bonus of \$802,978 earned in accordance with 16 TAC
- 7           § 25.182(e).<sup>6</sup>

8     **Q.     How does this request compare to the revenue requirement from SPS's most**  
9     **recently approved EECRF?**

10    A.     In Docket No. 56570, the Commission approved SPS's request to recover  
11         \$6,804,882 during PY 2025.<sup>7</sup> The PY 2026 revenue requirement is therefore a  
12         \$1,365,190 decrease from the PY 2025 revenue requirement approved in Docket  
13         No. 56570. The decreased revenue requirement in this proceeding is primarily due  
14         to two factors: 1) a decrease in the over/under-recovery of \$681,092 and 2) a  
15         decrease in the bonus of \$848,565. This is partially counteracted by the increase in  
16         forecasted program expenditures of \$153,545.

17    **Q.     Were Attachments PGG-1, PGG-2, PGG-3, PGG-5, and PGG-7(WP)**  
18    **prepared by you or under your direct supervision and control?**

19    A.     Yes.

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<sup>5</sup> \$493,740 in net over-recovery + \$40,068 in interest. See Attachment MFL-1, Amended 2025 EEPR, at Table 14.

<sup>6</sup> See Attachment PGG-3, Bonus Calculator.

<sup>7</sup> *Application of Southwestern Public Service Company to Adjust its Energy Efficiency Cost Recovery Factor*, Docket No 56570, Order at § 2 (Oct. 24, 2024).

1    **Q.**     **Are Attachments PGG-4 and PGG-6 true and correct copies of the documents**  
2           **you represent them to be?**

3    **A.**     **Yes.**

4

1           **III.     SUMMARY OF STATUTORY AND RULE-BASED ENERGY**  
2                                   **EFFICIENCY REQUIREMENTS**

3   **Q.     Please provide a brief summary of the energy efficiency requirements in**  
4           **PURA § 39.905.**

5   A.     PURA § 39.905 requires electric utilities in Texas to offer and administer energy  
6           efficiency incentive programs in a market-neutral, non-discriminatory manner. To  
7           that end, each utility must provide, through market-based Standard Offer Programs  
8           (“SOP”), targeted Market-Transformation Programs (“MTP”), or self-delivered  
9           programs, incentives sufficient for:

10                   retail electric providers and competitive energy service providers to  
11                   acquire additional cost-effective energy efficiency, subject to cost  
12                   ceilings established by the Commission, for the utility’s residential  
13                   and commercial customers, equivalent to:

14  
15           (A)     not less than:

16  
17                   (i)     30% of the electric utility’s annual growth in demand  
18                   of residential and commercial customers by  
19                   December 31 of each year beginning with the 2013  
20                   calendar year; and

21                   (ii)    the amount of energy efficiency to be acquired for  
22                   the utility’s residential and commercial customers  
23                   for the most recent preceding year[.]<sup>8</sup>  
24

25           The Legislature further directed the Commission to adopt rules and procedures to  
26           ensure that utilities achieve the goals set forth in PURA § 39.905, including:

- 27                   •     establishing an EECRF to ensure timely and reasonable cost recovery for  
28                   utility energy efficiency expenditures;
- 29                   •     establishing an incentive under PURA § 36.204 to reward utilities that  
30                   exceed the minimum energy efficiency goals set forth in PURA § 39.905;

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<sup>8</sup> PURA § 39.905(a)(3).

- ensuring that the costs associated with energy efficiency programs and any shareholder bonus awarded for exceptional performance are borne by the customer classes that receive the services under the program; and
- ensuring that energy efficiency programs are evaluated, measured, and verified using a framework established by the Commission that promotes effective program design and consistent and streamlined reporting.

**Q. Does PURA § 39.905 apply to SPS?**

A. Yes. Although Chapter 39 of PURA does not apply to SPS for the most part, certain sections of that chapter have been made applicable to SPS through PURA § 39.402. PURA § 39.402(a) expressly requires SPS to comply with PURA § 39.905.

**Q. Has the Commission adopted rules implementing the legislative mandates in PURA § 39.905?**

A. Yes. 16 TAC §§ 25.181 and 25.182 set forth the framework for utilities' energy efficiency programs, including not only the methods to calculate energy and demand reductions, but also the EECRF mechanism by which utilities can apply to recover costs incurred for implementing energy efficiency programs.

**Q. Please summarize the process by which utilities can apply for recovery of energy efficiency costs through the EECRF.**

A. 16 TAC § 25.182(d) requires a utility to establish an EECRF to timely recover the reasonable costs of providing a portfolio of energy efficiency programs. For a utility that does not recover energy efficiency costs through base rates, the EECRF shall be calculated to recover four things:

1. the utility's forecasted annual energy efficiency program expenditures;
2. the preceding year's over- or under-recovery, including interest and the utility's EECRF proceeding expenses;

3. any performance bonus earned under 16 TAC § 25.182(e); and
4. any EM&V contractor costs allocated to the utility by the Commission.

A utility that does not offer customer choice, such as SPS, must file its application to adjust its EECRF no later than May 1 of each year. The presiding officer must then set a procedural schedule that will allow the Commission to issue a final order before the January 1 effective date of the new or adjusted EECRF.

**Q. Does 16 TAC § 25.182 prescribe the contents of the application to establish the utility's EECRF?**

A. Yes. 16 TAC § 25.182(d)(10) states that “[a] utility’s application to establish or adjust an EECRF shall include the utility’s most recent energy efficiency plan and report, consistent with §25.181(l) and §25.183(d) of this title, as well as testimony and schedules, in Excel format with formulas intact . . . .” For both the prior program year and the program year for which the proposed EECRF will be collected, the utility must set forth thirteen categories of information, to the extent they are applicable. In Table PGG-1 below, I set forth these thirteen categories and identify where each element of required information is found in SPS’s testimony and attachments:



1  
2

**Table PGG-1:  
16 TAC § 25.182(d)(10) Requirement References**

<b>16 TAC § 25.182(d)(10) Subsection</b>	<b>Requirement</b>	<b>Location in Testimony and Attachments</b>
25.182(d)(10)(A)	The utility's forecasted energy efficiency costs.	<i>See:</i> Direct Testimony of Michael F. Lewis at Section IV; Attachment MFL-1 at Section IV; and  Direct Testimony of Taylor D. Amason at Section IV; Attachment TDA-1.
25.182(d)(10)(B)	The actual base rate recovery of energy efficiency costs, adjusted for changes in load and usage subsequent to the last base rate proceeding, with supporting calculations.	SPS does not currently recover energy efficiency costs in base rates.  Direct Testimony of Taylor D. Amason at Section IV.
25.182(d)(10)(C)	The energy efficiency performance bonus that it calculates to have earned for the prior year.	<i>See:</i> Direct Testimony of P. Grant Gervais at Section VIII; Attachment PGG-3; and  Direct Testimony of Taylor D. Amason at Section IV.
25.182(d)(10)(D)	Any adjustment for past over- or under-recovery of energy efficiency revenues, including interest.	<i>See:</i> Direct Testimony of P. Grant Gervais at Section II; and  Direct Testimony of Michael F. Lewis at Attachment MFL-1 at Section XII; and  Direct Testimony of Taylor D. Amason at Section IV and Attachment TDA-1.

<b>16 TAC § 25.182(d)(10) Subsection</b>	<b>Requirement</b>	<b>Location in Testimony and Attachments</b>
25.182(d)(10)(E)	Information concerning the calculation of billing determinants for the preceding year and for the year in which the EECRF is expected to be in effect.	<i>See:</i> Direct Testimony of Taylor D. Amason at Section VI and Attachment TDA-1.
25.182(d)(10)(F)	The direct assignment and allocation of energy efficiency costs to the utility's eligible rate classes, including any portion of energy efficiency costs included in base rates, provided that the utility's actual EECRF expenditures by rate class may deviate from the projected expenditures by rate class, to the extent doing so does not exceed the cost caps in 16 TAC § 25.182(d)(7).	<i>See:</i> Direct Testimony of Taylor D. Amason at Sections V and VII and Attachment TDA-1 and TDA-2.
25.182(d)(10)(G)	Information concerning calculations related to the requirements of 16 TAC § 25.182(d)(7).	<i>See:</i> Direct Testimony of Taylor D. Amason at Section VII and Attachment TDA-1.
25.182(d)(10)(H)	The incentive payments by the utility, by program, including a list of each energy efficiency administrator and/or service provider receiving more than five percent of the utility's overall incentive payments and the percentage of the utility's incentives received by these providers.	<i>See:</i> Direct Testimony of Michael F. Lewis at Attachment MFL-3 (CONF).

<b>16 TAC § 25.182(d)(10) Subsection</b>	<b>Requirement</b>	<b>Location in Testimony and Attachments</b>
25.182(d)(10)(I)	The utility's administrative costs, including any affiliate costs and EECRF proceeding expenses and an explanation of both.	<i>See:</i> Direct Testimony of P. Grant Gervais at Sections V –VII; and  Direct Testimony of Michael F. Lewis at Attachment MFL-1 at Sections IV; and  Direct Testimony Kyle G. Ingham and Attachment KGI-2.
25.182(d)(10)(J)	The actual EECRF revenues by rate class for any period for which the utility calculates an under- or over-recovery of EECRF costs.	<i>See:</i> Direct Testimony of Taylor D. Amason at Sections IV and V and Attachment TDA-1.
25.182(d)(10)(K)	The utility's bidding and engagement process for contracting with energy efficiency service providers, including a list of all energy efficiency service providers that participated in the utility programs and contractors paid with funds collected through the EECRF.	<i>See:</i> Direct Testimony of Michael F. Lewis at Section V and Attachment MFL-3 (CONF).
25.182(d)(10)(L)	The estimated useful life used for each measure in each program, or a link to the information if publicly available.	<i>See:</i> Direct Testimony of P. Grant Gervais, Attachment PGG-3; and  Direct Testimony of Michael Lewis at Section VI and Attachment MFL-4.
25.182(d)(10)(M)	Any other information that supports the determination of the EECRF.	<i>See:</i> Direct Testimonies of P. Grant Gervais, Michael F. Lewis, Taylor D. Amason, and Kyle D. Ingham.

1           In addition, 16 TAC § 25.182(d)(11) requires that ten more categories of  
2           information be included in the application, as applicable. In Table PGG-2, I  
3           identify where the subsection (d)(11) items appear in SPS's testimony and  
4           attachments.  
5

**Table PGG-2: 16 TAC § 25.182(d)(11) Requirement References**

<b>16 TAC § 25.182(d)(11) Subsection</b>	<b>Requirement</b>	<b>Location in Testimony and Attachments</b>
25.182(d)(11)(A)	The costs are less than or equal to the benefits of the programs as calculated in accordance with 16 TAC § 25.181(d).	<i>See:</i> Direct Testimony of P. Grant Gervais at Section V and Attachment PGG-3.
25.182(d)(11)(B)	The program portfolio was implemented in accordance with recommendations made by the Commission's EM&V contractor and approved by the Commission, and the EM&V contractor found no material deficiencies in the utility's administration of energy efficiency programs.	<i>See:</i> Direct Testimony of P. Grant Gervais at Section IV.
25.182(d)(11)(C)	If a utility is in an area in which customer choice is offered and is subject to the requirements of PURA § 39.905(f), the utility met its targeted low-income energy efficiency requirements.	Not applicable.  <i>See:</i> Direct Testimony of P. Grant Gervais at Section IV; and  Direct Testimony of Michael F. Lewis at Attachment MFL-1 at Section VIII.
25.182(d)(11)(D)	Existing market conditions in the utility's service territory affected its ability to implement one or more of its energy efficiency programs or affected its costs.	<i>See:</i> Direct Testimony of Michael F. Lewis at Section VII.
25.182(d)(11)(E)	The utility's costs incurred and achievements accomplished in the previous year or estimated for the year the requested EECRF will be in effect are consistent with the utility's energy efficiency program costs and achievements in previous years.	<i>See:</i> Direct Testimony of P. Grant Gervais at Section V; and  Direct Testimony of Michael F. Lewis at Section IV; and Attachment MFL-1 at Sections III – VII.

<b>16 TAC § 25.182(d)(11) Subsection</b>	<b>Requirement</b>	<b>Location in Testimony and Attachments</b>
25.182(d)(11)(F)	Changed circumstances in the utility's service area since the Commission approved the utility's budget for the implementation year that affect the ability of the utility to implement any of its energy efficiency programs or its energy efficiency costs.	<i>See:</i> Direct Testimony of Michael F. Lewis at Section VII.
25.182(d)(11)(G)	The number of energy efficiency service providers operating in the utility's service territory affects the ability of the utility to implement any of its energy efficiency programs or its energy efficiency costs.	<i>See:</i> Direct Testimony of Michael F. Lewis at Section V.
25.182(d)(11)(H)	Customer participation in the utility's prior years' energy efficiency programs affects customer participation in the utility energy efficiency programs in previous years or its proposed programs underlying its EECRF request and the extent to which program costs were expended to generate more participation or transform the market for the utility's programs.	<i>See:</i> Direct Testimony of Michael F. Lewis at Sections III, IV, and VII.
25.182(d)(11)(I)	The utility's energy efficiency costs for the previous year or estimated for the year the requested EECRF will be in effect are comparable to costs in other markets with similar conditions.	<i>See:</i> Direct Testimony of Michael F. Lewis at Section IV.
25.182(d)(11)(J)	The utility has set its incentive payments with the objective of achieving its energy and demand goals at the lowest reasonable cost per program.	<i>See:</i> Direct Testimony of P. Grant Gervais at Section V; and  Direct Testimony of Michael F. Lewis at Sections III and IV.

1           **IV.     PY 2026 DEMAND AND ENERGY EFFICIENCY GOALS**

2           **A.     Calculation of Demand Savings Goal**

3   **Q.     Does 16 TAC § 25.181 specify the demand reduction goal that SPS must**  
4   **achieve?**

5   A.     Yes. Beginning with PY 2013 and continuing until the “trigger” in 16 TAC  
6     § 25.181(e)(1)(B) was reached, 16 TAC § 25.181(e)(1)(A) required SPS to meet  
7     demand reduction goals equal to at least 30% of its annual growth in demand of  
8     residential and commercial customers. 16 TAC § 25.181(e)(1)(B)’s trigger  
9     provides that a utility shall meet 16 TAC § 25.181(e)(1)(C)’s demand reduction  
10    goal once the utility’s goal under 16 TAC § 25.181(e)(1)(A) is equivalent to at least  
11    four-tenths of 1% of its summer weather-adjusted peak demand for the combined  
12    residential and commercial customers for the previous PY. Under 16 TAC §  
13    25.181(e)(1)(C), once 16 TAC § 25.181(e)(1)(B)’s trigger is reached and  
14    continuing thereafter, a utility shall have a demand reduction goal equal to four-  
15    tenths of 1% of its summer weather-adjusted peak demand for the combined  
16    residential and commercial customers for the previous PY. In addition, 16 TAC  
17    § 25.181(e)(3)(B), states that the demand reduction goal under 16 TAC  
18    § 25.181(e)(1)(C) is calculated by applying the percentage goal to the utility’s  
19    summer weather-adjusted five-year average peak demand for the combined  
20    residential and commercial customers.

21 **Q.     Has SPS met the trigger described in 16 TAC § 25.181(e)(1)(B)?**

22 A.     Yes, SPS met 16 TAC § 25.181(e)(1)(B)’s trigger in 2019. Thus, in accordance  
23     with 16 TAC § 25.181(e)(1)(B)-(C) and 25.181(e)(3)(B), SPS calculated its

1 demand reduction goal for PY 2026 using four-tenths of 1% of its summer weather-  
2 adjusted five-year average (2020-2024) peak demand for the combined residential  
3 and commercial customers. This calculation yields a goal metric of 5.716  
4 Megawatts (“MW”), which is lower than SPS’s PY 2025 goal of 6.027 MW.  
5 Therefore, in accordance with 16 TAC § 25.181(e)(1)(D), SPS is using the previous  
6 PY goal of 6.027 MW for PY 2026.

7 **Q. Are line losses taken into account when calculating the goal?**

8 A. Yes. SPS applies demand line loss factors when calculating its retail peak shown  
9 in Attachment PGG-2. SPS’s line loss factors were most recently approved in  
10 Docket No. 54634<sup>9</sup> and are included in Attachment PGG-2.

11 **Q. How many industrial customers provided notice to SPS pursuant to 16 TAC §**  
12 **25.181(w) to opt out of SPS’s energy efficiency programs for PY 2026?**

13 A. To date, SPS has received a qualifying notice from two customers, with 43  
14 premises, for PY 2026. SPS subtracts each opt-out customer premises’ annual peak  
15 kilowatt (“kW”) demand contribution for the last five years from the weather  
16 normalized Texas retail peak demand to determine SPS’s yearly peak demand  
17 growth. Increased opt-outs, depending on their annual peak kW contribution, may  
18 reduce SPS’s overall weather normalized Texas retail peak demand in calculating  
19 SPS’s yearly demand reduction goal.

20

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<sup>9</sup> *Application of Southwestern Public Service Company for Authorization to Change Rates*, Docket No. 54634, Order (Apr. 11, 2024).



1   **Q.     Does SPS believe it will meet its PY 2026 demand reduction goal?**

2   A.     Yes. SPS projects that it will achieve 8.85 MW in demand reductions in PY 2026,<sup>10</sup>  
3         which is greater than the minimum demand reduction goal of 6.027 MW. Mr.  
4         Lewis explains why SPS expects to achieve more than the minimum goal and  
5         supports the calculations of these amounts. For additional detail, refer to Table 6  
6         of Attachment MFL-1 to Michael F. Lewis's Direct Testimony, the Amended 2025  
7         EEPR.

8   **Q.     Does 16 TAC § 25.181 impose any additional requirements with respect to the**  
9         **demand reduction?**

10  A.     Yes. 16 TAC § 25.181(e)(3)(F) states that the savings achieved through programs  
11         for hard-to-reach customers shall be no less than 5% of the utility's statutory  
12         demand reduction goal. Therefore, at least 0.3 MW of the 2026 demand reduction  
13         goal of 6.027 MW must come from hard-to-reach customers ( $6.027 \text{ kW} \times 5\% = 300$   
14         kW).

15  **Q.     What is a "hard-to-reach" customer?**

16  A.     16 TAC § 25.181(c)(27) defines a "hard-to-reach" customer as a residential  
17         customer with an annual household income at or below 200% of federal poverty  
18         guidelines.

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<sup>10</sup> See Michael F. Lewis Direct Testimony, Attachment MFL-1, Amended 2025 EEPR, at Table 6.

1 **Q. Did SPS meet the requirement under 16 TAC § 25.181(e)(3)(F) for hard-to-**  
2 **reach customers in 2024 and does it project to meet it in 2026?**

3 A. Yes. SPS met the requirement by achieving 1.384 MW or 23% of the 2024 goal of  
4 6.027 MW through programs for hard-to-reach customers.<sup>11</sup> In 2026, SPS projects  
5 to achieve 1.20 MW or 20%<sup>12</sup> of the proposed goal of 6.027 MW through programs  
6 for hard-to-reach customers through its Hard-to-Reach SOP, HTR Food Bank  
7 Program, and Low-Income Weatherization Program.

8 **B. Calculation of Energy Savings Goal**

9 **Q. Does 16 TAC § 25.181 also specify the amount of energy savings that a utility**  
10 **must achieve?**

11 A. Yes. 16 TAC § 25.181(e)(4) provides that a utility “shall administer a portfolio of  
12 energy efficiency programs designed to meet an energy savings goal calculated  
13 from its demand savings goal, using a 20% conservation load factor.” To  
14 implement that calculation, the utility must multiply its demand reduction goal  
15 times 8,760 (the number of hours in a year) and then multiply the product by 20%  
16 to determine the number of megawatt-hours (“MWh”) of energy savings. Thus, in  
17 SPS’s case, the minimum energy savings goal is the following:

18 
$$6.027 \text{ MW} \times 8,760 \text{ h} = 52,797 \text{ MWh} \times 20\% = 10,559 \text{ MWh}$$

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<sup>11</sup> See Attachment PGG-3, Bonus Calculator.

<sup>12</sup> See Michael F. Lewis Direct Testimony, Attachment MFL-1, Amended 2025 EEPR, at Table 6.

1 **Q. Does SPS believe it will meet its PY 2026 minimum energy savings goal?**

2 A. Yes. SPS forecasts that it will achieve energy savings of 15,706 MWh in PY  
3 2026,<sup>13</sup> which is greater than the minimum goal of 10,559 MWh, due to the mix of  
4 energy and demand savings achievable through the programs. Some programs,  
5 such as the Large Commercial SOP deliver high energy savings but deliver minimal  
6 demand savings based on the measures incented in the program. Conversely, the  
7 Load Management SOP only provides demand savings and minimal energy  
8 savings. In developing its programs as presented in SPS's Amended 2025 EEPR,  
9 provided as Attachment MFL-1 to Mr. Lewis's direct testimony, SPS attempted to  
10 maintain a balance of programs that will provide eligible customers with multiple  
11 options for participation and ensure that both energy and demand goals are met.

12 **Q. Do SPS's Low-Income PY 2026 budgeted costs meet the minimum 10%**  
13 **spending requirement in 16 TAC § 25.181(p), even though SPS is not subject**  
14 **to that section because it is not an unbundled transmission and distribution**  
15 **utility?**

16 A. Yes. 16 TAC § 25.181(p)(1) states that each unbundled transmission and  
17 distribution "utility shall ensure that annual expenditures for the targeted low-  
18 income energy efficiency program are not less than 10% of the utility's energy  
19 efficiency budget for the program year." SPS's budgeted incentive amount for its  
20 Low-Income programs in PY 2026 is \$530,000, which is 10% of the total portfolio  
21 budget amount of \$5,130,854 (including EM&V).<sup>14</sup>

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<sup>13</sup> See Michael F. Lewis Direct Testimony, Attachment MFL-1, Amended 2025 EEPR, at Table 6.

<sup>14</sup> See Michael F. Lewis Direct Testimony, Attachment MFL-1, Amended 2025 EEPR, at Table 7.

1 **Q. Did SPS's Low-Income expenditures for 2024 meet the minimum 10%**  
2 **spending standard in 16 TAC § 25.181(p)?**

3 A. Yes, in 2024 SPS spent 11% of its forecasted budget on low-income programs.

4 **C. Program Modifications to Meet PY 2026 Goals**

5 **Q. Is SPS proposing any modifications or additions to its existing programs to**  
6 **meet its PY 2026 goals?**

7 A. Yes, SPS is proposing to incorporate the School Kits MTP as a full program. Mr.  
8 Lewis addresses this further in his testimony.

9 **Q. Does 16 TAC § 25.182 require the utility's portfolio to reflect**  
10 **recommendations from the independent EM&V evaluator?**

11 A. Yes. 16 TAC § 25.182(d)(11)(B) requires that the utility's portfolio be  
12 implemented in accordance with the recommendations made by the Commission's  
13 EM&V contractor and that there are no material deficiencies in the utility's  
14 administration of its portfolio. SPS's 2024 - 2026 program portfolios use the most  
15 recently published and approved Technical Reference Manual, which is the primary  
16 source for all deemed savings values.

17



1 **Q. Apart from the general guideline that the costs cannot exceed the benefits, does**  
2 **16 TAC § 25.181 prescribe any more specific standards to compare the costs**  
3 **and benefits?**

4 A. Yes. Subsection (f) provides that the incentive payments for each customer class  
5 shall not exceed 100% of avoided costs.

6 **Q. Are the incentive costs for PY 2026 projected to be lower than the avoided**  
7 **costs in PY 2024?**

8 A. Yes. SPS has forecasted an incentive budget of approximately \$4.447 million in  
9 PY 2026, as shown in Table 7 of Attachment MFL-1 to Mr. Lewis's direct  
10 testimony. In contrast, Attachment PGG-3 demonstrates that the total portfolio  
11 avoided cost for 2024 is approximately \$27.076 million. Therefore, the incentive  
12 costs are projected to be lower than the avoided costs.

13 **Q. Has SPS set the incentive payments with the objective of achieving its energy**  
14 **and demand goals at the lowest reasonable cost per program?**

15 A. Yes. Mr. Lewis discusses the determination of incentives in more detail.

16 **Q. Why does SPS compare the forecasted 2026 incentives to the actual 2024**  
17 **portfolio benefits?**

18 A. This comparison uses the best information available at the time of this filing.  
19 Portfolio benefits for 2026 are not currently known because the avoided costs for  
20 2026 are unknown and the estimated useful lives for measures implemented in 2026  
21 are not known. Even if avoided cost values for 2026 are expected to be less than  
22 the avoided cost values in 2024, SPS has a significant margin to ensure cost  
23 effectiveness.

1 **Q. Overall, was the portfolio of programs for 2024 cost effective?**

2 A. Yes. An overall program benefit-cost ratio of 1.0 or greater is considered cost-  
3 effective. For 2024, SPS's portfolio of programs produced a benefit-cost ratio of  
4 5.04 as shown in Attachment PGG-3. Thus, in 2024, all programs except for  
5 Refrigerator Recycling MTP were cost-effective.<sup>17</sup>

6 **Q. Are exceptions to the cost-effectiveness standard provided for some**  
7 **programs?**

8 A. Yes. SPS's Low-Income Weatherization program and the Retro-Commissioning  
9 MTP have different requirements. The Low-Income Weatherization program is  
10 evaluated for cost-effectiveness utilizing the Savings-to-Investment Ratio ("SIR"),  
11 consistent with 16 TAC § 25.181(p)(2) and the settlement in Docket No. 40293, a  
12 previous SPS EECRF proceeding.<sup>18</sup> Pursuant to 16 TAC § 25.181(i), MTPs such  
13 as the Retro-Commissioning MTP may demonstrate cost effectiveness over a  
14 period greater than one year.

15

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<sup>17</sup> SPS was unable to deliver 2024 savings results to the Independent Evaluator in time for them to be included in the 2024 evaluation. SPS is therefore not claiming savings for this program in 2024 and did not evaluate this program for cost-effectiveness.

<sup>18</sup> The SIR ratio is the ratio of the present value of a customer's estimated lifetime electricity cost savings from energy efficiency measures to the present value of the installation costs, inclusive of any incidental repairs, of those energy efficiency measures.

**VI. REASONABLENESS OF 2024 ENERGY EFFICIENCY PROGRAMS COSTS**

**Q. What expense did SPS incur for energy efficiency programs in PY 2024?**

A. As shown in Table 11 of Attachment MFL-1 to Mr. Lewis's direct testimony, in PY 2024, SPS incurred \$4,320,979 in program-related costs, compared to a budget of \$4,545,219.

**Q. Did SPS achieve its demand and energy savings goals for PY 2024?**

A. Yes. For 2024, SPS's Commission-established demand and energy savings goals were 6.027 MW and 10,559 MWh, respectively. SPS achieved savings of 6.473 MW and 13,631 MWh, as shown in Table 9 of Attachment MFL-1 to Mr. Lewis's direct testimony, or 107% of the demand goal and 129% of the energy goal.

**Q. Were the expenses incurred by SPS for PY 2024 reasonable and cost effective?**

A. Yes. The PY 2024 EECRF expenses satisfy the cost-effectiveness standard under 16 TAC § 25.181(d). As noted above, a benefit-cost ratio of 1.0 or greater is considered cost-effective, and for PY 2024, the benefit-cost ratio was 5.04 as shown in Attachment PGG-3.

**Q. Did SPS comply with the cost caps for administrative costs and R&D costs individually and collectively for PY 2024?**

A. Yes.

**Q. Explain further how SPS calculated the cost caps for administrative costs and R&D costs individually and collectively.**

A. Pursuant to 16 TAC § 25.181(g) the administration cost cap “shall not exceed 15% of a utility’s total program costs” while the R&D cap “shall not exceed 10% of a utility’s total program costs for the previous program year.” SPS has interpreted



this portion of the rule to mean that the administrative cost cap is calculated as the total administrative expenditures from PY 2024 divided by the total program expenditures for PY 2024; whereas, the R&D cap is calculated as the total R&D costs for PY 2024 divided by the total programs expenditures from PY 2023.

Furthermore, 16 TAC § 25.181(g) requires that “[t]he cumulative cost of administration and research and development shall not exceed 20% of a utility’s total program costs.” Therefore, SPS has calculated this value by dividing the total PY 2024 administrative and R&D expenditures by the total PY 2024 expenditures. Table PGG-3 shows the administrative and R&D expenditures versus the applicable PY total costs used to calculate the caps:

**Table PGG-3: PY 2024 Cost Cap Compliance**

Cost Type	PY 2024 Costs	PY 2024 Total Costs	PY 2023 Total Costs	Percentage of Total Spend	Allowed Percentage 25.181(i)
Administration <sup>19</sup>	\$370,198	\$4,320,979	N/A	8.57%	15%
R&D	\$93,785	N/A	\$4,834,832	1.94%	10%
Total Administration and R&D	\$463,982	\$4,320,979	N/A	10.74%	20%

**Q. For PY 2024, did the incentive payments for the portfolio exceed 100% of avoided costs?**

**A.** No. Attachment PGG-3 shows that incentive costs for PY 2024 were approximately \$3.805 million. In contrast, the total estimated portfolio net benefit for PY 2024

<sup>19</sup> PY 2024 costs include direct program administration, general program administration, and EECRF proceeding expenses.

1 was approximately \$21.701 million. Expressed as a percentage, the incentive costs  
2 for PY 2024 were approximately 14% of the total benefits.

3 **Q. For PY 2024, did the incentive payments by class exceed 100% of avoided costs**  
4 **by class?**

5 A. No. As shown in Table PGG-4, incentive costs by the Commercial customer or  
6 Residential customer class are well below the total avoided costs by customer class.

7 **Table PGG-4: PY 2024 Cost Cap Compliance**

Customer Class	Total Incentive	Total Avoided Cost
Residential	\$2,272,672	\$13,640,350
Commercial	\$1,531,923	\$13,436,057
Total	\$3,804,595 <sup>20</sup>	\$27,076,407

8

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<sup>20</sup> See Michael F. Lewis Direct Testimony, Attachment MFL-1, Amended 2025 EEPR, at Table 11.

1                   **VII.    REASONABLENESS OF AFFILIATE EXPENSES**

2   **Q.    Please describe PURA § 36.058.**

3   A.    PURA § 36.058(a) provides that, except as provided by Subsection (b), the  
4       regulatory authority may not allow as capital cost or as expense a payment from an  
5       affiliate for “(1) the cost of a service, property, right, or other item; or (2) interest  
6       expense.” PURA § 36.058 (b) provides that the “regulatory authority may allow a  
7       payment described in Subsection (a) only to the extent that the regulatory authority  
8       finds the payment is reasonable and necessary for each item or class of items as  
9       determined by the commission.”

10           PURA § 36.058(c) lists items that must be included in a finding under  
11       Subsection (b). In particular, Subsection (c) requires a specific finding of the  
12       reasonableness and necessity of each item or class of items allowed and a finding  
13       that the price to the electric utility is not higher than the prices charged by the  
14       supplying affiliate for the same item or class of items. PURA § 36.058(d), (e), and  
15       (f) provide additional direction for findings regarding an affiliate transaction.

16   **Q.    In general, does SPS incur costs from an affiliate to manage its energy**  
17       **efficiency programs?**

18   A.    Yes. SPS incurs costs for services XES provides for developing and managing  
19       energy efficiency and load management programs for SPS, and performing  
20       regulatory compliance and performance assessments for SPS’s customer programs.

1 **Q. What amount of affiliate costs did SPS incur related to its programs under 16**  
2 **TAC § 25.181 in 2024?**

3 A. In 2024, SPS incurred \$246,520 in affiliate expenses. Those expenses include labor  
4 expenses and labor loadings as well as non-labor expenses such as travel expenses  
5 unrelated to the EECRF filing.

6 **Table PGG-5: PY 2024 Energy Efficiency Program Affiliate Expenses**

<b>Affiliate Expenses</b>	<b>Total</b>
Labor and Loading Expenses	\$236,366
Non-Labor Expenses	\$10,154
Total Affiliate Expenses	\$246,520

7 **Q. Are SPS's compensation and benefits related to the 2024 affiliate expenses**  
8 **listed above consistent with market compensation studies?**

9 A. Yes. Senate Bill 1016, which became effective May 5, 2023, amended PURA to  
10 add Section 36.067 and directed the Commission to presume that employee  
11 compensation and benefits, including executive compensation, are reasonable and  
12 necessary if they are consistent with market compensation studies issued not earlier  
13 than three years before a rate proceeding.<sup>21</sup> Xcel Energy performs market  
14 compensation studies annually to ensure that pay and benefit levels are comparable  
15 with the market median (50<sup>th</sup> percentile) of similarly situated utility companies.  
16 Therefore, SPS's employee compensation and benefits, including Annual Incentive

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<sup>21</sup> PURA § 36.067(b).

1 Program, are presumed reasonable and necessary and have not been removed from  
2 the affiliate expense amount incurred in 2024.

3 **Q. You noted above that there was \$10,154 in non-labor affiliate expenses. What**  
4 **types of activities does that amount relate to?**

5 A. This figure accounts for travel and employee reimbursement expenses. Travel costs  
6 include expenses incurred by XES employees to attend the Energy Efficiency  
7 Implementation Project meetings, program administration meetings, and licensing  
8 and professional fees. Employee reimbursement expenses include costs for  
9 mileage for personal vehicle use and reimbursements for use of a personal cell  
10 phone for business purposes. Receipts for non-labor affiliate expenses are attached  
11 to my testimony as Attachment PGG-5.

12 **Q. Are any of the costs for PY 2026 forecasted to be affiliate costs?**

13 A. Yes. SPS expects that of the \$230,000 in forecasted general administration costs,<sup>22</sup>  
14 the majority are likely to be affiliate costs. Similarly, some of the program  
15 administrative costs will likely be affiliate costs.

16 **Q. Are any of the services XES provides to SPS related to its energy efficiency**  
17 **and load management programs duplicated elsewhere in XES or in any other**  
18 **Xcel Energy subsidiary, such as SPS itself?**

19 A. No. Within XES, none of the services provided for the energy efficiency and load  
20 management programs are duplicated elsewhere. No other Xcel Energy subsidiary  
21 performs these services. In addition, SPS does not perform these services for itself.

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<sup>22</sup> See Michael F. Lewis Direct Testimony, Attachment MFL-1, Amended 2025 EEPR, at Table 7.

1   **Q.     Do SPS and its Texas retail customers benefit from the services XES provides**  
2       **for the energy efficiency and load management programs?**

3   A.    Yes. The portfolio management services provided by XES employees offer a  
4       number of benefits to SPS, specifically through specialized expertise, economies of  
5       scale, and economies of scope. In lieu of SPS employing energy efficiency program  
6       and administrative support personnel, XES employs personnel to manage similar  
7       energy efficiency programs for Xcel Energy's Operating Companies. In addition  
8       to the economies of scale, SPS receives the benefits of the economies of scope  
9       provided by XES personnel. Because XES personnel manage energy efficiency  
10      program portfolios in numerous jurisdictions, they are able to transfer knowledge  
11      gained in other jurisdictions to SPS's energy efficiency programs at no additional  
12      charge to SPS.

13   **Q.     Are these costs reasonable and necessary?**

14   A.    Yes. These costs are reasonable because they consist primarily of reasonable labor  
15      costs, and are subjected to rigorous budgeting and cost-control processes. In  
16      particular, the labor costs are from XES employees, who perform duties for all  
17      Operating Companies, thus, allowing SPS to avoid hiring full-time employees  
18      solely for managing its energy efficiency and load-management programs.  
19      Furthermore, all of the XES affiliate expenses are directly charged to SPS for its  
20      energy efficiency programs, rather than allocated to SPS. Thus, the expenses  
21      assigned to SPS for XES employees' services reflect work exclusively undertaken  
22      for SPS's Texas energy efficiency programs.

1 **Q. Are the prices charged to SPS by XES higher than the prices charged by XES**  
2 **to Xcel Energy's other affiliates?**

3 A. No. At the time Xcel Energy was formed in 2000, registered holding companies  
4 such as Xcel Energy were regulated by the Securities and Exchange Commission  
5 under the Public Utility Holding Company Act of 1935 ("PUHCA 1935") and were  
6 permitted to form and operate service companies to provide common administrative  
7 and management services, at cost, to utility operating companies and affiliates  
8 within the holding company system. Although PUHCA 1935 was repealed in 2005,  
9 XES continues to provide its services to SPS "at cost." The Federal Energy  
10 Regulatory Commission ("FERC"), under PUHCA 2005, allows the continuation  
11 of centralized service companies that use the "at cost" standard for billing. The  
12 FERC allows "at cost" pricing from service companies to public utilities, stating,  
13 "we will apply a presumption that 'at cost' pricing of the non-power goods and  
14 services they provide to public utilities within their holding company systems is  
15 reasonable."<sup>23</sup> XES has the same obligation to charge for its services "at cost" to  
16 the other Operating Companies. Thus, XES charges SPS and the other Operating  
17 Companies the same (i.e., its costs for providing energy efficiency and other  
18 services).

19 **Q. In addition to the requirements and regulations listed above, is there other**  
20 **documentation to support that XES charges SPS and the other Operating**  
21 **Companies the same for the services it provides?**

---

<sup>23</sup> FERC Docket No. RM05-32-000, Order No. 667, ¶ 14.

1 A. Yes. XES charges SPS for services it provides (including energy efficiency labor)  
2 per the terms of the Service Agreement between XES and SPS. The Service  
3 Agreement is a high-level agreement that describes the services provided to SPS by  
4 XES (the billing and payment information, the terms of the agreement, the  
5 limitation of liability and indemnification, and miscellaneous information). A copy  
6 of the Service Agreement between XES and SPS is provided as Attachment PGG-  
7 4. XES has similar service agreements with all of the Xcel Energy Operating  
8 Companies. The substance of all XES Service Agreements contents are the same;  
9 only the parties to the agreements differ.

10 The Service Agreement incorporates the “at cost” pricing for XES’s  
11 services; XES is contractually bound to charge SPS and the other Operating  
12 Companies the same for the services. Thus, the charges from XES for its services  
13 to SPS are no higher than the charge by XES to any other entity for the same or  
14 similar service, and the costs reasonably approximate the affiliate’s cost to provide  
15 the service.

16 **Q. Is there any objective evidence that supports your opinion that the costs of**  
17 **XES are reasonable?**

18 A. Yes. As Table PGG-5 above illustrates, the majority of costs are for labor of XES  
19 employees. To ensure that labor costs of employees are reasonable, Xcel Energy  
20 conducts an annual market compensation study to ensure that labor costs are  
21 reasonable and in line with the industry average. Xcel Energy’s most recent study  
22 (i.e., the 2024 Willis Towers Watson Competitive Total Direct Compensation  
23 Analysis) demonstrates Xcel Energy’s total cash compensation is comparable to



1 the compensation offered by other utilities. Table PGG-6 summarizes the results  
2 of the 2024 Willis Towers Watson Compensation Analysis.

3 **Table PGG-6: Summary of Willis Towers Watson Compensation Analysis**

<b>Components of Xcel Energy Compensation</b>	<b>Compared to Base Salaries and Incentive Compensation of Utilities with Similar Revenues (Revenue Sample)</b>	<b>Compared to Base Salaries and Incentive Compensation of Utilities Across the Nation (National Sample)</b>
Base Salary Only	Below Market by 13.1%	Below Market by 12.0%
Target Total Cash Compensation (Base Salary + Target Incentive)	Above Market by 2.0%	Above Market By 3.2%

4 A copy of the 2024 Willis Towers Watson Compensation Analysis is provided as  
5 Attachment PGG-6(CONF).

6 **Q. Do those costs meet the requirements for affiliate expenses in PURA § 36.058?**

7 A. Yes. As described above, the costs SPS incurs from XES related to management  
8 of its energy efficiency program portfolio are reasonable and necessary and are not  
9 priced higher than the prices charged by XES for the same or similar service to its  
10 other affiliates. Additionally, SPS does not provide these services for itself, and  
11 the services do not duplicate services provided by other affiliates.

12 **Q. How are affiliate costs charged to SPS for the energy efficiency program?**

13 A. Affiliate costs are direct charged to work orders designed to record the costs for  
14 managing the energy efficiency and load management programs.

1 **Q. Is there any cross-subsidization of energy efficiency services provided by XES**  
2 **to SPS?**

3 A. No. Cross-subsidization cannot occur because SPS does not pay, through XES  
4 charges, for energy efficiency program costs of other Xcel Energy Operating  
5 Companies. The PY 2024 XES labor costs were not allocated to SPS but were  
6 directly charged (or direct assigned) to SPS. The direct assignment of the XES  
7 energy efficiency labor costs to SPS was done because the XES employee(s)  
8 performed work during those hours exclusively for SPS's Texas energy efficiency  
9 programs.

10

1 **VIII. PERFORMANCE BONUS**

2 **Q. Please summarize the rule provisions governing performance bonuses.**

3 A. 16 TAC § 25.182(e) provides that a utility that exceeds its demand and energy  
4 reduction goals at a cost that does not exceed the cost caps in 16 TAC  
5 § 25.182(d)(7) “shall be awarded a performance bonus calculated in accordance  
6 with this subsection.” The purpose of the performance bonus is to incent the utility  
7 to achieve successful energy efficiency programs by allowing the utility to receive  
8 a share of the net benefits realized in meeting its demand reduction goal.

9 **Q. Is SPS seeking recovery of a performance bonus in this case?**

10 A. Yes. SPS exceeded its Commission-approved demand goal in PY 2024 and,  
11 therefore, is eligible to recover a performance bonus in this EECRF.

12 **Q. What is the calculated performance bonus SPS has earned?**

13 A. The bonus is \$802,978. The calculation of the bonus is included as Attachment  
14 PGG-3.

15 **Q. Did SPS request a good cause exception in arriving at its Commission-**  
16 **approved demand goal for PY 2024?**

17 A. No. The demand goal for PY 2024 complied with 16 TAC § 25.181(e)(1)(D).

18 **Q. In conclusion, what do you recommend regarding SPS’s EECRF request in**  
19 **this proceeding?**

20 A. Based on information provided in my testimony, I recommend the Commission  
21 allow SPS to implement an EECRF rider sufficient to recover \$5,439,692 during  
22 PY 2026.  
23

1    **Q.**     Does this conclude your prefiled direct testimony?

2    **A.**     Yes.

**AFFIDAVIT**

STATE OF COLORADO                    )  
  )  
COUNTY OF ~~DENVER~~ <sup>ADAMS</sup>                    )

GRANT GERVAIS, first being sworn on his oath, states:

I am the witness identified in the preceding prepared direct 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.

Grant Gervais  
GRANT GERVAIS

Subscribed and sworn to before me this 30 day of April, 2025 by GRANT GERVAIS



Christine Manuel  
Notary Public, State of Colorado

My Commission Expires: 03-30-2026

### **CERTIFICATE OF SERVICE**

I certify that on May 1, 2026 , 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, all parties who participated in SPS's most recently completed EECRF proceeding, Docket No. 56570; SPS's most recently completed base-rate proceeding, Docket No. 54634; and to the state agency that administers the federal weatherization program, which is the Texas Department of Housing and Community Affairs by electronic mail.

/s/ Dee Hooley

**Texas**

**Docket No. 56570**—Application of Southwestern Public Service Company to Adjust its Energy Efficiency Cost Recovery Factor—May 1, 2024.

**Docket No. 48371**—Entergy Texas, INC's Statement of Intent and Application for Authority to Change Rates—August 8, 2018.

**Docket No. 48226**—Application of CenterPoint Energy Houston Electric, LLC to Amend its Distribution Cost Recovery Factor—May 24, 2018.

**Docket No. 47576**—Application of the City of Lubbock Through Lubbock Power and Light for Authority to Connect a Portion of its System with the Electric Reliability Council of Texas—December 12, 2017.

**Docket No. 47125**—Application of El Paso Electric Company to Revise its Energy Efficiency Cost Recovery Factor and Request to Establish Revised Cost Cap—July 27, 2017.

**Docket No. 46831**—Application of El Paso Electric Company to Change Rates—June 30, 2017.

**Docket No. 47032**—Application of CenterPoint Energy Houston Electric, LLC for Approval of a Distribution Cost Recovery Factor Pursuant to P.U.C. Subst. R. 25.243- —June 07, 2017.

**Docket No. 46308**—Application of El Paso-Electric Company to Reconcile Fuel Costs—March 7, 2017.

**Docket No. 45524**—Application of Southwestern Public Service Company for Authority to Change Rates— August 25, 2016.

**Docket No. 45928**—Application of AEP Texas North Company to Adjust its Energy Efficiency Cost Recovery Factor and Related Relief—July 25, 2016.

**Docket No. 45929**—Application of AEP Texas Central Company to Adjust its Energy Efficiency Cost Recovery Factor and Related Relief—July 25, 2016.

**Docket No. 45747**—Application of CenterPoint Energy Houston Electric, LLC for Approval of a Distribution Cost Recovery Factor Pursuant to P.U.C. Subst. R. 25.243—June 03, 2016.

**Docket No. 44941**—Application of El Paso Electric Company to Change Rates—December 18, 2015.

**Docket No. 45083**—Application of Entergy Texas, Inc. for Approval of a Distribution Cost Recovery Factor—October 23, 2015.

**Docket No. 44612**—Application of Southwestern Electric Power Company to Adjust Energy Efficiency Cost Recovery Factor and Related Relief—June 11, 2015.

**Docket No. 44572**—Application of CenterPoint Energy Houston Electric, LLC for Approval of Distribution Cost Recovery Factor Pursuant to P.U.C. Subst. R. 25.243—June 03, 2015.

**Docket No. 44361**—Sharyland Utilities, LP's Request for Approval of an Advanced Metering System (AMS) Deployment, AMS Surcharge, and Non-Standard Metering Service Fees—May 1, 2015.

**Docket No. 41890**—Compliance Tariff of Oncor Electric Delivery Company, LLC Related to Non-Standard Metering Service Pursuant to PUC SUBST. R. §25.133—March 11, 2014.

**Colorado**

**Proceeding No. 23A-0244E**—In the Matter of the Verified Application of Black Hills Colorado Electric, LLC for Approval of its Transportation Electrification Plan, Ready EV, for Program Years 2024-2026 and for Related Tariff Approvals—May 15, 2023.

**Proceeding No. 23A-0025E**—In the Matter of the Verified Application of Black Hills Colorado Electric, LLC for Commission Approval of an Alternative Electric Vehicle Charging Rate—January 4, 2023.

**Proceeding No. 22AL-0483E**—In the Matter of Advice Letter No. 834 Filed by Black Hills Colorado Electric, LLC Doing Business as Black Hills Energy to Increase the Transmission Cost Adjustment Rider, to Become Effective January 1, 2023—November 1, 2022.

**Proceeding No. 22A-0383E**—In the Matter of the Verified Application of Black Hills Colorado Electric, LLC for an order approving expenses recovered through the energy cost adjustment and purchased capacity cost adjustment in 2021—August 31, 2022.

**Proceeding No. 20A-0195E**—In the Matter of the Verified Application of Black Hills Colorado Electric, LLC for Approval of its Transportation Electrification Plan, Ready EV, for Program Years 2021-2023 and for Related Approvals—May 8, 2020.



## **SERVICE AGREEMENT**

This Service Agreement is made and entered into this 18<sup>th</sup> day of February, 2025 , by and between Southwestern Public Service Company ("Client Company") and Xcel Energy Services Inc. ("Service Company").

### **WITNESSETH**

WHEREAS, Service Company is a subsidiary of Xcel Energy Inc. ("Xcel Energy"), a public utility holding company under the Public Utility Holding Company Act of 2005 ("PUCHA 2005") that has been formed to provide support services for Xcel Energy and its subsidiaries in a manner consistent with applicable regulatory requirements; and

WHEREAS, Client Company is a utility operating company subsidiary of Xcel Energy and an affiliate of Service Company; and

WHEREAS, Service Company and Client Company have entered into this Service Agreement whereby Service Company agrees to provide and Client Company agrees to accept and pay for various services as provided on a cost basis, the Service Company will fairly and equitably allocate costs among all associate companies to which it renders services, including the Client Company.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties to this Service Agreement covenant and agree as follows:

### **ARTICLE I - SERVICES**

Section 1.1 Service Company shall furnish to Client Company, as requested by Client Company, upon the terms and conditions hereinafter set forth, such of the services described in Appendix A hereto, at such times, for such periods and in such manner as Client Company may from time to time request and that Service Company concludes it is able to perform. Service Company shall also provide Client Company with such special services, in addition to those services described in Appendix A hereto, as may be requested by Client Company and that Service Company concludes it is able to perform. In supplying such services, Service Company may arrange, where it deems appropriate, for the services of such experts, consultants, advisers, and other persons with necessary qualifications as are required for or pertinent to the provision of such services.

Section 1.2 Client Company shall take from Service Company such services described in Section 1.1, and such additional general or special services, whether or not now contemplated, as are requested from time to time by Client Company and that Service Company concludes it is able to perform.

Section 1.3 The services described herein or contemplated to be performed hereunder shall be directly assigned or allocated by activity, project, program, work order or other

appropriate basis. Client Company shall have the right from time to time to amend, alter or rescind any activity, project, program or work order provided that (i) any such amendment or alteration that results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by Service Company, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by Service Company as a direct result of such amendment, alteration or rescission of the activity, project, program or work order, and (iii) no amendment, alteration or rescission of an activity, project, program or work order shall release Client Company from liability for all costs already incurred by or contracted for by Service Company pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed.

Section 1.4 Service Company shall use its best efforts to maintain a staff trained and experienced in the design, construction, operation, maintenance, management, and general administration of public utility properties.

## **ARTICLE II - COMPENSATION**

Section 2.1 As compensation for the services to be rendered hereunder, Client Company shall pay to Service Company all costs which reasonably can be identified and related to particular services performed by Service Company for or on its behalf. The methods for assigning or allocating Service Company costs to Client Company, as well as to other associate companies, are set forth in Appendix A.

Section 2.2 Service Company shall periodically review the methods of assignment or allocation of costs described in Appendix A. Such methods of assignment or allocation of costs may be modified or changed by Service Company subject to providing Client Company three months advance notice, and subject to any required state regulatory commission and Federal Energy Regulatory Commission ("FERC") approval. SPS shall comply with Texas Public Utility Regulatory Act and Public Utility Commission of Texas requirements, if any, regarding notice or approval, or both, of proposed modification to the methods of assignment or allocation of costs. SPS shall comply with New Mexico Public Utility Act and New Mexico Public Regulation Commission requirements, if any, regarding notice or approval, or both, of proposed modification to the methods of assignment or allocation of costs.

Section 2.3 No change in the organization of Service Company, the type and character of the companies to be serviced, the methods of assigning or allocating costs to associate companies, or in the scope or character of the services to be rendered shall be made unless such change is consistent with any applicable regulatory requirements.

Section 2.4 Service Company charges are billed electronically monthly to Client Company. The electronic details reflect the billing information necessary to identify the costs charged for that month. By the twenty-third (23rd) day of the following month, the Client Company shall remit to Service Company payment for all charges billed to it in the previous month.

Section 2.5 In the event of a dispute between the Operating Company and Service Company regarding a billing methodology and/or amount, representatives from the parties involved along with Service Company Accounting will meet to discuss the issues. If a resolution cannot be reached, the issue will be referred to each party's executive management for final resolution.

Section 2.6 It is the intent of this Service Agreement that the payment for services rendered by Service Company to Client Company under this Service Agreement shall cover all the costs of its doing business (less the costs of services provided to associated companies not a party to this Service Agreement and to other non-associated companies, and credits for any miscellaneous items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, contract labor, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, and compensation for use of capital.

### **ARTICLE III - TERM**

Section 3.1 This Service Agreement shall become effective upon its execution, or, if required, upon receipt of applicable regulatory approval, and shall continue in full force and effect until terminated by Service Company or Client Company, upon not less than one year's prior written notice to the other party. This Service Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Service Agreement may conflict with any regulatory requirement of the FERC or state commission applicable to either Service Company or Client Company adopted before or after the effective date of this Service Agreement.

### **ARTICLE IV - LIMITATION OF LIABILITY AND INDEMNIFICATION**

Section 4.1 In performing the services hereunder, Service Company will exercise due care to assure that the services are performed in an appropriate manner, meet the standards and specifications set forth in any applicable request for service and comply with the applicable standards of law and regulation. However, failure to meet these obligations shall in no event subject Service Company to any claims by or liabilities to Client Company other than to reperform the services and be reimbursed at cost for such reperformance. Service Company makes no other warranty with respect to its performance of the services, and Client Company agrees to accept such services without further warranty of any nature.

Section 4.2 To the fullest extent allowed by law, Client Company shall and does hereby indemnify and agree to save harmless and defend Service Company, its agents and employees from liabilities, taxes, losses, obligations, claims, damages, penalties, causes of action, suits, costs and expenses or judgments of any nature, on account of, or resulting from the performance and prosecution of any services performed on behalf of Client Company pursuant to this Agreement, whether or not the same results or allegedly results from the claimed or actual negligence or breach of warranty of, or willful conduct by, Service Company or any of its employees, agents, clients, or contractors or its or their subcontractors or any combination thereof.

## ARTICLE V - MISCELLANEOUS

Section 5.1 All accounts and records of Service Company shall be kept in accordance with either the General Rules and Regulations promulgated by the FERC pursuant to the PUHCA 2005, in particular, the Uniform System of Accounts for Subsidiary Service Companies or the Uniform System of Accounts Prescribed for Public Utilities and Licensees subject to the Provisions of the Federal Power Act promulgated by the FERC, as each is in effect from and after the date hereof.

Section 5.2 New direct or indirect subsidiaries of Xcel Energy, which may come into existence after the effective date of this Service Agreement, may become additional client companies of Service Company and subject to a service agreement with Service Company, or an existing client company may wish to obtain additional services from Service Company. Likewise, an existing direct or indirect subsidiary of Xcel Energy may cease to be a client company or cease to take individual services from Service Company. In either event, the parties hereto shall make such changes in the scope and character of the services to be rendered and the method of assigning or allocating costs of such services as specified in Appendix A, subject to the requirements of Section 2.3, as may become necessary to achieve a fair and equitable assignment or allocation of Service Company costs among all associate companies.

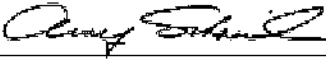
Section 5.3 In the event a Client Company changes the scope of services that it takes from Service Company (pursuant to Section 1.3) or terminates this Service Agreement (pursuant to Section 2.1), the Service Company may bill such Client Company a charge that reflects a proportionate share of any significant residual fixed costs (i.e., incurred costs or commitments to incur costs) that were incurred or committed to incur in contemplation of providing such Client Company service prior to the notice of termination. Examples of fixed costs include, but are not limited to, costs to upgrade computer hardware and software systems to meet Client Company's specifications.

Section 5.4 Service Company shall permit Client Company access to its accounts and records, including the basis and computation of allocations.

Section 5.5 This Service Agreement supersedes the Service Agreement dated September 9<sup>th</sup>, 2016.

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be executed as of the date and year first above written.

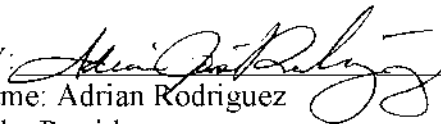
XCEL ENERGY SERVICES INC.

BY: 

Name: Amy Schneider

Title: Vice President, Corporate Secretary & Securities

SOUTHWESTERN PUBLIC SERVICE COMPANY

BY: 

Name: Adrian Rodriguez

Title: President

**DOCKET NO. 58017**

**APPLICATION OF SOUTHWESTERN PUBLIC SERVICE  
COMPANY TO ADJUST ITS ENERGY EFFICIENCY COST  
RECOVERY FACTOR**

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The following are provided in native form:

Attachment PGG-2.xlsx  
Attachment PGG-3.xlsx  
Attachment PGG-5.xlsx  
Attachment PGG-6(CONF).pdf  
Attachment PGG-7(CONF).xlsx

The following files are not convertible:

Attachment PGG-2 - Goal Calc.xlsx  
Attachment PGG-3 (bonus calc).xlsx  
Attachment PGG-5 - PY 2024 non-labor  
expenses.xlsx

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

Contact [centralrecords@puc.texas.gov](mailto:centralrecords@puc.texas.gov) if you have any questions.