

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY'S)
APPLICATION FOR REVISION OF ITS)
RETAIL RATES UNDER ADVICE)
NOTICE NO. 255,) CASE NO. 15-00139-UT
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
APPLICANT.)
_____)**

DIRECT TESTIMONY

of

EVAN D. EVANS

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
AEP	American Electric Power Company
AMI or Smart Meter	Advanced Metering Infrastructure
Base Period	January 1, 2014 through December 31, 2014
Commission or NMPRC	New Mexico Public Regulation Commission
Concentric	Concentric Energy Advisors, Inc.
CSW	Central and South West Corporation
Eastern New Mexico Cooperatives	Central Valley Electric Cooperative, Inc.; Farmers' Electric Cooperative, Inc.; Lea County Electric Cooperative, Inc.; and Roosevelt County Electric Cooperative, Inc.
EPE	El Paso Electric
ERCOT	Electric Reliability Council of Texas
FERC	Federal Energy Regulatory Commission
FPPCAC	Fuel and Purchased Power Cost Adjustment Clause
Future Test Year Rule or Rule 3	Future Test Year Rule
Global Insight	IHS Global Insight, Inc.
Graves Firm	Graves Dougherty Hearon & Moody, P.C.
GSEC	Golden Spread Electric Cooperative, Inc.

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Guernsey	C.H. Guernsey & Company
Hinkle Firm	Hinkle Shanor LP
LP&L	Lubbock Power & Light
kV	Kilovolt
kWh	Kilowatt-hour
MW	Megawatt
MWh	Megawatt Hour
NCE	New Century Energies, Inc.
NMGC	New Mexico Gas Company
NSPM	Northern States Power Company, a Minnesota corporation
NSPW	Northern States Power Company, a Wisconsin corporation
O&M	Operation and maintenance
Operating Companies	PSCo, NSPM, NSPW, and SPS
PNM	Public Service Company of New Mexico
PPA	Purchased Power Agreement
PSA	Power Sales Agreement
PSCo	Public Service Company of Colorado, a Colorado corporation

<u>Acronym/Defined Term</u>	<u>Meaning</u>
PUCT	Public Utility Commission of Texas
RFP	Rate Filing Package
ROE	Return on Equity
RPSA	Replacement Power Sales Agreements
Rule 530	17.9.530 NMAC
SPP	Southwest Power Pool
SPS	Southwestern Public Service Company, a New Mexico corporation
Staff	Commission's Utility Division Staff
T&D	Transmission and Distribution
TDU	Transmission & Distribution Utility
Test Year	January 1, 2016 through December 31, 2016
Tri-County	Tri-County Electric Cooperative of Oklahoma
TUCO	TUCO Inc.
WACC	Weighted Average Cost of Capital
Winstead Firm	Winstead, P.C.
WTMPA	West Texas Municipal Power Agency
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
EDE-1	Electronic Media - 64 GB electronic flash drive containing working versions of all electronic files, including SPS's model, the class cost allocation study, all schedules, attachments, and workpapers
EDE-2	New Mexico Jurisdiction Rate Increase (<i>Filename: EDE-2.xls</i>)
EDE-3	Map of SPS's High-Voltage Transmission System (<i>Filename: EDE-3.pdf</i>)
EDE-4	SPS New Mexico Retail kWh Sales at the Meter from Prior Rate Cases (<i>Filename: EDE-4.xlsx</i>)
EDE-5	Map of Notices of Intent to Drill (<i>Filename: EDE-5.pdf</i>)
EDE-6	Large Load Additions in Southeast New Mexico (<i>Filename: EDE-6.xlsx</i>)
EDE-7	List of Prior SPS Commitments (<i>Filename: EDE-7.doc</i>)
EDE-8	Summary of Rate Case Expenses (<i>Filename: EDE-6.xls</i>)
EDE-9	Fuel in Base Calculation (<i>Filename: EDE-9.xls</i>)
EDE-10	Loss Adjusted Fuel Factors (<i>Filename: EDE-10.xlsx</i>)
EDE-11	Rule 550 Reports (<i>Filename: EDE-11.pdf</i>)

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I. WITNESS IDENTIFICATION AND QUALIFICATIONS

1 **Q. Please state your name, business address, and job title.**

2 A. My name is Evan D. Evans. My business address is 600 S. Tyler Street, Suite
3 2900, Amarillo, Texas 79101.

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

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

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

10 A. I am employed by SPS as Regional Vice President – Rates & Regulatory Affairs.

¹ Xcel Energy is the parent company of four wholly-owned electric utility operating companies: Northern States Power Company (“NSPM”), a Minnesota corporation; Northern States Power Company (“NSPW”), a Wisconsin corporation; Public Service Company of Colorado (“PSCo”), a Colorado corporation; and SPS (collectively, “Operating Companies”). Xcel Energy’s natural gas pipeline subsidiary is WestGas InterState, Inc. Xcel Energy also has two transmission-only operating companies, Xcel Energy Southwest Transmission Company, LLC and Xcel Energy Transmission Development Company, LLC, both of which are regulated by the Federal Energy Regulatory Commission (“FERC”).

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1 **Q. Please briefly outline your responsibilities as Regional Vice President – Rates**
2 **and Regulatory Affairs.**

3 A. My responsibilities include:

- 4 • developing and implementing SPS’s regulatory program to support Xcel
5 Energy’s corporate objectives and to ensure SPS fulfills all legal and
6 regulatory requirements of the New Mexico Public Regulation
7 Commission (“Commission” or “NMPRC”), Public Utility Commission of
8 Texas (“PUCT”), and FERC;
- 9 • directing the development and execution of all regulatory case filings
10 before both state commissions and the FERC;
- 11 • directing regulatory activities that establish and maintain state and federal
12 commission relationships and overseeing the administration of regulatory
13 rules and procedures; and
- 14 • providing regulatory support for SPS’s participation in the Southwest
15 Power Pool (“SPP”).

16 **Q. Please summarize your educational and professional background.**

17 A. I graduated from Texas Tech University with a Bachelor of Business
18 Administration Degree in Finance in May 1980.

19 Upon graduation, I was employed as a Rate Analyst at West Texas
20 Utilities Company, a wholly-owned subsidiary of Central and South West
21 Corporation (“CSW”), which was acquired by American Electric Power Company
22 (“AEP”) in June 2000. During my 20-year career with CSW and AEP, I held a
23 variety of professional analytical, consultant, and management positions in the

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1 rates, regulatory services, load research, and marketing, and business
2 development areas.

3 In October 2000, I joined C.H. Guernsey & Company (“Guernsey”),
4 which is an employee-owned, professional consulting firm offering engineering,
5 architectural, economic, and construction management services to utilities,
6 industries, and government agencies throughout the United States and
7 internationally. While employed with Guernsey, I managed the firm’s Dallas
8 regional office and served as a consultant to electric utility industry clients in a
9 variety of areas, including regulatory compliance, integrated resource planning,
10 electric utility cost of service issues, rate studies, financial analysis, economic
11 feasibility analysis, retail electric choice, and wholesale power supply contract
12 negotiations.

13 In September 2006, I left Guernsey and accepted the position of Director-
14 Regulatory Services with El Paso Electric (“EPE”). I was promoted to Assistant
15 Vice President-Regulatory Services and Rates in July 2008. While at EPE, I
16 established the company’s Regulatory Case Management and Energy Efficiency
17 departments. My responsibilities included direction of the company’s Energy
18 Efficiency & Utilization, Economic & Rate Research, Regulatory Case

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1 Management, and Regulatory Accounting departments and their associated
2 missions.

3 On January 1, 2014, I assumed my current position as Regional Vice
4 President – Rates and Regulatory Affairs for SPS.

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

6 A. Yes. I have testified before the NMPRC, the PUCT, the Georgia Public Service
7 Commission, and the Oklahoma Corporation Commission. I have also submitted
8 testimony before the FERC.

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

1 **Q. What is your assignment in this phase of the case?**

2 A. My assignments in this testimony are as follows:

- 3 (1) provide a general overview of SPS's application, including the use
4 of a future test year and describe the rate impacts of the requested
5 rate increase;
- 6 (2) provide an overview of SPS and explain the necessity for the
7 requested increase, as well as SPS's future plans to address the
8 capital spending cycle that it is in;
- 9 (3) introduce the other SPS witnesses who will provide testimony in
10 this case;
- 11 (4) describe the amounts SPS is seeking to add to rate base because of
12 new capital assets to be placed in service during the period January
13 1, 2015 through December 31, 2016;
- 14 (5) explain SPS's treatment of the reduction in the wholesale load of
15 Golden Spread Electric Cooperative, Inc. ("GSEC") that occurred
16 on June 1, 2015;
- 17 (6) explain SPS's actions to fulfill its obligations from prior cases;
- 18 (7) discuss the treatment of the refund SPS received from TUCO Inc.
19 ("TUCO") for overpayment to coal services contractor, Savage
20 Industries, in PUCT Docket No. 42004;²

² *Application of Southwestern Public Service Company for Authority to Change Rates and to Reconcile Fuel and Purchased Power Costs for the Period July 1, 2012 through June 30, 2013, Docket No. 42004, Order (Dec. 19, 2014).*

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- 1 (8) discuss the following matters related to SPS's recovery of fuel and
2 purchased power costs: (a) the proposed change to the system
3 average fuel and purchased power costs in base rates from
4 \$0.031374 per kilowatt-hour ("kWh") to \$0.026479 per kWh (*i.e.*,
5 base fuel); (b) the loss adjusted fuel factors reflecting each voltage
6 level at which service is taken; and (c) SPS's request for full and
7 final reconciliation of its fuel and purchased power costs for the
8 period October 1, 2014 through March 31, 2015;
- 9 (9) support SPS's budget for the rate case expenses it will expend on
10 this case and request a one-year amortization of those expenses;
- 11 (10) discuss SPS's advanced metering infrastructure ("AMI" or "Smart
12 Meter") demonstration project in response to the Commission's
13 interest in smart metering; and
- 14 (11) summarize the relief that SPS is requesting in this docket.

15 In addition, I sponsor or co-sponsor Rate Filing Package ("RFP") Schedules: B-7,
16 D (All), H-2, H-3, P-12, and Q-2.

17 **Q. What recommendations do you present in your testimony?**

18 A. I recommend that the Commission:

- 19 (1) suspend SPS's proposed rates for an initial period of nine months
20 commencing on July 8, 2015 and set a public hearing concerning
21 the justness and reasonableness of SPS's proposed rates;
- 22 (2) authorize an overall New Mexico retail revenue requirement of
23 \$419,320,108 and a non-fuel base rate increase of \$31,510,995 and
24 a base fuel cost decrease of \$30,109,318 for the reasons set forth in
25 my testimony and the testimony of the other SPS witnesses who
26 provide support for these changes in this case;

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- 1 (3) approve SPS's request to include in rate base approximately \$1.13
2 billion of new capital investment closed to plant in service for the
3 period from January 1, 2015 through December 31, 2016, which is
4 composed of:
- 5 a. \$92.5 million of production investment;
- 6 b. \$659.2 million of transmission investment;
- 7 c. \$203.6 million of distribution investment; and
- 8 d. \$170.3 million of other types of capital investment.
- 9 (4) approve recovery of SPS's proposed budget for rate case expenses
10 and the amortization of those expenses over one year;
- 11 (5) approve the reconciliation of SPS's fuel and purchased power costs
12 for the period October 1, 2014 through March 31, 2015; and
- 13 (6) accept SPS's proposal to complete its Smart Meter pilot project in
14 Texas and to evaluate that project to determine potential uses of
15 Smart Meters for retail service in New Mexico.

III. OVERVIEW OF APPLICATION AND WITNESSES

A. Application for Base Rate Change

1 **Q. Please summarize SPS’s request for rate relief in this case.**

2 A. SPS’s Application requests a total base rate increase of \$1,401,677, which
3 consists of a non-fuel base rate increase of \$31,510,995 and a base fuel rate
4 decrease of (\$30,109,318). The requested rate increase is based upon a 2016 Test
5 Year as allowed under Sections 62-8-7, 62-3-3(P), and 62-6-14(D) of the Public
6 Utility Act. The information supporting the Test Year revenue requirement has
7 been developed using 17.9.530 NMAC (“Rule 530”) and 17.1.3 NMAC (“Future
8 Test Year Rule” or “Rule 3”). Furthermore, SPS’s application uses the following
9 time periods as a reference for this case:

- 10 • ***Base Period.*** The Base Period is January 1, 2014 through December 31,
11 2014. The data presented as the Base Period in this case is unadjusted raw
12 data from the books of SPS, recorded for the Base Period, in accordance
13 with the Future Test Year Rule.
- 14 • ***Adjusted Base Period.*** The Adjusted Base Period is January 1, 2014
15 through December 31, 2014, adjusted by unblending depreciation rates for
16 plant, accounting annualizations and normalizations, and weather

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1 normalization of revenues. SPS witnesses Arthur P. Freitas and Richard
2 M. Luth discuss these adjustments in more detail in their testimony.

3 • **Test Year.** The Test Year is January 1, 2016 through December 31, 2016,
4 which reflects capital additions expected to be placed in service during the
5 period January 1, 2015 through December 31, 2016, escalation of
6 expenses from the Adjusted Base Period using expense-specific or
7 account-specific escalation rates, expense adjustments for known and
8 anticipated changes, and, in a few instances, expenses based upon SPS's
9 2016 budget.

10 **Q. Does SPS's filing meet the requirements of meet the Future Test Year Rule?**

11 A. Yes, SPS's filing meets the requirement of the Future Test Year Rule. In this
12 regard, SPS monitored Case No. 14-00332-UT³ and has reviewed the
13 Commission's Final Order Adopting Initial Recommended Decision on
14 Completeness of PNM Filed Application. As a result, SPS has taken all
15 reasonable steps to ensure that it has met the requirement to provide in fully
16 functional electronic format all data that is electronically linked to SPS's model

³ *In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 507, Case No. 14-00332-UT, Final Order Adopting Initial Recommended Decision on Completeness of PNM's Filed Application (May 15, 2015).*

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1 and to schedules that contain data that is linked to SPS's model. Therefore, a 64
2 GB electronic flash drive containing working versions of all electronic files,
3 including SPS's models, the class cost allocation study, all schedules, attachments
4 and workpapers is being provided as Attachment EDE-1.

5 **Q. What is the date that SPS's proposed rate change would reasonably be**
6 **expected to take effect?**

7 A. In its Application, SPS is requesting the Commission suspend SPS's proposed
8 rates for an initial period of nine months, commencing on July 8, 2015, and set a
9 public hearing concerning the justness and reasonableness of SPS's proposed
10 rates. Therefore, it is reasonable to expect the proposed rate change will not take
11 effect prior to April 2016.

12 **Q. What percentage change is SPS requesting with respect to base rates?**

13 A. The increase in New Mexico retail base revenues, excluding fuel and purchased
14 power and any riders, is an increase of \$31,510,995, or 14.43%, for the Test Year,
15 as shown on Attachment EDE-2. SPS's Application also requests the
16 Commission approve a decrease in the amount of base fuel included in base rates
17 of \$30,109,318. Thus, the overall base rate increase of \$1,401,677 is a 0.34%
18 increase in total revenues on a New Mexico jurisdictional basis.

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1 The typical residential service customer using 1,000 kWh of energy per
2 month will experience an increase in non-fuel base rates of \$10.41 or 15.9% and
3 an overall bill increase of \$10.75 per month, or 10.7%, under SPS's proposed
4 rates in this proceeding.

5 **Q. What rate of return is SPS requesting in the case?**

6 A. In this case, SPS is requesting an overall weighted average cost of capital
7 ("WACC") of 8.10 percent, which reflects an equity ratio of 53.97 percent,⁴ an
8 authorized return on equity ("ROE") of 10.25 percent, and a cost of debt of 5.58
9 percent. In contrast, if no changes are made to SPS's rates, then in the Test Year,
10 SPS would have earned a 5.65 percent WACC overall rate of return on its New
11 Mexico retail operations and a 5.70 percent ROE.

12 **Q. Please describe the major components of SPS's rate case application.**

13 A. The major components of SPS's filing are:

- 14 • ***Capital Investment in Rate Base.*** From June 30, 2012, which was the end
15 of the base period in SPS's last base rate case, through the Base Period of
16 2014, SPS has capital additions of approximately \$1.208 billion for

⁴ The 53.97% equity ratio is consistent with the commitment that SPS made in Case No. 08-00354-UT to maintain an equity ratio within five percentage points of 50% equity.

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1 production, transmission, and distribution infrastructure, and other
2 investments to serve its customers. Additionally, between the end of the
3 Base Period and the end of the Test Year, SPS will have an additional
4 \$1.13 billion in capital additions for facilities that are expected to be in
5 service prior to the end of the Test Year. The capital investments will be
6 addressed in more detail by SPS witnesses Alan J. Davidson, John S.
7 Fulton, Brad Baldrige, David C. Harkness, Gregory J. Robinson, and
8 Lisa H. Perkett.

9 • ***Southwest Power Pool Related Expenses.*** Between the end of the Base
10 Period and the end of the Test Year, the SPP-related expenses will
11 increase significantly. These incremental SPP-related expenses will be
12 addressed further in the testimony of SPS witnesses William A. Grant and
13 Arthur P. Freitas.

14 • ***Depreciation and Amortization Expense.*** Due to the increased capital in
15 service, SPS's depreciation and amortization expense has increased
16 approximately \$37.9 million (New Mexico retail) using SPS's current
17 Commission-approved depreciation rates. SPS has conducted a
18 comprehensive depreciation study for all of its assets. The new

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1 depreciation study increases most of SPS's depreciation rates from their
2 current level. Applying the higher depreciation rates from the new study
3 to SPS's Test Year plant in service increases depreciation expense by
4 approximately \$15 million (total company); \$4.2 (New Mexico retail).
5 SPS witnesses Dane A. Watson, Francis W. Seymore, and Lisa H. Perkett
6 will address depreciation in more detail.

7 • ***Production and Transmission Allocator Changes.*** Between the Base
8 Period and the Test Year, significant changes occur to the production and
9 transmission allocators. A significant driver for the change in the
10 production allocator is the June 1, 2015 ramp-down of the GSEC partial-
11 requirement firm power contract from 500 megawatts ("MW") to 300
12 MW. I discuss this change in further detail in my testimony and SPS
13 witness Ian C. Feters applies these changes to his calculated allocators. In
14 addition, the tremendous load growth that SPS has experienced in its New
15 Mexico retail load has a significant impact on the allocation of production
16 and transmission investment and associated expenses to the New Mexico
17 retail jurisdiction.

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- 1 • *Change of Fuel in Base Rates.* SPS requests changing the base fuel
2 factor from \$0.031374 per kWh to \$0.026479 per kWh, representing a
3 15.6% decrease.

4 **B. SPS Witnesses**

5 **Q. Please introduce the other SPS direct witnesses and their areas of testimony.**

6 A. In addition to my testimony, SPS is presenting the testimony of the following 23
7 witnesses in its direct case:

8 **Table EDE-1**

Witness	Area of Testimony
Mary P. Schell	<ul style="list-style-type: none">• Discusses the financial issues that have important implications for the overall financial integrity of SPS, including the significance of Commission decisions on ROE, capital structure for the Test Year, and associated cost of financing for SPS's utility operations that should be used for setting rates in this case for SPS's New Mexico retail operations.• Presents SPS's capital structure.• Discusses SPS's continuing need for access to capital on reasonable terms and SPS's capital expenditure plans.• Presents SPS's cost of debt and overall required rate of return on its investments.

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Witness	Area of Testimony
Ann E. Bulkley	<ul style="list-style-type: none"> • Presents evidence and provides a recommendation regarding the appropriate cost of equity for SPS. • Explains the methodologies used to arrive at her recommendation, which is based on a proxy group of vertically-integrated electric utilities. • Provides an assessment of SPS's recommended capital structure as it relates to the cost of equity.
Gregory J. Robinson	<ul style="list-style-type: none"> • Describes SPS's corporate budget process with a focus on capital investment, including the process used in preparing the Test Year Capital forecasts for SPS. • Discusses Property and Security Services capital additions from the end of the Base Period through the end of the Test Year.
Lisa H. Perkett	<ul style="list-style-type: none"> • Supports SPS's forecasted plant in-service balances used to determine the Test Year rate base. • Supports SPS's proposal to continue use of unblended book accumulated depreciation and discusses the deferred tax adjustment associated with the depreciation unblending adjustment. • Discusses SPS's new depreciation study and proposed new depreciation rates. • Discusses the effect of new bonus tax depreciation in the Test Year revenue requirement.
Dane A. Watson	<ul style="list-style-type: none"> • Discusses the depreciation study completed for SPS's assets and provides support and justification for the recommended depreciation rate changes for SPS's assets.
Francis W. Seymore	<ul style="list-style-type: none"> • Discusses the dismantling cost study used to support the depreciation rates for production and other production plant recommended by Dane Watson.
David C. Harkness	<ul style="list-style-type: none"> • Discusses Business Systems capital additions from the end of the Base Period through the end of the Test Year.

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Witness	Area of Testimony
Brad Baldrige	<ul style="list-style-type: none"> • Discusses distribution infrastructure capital additions from the end of the Base Period through those that are projected to be in service by the end of the Test Year. • Discusses two adjustments to distribution operation and maintenance (“O&M”) expense for the Test Year. • Supports a proposed rule tariff addition.
John S. Fulton	<ul style="list-style-type: none"> • Discusses transmission infrastructure capital additions from the end of the Base Period through those that are projected to be in service by the end of the Test Year. • Presents SPS’s 2013 Loss Study.
Alan J. Davidson	<ul style="list-style-type: none"> • Supports the costs, reasonableness, and necessity of the production plant capital additions expected to be placed in service from the end of the Base Period through the end of the Test Year.
David A. Low	<ul style="list-style-type: none"> • Discusses four adjustments to O&M expense for the Test Year pertaining to operation of power plants.
Adam R. Dietenberger	<ul style="list-style-type: none"> • Provides an overview of the legal structure and the business area or operational and managerial structure of Xcel Energy and explains how that structure affects SPS. • Explains the Xcel Energy Services Inc. (“XES”) accounting processes and how direct and indirect costs are billed from XES, Operating Companies, and other affiliates to and from SPS. • Explains XES’s allocation methods, statistics, and factors. • Sponsors the accounting for XES affiliate transactions and the affiliate transactions other than XES. • Discusses the recent modifications in SPS’s service agreement with XES.

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Witness	Area of Testimony
Gene H. Wickes	<ul style="list-style-type: none"> • Discusses the rationale for including SPS’s prepaid pension asset in rate base. • Discusses the precedent in New Mexico and other jurisdictions for including a prepaid pension in rate base.
Richard R. Schrubbe	<ul style="list-style-type: none"> • Supports SPS’s request for recovery of Test Year amounts for qualified pension expense, non-qualified pension expense, other post-employment benefit costs, long-term disability costs, and active healthcare costs. • Discusses the calculation of the prepaid pension asset and explains the rationale for including the prepaid pension asset in rate base.
Jill H. Reed	<ul style="list-style-type: none"> • Addresses compensation and benefits provided to the employees of SPS and its affiliates. • Supports the reasonableness of the compensation and benefit costs included in SPS’s Test Year revenue requirement. • Supports the labor component of O&M expenses for the Base Period and Test Year, including escalations in these expenses.
William A. Grant	<ul style="list-style-type: none"> • Discusses the SPP, the functions SPP provides to SPS, and the fees incurred by SPS in connection with SPP operations. • Presents the general structure of the SPP stakeholder process and SPS’s participation in the SPP stakeholder process.
H. Craig Romer	<ul style="list-style-type: none"> • Supports the reasonableness of SPS’s delivered cost of coal including those costs included in base fuel and the non-mine and non-freight costs included in base rates. • Discusses SPS’s post Test Year options associated with the termination of the Coal Supply Agreements with TUCO.

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Witness	Area of Testimony
David Horneck	<ul style="list-style-type: none"> • Supports the reasonableness of SPS’s proposed fuel and purchased energy costs included in base fuel.
John Mothersole	<ul style="list-style-type: none"> • Supports the escalators for non-labor O&M costs provided to Arthur P. Freitas. • Explains the IHS Global Insight, Inc. (“Global Insight”) model that derives the non-labor O&M expense cost escalators.
Arthur P. Freitas	<ul style="list-style-type: none"> • Presents SPS’s total company and New Mexico retail jurisdictional revenue requirement and sponsors various schedules that support those revenue requirements. • Discusses the various components of the cost of service and the adjustments made to those components, including rate base, operating revenues, fuel expense, O&M expense, administrative and general expense, taxes other than income taxes, income tax expense, and capital structure. • Discusses the treatment of SPS’s Demand Side Management expenses and revenues in the development of the cost of service. • Supports the jurisdictional and functional allocation used in this proceeding. • Describes the expenses and revenues related to SPS’s wheeling activities, and supports the pro-forma adjustments to these expenses and revenues.
Jannell E. Marks	<ul style="list-style-type: none"> • Describes SPS’s load research function and information used for cost allocation and rate design. • Describes the historical customer and megawatt-hour (“MWh”) sales trends for SPS’s New Mexico retail service territory. • Supports SPS’s demand and energy forecast for the Test Year.

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Witness	Area of Testimony
Ian C. Fetters	<ul style="list-style-type: none">• Presents the inter-class cost allocation among the New Mexico rate classes and cost of service study for classes.
Richard M. Luth	<ul style="list-style-type: none">• Discusses the rate design for the new rates and presents the tariffs containing the proposed new rates.• Supports SPS's development of demand energy allocators, pro-forma billing determinants, and present revenues.• Supports SPS's request to add or amend certain New Mexico rule and rate tariffs.

C. SPS Overview

1 **Q. Please generally describe SPS.**

2 A. Headquartered in Amarillo, Texas, SPS is a fully integrated generation,
3 transmission, and distribution electric utility that serves approximately 386,000
4 customers (of which approximately 108,000 are New Mexico retail customers) in
5 a 52,000 square-mile area of eastern and southern New Mexico and the Panhandle
6 and the South Plains regions of Texas. SPS's service area extends approximately
7 400 miles from north to south and 200 miles from east to west. Schedule Q-2
8 includes a description and map of SPS's general service territory. In New
9 Mexico, the communities served at retail by SPS are shown in Table EDE-2
10 below.

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Table EDE-2
Major New Mexico Communities Served by SPS

Artesia	Hobbs	Otis
Carlsbad	Jal	Portales
Clovis	Lake Arthur	Roswell
Dexter	Loving	Texico
Eunice	Malaga	Tucumcari
Hagerman	Monument	White City

1 SPS is uniquely located relative to the electrical grids of North America.
2 It is a member of the SPP Regional Transmission Organization and is
3 synchronously connected to the eastern grid through interconnections with
4 Mid-Kansas Electric Company, Public Service Company of Oklahoma (an AEP
5 company), Sunflower Electric Power Corporation, and Texas North Company
6 (another AEP company). The five primary interconnections with the SPP are:
7 (i) a 230 kilovolt (“kV”) transmission power line to Elk City, Oklahoma; (ii) a
8 345 kV transmission power line to Oklaunion, Texas; (iii) a 345 kV
9 transmission power line between Amarillo and Holcomb, Kansas; (iv) a 345 kV
10 transmission power line between Hitchland, Texas and Woodward, Oklahoma;
11 and (v) a 345 kV transmission power line between Abernathy, Texas to Texola,
12 Texas. SPS is also connected to the western grid through three high voltage
13 direct-current back-to-back converters, or DC ties: (1) through interconnections
14 with Public Service Company of New Mexico’s (“PNM”) at Clovis, New

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1 Mexico; (2) through interconnections with EPE and PNM at Artesia, New
2 Mexico; and (3) through interconnections with PSCo at Lamar, Colorado.
3 Although SPS operates adjacent to the Electric Reliability Council of Texas
4 (“ERCOT”) grid, it has no direct interconnections with ERCOT transmission
5 owners. Attachment EDE-3 is a map of SPS’s high-voltage transmission
6 system.

7 **Q. Please generally describe SPS’s customer base.**

8 A. SPS serves retail customers in a large portion of eastern and southeastern New
9 Mexico. SPS’s service territory in both Texas and New Mexico is primarily
10 agricultural, with large areas of oil and gas production. The agricultural areas
11 are mostly irrigated by pumping from natural underground water supplies.
12 There is also a large investment in cattle feeding and, more recently, dairy
13 operations in the service territory. Recently, the SPS service area has
14 experienced significant growth in the oil and gas industries, and SPS has been
15 expanding its infrastructure to serve these customers. The mix of New Mexico
16 retail electric energy sales during the Test Year is shown in Table EDE-3 below:

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Table EDE-3

SPS Forecasted Test Year New Mexico Retail Sales Mix⁵		
Customer Class	GWh	Percent
Residential Service	1,152	18.0%
Small General Service	174	2.7%
Secondary General Service	680	10.6%
Irrigation Service	82	1.3%
Primary General Service	1,826	28.6%
Large General Service	2,318	36.2%
Municipal and School	137	2.1%
Street and Area Lighting	30	0.5%
Total	6,397	100.0%

2

As reflected in Table EDE-3, the commercial and industrial customer segment constitutes approximately 79 percent of SPS's retail sales in New Mexico. This segment has been growing at a far more rapid pace than the other customer segments. Attachment EDE-4 contains a table that identifies the growth rate of SPS New Mexico retail classes over the past few base rate cases.

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Wholesale sales have historically been a significant business segment for SPS. Because SPS operates in interstate commerce, SPS's wholesale sales and the transmission of wholesale power are regulated by FERC pursuant to the

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9

⁵ The development of these forecasted sales is discussed by SPS witness Jannell Marks.

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1 Federal Power Act. SPS sells firm and economy wholesale power in interstate
2 commerce to rural electric cooperatives, municipal utilities, and other utilities
3 within and outside of SPS's control area. SPS sells wholesale power to four
4 electric cooperatives in eastern New Mexico:

- 5 • Central Valley Electric Cooperative, Inc.;
- 6 • Farmers' Electric Cooperative, Inc.;
- 7 • Lea County Electric Cooperative, Inc.; and
- 8 • Roosevelt County Electric Cooperative, Inc.

9 These four cooperatives are commonly referred to as the "Eastern New Mexico
10 Cooperatives." Additionally, SPS sells wholesale electric power to customers
11 located in Texas and who serve Texas citizens. These wholesale customers
12 currently are:

- 13 • GSEC;
- 14 • Tri-County Electric Cooperative of Oklahoma ("Tri-County"); and
- 15 • West Texas Municipal Power Agency ("WTMPA").

16 **Q. Please briefly describe the history of SPS.**

17 A. SPS was founded in New Mexico in the early 1900s and had its beginning in
18 Roswell, New Mexico. In the 1940s, it merged with other operating companies
19 through a plan of integration and simplification approved by the Securities and
20 Exchange Commission under the Public Utility Holding Company Act of 1935.

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1 Between the 1940s and 1990s, SPS undertook several other mergers and
2 acquisitions. In 1997, through a business combination reviewed by the
3 Commission, SPS and PSCo formed a holding company called New Century
4 Energies, Inc. (“NCE”), and SPS became an affiliate of PSCo. In 2000, NCE
5 merged with Northern States Power Company to form Xcel Energy, and SPS
6 and PSCo became sister operating company affiliates with NSPM and NSPW.
7 SPS continues to be a regulated electric utility company operating in New
8 Mexico.

9 **Q. Please describe SPS’s load and generating resources.**

10 A. SPS’s generation peak in the Base Period was 4,871 MW. In the Base Period,
11 coal-fired plants produced 40 percent of the MWh generated and purchased to
12 meet system needs. SPS currently has an installed net generation capacity of
13 4,529 MW, with 47 percent of this capacity in coal-fired plants and 53 percent
14 in plants utilizing other fuels, primarily natural gas. SPS purchases 219 MW of
15 firm power and energy from Borger Energy Associates, L.P., a Qualifying
16 Facility (“QF”). The purchased power contract under which SPS purchases that

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1 firm power and energy was authorized by the Commission in Case No. 2770.⁶
2 SPS also purchased firm power and energy under long-term and short-term
3 purchased power agreements (“PPA”) from the following generators during the
4 Base Period as shown in Table EDE-4.

Table EDE-4

Seller	Purchased Capacity (MW)
Calpine I	200
Calpine II	200
Lea Power Partners	532
Sid Richardson QF	8
Lubbock Power and Light (“LP&L”)(Cooke)	117
LP&L (Brandon/Massengale)*	98
GSEC (January – May 2014)*	100
GSEC (June - December 2014)*	25

5 * The short-term capacity and energy purchases under the LP&L-
6 Brandon/Massengale PPA and the GSEC PPAs all end before the
7 beginning of the Test Year.

⁶ *Application of Southwestern Public Service Company for Approvals and Authorizations Necessary to: (i) Enter into a Contract for the Purchase of Capacity and Energy from the Phillips Cogeneration Project; and (ii) Contract with its Affiliated Interest, QUIXX Corporation, to Purchase Capacity and Energy from that Project, Case No. 2770, Final Order Approving Recommended Decision (Nov. 17, 1997).*

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1 SPS has also been very active in renewable energy development, as have
2 its Xcel Energy affiliates. According to the American Wind Energy
3 Association, Xcel Energy has been the largest purchaser of wind energy in the
4 country for several years, and it recently became one of the top purchasers of
5 solar energy in the United States. Table EDE-5 lists each renewable generator
6 with whom SPS has a long-term PPA, the location of the generating facility, the
7 nameplate capacity of the facility, and the year in which SPS began (or will
8 begin) purchasing energy from that facility.

Table EDE-5

Facility	Location	Nameplate Capacity (MW)	Year
Llano Estacado	Whitedeer, Texas	80	2001
Cap Rock	Tucumcari, New Mexico	80	2004
San Juan	Elida, New Mexico	120	2005
Wildorado	Amarillo, Texas	161	2007
Sun Edison	Lea and Eddy Counties, New Mexico	50	2011
Spinning Spur	Amarillo, Texas	161	2012
Palo Duro	Hansford Co, Texas	249	2014
Mammoth Plains	Dewey/Blaine Co, Oklahoma	199	2014
Roosevelt	Roosevelt Co, New Mexico	250	2015

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1 In addition, SPS currently purchases intermittent renewable energy at
2 avoided costs from QF wind generation facilities. Counting both the intermittent
3 renewable energy purchased through long-term PPAs and the intermittent
4 renewable energy received from QFs, SPS either has purchased or plans to
5 purchase over 1,800 MW of intermittent renewable energy for its customers.

6 **Q. Please provide an overview of Xcel Energy.**

7 A. Xcel Energy is an integrated electric and gas utility holding company composed
8 principally of four operating utility companies: SPS, PSCo, NSPM, and NSPW.
9 Xcel Energy's operations are vertically integrated in all eight states where it
10 provides electric service.⁷ Xcel Energy has divested its unregulated generation
11 and almost all of its non-utility businesses and re-focused its corporate priorities
12 on the gas and electric utility business and our utility customers. During the
13 Base Period and several years prior to that, the core utility business has
14 represented 99% of Xcel Energy's total operating revenue.

⁷ The eight states are: New Mexico, Texas, Colorado, Michigan, Minnesota, North Dakota, South Dakota, and Wisconsin.

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1 **Q. Does SPS foresee capital growth on its system during the next five years?**

2 A. Yes. The expanding economy in SPS's service area has created a need for
3 significant capital investment that will continue at least through the next five
4 years. In Table EDE-6, I lay out the actual capital expenditures since 2010 and
5 the projected capital expenditures through 2019.

Table EDE-6

Calendar Year	Capital Expenditures (\$millions)
2010 (actual)	\$310 million
2011 (actual)	\$310 million
2012 (actual)	\$390 million
2013 (actual)	\$555 million
2014 (actual)	\$565 million
2015 (forecast)	\$570 million
2016 (forecast)	\$710 million
2017 (forecast)	\$735 million
2018 (forecast)	\$595 million
2019 (forecast)	\$565 million

6 As this table shows, SPS has experienced a significant and sustained
7 increase in capital spending since 2010, and the capital expenditure amounts are
8 projected to rise even higher in the future. In fact, the average annual capital
9 expenditure for the period from 2010 through 2014 was approximately \$426
10 million, whereas the forecasted average annual expenditure amount for the

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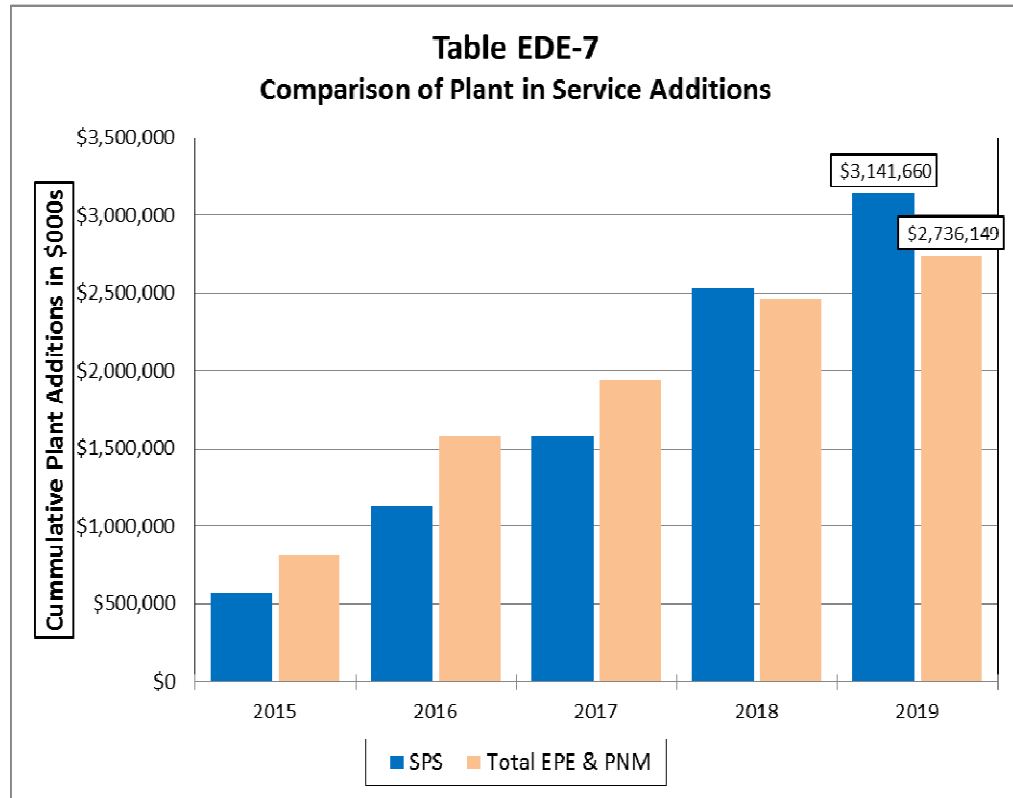
1 five-year period from 2015 through 2019 is approximately \$635 million, or an
2 increase in average annual expenditures of approximately 50 percent.

3 **Q. How does SPS's projected capital investment compare to the projected**
4 **capital investment for the other two investor-owned electric utilities in New**
5 **Mexico?**

6 A. SPS's projected capital investment through the five-year period of 2015 through
7 2019 is significantly higher than investments projected by EPE or PNM during
8 that same period. As a matter of fact, SPS projects that its capital investments
9 will be \$406 million more than the combined amounts for EPE and PNM, based
10 upon a comparison of the Property Additions shown in Schedule P-3 in this filing
11 and the information filed in EPE's Case No. 15-00127-UT⁸ and PNM's Case No.
12 14-00332-UT. A comparison of the cumulative property additions is shown in
13 Table EDE-7.

⁸ *In the Matter of the Application of El Paso Electric Company for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 236, Case No. 15-00127-UT (pending).*

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2 **Q. How does this level of capital investment affect SPS’s need for rate relief?**

3 A. As Ms. Schell discusses, the large amounts of capital investments that will not be
4 covered by load growth, will compel SPS to go to the marketplace with greater
5 frequency to attract the debt and equity financing required to fund its capital
6 investments. These capital requirements will also put pressure on SPS’s credit
7 metrics and debt ratings. SPS’s current corporate credit ratings range from A- to
8 BBB by the 3 major rating agencies, and deterioration of debt metrics could cause

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1 SPS's debt ratings to fall close to the "speculative" rating categories, putting
2 pressure on the access to and the cost of financing and service for SPS's
3 customers.

4 **Q. What is driving the capital expenditures set forth in Tables EDE-6 and**
5 **EDE-7?**

6 A. As a public utility, SPS is required to provide safe, reliable service to all retail
7 customers in its service territory. The projected capital expenditures are being
8 incurred to address items such as: (1) replacement, improvement, and expansion
9 of the SPS transmission and distribution systems for increased reliability and the
10 growing customer base in SPS's service area; and (2) mandatory environmental
11 standards.

12 **Q. Please discuss the growing customer base in SPS's New Mexico service area.**

13 A. SPS has experienced significant load growth in its New Mexico service area and
14 particularly significant growth in southeast New Mexico. The robust load growth
15 is primarily related to the oil and gas industry. The map that is provided as
16 Attachment EDE-5 shows the locations of the numerous Intents to Drill that have
17 been filed from January 1, 2014 through May 9, 2015. In 2014, 834 Intents to
18 Drill were filed, and through May 9, 2015 there were 420 filed. In addition,

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1 Attachment EDE-6 shows the new load requests for large loads in the Hobbs and
2 Carlsbad areas for the months of January 2014 through April 2015. Although this
3 attachment identifies the strong growth only in large commercial and industrial
4 loads in its southeast New Mexico, SPS is also experiencing load growth in the
5 Residential, Small Commercial, and Public Authorities sectors.

6 **Q. Will sales growth enable SPS to fully recover the cost of these capital**
7 **expenditures?**

8 A. No. SPS's average revenues per unit are lower than SPS's incremental costs per
9 unit, therefore, sales growth will not fund the cost increases SPS is experiencing.
10 A primary cause is the exceptional growth SPS is experiencing in regions in New
11 Mexico that previously had little infrastructure.

12 **Q. Please discuss the consequences if SPS is not granted the rate relief**
13 **necessary to maintain a healthy financial position.**

14 A. The most immediate consequence is that SPS's borrowing costs are likely to
15 rise. As Ms. Schell discusses in her testimony, the three major rating agencies
16 carefully monitor credit and cash flow metrics to determine whether a utility can
17 meet its obligations to creditors. Thus, if SPS does not obtain a constructive
18 outcome from this case, its corporate credit ratings are likely to decline, leading

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1 to a higher cost of debt. That higher cost of debt will ultimately be passed on to
2 ratepayers in the form of a higher weighted cost of capital applied to rate base
3 investment.

4 A more long-term consequence is that SPS will not be able to attract the
5 debt and equity capital it needs to make infrastructure improvements. From an
6 equity investor's perspective, it makes no sense to invest in a company whose
7 actual earned returns lag behind the returns of comparable companies.
8 Deterioration of SPS's debt ratings would also have a material detrimental impact
9 on SPS's ability to raise funds for the necessary capital construction campaign. If
10 equity capital becomes scarce and debt capital becomes prohibitively expensive,
11 SPS will have no choice but to forgo a number of capital improvement projects.
12 Thus, it is in the interests of both SPS and its retail customers for the Commission
13 to grant the rate relief requested in this case.

IV. SPS' S FUTURE TEST YEAR FILING

1 **Q. Please describe SPS's Test Year in this filing.**

2 A. SPS's application utilizes a calendar year 2016 Test Year. SPS is using a future
3 test year for several reasons:

- 4 • A future test year better matches the incurrence of costs with
5 recovery from customers and provides better price signals to
6 customers during the period rates are in effect; and
- 7 • A future test year partially mitigates the impact of regulatory lag
8 and thus facilitates utility investments that benefits customers over
9 the long run.

10 Ideally, the rates charged to customers during any given year should
11 reflect closely the costs of providing service during that year. This approach
12 ensures that the prices are based on current costs – a critical condition for sending
13 sound price signals. If rates are based on costs and revenues from a historical
14 period, then they may be far removed from the rates required to recover costs
15 during the year(s) the rates are actually in effect. The use of a future test year
16 mitigates this problem, particularly when the new rates are implemented when the
17 test year begins or soon after it ends.

18 In their direct testimony, SPS witnesses Mary Schell and Ann Bulkley
19 discuss the benefits of a future test year in terms of facilitating investments,

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1 providing a reasonable opportunity to earn the authorized rate of return, and
2 attracting capital at reasonable rates.

3 **Q. How has SPS developed its Test Year data?**

4 A. SPS's Test Year rate base includes capital additions expected to close to plant in
5 service during the period January 1, 2015 through December 31, 2016. This
6 24-month period covers the time from the end of the Base Period through the end
7 of the Test Year. These capital additions are based upon SPS's capital
8 expenditures forecast for the Test Year. For capital projects with an in-service
9 date during calendar year 2016, those capital projects have been included in the
10 cost of service as a 13-month average in accordance with the Future Test Year
11 Rule. SPS witnesses Brad Baldrige (distribution facilities), Alan Davidson
12 (generation facilities), John Fulton (transmission facilities), David Harkness
13 (business systems), Gregory Robinson (property and security services), and Lisa
14 Perkett (accounting for capital projects) discuss the capital additions included in
15 the Test Year revenue requirement. In addition, Mr. Robinson explains how SPS
16 prepares its capital expenditures budget and forecast.

17 SPS witness Richard Schrubbe explains that SPS uses an actuarial
18 estimate for the level of the prepaid pension asset included in the Test Year rate

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1 base, SPS witness Gene Wickes explains the pre-paid pension asset should be
2 included in rate base, and Arthur Freitas explains how SPS has developed the
3 other components of the Test Year rate base either through using budgeted
4 amounts or deriving the balances through typical cost of service calculations.

5 The Test Year reflects the capital structure SPS expects to exist in 2016
6 and the cost of debt associated with that capital structure. SPS witness Mary
7 Schell explains the bases for that capital structure and cost of debt.

8 In regard to Test Year expenses for employee compensation, SPS has
9 escalated the Base Period level of compensation expense to reflect wage increases
10 that are expected to occur in 2015 and 2016. SPS witness Jill Reed explains the
11 adjustments for employee compensation. For benefit costs, SPS is using the 2016
12 budgeted amounts. Ms. Reed and Mr. Schrubbe support those budgeted amounts.

13 For non-labor expenses, SPS has adjusted the Base Period level of
14 expenses in one of two ways to derive the Test Year values. *First*, most of SPS's
15 non-labor expenses are expected to experience a normal rate of increase from the
16 Base Period to the Test Year. These expenses have been escalated using an
17 escalator specifically applicable to each FERC account or group of FERC
18 accounts. SPS is using escalators provided by Global Insight, which has expertise

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1 in developing expense escalators for the electric utility industry. SPS witness
2 John Mothersole, who is employed by Global Insight, supports these escalators
3 and provides them to Mr. Freitas, who applies them to Base Period expenses to
4 derive the Test Year level of expenses.

5 *Second*, a subset of SPS's expenses are expected to experience an unusual
6 level of change from the Base Period to the Test Year, which would not be
7 adequately captured through the use of the Global Insight escalators. Thus, the
8 Test Year level of these expenses has been developed through known and
9 measurable or known and anticipated adjustments, a few of which are based on
10 SPS's 2016 budget. For example, certain chemical expenses at SPS's power
11 plants have been adjusted for changes necessary due to environmental compliance
12 obligations that become more stringent in the future. Messrs. Baldrige, Low,
13 Romer, and Freitas support these adjustments.

V. COMMITMENTS FROM PRIOR CASES

- 1 **Q. Has SPS complied, or is SPS in the process of complying, with the**
2 **Commission's final orders issued during the preceding five-year period?**
- 3 A. Yes. Over the last five years (2010-2015), various reporting and program
4 obligations have been imposed on SPS by the Commission in a variety of cases.
5 SPS's cases during the past five years have included: (1) annual renewable
6 energy procurement filings; (2) energy efficiency program filings; (3) securities
7 and related financial filings; (4) purchased power agreement approval filings; (5)
8 wholesale customer replacement purchased power agreement approval filings; (6)
9 commission investigations; (7) certification of generation and transmission
10 facilities; (8) approval for sale of assets that constitute an operating system; (9)
11 customer complaint cases; (10) FPPCAC continuation filings; and (11) rate cases.
12 I will speak to the compliance requirements from SPS's last rate case and
13 commitments SPS made in its pending FPPCAC continuation filing in my
14 testimony. Compliance matters, commitments, and obligations from prior cases
15 or non-rate case commitments are detailed in Attachment EDE-7 to my testimony.

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1 **Q. Please describe SPS's compliance requirements from the final order in Case**
2 **No. 12-00350-UT,⁹ SPS's most recent rate case.**

3 A. In Case No. 12-00350-UT, the Commission directed SPS to:

- 4 • file proposed detailed plans regarding the mechanics, operation, and true-
5 up of the approved Renewable Portfolio Standard Rider by no later than
6 April 3, 2014; and
- 7 • file new advice notices and revised rates consistent with the terms of the
8 final order, and a statement by SPS that it has filed all documents by the
9 deadlines specified in the final order by no later than April 10, 2014.

10 SPS fulfilled both of these obligations in a filing made on March 31, 2014.

11 **Q. Are there any obligations or commitments made by SPS in any pending case?**

12 A. In SPS's pending fuel continuation proceeding, Case No. 14-00348-UT,¹⁰ SPS
13 agreed to discuss, as part of this rate case: (1) the refund of TUCO overcharges
14 that was included in the settlement of SPS's PUCT rate case, Docket No. 42004;
15 and (2) issues related to the recovery of base rate costs associated with SPS's

⁹ *In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Rates Under Advice Notice No. 245*, Case No. 12-00350-UT, Final Order Partially Adopting Recommended Decision (Mar. 26, 2014).

¹⁰ *In the Matter of Southwestern Public Service Company's Application for Approval of: (1) Continued Use of its Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC") Using a Monthly Adjustment Factor under NMPRC Rule 550; and (2) the Report of Expenses Recognized and Revenues Collected or Refunded under the FPPCAC for the Period October 2001 through September 2014*, Case No. 14-00348-UT (pending).

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1 long-standing agreements with TUCO Inc. for coal procurement and coal
2 handling activities (*i.e.*, SPS/TUCO Coal Supply Agreements).

3 **Q. Please explain the refund of TUCO overcharges that was included as one**
4 **provision of the settlement of PUCT Docket No. 42004.**

5 A. TUCO contracts with Savage-Harrington Corporation and Savage-Tolk
6 Corporation for coal handling services for Harrington Station and Tolk Station,
7 respectively. The charges for these services are passed on to SPS by TUCO. In
8 June 2010, the Savage administration fee was scheduled to decline. However,
9 Savage failed to reduce its billings to TUCO. Thus, from June 2010 through May
10 2013, the higher administration fee continued to be charged to SPS. The
11 overbilled amount was \$82,600 per month (total company). These administration
12 charges were assumed to be included in SPS's Texas retail base rates. In PUCT
13 Docket No. 40824,¹¹ a test year ending June 30, 2012 was used. The case was
14 settled and established the base rates that were in effect for the period May 1,
15 2013 through May 31, 2014, but the billing error was not discovered until the
16 settled rates were in effect. Therefore, the overbilled amount was presumably

¹¹ *Application of Southwestern Public Service Company for Authority to Change Rates and to Reconcile Fuel and Purchased Power Costs for the Period January 1, 2010 through June 30, 2012*, Docket No. 40824 (Jun. 19, 2013).

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1 included in SPS's base rates beginning May 1, 2013 through May 31, 2014
2 because the overbilled amount was included in SPS's proposed test year cost of
3 service. The TUCO overcharges for this thirteen-month period applicable to the
4 Texas retail jurisdiction were calculated to be \$592,689.92 plus interest of
5 \$35,455.32, for a total of \$628,145.24.

6 In January 2014, SPS filed its next rate case in PUCT Docket No. 42004.
7 As part of the overall settlement in that case, SPS agreed in the stipulation to
8 establish a regulatory liability associated with the refund of TUCO overcharges
9 and agreed that it would amortize the regulatory liability over a fifteen-month
10 period beginning on June 1, 2014.

11 **Q. Would any portion of the refund pertaining to TUCO overcharges have been**
12 **allocable to the New Mexico jurisdiction?**

13 A. Yes. A portion of the overbilled amount during the applicable period would have
14 been allocated to the New Mexico jurisdiction based upon the monthly
15 jurisdictional energy sales adjusted for losses.

16 **Q. Did SPS make any adjustments in this rate filing to reflect the portion of the**
17 **refund for the TUCO overcharges allocable to the New Mexico jurisdiction?**

18 A. No.

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1 **Q. Would it be appropriate to establish a regulatory liability for the New**
2 **Mexico jurisdiction similar to the Texas jurisdiction pursuant to the**
3 **approved Stipulation in PUCT Docket No. 42004?**

4 A. No. The establishment of the regulatory liability and the amortization of that
5 liability were agreed to by SPS as part of the economic value of the overall
6 settlement in Docket No. 42004. Absent that agreement, SPS did not have any
7 obligation to establish the regulatory liability.

8 Furthermore, the prohibition against retroactive ratemaking further
9 precludes the establishment of a regulatory liability for the refund of the TUCO
10 overcharges. Base rates operate prospectively and neither the Commission nor
11 the utility can make true-ups, recoup, or take remedial action for costs included in
12 past or current base rates.¹² For example, as discussed by SPS witness Brad
13 Baldrige, in past rate cases before the Commission, SPS has undercharged the
14 New Mexico retail jurisdiction for certain distribution-related O&M expenses.
15 The prohibition against retroactive ratemaking precludes SPS from recouping

¹² The Commission or the utility can, however, adjust costs prospectively to remove costs that should not be included in the cost of service and to include costs that should be reflected in the cost of service.

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1 those past undercharges from New Mexico retail customers. Likewise the TUCO
2 overcharges are part of past base rate costs that cannot be recouped.

3 **Q. Please explain SPS's commitment to address the recovery of base rate costs**
4 **associated with the SPS/TUCO Coal Supply Agreements for Harrington and**
5 **Tolk Stations in this case.**

6 A. In Case No. 14-00038-UT, Staff witness Andrea Delling raised issues regarding
7 the reasonableness of the non-mine and non-freight costs associated with the
8 SPS/TUCO Coal Supply Agreement. Because these costs are not eligible fuel
9 costs, SPS took the position in that case that Ms. Delling's concerns were beyond
10 the scope of the fuel continuation proceeding and stated that the reasonableness of
11 the total cost of coal, including the non-mine and non-freight costs recovered
12 through base rates, would be addressed in this case and that SPS would provide
13 more detail than it has provided in past base rate cases. Consequently, in this
14 case, SPS witness H. Craig Romer addresses the reasonableness of SPS's total
15 delivered cost of coal. Mr. Romer also discusses SPS's options for coal
16 procurement and coal handling following the expiration of these agreements
17 following the end of the Test Year.¹³

¹³ The SPS/TUCO Coal Supply Agreement for Harrington Station expires on December 31, 2016 and the SPS/TUCO Coal Supply Agreement for Tolk Station expires on December 31, 2017.

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VI. EFFECT OF CHANGES IN WHOLESALE SALES VOLUMES

1 **Q. Please discuss SPS's current sales of power to wholesale customers.**

2 A. As I noted earlier in my testimony, for many years SPS has sold wholesale power
3 to a number of rural electric cooperatives, municipal utilities, and other entities,
4 including the Eastern New Mexico Cooperatives, GSEC, Tri-County, Sharyland
5 Utilities, L.P., WTMPA, and LP&L through power sales agreements ("PSAs").
6 Since 2010, however, SPS has reduced its wholesale sales obligations by
7 declining to renew wholesale system-average based rate contracts that are
8 scheduled to expire, or by negotiating Replacement Power Sales Agreements
9 ("RPSA") that provide for incremental step-downs of sales volumes over time. It
10 is important to note, however, that SPS can make new sales to wholesale
11 customers as long as those sales are priced at least at incremental costs, instead of
12 system-average costs.

13 **Q. Please briefly explain what drove the change in philosophy regarding sales to**
14 **wholesale customers.**

15 A. In late 2004, six electric cooperatives – the four Eastern New Mexico
16 Cooperatives, GSEC, and Lyntegar Electric Cooperative, Inc. – jointly filed a
17 complaint against SPS at FERC alleging that they had first call on SPS's lower-

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1 cost electricity over SPS's other wholesale customers such as PNM and EPE.¹⁴
2 Subsequent to the joint complaint, a retail customer intervened and alleged the
3 same complaint regarding its first right as a retail customer over the complainants.
4 Ultimately the disputes between the complainants and SPS pending at FERC were
5 resolved through a series of settlements concluding in 2010. These settlements
6 included the execution of RPSA contracts with the Eastern New Mexico
7 Cooperatives and GSEC.

8 In addition, an order by the NMPRC in Case No. 05-00341-UT¹⁵ set forth
9 retail rate making principles related to the treatment of wholesale sales. These
10 principles were identified to limit the total amount of wholesale sales SPS could
11 make at system-average rates with the amounts declining over time. Similarly, as
12 part of a settlement in PUCT Docket No. 32766,¹⁶ SPS agreed to restrictions on

¹⁴ FERC, *Golden Spread Electric Cooperative, Inc.*, Docket No. EL05-19-000.

¹⁵ *In the Matter of Southwestern Public Service Company's Application for Approval of: (1) Continued Use of its Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC") Using a Monthly Adjustment Factor Pursuant to NMPRC Rule 550; (2) the Existing Variance from Rule 550.14(A); and (3) the Report Regarding Collections Under the Previous Annual FPPCAC in Effect During the Period October 2001 through January 2002, and Collections Under the Existing Monthly FPPCAC for the Period February 2002 through May 2005*, Case No. 05-00341-UT, Final Order Approving Stipulation (Aug. 28, 2008).

¹⁶ *Application of Southwestern Public Service Company for (1) Authority to Change Rates; (2) Reconciliation of its Fuel Costs for 2004 and 2005; (3) Authority to Revise the Semi-Annual Formulae Originally Approved in Docket No. 27751 Used to Adjust its Fuel Factors; and (4) Related Relief*, Docket No. 32766 (Jul. 27, 2007).

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1 its ability to sell electricity to its wholesale customers at system average costs.
2 These restrictions were implemented through limiting costs that SPS could
3 recover from its Texas retail customers.

4 **Q. Please describe how the RPSAs reduce SPS's wholesale obligations over time.**

5 A. The executed RPSAs ramp down wholesale contracts by phases rather than
6 enforcing an abrupt termination of previously existing PSAs. This methodology
7 enables SPS to better manage the retail load needs over time versus significant
8 and abrupt decreases.

9 For example, if a utility were to have 1,000 MW of retail load and 500
10 MW of wholesale load, it would have to have at least 1,500 MW of generation to
11 serve that load. If the 500 MW wholesale load departed abruptly, the utility and
12 its retail customers would bear the cost of the excess generation until such time
13 that the load grew or the generation retired. However, if the wholesale load
14 departure were ramped down in a more gradual manner, that would be a much
15 less difficult scenario to manage and more equitable for the utility's remaining
16 customers.

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1 The ramp-down approach is the methodology that SPS has enacted
2 through the executed RPSAs. Table EDE-8 below details the ramp-downs
3 contemplated in the RPSAs.

Table EDE-8

Year	RPSA Ramp-Down
2015	GSEC 200 MW reduction
2017	GSEC 100 MW reduction Eastern New Mexico Coops 70-80 MW reduction
2019	GSEC RPSA expiration, 200 MW reduction

4 **Q. Please list the PSAs that SPS will allow to expire and their termination dates.**

5 A. Table EDE-9 below shows the PSAs with wholesale customers that will terminate
6 upon their expiration.

Table EDE-9

Year	Wholesale PSA Expiration
2019	WTMPA (May 31, 2019)
2019	GSEC RPSA (May 31, 2019)
2021	Tri County (May 31, 2021)

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1 **Q. Do the reduced wholesale sales obligations affect the jurisdictional**
2 **allocations of costs?**

3 A. Yes. As the wholesale sales at system-average rates decline, the jurisdictional
4 cost allocators need to be adjusted so that a larger portion of SPS's embedded
5 costs is assigned to the New Mexico and Texas retail jurisdictions. Mr. Fetters
6 quantifies the new allocators that take into account the 2015 GSEC ramp-down.
7 Mr. Freitas applies those allocators to the cost of service study and resulting
8 revenue requirement in this case.

9 **Q. Why is SPS adjusting the production allocators to reflect the effects of the**
10 **GSEC ramp-down?**

11 A. Under GSEC's wholesale RPSA, the contract capacity declined from 500 MW to
12 300 MW on June 1, 2015. SPS has adjusted the allocators in this case to account
13 for that ramp-down because it will occur before the rates set in this case take
14 effect.

VII. RATE CASE EXPENSES

1 **A. REQUEST FOR RECOVERY OF RATE CASE EXPENSE**

2 **Q. Will SPS incur rate case expenses to prepare and prosecute this rate case?**

3 A. Yes. SPS has incurred rate case expenses to prepare the rate case filing, and will
4 incur additional rate case expenses in pursuing the base rate case before the
5 Commission.

6 **Q. Is SPS proposing to recover these rate case expenses in this case?**

7 A. Yes.

8 **Q. What amount of rate case expenses is SPS seeking to recover in this case?**

9 A. The total cost for consultants, law firms, and other expenses associated with the
10 rate case is estimated to be \$1,975,050, assuming a fully litigated case with a
11 hearing, post-hearing briefing, exceptions and replies to exceptions, and motions
12 for rehearing and replies. Three categories of expense are identified: consultants
13 in the total amount of \$738,050, outside legal counsel in the total amount of
14 \$993,400, and miscellaneous expenses of \$243,600. Please refer to Attachment
15 EDE-8 for a summary of these rate case expenses by consultant, law firm, and
16 expense category.

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1 **Q. Does the budget include the expense for services of SPS or XES employees**
2 **who are participating in the case?**

3 A. No. The requested rate case expenses do not include the time (and associated
4 compensation and benefits expenses) for the services provided by SPS or XES
5 employees, except for overtime charges for hourly employees. However, the
6 employees' miscellaneous out-of-pocket expenses directly incurred in connection
7 with the rate case, such as travel expenses, are included within rate case expenses.

8 **Q. Does the budget anticipate that the case will be litigated to a final order?**

9 A. Yes, it does.

10 **Q. What amortization period is SPS requesting for rate case expenses?**

11 A. SPS is requesting a one-year amortization of its rate case expenses incurred in this
12 case.

13 **Q. Please briefly describe the roles and responsibilities of the consultants listed**
14 **in Attachment EDE-8.**

15 A. The following is a brief summary of the roles and responsibilities of the listed
16 consultants:

17 1. Ann Bulkley of Concentric Energy Advisors, Inc., ("Concentric") will
18 present the study of SPS's cost of equity capital and recommended ROE.

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- 1 2. Deloitte & Touche has been engaged to provide the accounting opinion
2 required by Rule 530, Schedule Q-6.
- 3 3. Francis Seymore of TLG Services, Inc. will sponsor the dismantling study,
4 which is a key component of the depreciation study presented in this case
5 and analyzes the costs of dismantling certain assets at the end of their
6 useful lives.
- 7 4. Dane Watson of Alliance Consulting Group will present the detailed
8 depreciation study required by Rule 17.3.340.10 NMAC.
- 9 5. Gene Wickes of Towers Watson will address accounting and regulatory
10 issues related to SPS's prepaid pension asset and other pension and
11 retirement benefits. Towers Watson also performed a compensation study
12 as discussed by SPS witness Jill H. Reed.
- 13 6. John Mothersole of Global Insight is providing testimony in support of
14 certain forecasting tools and studies which SPS used in developing the
15 future test year period submitted in this case.
- 16 7. ScottMadden Inc. is providing consulting services related to the
17 preparation of the jurisdictional cost of service and direct testimony.

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1 8. Management Applications Consulting developed a class cost of service
2 model for use in this rate case.

3 Of the listed consultants, Ms. Bulkley, Mr. Seymore, Mr. Watson, Mr.
4 Wickes, and Mr. Mothersole are submitting testimony in this case.

5 **Q. Who are outside counsel for this case?**

6 A. SPS has engaged lawyers from three firms to assist with this case: Jeff
7 Fornaciari, assisted by Dana Hardy, from the Santa Fe office of Hinkle Shanor
8 L.L.P. (the “Hinkle Firm”); Ron Moss, assisted by Alex Valdes and Leila
9 Melham, of the Austin office of Winstead, P.C. (the “Winstead Firm”); and
10 Andrea Stover, assisted by Kristina Rollins and Lauren Damen from the Austin
11 firm of Graves Dougherty Hearon & Moody, P.C. (the “Graves Firm”). In
12 addition, Amy Shelhamer, of the Amarillo firm of Courtney, Countiss, Brian &
13 Bailey L.L.P., has been engaged through the Hinkle Firm.¹⁷ Each of the lead
14 lawyers engaged in this case has represented SPS in previous rate and regulatory
15 matters in New Mexico and Texas, and will be assigned specific responsibilities

¹⁷ Ms. Shelhamer has been engaged through the Hinkle Firm, so for purposes of my testimony, I will refer to three outside law firms and my references to the Hinkle Firm include Ms. Shelhamer as well.

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1 by Stephen Fogel, of XES's Office of General Counsel, who has overall
2 responsibility for managing the legal team assisting with this case.

3 **Q. What do the miscellaneous expenses include?**

4 A. The estimated miscellaneous expenses are itemized on Attachment EDE-8 and
5 include various items of out-of-pocket expenses directly attributable to the rate
6 case. The estimates for these expenses were based on similar costs incurred in
7 past rate cases.

B. APPLICABLE LEGAL STANDARDS FOR RECOVERY OF RATE CASE EXPENSES

8 **Q. Are New Mexico utilities allowed to recover rate case expenses through**
9 **rates?**

10 A. Yes. Along with its other reasonable and prudent operating expenses, a utility is
11 generally allowed the opportunity to recover its rate case expenses through its
12 service rates.¹⁸

¹⁸ *West Ohio Gas Co. v. Public Commission*, 294 U.S. 63, 73 (1935); *In re Petition of PNM Gas Services, PNM Gas Services v. New Mexico Pub. Util. Comm'n*, 2000-NMSC-12 at ¶¶ 68, 129 N.M. 1, 24, 1 P3d 383, 406 (“*PNM Gas Services*”).

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1 **Q. Are there particular evidentiary standards applicable to the recovery of rate**
2 **case expenses?**

3 A. Yes. Absent evidence to the contrary, a utility's operating expenses are generally
4 presumed to have been made in good faith and with reasonable judgment, and
5 recovery is therefore allowed in rates.¹⁹ In New Mexico, however, rate case
6 expenses do not benefit from this presumption, and a utility must therefore
7 demonstrate that its rate case expenses are reasonable.²⁰

8 **Q. Does the absence of a presumption of reasonableness preclude the use of**
9 **estimated rate case expenses?**

10 A. No. In *PNM Gas Services*, the Commission's predecessor relied on the enactment
11 of NMSA 1978, § 62-13-3(B), which removed the presumption of reasonableness
12 as to litigation expenses, as reason to depart from its prior practice and disapprove
13 the use of an estimate for rate case expenses. Although the New Mexico Supreme
14 Court acknowledged the policy change effected by Section 62-13-3(B), it
15 nevertheless noted that a utility continues to incur rate case expenses throughout a

¹⁹ *West Ohio Gas Co.*, *supra*; *PNM Gas Services*, *supra* at ¶ 72, 129 N.M. at 25, 1 P3d at 407; *see, also*, 1 A.J.G. Priest, *Principles of Public Utility Regulation* 50, (Michie 1969 (expenses should not be disallowed unless shown to be excessive, unwarranted, or incurred in bad faith and agency must allow expenses that are fair and reasonable expenses of operation)).

²⁰ NMSA 1978, § 62-13-3; *PNM Gas Services*, *supra* at ¶¶ 70-77, 129 N.M. at 25-26, 1 P3d at 407-408.

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1 general rate proceeding and that the utility estimates those expenses to avoid the
2 constant adjustments to the proposed revenue requirement that proving actual
3 expenses would entail. The Court therefore determined that by removing the
4 presumption of reasonableness, the Legislature did not intend to preclude the
5 pragmatic practice of estimating rate case expenses. Provided that it demonstrates
6 they are reasonable, a utility may estimate its rate case expenses in lieu of
7 providing actual expenses.²¹

8 **Q. Did the Supreme Court provide any guidance regarding proof of**
9 **reasonableness?**

10 A. Yes, the Court noted that it did not intend to preclude the use of actual expenses
11 as a measure of the reasonableness of the utility's estimate and that the
12 Commission could order the utility to produce evidence of actual expenses for
13 that purpose. The Court added that the Commission could also utilize its own
14 expertise and experience with expenses generally incurred by utilities in
15 comparable proceedings, referring by comparison to a case involving the award of
16 attorney fees. What the Commission could not do was deny recovery altogether

²¹ *PNM Gas Services* at ¶¶ 70-75, 129 N.M. 25-26, 1 303 P.3d 407-408.

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1 in the face of irrefutable evidence that the utility had incurred substantial, even
2 though unquantifiable, rate case expenses.²²

C. REASONABLENESS OF SPS'S RATE CASE EXPENSES

3 **Q. What criteria have you used to evaluate the reasonableness of SPS's**
4 **projected rate case expense?**

5 A. My evaluation of the reasonableness of SPS's requested rate case expenses is
6 based on: (1) my prior experience in preparing, presenting, and managing utility
7 rate cases as a utility employee and as a consultant; (2) my understanding of the
8 complexity of issues in rate cases and the need for specialized technical expertise
9 and legal assistance; (3) my experience and involvement in the selection of the
10 consultants and outside attorneys, and defining and overseeing their performance
11 of services; and (4) a comparison of requested rate case expense to other New
12 Mexico investor-owned utilities.

²² *PNM Gas Services* at ¶¶ 76-77, FN 7, 8, 129 N.M. 26-27, 1 303 P.3d 408-409 (citing *Calderon v. Navarette*, 111 N.M. 1, 800 P.2d 1058 (1990)).

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1 **Q. Please expand on your past experience and involvement in preparing,**
2 **presenting, and managing utility rate cases.**

3 A. I have been involved with managing electric utility rate cases and other regulatory
4 filings for over 25 years. I have had responsibility for establishing budgets for
5 regulatory filings, reviewing and approving the hiring of outside legal counsel and
6 consultants, as well as reviewing and approving the invoices for those outside
7 parties in numerous regulatory filings. During that time, I have managed several
8 base rate cases and numerous other, major regulatory filings before the NMPRC,
9 the PUCT, the Oklahoma Corporation Commission and FERC. Specifically, I
10 have held positions of responsibility for the planning, management, and direction
11 of regulatory filings submitted to the NMPRC since 2006.

12 As a result, I have extensive experience evaluating and projecting rate case
13 expenses and for assessing the reasonableness of those expenses. In addition, I
14 have reviewed and approved the expected charges and the projected rate case
15 expenses in this filing.

16 **Q. What is your understanding regarding the complexity of issues in rate cases?**

17 A. Rate cases are generally more complex than other regulatory matters. Rate cases
18 typically involve two processes, both of which are highly technical, and involve

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1 complex and intertwined financial, accounting, and engineering issues, which
2 frequently require retaining outside experts and legal counsel in these areas.

3 These cases also involve lengthy testimony and schedules filed by
4 numerous in-house witnesses and outside expert consultants, extensive discovery,
5 which is provided almost exclusively by the utility, on-going settlement
6 negotiations, lengthy hearings, filing of post-hearing briefs addressing numerous
7 issues, potential filings of exceptions to recommended decisions, and potential
8 requests for rehearing or reconsideration of the Commission's action on
9 exceptions.

10 **Q. What is your involvement in the selection of outside assistance including**
11 **consultants and legal counsel in this case?**

12 A. Steve Fogel and I have jointly been involved in the process for selecting outside
13 consultants and attorneys to assist in the preparation of this rate case. A number
14 of these people selected are providing assistance in SPS's pending Texas rate
15 case, and their selection for participation in the New Mexico rate case is based on
16 the issues that they are involved in the Texas case.

17 Each of the consultants and outside counsel are well qualified for their
18 respective assignments and responsibilities in this case, and their assignments and

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1 responsibilities are consistent with the requirements of this case. In my
2 experience, it is usual and customary for utilities to turn to outside expertise for
3 the specialized areas addressed by the consultants in this case.

4 **Q. Has SPS been able to realize other efficiencies and economies through the**
5 **engagement of these consultants and outside legal counsel?**

6 A. As discussed above, SPS has filed a general rate case with respect to its retail
7 operations in Texas. With the exception of Ms. Bulkley, Mr. Wickes, and Mr.
8 Mothersole, all of the consultants listed in Attachment EDE-8 are also engaged in
9 similar roles for the Texas case. Although each case has unique facts and
10 circumstances, the contemporaneous engagements for two cases allow
11 efficiencies that would not be realized were the consultants engaged for this case
12 alone. In addition, Concentric (although a different cost of capital witness),
13 Deloitte & Touche, Mr. Watson, Mr. Seymore, and Mr. Wickes provided
14 testimony in Case No. 12-00350-UT and have prior knowledge and understanding
15 of the issues addressed in the current rate case.

16 As for legal counsel, aside from their experience and qualifications, one
17 reason SPS has engaged the attorneys at the Winstead Firm and Graves Firm for
18 this case is because these attorneys also represent SPS in its pending Texas rate

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1 case.²³ Their assignments in this case include working with the same witnesses
2 and the same issues for which they are responsible in Texas, thereby enabling SPS
3 to realize efficiencies and economies in both consulting and legal expenses.

4 **Q. Do rate cases also require specialized legal expertise and experienced**
5 **attorneys?**

6 A. Yes, rate cases involve complex and highly technical financial, accounting, and
7 engineering issues. The utilities themselves also involve complex operations.
8 SPS, for example, has generating, transmission, and distribution facilities in two
9 states and is subject to regulation by two state commissions and FERC. To
10 represent a utility effectively in a rate case, a lawyer must develop a working
11 knowledge of how the utility operates and the mechanics of its system, the unique
12 vocabulary applicable to the industry, the drivers of the utility's sales, operating
13 costs and investment, the utility's rate design and rates, and the host of
14 accounting, financial, and engineering issues that emerge in rate cases. This
15 knowledge takes years of experience to accumulate and would not likely be found
16 in a practitioner who is not regularly engaged in utility cases. The importance of
17 this expertise is one reason why utilities generally have long-standing

²³ Ms. Shelhamer also represents SPS in the Texas case.

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1 relationships with their regulatory counsel. Through these relationships,
2 moreover, younger attorneys are able to develop this specialized expertise by
3 working under the supervision of seasoned attorneys and can thereby assume
4 greater responsibilities over time.

5 **Q. What law firms has SPS engaged for this case?**

6 A. As I noted previously, SPS has engaged three outside firms to provide
7 representation in this case: the Hinkle Firm; the Winstead Firm; and the Graves
8 Firm. SPS's approach to outside law firms is to retain the services of specific
9 attorneys who happen to work through law firms, rather than to obtain the
10 services of law firms in general, and to match those attorneys with roles or tasks
11 SPS will need in a proceeding. This focus on using the services of individual
12 attorneys for specific roles helps to ensure that there is no duplication of services
13 by law firms.

14 In addition to these outside lawyers, Mr. Fogel and another XES attorney,
15 Matthew Loftus, who works in XES's Austin Texas office with Mr. Fogel, are
16 assisting SPS with this rate case.

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1 **Q. How are the roles and responsibilities of these attorneys coordinated to avoid**
2 **duplication of work?**

3 A. Mr. Fogel ensures that the three outside law firms SPS has retained to work on
4 this case, and the attorneys within those firms, do not engage in duplication of
5 services by assigning specific roles to individual attorneys and delegating discrete
6 tasks to an individual attorney or a team of attorneys. Mr. Fogel actively manages
7 the roles of and the tasks assigned to the attorneys. His selection and use of these
8 specific outside attorneys and Mr. Loftus is based upon the following
9 considerations: (1) the expected availability and time conflicts of specific
10 attorneys over the period of time it will take to prepare this rate case and see it to
11 completion, including availability and time conflicts associated with completing
12 discrete tasks; (2) attorney expertise on specific topics; and (3) attorney
13 familiarity with SPS.

14 **Q. Are the billing rates, budget projections, and terms of engagement for the**
15 **consulting services reasonable in your opinion?**

16 A. Yes. SPS (or, in some instances, XES) has professional services agreements with
17 each of the consultants or their firms engaged for this case. These agreements
18 detail the scope of work to be performed by the consultant, the applicable billing

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1 rates, and the maximum authorized contract amounts for the scheduled work.
2 Change orders must be submitted and approved before the contract limits can be
3 exceeded. The agreements include rigorous terms and conditions intended to
4 control costs, assure quality, on-time performance, and protect the interests of
5 SPS.

6 Based on the professional services agreements, the hourly billing rates for
7 consulting services understandably vary depending on the services provided. For
8 consultants testifying on behalf of SPS, the hourly billing rates, which include not
9 only the witness, but also any assistants, are as follows: Alliance Consulting –
10 ranging from \$85 to \$260; Concentric – ranging from \$65 to \$500; IHS Global
11 Insight – ranging from \$312 to \$540;²⁴ TLG – ranging from \$85 to \$260; and
12 Towers Watson – ranging from \$155 to \$695. In addition to these consultants,
13 SPS has engaged the following firms to assist in the preparation of this case:
14 Management Application Consulting (\$50 to \$250); ScottMadden (\$105 to \$450);
15 and Deloitte & Touche (fixed fee engagement). SPS has engaged each of the
16 above firms in prior rate cases at comparable rates.

²⁴ Mr. Mothersole's hourly rate for testifying is higher than his hourly rate for standard consulting work, but SPS is not seeking recovery for Mr. Mothersole's charges above his standard consulting hourly rate.

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1 Based on my review of the professional services agreements, as well as
2 my experience as both an employee and consultant for other utilities, SPS has
3 reasonably and prudently engaged each of the consultants and firms to provide
4 services needed for this case, and their rates and charges are reasonable in light of
5 their expertise and experience.

6 **Q. Are the outside counsel billing rates reasonable in your opinion?**

7 A. Yes. Based upon my experience with rate proceedings in both New Mexico and
8 Texas, the hourly billing rates for the attorneys with the Hinkle Firm (ranging
9 from \$225 to \$295), with the Winstead Firm (ranging from \$275 to \$375), and
10 with the Graves Firm (ranging from \$200 to \$305) are reasonable in light of the
11 lawyer's experience and expertise, and the city in which the lawyer is located.

12 **Q. Are the miscellaneous expenses reasonable in your opinion?**

13 A. Yes. With the exception of counsel from the Hinkle Firm, all of the witnesses and
14 attorneys participating in this case, both in house and outside, reside out of state
15 and must travel to Santa Fe to participate in hearings and prehearing conferences
16 and meetings. Rate case filings are voluminous, and during the course of the
17 case, SPS will likely be reproducing thousands of copies of discovery materials
18 for distribution to Commission's Utility Division Staff ("Staff") and intervenors.

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1 SPS will be publishing and mailing notices to its customers. At key points in the
2 case, temporary employees will be needed to produce and distribute case
3 materials and provide other logistical support. Implementing new rates at the
4 conclusion of the case will involve substantial reprogramming of billing and
5 accounting systems. The reasonable allowance of \$243,600 included in the
6 budget for this case is higher than the \$217,000 included in the estimated
7 expenses for Case No. 12-00350-UT to account for inflation and to reflect a more
8 realistic estimate for miscellaneous expenses.

9 **Q. How does the budget for this case compare with SPS's estimated and actual**
10 **expenses for its three previous cases?**

11 A. The following table displays the budgeted expenses for this case with the
12 estimated and actual expenses for SPS's three previous cases:

13 **Table EDE-10**

Case No.	Estimated Expense \$\$	Actual Expense \$\$
15-00139-UT	1,975,050	N/A
12-00350-UT	1,700,943	1,889,510
10-00395-UT	1,590,719	1,011,769
08-00354-UT	1,582,715	1,078,915
07-00319-UT	1,745,308	1,559,772

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1 I would first note that two of the four previous cases, Case No. 07-00319-UT²⁵
2 and Case No. 12-00350-UT were litigated to conclusion. Both the 2008 case,
3 Case No. 08-00354-UT,²⁶ and the 2010 case, Case No. 10-00395-UT,²⁷ were
4 settled by stipulation before Staff and intervenors filed their direct cases.

5 The estimated expense for 2015 is reasonable in relation to SPS's
6 experience in its litigated 2012 and 2007 rate cases. The amount incurred for the
7 2012 case is more indicative of the amount that would be incurred in a fully
8 litigated case involving a future test year. The 2010 and 2008 cases that were
9 settled do not provide a true measure of the cost of a fully litigated case.
10 Therefore, given the passage of time and the complicating factors I previously
11 noted for this case, the estimated budget for this case compares favorably with the
12 2012 case.

²⁵ *In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Rates under Advice Notice Nos. 208 and 209 and All Associated Approvals*, Case No. 07-00319-UT, Final Order Partially Approving Recommended Decision (Aug. 26, 2008).

²⁶ *In the Matter of the Application of Southwestern Public Service Company for Revision of its Retail Electric Rates Pursuant to Advice Notice Nos. 217, 218 and 219 and Request for Expedited Interim Relief Authorizing Recovery of Capacity Related Costs Associated with the New Hobbs Generating Station*, Case No. 08-00354-UT, Final Order Conditionally Approving Stipulation (Jul. 14, 2009).

²⁷ *In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Rates under Advice Notice No. 234*, Case No. 10-00395-UT, Final Order Adopting Amended Certification of Stipulation (Dec. 28, 2011).

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1 **Q. How do SPS's rate case expenses compare to other investor-owned utilities?**

2 A. The comparison among rate case expenses for different utilities, particularly
3 utilities in different industries, are in my opinion much less useful than comparing
4 expenses in successive cases for the same utility. Rates cases for a particular
5 utility tend to develop patterns and rhythms that thwart comparisons to the cases
6 of other utilities. Among other things, witnesses and lawyers for a given utility
7 often continue through a series of cases, each utility tends to have unique,
8 ongoing issues and precedents that progress from case to case, the number of
9 intervenors, their interests, and the intensity of their participation vary
10 significantly among utilities, and the composition of the Staff teams assigned to
11 the different utilities also varies. In short, planning and executing a rate case is art
12 much more than science, and no two utilities would likely chart the same course.

13 With that preface, I did check the estimated rate case expense in the most
14 recent rate cases for New Mexico's other three largest investor-owned utilities,
15 PNM, EPE, and New Mexico Gas Company ("NMGC").

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1 **Q. What allowances for rate cases expenses did these utilities request?**

2 A. In Case No. 14-00332-UT, PNM requested an allowance of \$3,048,908 for rate
3 case expenses. PNM presented a future test year period in that case and sixteen
4 witnesses filed direct testimony on behalf of PNM.

5 In Case No. 15-00127-UT, EPE’s pending rate case, EPE filed a historic
6 test year period and direct testimony by sixteen witnesses. EPE has requested an
7 allowance for rate case expense of \$1,288,300.

8 In Case No. 11-00042-UT, NMGC’s most recent rate case, NMGC filed a
9 historic test year period and direct testimony by eight witnesses. NMGC
10 requested an allowance of \$1,000,000 for rate case expenses. The case was
11 settled based on a “black box” agreement on a revenue deficiency and revenue
12 requirement without explicit agreement on the treatment of specific cost of
13 service elements.²⁸

14 There are obvious differences between this case and the cases of the three
15 other utilities. SPS, for example, is filing testimony by many more witnesses than

²⁸ *In the Matter of the Application of New Mexico Gas Company for Approval of Revisions to Its Rates, Rules and Charges Pursuant to Advice Notice Nos. 22 and 23*, Case No. 11-00042-UT, Direct Testimony and Exhibit of Annette Gardiner 10-11, 31-32 (Mar 25, 2011), Direct Testimony and Exhibits of Nicole V. Strauser 14-17 (Mar. 25, 2011), Final Order Approving Certification of Stipulation (Feb. 1 2012).

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1 was filed by any of the other utilities, and two of the three cases are based on
2 traditional historic test year periods. SPS's estimated expenses for this case are,
3 however, well within the range of the expenses estimated by the other three
4 utilities, particularly in light of the previously noted factors adding to the
5 complexity of this case.

6 **Q. Is SPS willing to submit its actual rate case expenses as this case progresses**
7 **as a gauge to evaluate the reasonableness of its estimated expenses?**

8 A. Yes. I caution however that much of the actual rate case expense is incurred in
9 the later stages of the case, just before, during, and after the public hearing. Thus,
10 a great portion of the actual expenses will not be known at the time this case
11 proceeds to hearing.

**VIII. FUEL AND PURCHASED POWER COST RATE
TREATMENT**

1 **Q. What topic will you discuss in this section of your testimony?**

2 A. In this section of my testimony, I will:

3 (1) present SPS's proposal to change the system-average fuel and
4 purchased power costs in base rates from \$0.031374 per kWh to
5 \$0.026479 per kWh;

6 (2) present the loss-adjusted fuel factors reflecting the voltage levels
7 of service; and

8 (3) present SPS's request for a full and final reconciliation of SPS's
9 fuel and purchased power costs for the period October 1, 2014
10 through March 31, 2015.

A. Proposed Change In Base Fuel Factor

11 **Q. How did SPS determine the amount of its projected total system fuel and
12 purchased power expenses attributable to New Mexico retail customers?**

13 A. Once the forecast for total system fuel and purchased power expenses has been
14 determined, as described by SPS witness David G. Horneck, projected expenses
15 for fuel and purchased power attributable to sales for resale (wholesale sales) are
16 subtracted from the total system fuel and purchased power expenses. This leaves

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1 fuel and purchased power expenses attributable for SPS's total system retail sales
2 (*i.e.*, expenses attributable to sales to New Mexico and Texas retail customers).
3 The resulting amount is then allocated to New Mexico retail customers based on
4 the percentage of projected New Mexico retail sales to projected total system
5 retail sales. Fuel-related credits or expenses that apply to New Mexico retail
6 customers (such as short-term wholesale sales margins) are subtracted or added,
7 as appropriate, after the fuel and purchased power costs attributable to New
8 Mexico retail customers is determined. Please refer to Attachment EDE-9 for the
9 calculation of the base fuel rate for 2016.

10 **Q. Why is SPS using a 2016 forecast of fuel and purchased power expenses to**
11 **determine the amount of fuel and purchased power expenses requested in**
12 **base rates?**

13 A. New rates resulting from this case are likely to become effective no earlier than
14 March 31, 2016. Therefore, it makes sense to use a forecast that coincides with
15 the time period when the rates established in this case are likely to be in effect.

16 **Q. What is SPS's current system-average base fuel factor?**

17 A. SPS's existing base rate fuel factor is \$0.031374 per kWh. The Commission
18 approved this base rate fuel factor in Case No. 12-00350-UT.

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1 **Q. What system-average base rate fuel factor for the Test Year does SPS**
2 **propose in this filing?**

3 A. SPS requests that the system-average fuel and purchased power costs included in
4 base rates be reduced to \$0.026479 per kWh.

5 **Q. Have you prepared loss-adjusted fuel factors for the different voltage levels**
6 **at which service is taken?**

7 A. Yes. The Commission approved this method of calculating fuel factors in Case
8 Nos. 10-00395-UT²⁹ and 12-00350-UT, and SPS has requested a continuation of
9 that method in its pending fuel continuation proceeding, Case No. 14-00348-UT.
10 A new loss study has been performed since the last case, as discussed by Mr. John
11 Fulton, and the adjusted voltage level loss factors from that study are incorporated
12 in the calculation of the proposed voltage level fuel costs in base rates.
13 Attachment EDE-10 shows the current and projected loss-adjusted fuel in base
14 factors.

²⁹ *In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Rates under Advice Notice No. 234*, Case No. 10-00395-UT, Final Order Adopting Amended Certification of Stipulation (Dec. 28, 2011).

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B. Reconciliation of Costs Collected Through the Current FPPCAC

1 **Q. Is SPS seeking to reconcile costs collected through its current fuel and**
2 **FPPCAC?**

3 A. Yes. SPS is seeking to reconcile fuel and purchased power costs for the period
4 October 1, 2014 through March 31, 2015. SPS's report of expenses and revenues
5 under its FPPCAC for the time period comprising October 1, 2012 through
6 September 30, 2014, are currently under review in Case No. 14-00348-UT.
7 Schedule H-3, page 2, reflects SPS's fuel and purchased power costs for the
8 period October 1, 2014 through March 31, 2015. Also, please refer to Attachment
9 EDE-11 for copies of the Rule 550 Form I Reports for the reconciliation months.

**IX. SPS'S AMI DEMONSTRATION PROJECT AND RESPONSE
TO COMMISSION INTEREST IN SMART METERS**

1 **Q. What topic do you discuss in this section of your testimony?**

2 A. The Commission recently has expressed an interest in having SPS deploy Smart
3 Meters in its New Mexico retail service area. In this section of my testimony, I
4 discuss SPS current AMI (Smart Meter) demonstration project.

5 **Q. Please discuss SPS's AMI, or Smart Metering, demonstration project.**

6 A. SPS has an ongoing AMI demonstration project. This is a joint project between
7 Xcel Energy and Landis+Gyr that was initiated in July 2012. The project
8 encompasses installation of 450 advanced AMI meters in the Amarillo and Pampa
9 areas in Texas. Landis+Gyr's RF Gridstream technology uses a fixed radio
10 frequency network (Collectors and Routers) and software (Gridstream Command
11 Center) to communicate with Gridstream enabled meters. The purpose of the
12 project is to evaluate AMI capabilities such as automated meter reads, meter
13 monitoring data, remote service disconnect/re-connect for residential metering,
14 outage notification, scheduled demand reset, over the air meter program updates
15 and over the air firmware upgrades.

16 The communication network and head-end software were supplied at no
17 charge by Landis+Gyr, while SPS incurred the costs for purchasing and installing

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1 meters. Meter installation began in July, 2014. SPS expects the final evaluation
2 assessment to be completed before the end of 2015.

3 **Q. Has SPS made any decision at this time concerning the future**
4 **implementation of an AMI system in its system?**

5 A. Not at this time. Next steps will be determined once SPS evaluates test results of
6 the Landis+Gyr AMI product, as well as results of other AMI products that Xcel
7 Energy will be evaluating. Xcel Energy, through SPS's sister company, PSCo, is
8 currently evaluating a different AMI system. Results from various AMI systems
9 will be evaluated to determine capability and performance.

10 High-level estimates for installing AMI throughout SPS's Texas and New
11 Mexico retail service territory indicated expected costs of installation to be
12 between \$93 million to \$145 million, with the estimated costs for New Mexico of
13 \$35 million to \$55 million and the estimated costs for Texas of \$58 million to \$90
14 million. In addition, SPS would incur associated additional O&M expense.
15 Therefore, SPS believes that its regulators would expect it to ensure that SPS and
16 its customers can be reasonably expected to achieve benefits that support such a
17 large investment plus additional operating costs.

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1 **Q. Does SPS currently have meters installed on customers' premises in New**
2 **Mexico that can be read remotely?**

3 A. Yes, SPS currently have approximately 1,100 meters installed on customers'
4 premises in New Mexico that can be remotely interrogated. These meters are
5 typically installations in locations that are difficult to access, locations that are
6 very time-consuming and difficult to read, or locations where SPS has received
7 customer threats in the past.

8 **Q. Have some utilities in New Mexico or Texas installed AMI systems?**

9 A. I am not aware of any electric utility in New Mexico that has installed any
10 extensive AMI systems. However, the five major, investor-owned Transmission
11 and Distribution Utilities ("TDUs") operating in the Electric Reliability Council
12 of Texas—AEP Texas Central Company, AEP Texas North Company,
13 Centerpoint Energy Houston Electric, Oncor Electric Delivery Company, and
14 Texas New Mexico Power Company—installed AMI systems as a result of
15 legislation passed in Texas in 2005. Each of these TDUs assess additional
16 monthly surcharges per customer to recover the cost of the AMI systems. The
17 charges for residential customers currently range from \$2.19 to \$3.40 per month.

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1 **Q. The NMPRC Commissioners recently have expressed an interest in having**
2 **SPS install a Smart Meter pilot project. Has SPS estimated the cost of**
3 **installing a Smart Meter pilot project?**

4 A. Yes, during the May 27, 2015 Open Meeting, there was some discussion by
5 Commissioners about interest in requesting SPS to propose a Smart Meter pilot
6 project in New Mexico with at least 25,000 meters. In response to those
7 discussions, SPS personnel developed a very, high-level cost estimate for
8 installing an AMI system that includes 25,000 Smart Meters. SPS estimates that
9 such an AMI system would cost at least \$8.8 Million and would include:

- 10 • acquisition of AMI meters and Network infrastructure;
- 11 • installation of meters and network components;
- 12 • IT integration and AMI software; and
- 13 • project management.

14 This very high-level estimate does not include additional costs to maintain
15 and run the system over its expected 20-year life. In addition, it is important to
16 note that the costs will vary significantly based on technology deployed, type of
17 AMI functions expected, geographic area covered by the 25,000 meters, AMI
18 operating model, and other factors.

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1 **Q. What is SPS's proposal in response to the Commission's interest in Smart**
2 **Meters?**

3 A. SPS requests that the Commission permit SPS to complete its AMI demonstration
4 project, evaluate the results, and complete its final assessment of the project.
5 Once this has been completed, SPS will submit its findings to the Commission.

6 **Q. Is SPS proposing any other activities related to the installation of Smart**
7 **Meters or an AMI system?**

8 A. Yes, as discussed by Mr. Luth, SPS is proposing experimental time-of-use pricing
9 options for all New Mexico rates, except Large General Service – Transmission,
10 Municipal Street Lighting, and Area Lighting. These new rate options will
11 provide SPS with information by rate class relative to customers' interest and
12 ability to modify their consumption in response to time-differentiated price
13 signals.

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X. SPS'S REQUEST FOR RELIEF

1 **Q. What relief is SPS requesting from the Commission in this case?**

2 A. SPS's requests that the Commission:

- 3 (1) authorize SPS to increase its base rate charges for the New Mexico
4 retail jurisdiction by \$1,401,677, a 0.34 percent increase over
5 current revenue, using a calendar year 2014 Base Period and a
6 2016 Test Year, a New Mexico retail base rate revenue
7 requirement of \$419,320,108, a return on common equity of 10.25
8 percent, and a WACC of 8.10 percent;
- 9 (2) approve SPS's request to include in rate base the new capital
10 investment SPS expects to close to plant in service for the period
11 from January 1, 2015 through December 31, 2016;
- 12 (3) approve a decrease in the level of fuel and purchased power costs
13 included in base rates ("Base Fuel" or "fuel in base rates") from
14 \$0.031374 per kWh to \$0.026479 per kWh effective as of the date
15 the new base rates in this case take effective;
- 16 (4) approve the reconciliation of SPS's FPPCAC expenses and
17 revenues for the period October 1, 2014 through March 31, 2015;
- 18 (5) approve SPS's proposed depreciation rates and practices;

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- 1 (6) approve SPS's Transmission and Distribution System Loss
2 Evaluation Study conducted for the period of July 1, 2012 – June
3 30, 2013 and the resulting demand and energy loss factors;
- 4 (7) approve SPS's recovery of its rate case expenses incurred in
5 conjunction with this case;
- 6 (8) approve SPS's proposed cost allocation and rate design, and its
7 proposed changes to SPS's rule tariffs and rate tariffs as shown in
8 Advice Notice No. 255;
- 9 (9) suspend SPS's proposed rates for an initial period of nine months
10 commencing on July 8, 2015 and set a public hearing concerning
11 the justness and reasonableness of SPS's proposed rates;
- 12 (10) accept SPS's proposal to complete its Smart Meter pilot project in
13 Texas and to evaluate that project to determine potential uses of
14 Smart Meters for retail service in New Mexico, and to provide a
15 report to the Commission once completed;³⁰
- 16 (11) grant all approvals, authorizations, variances, and other relief that
17 are necessary for SPS to implement the New Mexico retail rates set

³⁰ SPS will report to the Commission in this case if the case has not yet gone to hearing.

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1 forth in Advice Notice No. 255 and associated rate and rule
2 schedules; and
3 (12) grant all other approvals, authorizations, and variances that the
4 Commission determines are necessary for SPS to effectuate and
5 implement the relief granted in this case.

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XI. CONCLUSION

1 **Q. Were Attachments EDE-1 through EDE-11, and the RFP schedule that you**
2 **sponsor or co-sponsor prepared by you or under your direct supervision and**
3 **control?**

4 A. Yes.

5 **Q. Are Attachments EDE-1 through EDE-11 a true and correct copy of the**
6 **documents you describe in your testimony?**

7 A. Yes.

8 **Q. Do you incorporate the RFP schedule that is sponsored or co-sponsored by**
9 **you into your testimony?**

10 A. Yes.

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

12 A. Yes.

VERIFICATION

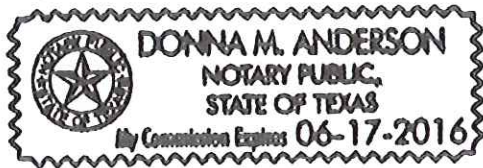
STATE OF TEXAS)
) ss.
COUNTY OF POTTER)

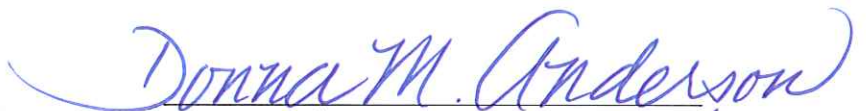
EVAN D. EVANS, first being sworn on his oath, states:

I am the witness identified in the preceding 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.


EVAN D. EVANS

SUBSCRIBED AND SWORN TO before me this 21 day of May, 2015.




Notary Public, State of Texas
My Commission Expires: 6/17/16

ATTACHMENT EDE-1 (MEDIA)
CASE NO. 15-00139-UT

Southwestern Public Service Company
Summary of Proposed Rate Increase

Line No.	Description	(1) Test Year Current Revenue (\$)	(2) Rate Case Impacts (\$)	(3) Proposed Revenues (\$)	(4) Net Revenue Increase (\$)	(5) Net Percent Increase (%)	(6) Source
1	Total Base Revenue Excluding Base Fuel and Purchased Power	\$ 218,416,018	\$ 31,510,995	\$ 249,927,013		14.43%	Arthur P. Freitas/Richard M. Luth
2	Base Fuel and Purchased Power	\$ 199,502,413	\$ (30,109,318)	\$ 169,393,095		-15.09%	
3	Total Base Revenue	<u>\$ 417,918,431</u>	<u>\$ 1,401,677</u>	<u>\$ 419,320,108</u>	<u>\$ 1,401,677</u>	<u>0.34%</u>	
4	Fuel and Purchased Power Cost Adjustment Revenue	(30,109,318)	30,109,318	-	30,109,318		
5	Energy Efficiency Rider ¹	11,481,630	-	11,481,630	-		Richard M. Luth
6	RPS Rider ²	<u>17,362,894</u>	-	<u>17,362,894</u>	-		Richard M. Luth
7	Total Revenue	<u>\$ 416,653,637</u>		<u>\$ 448,164,632</u>	<u>\$ 31,510,995</u>	<u>7.56%</u>	

¹ The Energy Efficiency Rider is set by the Commission in other cases. For the purposes of this illustration, the 2016 percentage is applied to the estimate of Test Year billings subject to EE charges, net of large customer maximums.

² The RPS Rider is set by the Commission in other cases. For the purposes of this illustration, charges approved in Case No. 14-00198-UT are applied to the estimated Test Year billings subject to the RPS Cost Rider, net of large customer maximums.

Southwestern Public Service Company



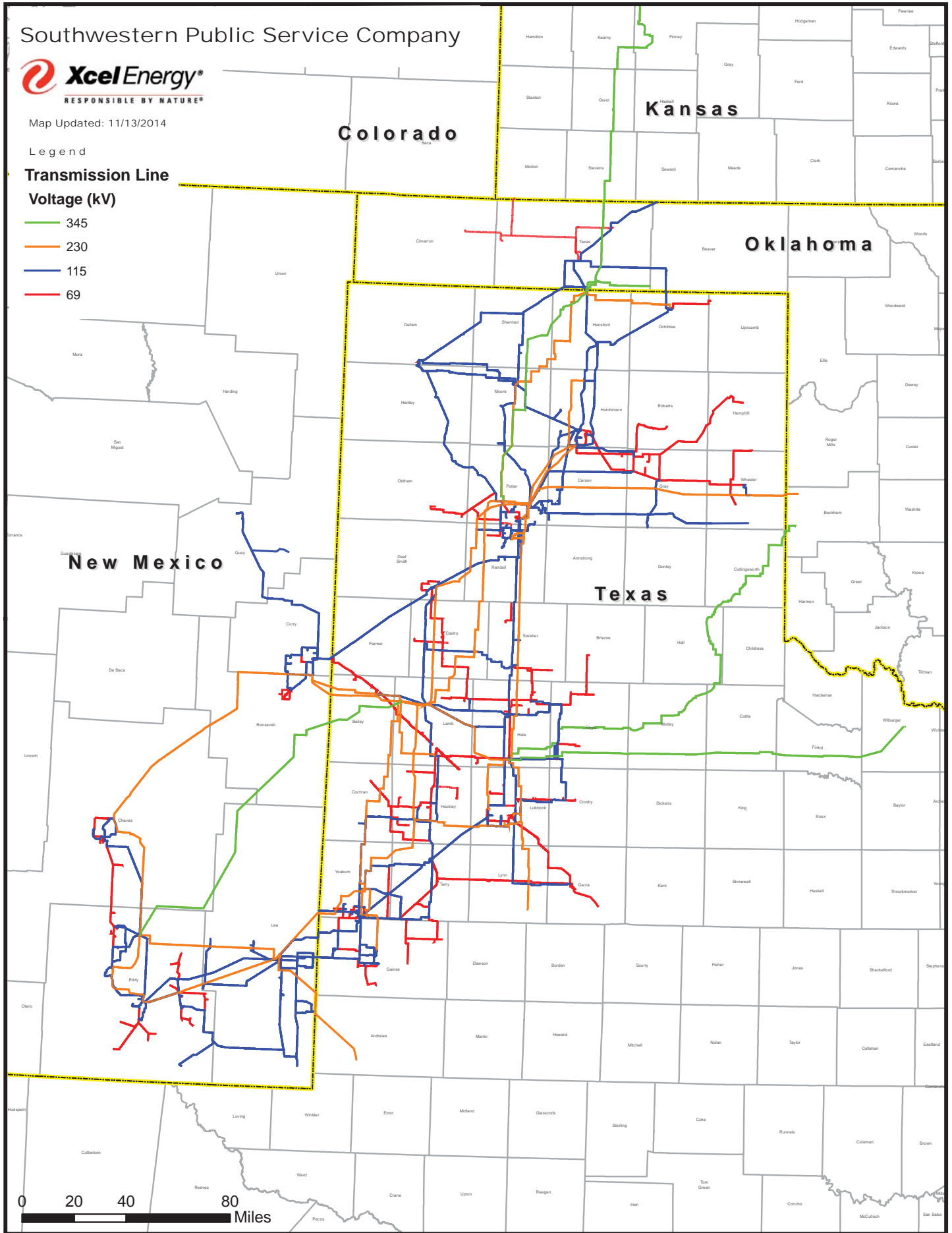
Map Updated: 11/13/2014

Legend

Transmission Line

Voltage (kV)

- 345
- 230
- 115
- 69



Southwestern Public Service Company

New Mexico Retail kwh Sales at the Meter from Prior Rate Cases

Line No.	Customer Class	07-00319-UT		08-00354-UT		10-00395-UT		12-00350-UT		15-00139-UT		2-yr Compound Average Growth Rate		10-yr Compound Average Growth Rate	
		Historical Test Year	YE Dec 2006	Historical Test Year	YE Jun 2008	Forecast Test Year	YE Dec 2011	Forecast Test Year	YE Dec 2014	Forecast Test Year	Base Period (1)	Forecast Test Year	YE Dec 2016	Growth Rate	Average
1	Residential Service	426,401,269	453,114,668	483,278,658	553,374,376	590,652,052	618,257,111						2.3%		
2	Residential Water Heat	56,658,651	57,934,440	61,955,014	-	-	-						2.2%		
3	Residential Space Heat	432,352,555	475,838,353	511,450,347	524,629,951	510,928,268	533,281,943						2.2%		
4	Total Residential	915,412,475	986,887,461	1,056,684,019	1,078,004,326	1,101,580,320	1,151,539,054						2.3%		
5	Small General Service (2)	110,219,570	105,857,500	104,467,695	155,805,338	123,044,426	173,863,789								
6	Secondary General	990,138,302	997,401,629	724,886,122	685,332,061	711,515,896	679,617,273						3.7%		
7	Irrigation Service	Included in SG	83,198,161	74,169,064	78,957,507	76,029,723	81,736,289						18.8%		
8	Primary General	648,686,272	711,682,831	1,013,167,630	1,104,000,261	1,294,270,231	1,826,115,951						22.7%		
9	LGS-T	1,086,058,940	1,133,173,294	1,244,544,223	1,478,820,370	1,539,556,488	2,317,527,107						16.4%		
10	Total Large C&I	2,724,883,514	2,925,455,915	3,056,767,039	3,347,110,199	3,621,372,338	4,904,996,621								
11	Small Municipal & School (2)	10,145,314	11,175,360	9,542,379	10,259,224	10,900,823	13,365,257						1.0%		
12	Large Municipal & School	109,917,577	121,077,422	121,497,302	129,054,916	121,389,831	123,917,633								
13	Total Municipal & School	120,062,891	132,252,782	131,039,681	139,314,140	132,290,654	137,282,890								
14	Street & Area Lighting	31,219,332	31,291,696	32,243,028	29,165,980	29,521,686	29,636,708						0.2%		
15	Total NM Retail	3,901,797,782	4,181,745,354	4,381,201,462	4,749,399,983	5,007,809,425	6,397,319,061						13.0%		5.1%

NOTES:

(1) Base Period has no weather adjustment

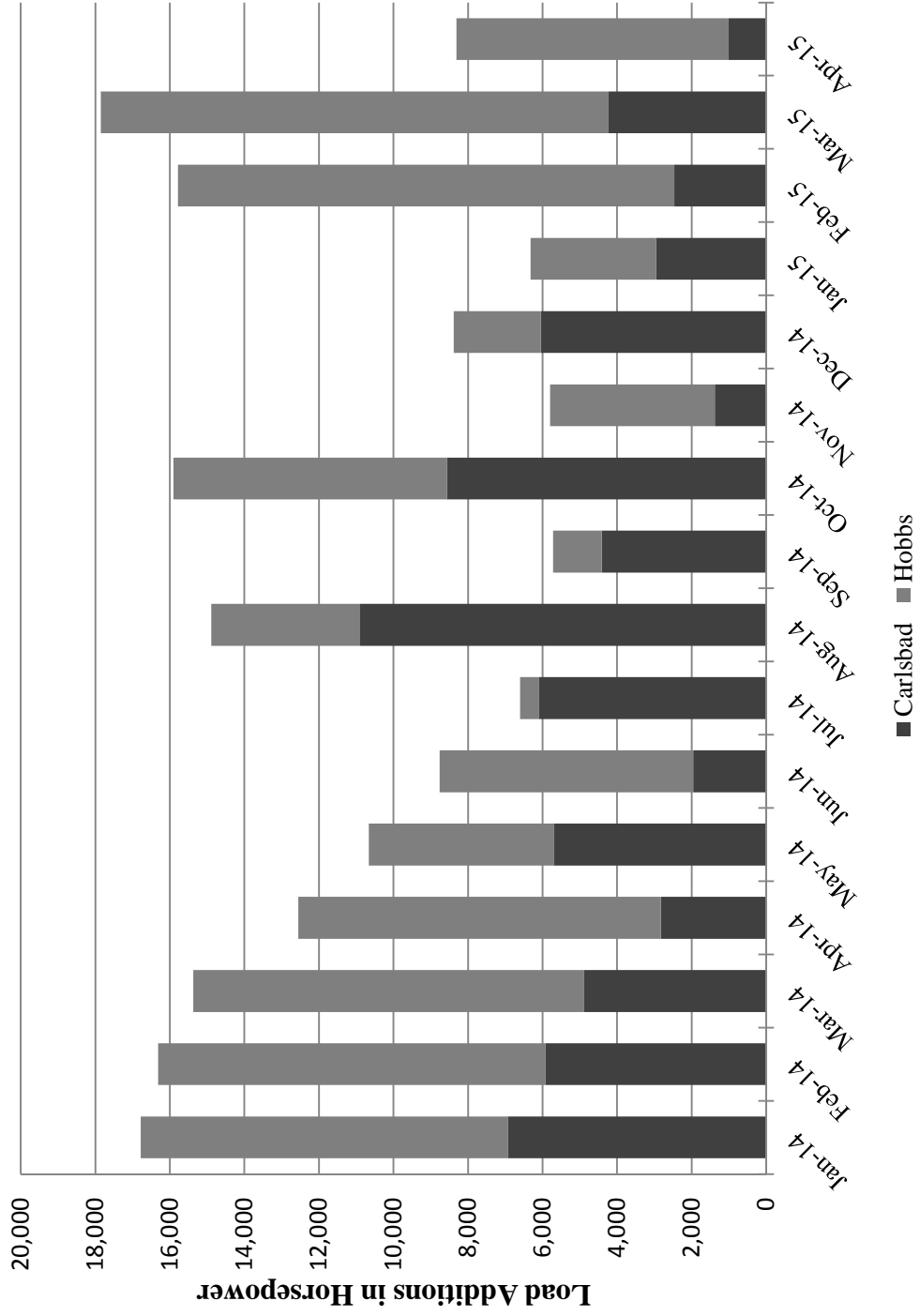
(2) Case No. 12-00350-UT changed the cutoff for these classes from 10kW to 25kW, resulting in movement of customers from Secondary General / Large Municipal & School to these classes

Southwestern Public Service Company

Intent to Drill Map



**Southwestern Public Service Company
Large Load Additions Southeastern New Mexico**



SPS Prior Case Commitments

Rate Cases

Case No. 10-00395-UT

The Commission directed SPS to:

- Implement a two-year rate freeze and therefore not file a new base rate case before December 3, 2012. SPS complied with the Commission's direction on the timing of its next base rate case by not filing its next rate case application (Case No. 12-00350-UT) prior to December 3, 2012.
- Agree to not seek recovery of rate case expenses for Case No. 10-00395-UT or any past rate cases in any future rate cases. SPS did not request recovery of any remaining rate case expenses from Case No. 10-00395-UT or any past rate cases in Case No. 12-00350-UT.
- Agree to not seek recovery of fuel audit costs paid through December 31, 2010 in any future base rate proceeding. SPS did not request recovery of any remaining fuel audit costs paid through December 31, 2010 in Case No. 12-00350-UT.
- Agree to not seek to recover any of the December 31, 2010 balances totaling \$87,359.13 in future proceedings. SPS did not seek in Case No. 12-00350-UT nor has it sought in any other filing to recover any of the remaining December 31, 2010 balances.
- Agree to limit any nitrogen oxides ("NOx") costs and revenues recorded to a regulatory asset or liability to no more than \$110,000 (total company) net costs for compliance with any environmental rules or regulations in place prior to December 31, 2010. SPS has complied with this obligation by: (1) recording \$15,543 to the accounting asset; and (2) has not included any costs associated with NOx purchases in the Test Year base rates in Case No. 12-00350-UT.
- In its next rate case, agree to present, as an option, recovery of future Renewable Portfolio Standard ("RPS") costs either through an established RPS Rider or through a new RPS Rider, to be effective on the same date as final base rates approved in that case become effective. SPS proposed in Case No. 12-00350-UT to establish a permanent RPS Rider to recover those incremental and administrative costs associated with meeting RPS costs (*e.g.*, RECs (wind, solar, and distributed generation), incremental energy costs, WREGIS costs).

- Adjust fuel and purchased power cost adjustment clause (“FPPCAC”) factors for each voltage level starting with the effective date of the rates approved. Effective with the May 2012 FPPCAC when the new amount of fuel included in base rates was fully integrated into the FPPCAC, the voltage level loss factors were applied. SPS implemented this change with the May 2012 FPPCAC.
- Support an amendment to the Rule 530 minimum data filing requirements to accommodate public utility rate applications based on a future test year period that is not the twelve consecutive months following the last day of the base period, implementing 2009 amendments to the Public Utility Act, NMSA 1978, Sections 62-3-1 *et. seq.*, at Sections 62-3-3P and 62-6-14D (2009)... On February 8, 2012, SPS along with Utility Division Staff (“Staff”) and Public Service Company of New Mexico (“PNM”) (“Petitioners”) filed this request for a rulemaking proceeding with the Commission.¹ The Commission initiated the rulemaking proceeding and, as noted earlier, adopted the rules on November 29, 2012.
- Support an amendment to 17.5.440 NMAC (“Rule 440”) to provide clarity and remove ambiguity, by requiring submittal of Rule 440 reports for any generation plant of \$1 million or more, and to increase reporting limits from \$250,000 to \$500,000 for transmission and distribution. On June 20, 2012, Staff, PNM, SPS, and NMIEC jointly petitioned the Commission to issue a Notice of Proposed Rulemaking (“NOPR”) to amend Rule 17.5.440.9 NMAC and proposed the cost threshold for reporting on planned transmission and distribution projects be increased from \$250,000 to \$500,000 and that all generation projects where a utility’s share of the projected costs exceed \$1,000,000, regardless of the size of the affected plant or whether such projects increase or decrease generating capacity. A NOPR was issued on August 7, 2012 and the final order amending 17.5.440.9 NMAC was approved and adopted on March 13, 2013.²
- Oppose or take other specified actions regarding efforts that, if adopted, would permit recovery of transmission costs from SPS’s New Mexico retail customers that are not caused by, or do not directly benefit, SPS’s New Mexico retail customers or that are unrelated to SPS’s transmission system reliability, system operations or load growth needs. SPS has acted

¹ *Joint Petition to Initiate Rulemaking*, NMPRC Docket No. 12-00029-UT, In the Matter of the Adoption of a Proposed Rule Governing Public Utility Rate Applications Based on a Future Test Period.

² *Proposed Rulemaking Regarding Reporting Requirements for Electric Utilities under 17.5.444.09 NMAC*, Case No. 12-00200-UT, Final Order Amending 17.5.440.9 NMAC (Mar. 13, 2013).

in good faith on this commitment and SPS witness William A. Grant addressed this commitment and provided examples in his direct testimony in Case No. 12-00350-UT.

- Modify its residential bill format to provide clearer and more useful data regarding the incremental cost of electricity (in \$/kWh instead of \$/day). On SPS bills, the line showing cost on a dollar per day basis was changed to show the customer's incremental cost, for that month, for each kWh the customer used. The new line reads "This month, an additional kWh used would have cost n.n¢/kWh". SPS made this change to Residential service bills effective April 2012.
- Modify its Line Extension Rule to include a larger allowance for use of energy efficiency measures. In Advice Notice No. 235 filed on December 28, 2011, SPS revised its new construction allowance table and line extension policy to reflect a 15% larger allowance for homes that have earned the ENERGY STAR designation. These homes meet strict energy efficiency guidelines set by the Environmental Protection Agency and the U.S. Department of Energy. Typically, an ENERGY STAR home is at least 15% more energy efficient than a home built to 2004 standards. Using this 15% guideline, SPS revised its line extension policy in Case No. 10-00395-UT to adjust the construction allowances table accordingly. This change is reflected in Rule Tariff 16.
- Work with Staff and the New Mexico Attorney General to resolve unintended excessive increases resulting from rates proposed in the Case No. 10-00395-UT Stipulation. No unintended excessive increases were identified as a result of the rates proposed in the Case No. 10-00395-UT Stipulation.
- Eliminate tariffs that have either expired or are no longer used and useful. Pursuant to the Final Order in Case No. 10-00395-UT, SPS filed changes and additions in the tariff schedules and cancelled the following rate numbers: Fourth Revised 5 - QF Standby Service, Third Revised 30 - Industrial Interruptible Rate Rider, Original 46 - Restructuring Cost Recovery Rider, First Revised 47 - Residential Electric Water Heating Service and First Revised 51 - LPP Cost Rider.
- Provide in its next base rate case, a study of the use of inverted block rates to promote for customers taking service under the Residential Service and Residential Heating Service rate schedules. The new study was to be conducted by a different consultant than the one who provided the study in Case No. 10-00395-UT. SPS included in Case No. 12-00350-UT the additional inverted block rate study, this time performed by Concentric (a

different consultant than employed in Case No. 10-00395-UT) on the use of inverted block rates.

- SPS did not propose a transmission cost recovery rider in the 2013 legislative session, pursuant to Section 10.1 of the Stipulation.

Case No. 12-00350-UT

Ordering Paragraph F required:

- By no later than April 3, 2014, SPS shall file the proposed detailed plans regarding the mechanics, operation, and true-up of the RPS Rider (the “RPS Compliance Filing”).

Ordering Paragraph G required:

- By no later than April 10, 2014, SPS shall file new advice notices and revised rates consistent with the terms of this Final Order, and a statement by SPS that it has filed all documents by the deadlines specified in this Paragraph (SPS’s filing is hereinafter referred to as the “Compliance Filing”) and the RPS Compliance Filing.

SPS fulfilled both of these obligations in a filing made on March 31, 2014.

Financing Cases

Case No. 10-00317-UT. \$200 Million Debt and Other Credit Arrangements

SPS was ordered to:

- Report each credit agreement that it enters into under the approval granted in this Order in its annual informational financing report filed in accordance with 17.1.2.8 NMAC, and in that filing SPS shall include a cross-reference to this Order. On April 29, 2011, SPS made this filing as part of its Annual Report for 2010.
- File a notarized report within 90 days following the consummation of the securities transactions stating the consummation, the amount of the proceeds, the expenses actually incurred by SPS, and the terms and conditions of the transactions. SPS did not issue the securities, as authorized in this case. Instead, SPS later issued First Mortgage Bonds authorized in Case No. 11-00222-UT for financing purposes similar to authorization in Case No. 10-00317-UT.

Case No. 11-00222-UT. First Mortgage Bond (“FMB”) Issuance

SPS was ordered to:

- File a notarized report within 90 days following the consummation of the securities transactions stating the consummation, the amount of the proceeds, the expenses actually incurred by SPS, and the terms and conditions of the transactions. On October 17, 2011, SPS filed the required report.

Case No. 12-00076-UT. SPS's Application for Authority to Issue Securities (\$150 Million FMB)

SPS was ordered to:

- File a notarized report within ninety days following the consummation of the issuance and sale of the FMBs, stating: the consummation of the Securities Transaction; the amount of the proceeds; the expenses actually incurred by SPS; and the final terms and conditions of the transaction and include in this report copies of all documents executed in connection with the Securities Transaction. On August 28, 2012, SPS filed the required report.

Case No. 12-00168-UT. SPS's Application for Authority to Issue Securities (\$400 Million Notes)

SPS was ordered to:

- Report each credit agreement that it enters into under the approval granted in this Order in its annual informational financing report filed in accordance with 17.1.2.8 NMAC, and in that filing SPS shall include a cross-reference to this Order. The agreement was no longer in effect, but was reported to the Commission on August 28, 2012, as noted below. The agreement was replaced with an agreement with similar terms, as reported in April 2015 annual informational financing report.
- File a notarized report within 60 days following the consummation of each securities transactions, the final transactional documents, stating: the consummation of the securities transactions; the amount of the proceeds; the expenses actually incurred by SPS; and the final terms and conditions of the securities transactions. On August 28, 2012, SPS filed the required report.

Case No. 12-00342-UT. SPS's Application for Authority to Issue Securities (\$200 Million FMB)

SPS was ordered to:

- File a notarized report within 90 days following the consummation of the issuance and sale of the securities transaction, stating: the consummation of the securities transaction; the amount of the proceeds; the expenses actually incurred by SPS; and the final terms and conditions of the transaction with copies of all documents executed in connection with the securities transaction included in this report. On November 14, 2013, SPS filed the required report.

Case No. 14-00018-UT. SPS's Application for Authority to Issue Securities (\$200 Million FMB)

SPS was ordered to:

- SPS shall report each credit agreement that it enters into under the approval granted in this Order in its annual informational financing report filed in accordance with 17.1.2.8 NMAC, and in that filing SPS shall include a cross-reference to this Order. On April 30, 2015, SPS made this filing as part of its Annual Report for 2015.
- File a notarized report within ninety 90 days following the consummation of each securities transactions the final transactional documents, stating: the consummation of the securities transactions; the amount of the proceeds; the expenses actually incurred by SPS; and the final terms and conditions of the securities transactions. On September 9, 2014, SPS filed the required report.

Case No. 14-00178-UT. SPS's Application for Approvals Regarding Notes under Credit Agreements

SPS was ordered to:

- Report each credit agreement that it enters into pursuant to the approvals and authorizations granted herein in its annual informational financing report filed in accordance with 17.1.2.8 NMAC, and in that filing, SPS shall include a cross-reference to this Order. On April 30, 2015, SPS made this filing as part of its Annual Report for 2015.
- File a notarized report within 90 days following the consummation of the subject securities transactions, stating: the consummation; the amount of the proceeds; the expenses actually incurred by SPS; and the terms and conditions of the transactions. The agreement was reported in April 2015 annual informational

financing report, noting that the agreement had similar terms as previous credit agreement reported to the Commission on August 28, 2012, which was authorized in Case No. 12-00168-UT.

Energy Efficiency Cases

Case No. 09-00352-UT. SPS's 2010/2011 Energy Efficiency and Load Management ("EE/LM") Plan

SPS was ordered to comply with the following reporting and program requirements:

- 2010 Report – Required SPS to include in its annual report year-to-date (through August 31, 2010) savings achieved by program as compared to projected savings, year-to-date expenditures by program as compared to projected expenditures, and the proposed 2011 Energy Efficiency Rider based on the current over/under collection balance and proposed 2011 budget.
- Consumer Behavior Modification – Required SPS to evaluate and propose a program designed to influence consumer behavior.
- Partnership evaluation with New Mexico Gas Company ("NMGC") –Required SPS to evaluate the potential to implement a joint Energy Star Homes program with NMGC because of the service area overlap.
- Direct Marketing to Irrigators – Required SPS evaluate energy efficiency measures and conducted outreach efforts to its entire business customer base including irrigation and other agricultural users through educational and promotional mailings and email campaigns.
- Showerhead Pilot Program Evaluation –SPS agreed, under the terms of the stipulation, to implement an energy efficient showerhead pilot within the Home Energy Services program in 2010, and to include showerheads in its 2011 program if the pilot was deemed successful.

In its Application for Approval of Modified 2011 Plan filed on October 1, 2010, SPS addressed each of these obligations. The Commission approved the Certification of Stipulation on March 15, 2011.

Case No. 11-00400-UT. SPS's 2012 Energy Efficiency and Load Management ("EE/LM") Plan

- Under the ENERGY STAR Retailer Incentive Plan, SPS was to engage other New Mexico electric utilities during 2012 to determine whether there is interest in developing a cost-effective regional ENERGY STAR Retailer Incentive Program that will incent multiple retailers to promote and discount certain ENERGY STAR appliances. By July 31, 2012 SPS was to organize an advisory meeting to discuss its efforts with other utilities and by August 1, 2013 provide the results of its efforts in its 2012 Annual Report filing. SPS met with the other electric utilities in New Mexico and on July 23, 2012 provided an update to parties indicating that the program was not cost-effective or feasible. However, no mention of this was included in the 2012 Annual Report filed on August 1, 2013.
- For the Refrigerator Recycling Program, SPS was to report its findings regarding the program to Staff and the parties no later than July 31, 2012, and if the measures of the program were found to be cost-effective in New Mexico, SPS was to request Commission approval to modify the program and budget for the 2012 Plan year to include primary refrigerator and freezer measures. SPS complied with this directive with a report prior to July 31, 2012. Furthermore, SPS found the program to be cost-effective and filed a request to modify the program, which was approved in an order issued on January 23, 2013.
- Regarding the Business Comprehensive Programs, SPS was required to: (1) increase its efforts to promote and educate potential participants within its original budget; (2) monitor and evaluate the Building Tune-Up measure and report by July 31, 2012 regarding the cost-effectiveness of the measure and if the measure was found to be effective, file to modify the 2012 Business Comprehensive Program to include this measure. If the measure was not found to be effective, SPS would file why it was not cost-effective in its 2013 Annual Report. SPS completed the evaluation and filed the report with the Commission in a timely manner. SPS included the Building Tune-Up product as part of its Business Comprehensive program in its 2014 EE/LM Plan approved on June 26, 2014.
- SPS is to abide by the interim process for reporting deviations of plus or minus 25% from the authorized budget. SPS will notify the Signatories to the agreement of any such deviations with its request for budget modification. SPS filed a budget modification request and received approval in an order issued on September 3, 2014.
- Continue to provide forecasted budgets and savings goals and track actual spending and achieved savings for the Home Energy Services program. SPS is also to provide quarterly reports to Staff on the actual spending and achieved

savings for each product. SPS has provided these quarterly reports to the Staff as required since the issuance of the Final Order.

- Decretal Paragraph E of the Certification of the Stipulation required SPS to file within 60 days a modified 2012 Plan incorporating all of the approved changes in legislative format. On August 6, 2012, SPS filed the modified 2012 Plan, as required.
- Decretal Paragraph F of the Certification of the Stipulation required SPS to file within 10 days of issuance of the Final Order an advice notice to revise its EE Rider to reflect: (i) \$8.4 million in 2012 Plan costs, as approved by the Stipulation, and (ii) any under- or over-recovery resulting from SPS's 2011 costs and revenues known at that time, including any carrying charges. On June 15, 2012, SPS filed the required advice notice.

Case No. 13-00286-UT. SPS's 2014/2015 Energy Efficiency and Load Management ("EE/LM") Plan

- Section 1.2(h) of the Stipulation required SPS to evaluate the best practices of the PSCo pilot program for upstream commercial lighting incentives for inclusion in SPS's New Mexico portfolio if determined to be cost-effective. SPS is reviewing the progress that PSCo is making with midstream lighting rebates for its business programs to determine what, if any, implementation strategies can be transferred to New Mexico. SPS has identified at least one potential distributor in the New Mexico service area and is working with that vendor to develop an implementation plan for midstream rebates.
- Section 1.2(k) of the Stipulation required SPS to determine if there are any potential programs for coordination with New Mexico gas utilities for inclusion in its 2016 Plan. SPS has addressed this requirement by developing a process in conjunction with New Mexico Gas Company to share information when either utility is aware of a residential or commercial project that presents the opportunity for incremental electric or gas savings.
- Section 1.2(m) of the Stipulation required SPS to provide the Commission, the Signatories, and Occidental Permian Ltd. with a quarterly report detailing program performance and actual energy efficiency rider recoveries for the preceding quarter. SPS complied with these reporting requirements. This section also required that SPS provide a table in its Annual Report detailing the incentives paid to each rate class. SPS included this table in its Annual Report filed on May 1, 2015 in Case No. 15-00119-UT.

- Section 1.4(f) of the Stipulation required SPS to submit modified EE funding levels if an event increased or decreased SPS's projected retail revenue equal to or greater than five percent. SPS submitted such a filing on March 11, 2015 based on the Commission's authorization of new rates in Case No. 12-00350-UT.³ SPS subsequently amended this filing and the order approving it was issued on May 20, 2015.

Renewable Portfolio Standard ("RPS") Cases

Case No. 11-00264-UT. Related to SPS's 2010 Annual RPS report, the 2011 Annual Renewable Energy Portfolio Procurement Plan; Variances from Diversity Requirements

SPS was ordered to:

- Report on the status of SPS's efforts to procure "Other" renewable resources in SPS's annual RPS filings. SPS has complied with this requirement in each of its annual RPS filings since this order was issued in December 2011.
- Report to the Commission on any contract(s) for "Other" renewable resources that SPS has entered into and file its application for Commission approval within 45 days of contract execution. SPS has not entered into any "Other" renewable resource contracts, therefore, no report or request for approval has been forthcoming.
- Monitor the SPS distributed generation programs and in its next annual filing, evaluate the appropriateness of modifying the length of the contract terms for existing distributed generation programs. SPS has fulfilled this obligation, and in Case No. 12-00219-UT SPS presented its evaluation in the testimony of Ms. Ruth Sakya.
- SPS shall continue to evaluate non-wind renewable resources available in SPS's service area until such time as it is determined that SPS has satisfied its diversity requirements under the REA. SPS continues to meet this obligation on an annual basis and report on the outcome of the evaluations in its annual RPS report.

Case No. 12-00219-UT. Related to SPS's 2011 Annual RPS report, the 2012 Annual Renewable Energy Portfolio Procurement Plan; Variances from Diversity Requirements

³ Case No. 12-00350-UT, *In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Electric Rates under Advice Notice No. 245*, Final Order Partially Adopting Recommended Decision (Mar. 26, 2014).

SPS was ordered to:

- In its future RPS plan filings to include two years of plan-related information and approval requests. SPS complied with this directive in its next RPS filing (Case No. 13-00222-UT).
- Include in any future RPS plan filings a reasonable cost threshold (“RCT”) analysis that shows the amount of headroom available for new RPS procurements based on SPS’s costs incurred for RPS programs that have been previously approved by the Commission, even if additional resources approvals are not requested. SPS complied with this directive in Case No. 13-00222-UT.
- SPS shall provide training to its staff who manage the DG program on the New Mexico tariffs that SPS operates under. SPS has initiated this training and will continue to provide this service to our internal employees who manage these programs.

Case No. 13-00222-UT. Related to SPS’s 2012 Annual RPS Report; the 2013 Annual Renewable Energy Portfolio Procurement Plan; and Associated Requests

SPS was ordered to:

- Starting with the 2015 Plan Year, apply the large customer adjustment pursuant to Rule 572 in effect as of the date of the RPS filing. SPS complied with this order in Case No. 14-00198-UT and will continue to do so in future RPS cases.
- File the 2015 RPS Plan to include the RTC methodology in effect at the time of the filing. SPS complied with this order in Case No. 14-00198-UT and will continue to do so in future RPS cases.
- Not make further renewable procurements until its surplus RECs are retired against its RPS requirement or explicitly authorized to expire by the Commission. SPS has not made any REC procurements for RPS compliance, but has made economic renewable procurements.
- Recalculate the costs of all procurements, including previously approved procurements annually under the (then) new revenue requirements methodology in NMAC 17.9.572.14(C). SPS complied with this order in Case No. 14-00198-UT and will continue to do so in future RPS cases.

Case No. 14-00198-UT. Related to SPS’s 2013 Annual RPS Report; the 2013 Annual Renewable Energy Portfolio Procurement Plan; and Associated Relief

SPS was ordered to:

- Provide the 2015 and 2016 evaluation of non-wind renewable resources in its service area (in compliance with the orders in Case Nos. 04-00334-UT, 05-00354-UT and 06-00360-UT) as part of its 2016 RPS filing , which will be filed on July 1, 2015.
- Meet with parties in the case prior to the filing of SPS's 2016 RPS Plan filing to discuss the methodology, inputs and assumptions for the required Rule 572.14(C) analysis. The initial meeting shall be held within 45days of the Final Order and follow-up meetings as necessary to resolve the issue. We were ordered to provide this analysis in the 2016 RPS case , which will be filed on July 1, 2015.

Approval of Purchased Power Agreements (“PPA”)

Case No. 11-00444-UT. SPS/PSCo 2012 PPA

SPs was ordered to:

- File a verified report within 90 days after termination of the authorized SPS/PSCo 2012 PPA that provides the information required by Section 1.2 of the Stipulation. The PPA ended in September 2012. On December 21, 2012, SPS filed a compliance report with the following information: (i) SPS's actual energy purchases from PSCo; (ii) SPS's actual payments for energy to PSCo; (iii) the actual incremental energy costs incurred by PSCo; and (iv) a comparison of actual incremental costs and savings with the costs and savings estimated in SPS's Application in this case. In addition, the report also included a verified statement by a PSCo officer that the actual amounts SPS paid to PSCo for energy under the PPA were no greater than the projected actual costs incurred by PSCo for energy.
- Work with Staff, per Section 3.8 of the Stipulation, to evaluate in writing the expedited review and approval process in this case to determine whether the review period should be shortened to attain further administrative efficiencies in the review process, or whether the review and approval process or review period should be modified otherwise. On March 1, 2012, SPS and Staff filed a joint statement saying they were satisfied with the Commission's application of the expedited process in reviewing and acting on SPS's application to enter into a short-term power purchase agreement with Public Service Company of Colorado, and that they were in agreement that the Commission should continue to use this process in the future.

Certificate of Convenience and Necessity Cases

Case No. 11-00313-UT. Related to SPS's Request for a Certificate of Convenience and Necessity for Jones Unit 4

SPS was ordered to:

- Make a compliance filing with the NMPRC within 30 days of receipt from the Texas Commission on Environmental Quality (“TCEQ”) notifying the Commission of receipt of certain permits required for construction or operation of Jones Unit 4.
 - SPS filed notice on May 9, 2012 that it had received the New Source Construction permit on April 30, 2012.
 - SPS filed notice on August 10, 2012 that it had received the TPDES Stormwater Permit for Construction Activities on June 25, 2012.
 - SPS filed notice on February 15, 2013 that it had received the Federal Operating Permit and Acid Rain Permit approval (Title V Operating ZPermit) on February 13, 2013 and that no modification to the Wastewater permit was required.
- Make a compliance filing with the NMPRC within 30 days of declaration of commercial in-service date of Jones Unit 4 and within 30 days of the first date of when natural gas fuel is first delivered to the unit, whether for start-up testing or for any other reason. On May 10, 2013, SPS filed notice that Jones Unit 4 became commercially operational on May 9, 2013. On April 8, 2013, natural gas was delivered for the use of Jones Unit 4, and on May 3, 2013, SPS filed notice of such.

Case No. 12-00027-UT. Related to SPS’s Request for a Certificate of Convenience and Necessity for the Pleasant Hill Transmission Line and Substation

SPS was ordered to file:

- Copies of all final construction permits received within two weeks of receipt.
- The actual costs of the Proposed Project as soon as they become available.
- Notice of the dates that the Proposed Project is placed in service.

SPS inadvertently neglected to file this information when it was required; however, on June 1, 2015, SPS filed the following information, which addressed all of the above-listed requirements:

- Copies of the construction permits issued by the BNSF Railway Company and the New Mexico Department of Transportation.
- SPS will report the final construction costs for this project as soon as all the invoices have been received.

- The project was placed in service on January 27, 2015.

Case No. 12-00052-UT. Related to SPS's Request for a Certificate of Convenience and Necessity for the Quay County Generation Station.

SPS was ordered to file:

- A report with the Commission for any year in which the plant operates more than 100 hours for non-start-up/ramp-down/testing purposes in its next application for continued use of its fuel and purchased power cost adjustment clause or its applications to change base rates (whichever is filed first after the occurrence);
- Notice of the date when a final air quality permit(s) to operate the Quay County Plant ("Plant") is received within 30 days;
- Notice of the date the Quay County Plant is considered by SPS to be in commercial in-service within 30 days; and
- Notice of the first day that fuel is used for start-up or operation of the Quay County Plant, within 30 days of the first fuel use;

SPS inadvertently neglected to file this information when it was required; however, on June 1, 2015, SPS filed the following information, which addresses all of the above-listed requirements:

- The Plant has not operated more than 100 hours for non-start-up/ramp-down/testing purposes since it became commercially operational.
- The final air quality permit to operate the Plant was submitted to the New Mexico Environment Department on May 27, 2014 and SPS is waiting on issuance of this permit.
- The Plant became commercially operational on September 5, 2013.
- The first day that fuel was used for the start-up or operations of the Plant was June 11, 2013 and maximum production was reached on June 28, 2013. This information was reported to the New Mexico Environment Department on July 9, 2013.

Case No. 14-00114-UT. Related to SPS's Request for a Certificate of Convenience and Necessity for the Potash Junction to Roadrunner

SPS was ordered to file:

- Copies of all final construction permits received within two weeks of receipt. SPS filed this information when it was required. Copies of the construction

permits issued by the New Mexico Department of Transportation were filed by SPS on February 9, 2015.

- The actual costs of the Proposed Project as soon as they become available. SPS will report the final construction costs for this project as soon as all the invoices have been received.
- Notice of the dates that the Proposed Project is placed in service. The project has not yet been placed in service, but SPS will file this with the Commission at the appropriate time.

Other Cases

Case No. 12-00111-UT. Application for a Deferred Renewable Cost Rider and Authority to Establish a Regulatory Asset Associated with that Rider

- SPS was ordered to file a final informational report within 30 days from the date SPS ceases to collect under the DRC Rider to verify any over- or under-recovery under the DRC Rider to be set aside in the regulatory asset to be established in this case. The DRC Rider ended on June 30, 2013, and on October 15, 2013, SPS filed the required report.

Case No. 10-00167-UT. Related to the 2010 Sale of the Lubbock Distribution Assets to the City of Lubbock, Texas

SPS was ordered to:

- Credit to SPS's New Mexico retail customers through an amortization in the costs of service, the regulatory liability, including interest for the amount included in previous New Mexico retail rates arising from the donation of the Lubbock office building to Texas Tech. SPS complied with this obligation in Case No. 10-00395-UT.

Case No. 13-00031-UT. SPS's Interim Report on Participation in the Southwest Power Pool ("SPP")

SPS was ordered to:

- Comply with and satisfy all notice and reporting requirements related to SPS's participation in the SPP in accordance with the terms and conditions of the Stipulation:
 - SPS will notify the Commission before participating in (i) any new SPP market design (other than those specified in this Stipulation), such as a market that supersedes the integrated Marketplace, that might commence before the end of the Extended Interim Period or any Additional Extended Interim Period or further Additional Extended Interim Period Stipulation) or (ii) any significant changes from SPP functions as they exist as of the date of this Stipulation that might commence during those extended interim periods. In its notice, SPS shall fully explain the new functions and shall provide detailed information on costs, responsibilities, and benefits associated with such functions. No such changes have occurred. SPS will notify the Commission when or if SPS begins participation in a new market design or a significant change in SPP function.
 - By July 1 2028, SPS will file with the Commission and serve on the Signatories a report (Extended Interim Period Report) regarding SPS's continued participation in the SPP. That filing shall contain an evaluation of the benefits and costs to New Mexico retail customers from SPS's participation in the SPP Integrated Marketplace (or successor market structure) for the period 2025-2027 and from SPS transferring its load balancing authority function to the SPP for the period 2025-2027. The SPS filing may also document other benefits, and shall document any additional costs or other burdens, of SPS's continued participation in the SPP. SPS will make such a filing at that time.
 - Eighteen months before the end of any Additional Extended Interim Period or further Extended Interim Period occurring under Section 3.b of the Stipulation, SPS will file with the Commission and serve on the Signatories a report (Supplemental Extended Interim Period Report) regarding SPS's continued participation in the SPP. That filing shall contain an evaluation of the benefits and costs to New Mexico retail customers from SPS's participation in the SPP Integrated Marketplace (or successor market structure) for the period starting thirty months (January 1) before the report is filed and ending six months (December 31) before the report is filed and from SPS transferring its load balancing authority function to the SPP for that same period. The SPS filing may also document other benefits, and shall document

any additional costs or other burdens, of SPS's continued participation in the SPP. SPS will make such a filing at that time.

- SPS and the SPP agree to notify the Commission and the Parties to this proceeding within 60 days of issuance of any FERC order, rule, or regulation amending, modifying, changing, or abrogating any term or condition in the Network Integration Transmission Service Agreement. SPP also agrees to serve the Commission and the Parties with copies of any proposed changes to the SPP OATT when it submits such changes to the FERC. Service under this Section of this Stipulation may be provided electronically by email or other commonly accepted method of service.
- SPS and the SPP acknowledge that if the Commission orders SPS to construct or upgrade transmission lines or substation facilities, SPS and the SPP will work to ensure that the ordered construction or upgrade is accomplished in a timely manner and the progress of construction is reported monthly by SPS to the Commission (or such other periodic reporting as may be ordered by the Commission). SPS will work with SPP to ensure that this obligation is met.
- On or before June 1 of each year, SPS shall file with the Commission, and serve on the Signatories, a report showing: (a) the SPP administrative charges (SPP Schedule 1-A) for the prior calendar year; (b) the SPP Schedule 11 charges and revenues related to SPP cost allocation for transmission upgrades required for reliability purposes assessed to SPS for the prior calendar year; (c) other Schedule 11 charges and revenues related to SPP cost allocation for transmission upgrades assessed to SPS for the prior calendar year; (d) net costs and revenues related to the markets in SPP's Integrated Marketplace (or successor market); (e) allocation of SPP's FERC assessment fees (SPP Schedule 12) for the prior calendar year; and (f) the charges and revenues from SPP to SPS for ancillary services for the prior calendar year. SPS filed the required reports on June 2, 2014 and on June 1, 2015.

Southwestern Public Service Company

Summary of Rate Case Expenses

<u>Line No.</u>	<u>Category</u>	<u>Estimated Amount</u>
<u>Consultants</u>		
1	Towers Watson	
2	Gene Wickes Witness	\$ 62,000
3	Compensation Study	10,000
4	Total	<u>72,000</u>
5	Concentric Energy Advisors Ann Bulkley Witness	89,000
6	Deloitte and Touche	90,000
7	TLG Consulting Fran Seymore Witness	33,750
8	Alliance Consulting Dane Watson Witness	24,300
9	Global Insights John Mothersole Witness	82,000
10	Management Applications Consultanting, Inc.	50,000
11	ScottMadden Inc.	297,000
12	Total Consultants	<u>\$ 738,050</u>
<u>Outside Legal Counsel</u>		
13	Hinkle Law Firm	\$ 578,400
14	Winstead	350,000
15	Graves, Dougherty, Hearon & Moody	65,000
16	Total Legal Counsel	<u>\$ 993,400</u>
<u>Miscellaneous Expenses</u>		
17	Temporary Employees/Over Time	\$ 15,750
18	Printing & Supplies	26,250
19	Hearing Expenses	42,000
20	Employee Travel Expenses	101,850
21	Conversion of Rates/Billing System	26,250
22	FedEx, Postage	31,500
23	Total Miscellaneous	<u>\$ 243,600</u>
24	Total Rate Case Expenses	<u>\$ 1,975,050</u>

Southwestern Public Service Company

Fuel in Base Calculation

Line No.	Test Period (Forecasted)	2014 Forecast (current Fuel in Base)	2016 Forecast (proposed Fuel in Base)
1	Fuel (\$)	\$498,614,034.95	\$348,824,450.99
2	Purchased Power (\$)	383,624,169.54	409,076,921.11
3	Less Non-Firm Wholesale Cost (\$)	35,843,410.00	21,896,839.36
4	Fuel and PP (\$) <i>Line (1) + (2) - (3)</i>	\$846,394,794.50	\$736,004,532.74
5	Fuel (kWh)	18,122,890,000	15,415,215,951
6	Purchased Power (kWh)	11,430,240,000	14,829,791,378
7	Less Non-Firm Wholesale (kWh)	1,030,750,000	903,266,804
8	Fuel and PP (kWh) <i>Line (5) + (6) - (7)</i>	29,553,130,000	29,341,740,524
9	Firm Wholesale Cost (\$)	\$223,550,254.51	\$170,982,448.52
10	Total Retail Cost (\$) <i>Line (4) - (9)</i>	\$622,844,539.99	\$565,022,084.22
11	NM Retail Sales (kWh)	4,749,399,983	6,397,319,061
12	NM Retail Fuel Allocator	0.2442358	0.3047283
13	NM Retail Fuel & PP <i>Line (10)*(12)</i>	\$152,120,933.16	\$172,178,194.17
14	NM Portion REC Credits	753,355.39	456,305.90
15	NM Portion Non-firm Off System Sales Margin Credit	1,749,815.04	2,470,975.94
16	NM Net Windsource Purchases	0.00	142,182.52
17	Incremental Fuel Costs for NM Co-ops Planning Reserves	36,127.03	0.00
18	NM Portion BEA VOM	574,793.00	0.00
19	Applicable NM Retail Fuel & PP <i>Line (13)-(14)-(15)+(16)-(17)-(18)</i>	\$149,006,842.70	\$169,393,094.85
20	Fuel in Base \$/kWh	0.031374	0.026479

Southwestern Public Service Company

Current and Proposed Loss-Adjusted Fuel in Base Factors

Current and Proposed Loss-Adjusted Fuel in Base Factors

Line No.	Rate Class	Current Fuel in Base per kWh	Proposed Fuel in Base per kWh	Fuel in Base Change per kWh
1	Residential	\$0.032465	\$0.027461	(\$0.005004)
2	Small General	\$0.032465	\$0.027461	(\$0.005004)
4	Secondary General	\$0.032465	\$0.027461	(\$0.005004)
5	Irrigation	\$0.032465	\$0.027461	(\$0.005004)
6	Primary General	\$0.031871	\$0.026942	(\$0.004929)
7	Large General 115 kV +	\$0.029362	\$0.025125	(\$0.004237)
8	Large General 69 kV - 115 kV	\$0.029581	\$0.025316	(\$0.004265)
9	Small Municipal and School	\$0.032465	\$0.027461	(\$0.005004)
10	Large Municipal and School	\$0.032465	\$0.027461	(\$0.005004)
11	Street and Area Lighting	\$0.032465	\$0.027461	(\$0.005004)
12	New Mexico Retail	\$0.031374	\$0.026479	(\$0.004895)

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
OCTOBER 2014
RULE 550 FORM I

APPLICABLE RATE SCHEDULE(S) Refer to Page 3

EFFECTIVE DATE OF FUEL FACTOR DECEMBER 2014

1. Account 501 - Fuel Expense (1)			
a) Coal (*)			\$19,779,617.07
Less: TUCO Non-Mine and Non-Freight Costs			\$3,087,340.91
b) Gas (*)			\$13,942,090.10
c) Oil (*)			\$17,214.64
d) Total Acct 501 Fuel Expense			\$30,651,580.90
2. Account 518 - Nuclear Fuel Expense (*)			\$0.00
3. Account 555 - Purchased Power Expense			
a) Firm/Capacity			
Capacity		\$0.00	
Firm		\$0.00	
Bank (net)		\$0.00	
Spinning Reserves		\$0.00	
Total Firm/Capacity		\$0.00	
b) Contingent/Unit Commitment		\$0.00	
c) Economy		\$30,575,902.34	
d) Less SunEd Direct Assigned PPA for	Aug-14	(\$200,625.85)	
e) Less SunEd REC Costs	Oct-14	\$89,130.00	
f) Less SunEd Direct Assigned Estimate for	Oct-14	\$ 636,827.53	
g) Less Incremental Fuel Costs for NM Coops Planning Reserves		\$ (46,411.77)	
h) Total Purchased Power Expense			\$30,096,982.43
4. Less Account 447 - Sales For Resale			
a) Firm/Capacity		\$0.00	
Capacity		\$0.00	
Firm		\$15,531,477.32	
Spinning Reserves		\$0.00	
b) Contingent		\$0.00	
c) Economy		\$5,956,644.27	
d) Firm Surplus		\$0.00	
System Sales		\$0.00	
Block Sales		\$0.00	
e) Total Sales For Resale			\$21,488,121.59
5. New Mexico Retail Applicable Fuel & Purchased Power Expense			
a) Sub-total of Items 1(d)+2+3(g)-4(e)		\$39,260,441.74	
b) NM Retail Sales/Total Applicable Retail Sales		0.263727	
c) NM Retail Applicable Fuel & Purchased Power Expense (Item 5a times Item 5b)			\$10,354,038.52

(1) Includes Accounts 501, 503 and 547. Refer to Page 4 for explanation.

(*) Attach Cost Breakdown by Fuel Type

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
OCTOBER 2014
RULE 550 FORM I

5c. Carried forward from page 1 \$10,354,038.52

6. Balancing Account
a) Increased Fuel and Purchased Power June Costmonth (August Factor) **Included in calculations below**

b) Fuel and Purchased Power Cost Adjustment Revenue Billed **Included in calculations below**
Amounts Billed in August, September and October 2014 using the August 2014 FPPCAC Factor

Other Adjustments/Rule 550 Variance

c) Non-firm Off System Sales Margin Credit	\$ (255,226.44)
d) Proceeds from the Sale of Renewable Energy Credits (RECs)	\$0.00
e) Llano Estacado - Texico	\$18,904.58
f) Wind Revenues (WCA)	(\$9,436.41)
g) Solar Costs	\$0.00
h) Incremental Fuel Costs from 10-2001 to 12-2007 refunded Oct 2008 FPPCAC Factor - Sep 2009 FPPCAC Factor	\$0.00
i) Capacity Charges Included In Fuel refunded Oct 2008 FPPCAC Factor - Sep 2009 FPPCAC Factor	\$0.00
j) 2006 Base Line Wholesale Sales Credit	\$0.00
k) REC Credit to FPPCAC	(\$51,155.14)
l) Direct Assigned SunEd	\$0.00
m) Direct Assigned SunEd PPA	\$0.00
n) Electric Commodity Trading Margins - annual amount PPA	\$0.00
	(\$296,913.41)

7a. Applicable Fuel and Purchased Power Expense - (Sum of Item 5, and 6 excluding 6a and 6b) \$10,057,125.11

8. Applicable KWH Sales (**)

Other - Projected December-14
433,107.194 Projected Billed Sales (kWh) At the Meter
NM Retail Actual Fuel Cost Factor

	Projected Billed Sales (kWh) At the Meter	December-14	Loss Factor	kWh @ Source	Loss Multiplier	(\$ per kWh)	6 a) Increased Fuel and Purchased Power		6 b) Fuel and Purchased Power Cost Adjustment Revenue Billed		7a. Applicable Fuel and Purchase Power Expense	7b. Applicable Fuel and Purchase Power	
							June Costmonth (August Factor)	August 2014 FPPCAC Factor	August, September and October 2014 using	September True up Adjustment		July 2014 FPPCAC Factor	Expense
Secondary	181,033,462	1.132439	205,009,353	1.0335126597544	\$ 0.023999	\$4,344,633.15	\$ 1,761,494.86	\$ 1,718,685.27	\$489,378.68	\$4,876,821.41	\$ 1,718,685.27	\$489,378.68	\$4,876,821.41
Primary	127,136,836	1.112001	141,376,288	1.0148600597114	\$ 0.023566	\$ 2,996,097.99	\$ (189,187.12)	\$ 40,766.78	(\$105,092.68)	\$2,661,051.41	\$ 40,766.78	(\$105,092.68)	\$2,661,051.41
Sub-Transmission	24,695,792	1.032089	25,488,255	0.9419289228764	\$ 0.021872	\$ 540,156.43	\$ (270,602.42)	\$ (12,806.06)	(\$45,668.70)	\$236,691.36	\$ (12,806.06)	(\$45,668.70)	\$236,691.36
Backbone Transmission	100,241,105	1.024427	102,689,694	0.9349362513073	\$ 0.021710	\$ 2,176,237.55	\$ 198,824.51	\$ (318,088.34)	(\$431,759.92)	\$2,261,390.48	\$ 198,824.51	(\$431,759.92)	\$2,261,390.48
	433,107,194	1.0957185568188	474,563,590			\$ 10,057,125.11	\$ 1,500,529.83	\$ 1,428,557.65	(\$93,142.63)	\$10,035,954.67	\$ 1,500,529.83	(\$93,142.63)	\$10,035,954.67

9. Base Fuel and Purchased Power Expense -
Applicable KWH Sales associated with line 6b Base Cost of Fuel

	Actual Sales	Fuel in Base Loss Adj(New)	Fuel in Base (\$)
Secondary	212,837,231	\$ 0.032465	\$ 6,909,760.70
Primary	111,702,727	\$ 0.031871	\$ 3,560,077.61
Sub-Transmission	14,995,378	\$ 0.029581	\$ 443,578.28
Backbone Transmission	120,778,109	\$ 0.029362	\$ 3,546,286.84
	460,313,445		\$14,459,703.43

10. Increased or Decreased Fuel & Purchased Power Expense - (Item 7b less Item 9)

Secondary	\$ (2,032,939.29)
Primary	\$ (899,026.20)
Sub-Transmission	\$ (206,886.92)
Backbone Transmission	\$ (1,284,896.36)
	\$ (4,423,748.76)

11. Fuel & Purchased Power Cost Adjustment Factor -
(Item 10 Divided by Item 8)

Secondary	\$ (0.011230)
Primary	\$ (0.007071)
Sub-Transmission	\$ (0.008377)
Backbone Transmission	\$ (0.012818)

12. Attach a Statement of Variances to Rule 550.
Refer to Page 5.

(**) If Other, Provide Basis

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
OCTOBER 2014
RULE 550 FORM I

Applicable New Mexico Retail Rate Schedules
As Approved in Case No. 10-00395-UT Issued September 2011

Rate 1	Revision 9	Rate 30	Revision 3
Rate 3	Revision 5	Rate 34	Revision 3
Rate 4	Revision 27	Rate 39	Revision 2
Rate 5	Revision 4	Rate 40	Revision 2
Rate 6	Revision 8	Rate 42	Revision 2
Rate 13	Revision 8	Rate 44	Revision 2
Rate 14	Revision 7	Rate 46	Original
Rate 16	Revision 7	Rate 47	Revision 2
Rate 28	Revision 5		

**SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
OCTOBER 2014
RULE 550 FORM I**

Southwestern Public Service Co. records its fuel expense in Federal Energy Regulatory Commission(FERC) Accounts 501, 503 and 547. The amounts recorded in Accounts 503 - Steam from other sources and 547 - Fuel, are reflected in Item 1 along with Account 501 - Fuel. The FERC definitions for Accounts 501, 503 and 547 are as follows:

Account 501 -

A. This account shall include the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the first boiler plant bunker, hopper, bucket, tank or holder of the boiler-house structure. Records shall be maintained to show the quantity, B.t.u. content and cost of each type of fuel used.

Account 503 -

This account shall include the cost of steam purchased, or transferred from another department of the utility or from others under a joint facility operating arrangement, for use in prime movers devoted to the production of electricity.

Account 547 -

This account shall include the cost delivered at the station (see account 151, Fuel Stock, for Major utilities, and account 154, Plant Materials and Operating Supplies, for Nonmajor utilities) of all fuel, such as gas, oil, kerosene, and gasoline used in other power generation.

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
OCTOBER 2014
RULE 550 FORM I

PAGE 5

Item 12 - Statement of Adjustments/Variances to Rule 550.

Adjustments:

Non-firm Off System Sales Margin Credit:

Per Final Order in Case No. 1957 issued February 24, 1986, continued per Final Order in Case No. 2542 issued September 6, 1994, continued per Final Order in Case No. 2731 issued October 24, 1997, continued per Final Order in Case No. 2798 issued November 30, 1998, continued per Final Order in Case No. 3169 issued June 6, 2000, continued per Final Order in Case No. 3709 issued August 19, 2003 and continues per Final Order in Case No. 08-00354-UT issued on March 18, 2009.

Balancing Account Item 6(a)

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(E) NMAC to utilize 1) the "fourth month preceding the Current Month" rather than the second month and, 2) the "revenues billed under the monthly factor" as opposed to the "revenues billed in the Current Month."

Applicable kWh Sales - Item 8

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(D) NMAC to utilize the projected kWh sales for the month in which a Factor will be applied.

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
NOVEMBER 2014
RULE 550 FORM I

APPLICABLE RATE SCHEDULE(S) Refer to Page 3

EFFECTIVE DATE OF FUEL FACTOR JANUARY 2015

1. Account 501 - Fuel Expense (1)			
a) Coal (*)			\$21,317,041.52
Less: TUCO Non-Mine and Non-Freight Costs			\$3,054,709.09
b) Gas (*)			\$24,660,564.96
c) Oil (*)			\$13,100.20
d) Total Acct 501 Fuel Expense			\$42,935,997.59
2. Account 518 - Nuclear Fuel Expense (*)			\$0.00
3. Account 555 - Purchased Power Expense			
a) Firm/Capacity			
Capacity		\$0.00	
Firm		\$0.00	
Bank (net)		\$0.00	
Spinning Reserves		\$0.00	
Total Firm/Capacity		\$0.00	
b) Contingent/Unit Commitment		\$0.00	
c) Economy		\$65,909,707.52	
d) Less SunEd Direct Assigned PPA for	Sep-14	\$29,710.35	
e) Less SunEd REC Costs	Nov-14	\$70,100.00	
f) Less SunEd Direct Assigned Estimate for	Nov-14	\$ 475,996.36	
g) Less Incremental Fuel Costs for NM Coops Planning Reserves	\$	-	
h) Total Purchased Power Expense			\$65,333,900.81
4. Less Account 447 - Sales For Resale			
a) Firm/Capacity		\$0.00	
Capacity		\$0.00	
Firm		\$17,711,027.32	
Spinning Reserves		\$0.00	
b) Contingent		\$0.00	
c) Economy		\$6,997,394.39	
d) Firm Surplus		\$0.00	
System Sales		\$0.00	
Block Sales		\$0.00	
e) Total Sales For Resale			\$24,708,421.71
5. New Mexico Retail Applicable Fuel & Purchased Power Expense			
a) Sub-total of Items 1(d)+2+3(g)-4(e)		\$83,561,476.69	
b) NM Retail Sales/Total Applicable Retail Sales		0.253588	
c) NM Retail Applicable Fuel & Purchased Power Expense (Item 5a times Item 5b)			\$21,190,187.75

(1) Includes Accounts 501, 503 and 547. Refer to Page 4 for explanation.

(*) Attach Cost Breakdown by Fuel Type

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
NOVEMBER 2014
RULE 550 FORM I

5c. Carried forward from page 1 \$21,190,187.75

6. Balancing Account
a) Increased Fuel and Purchased Power **Included in calculations below**
July Cost Month (September Factor)
b) Fuel and Purchased Power Cost Adjustment Revenue Billed **Included in calculations below**
Amounts Billed in September, October and November 2014 using the
September 2014 FPPCAC Factor
Other Adjustments/Rule 550 Variance
c) Non-firm Off System Sales Margin Credit (\$197,767.76)
d) Proceeds from the Sale of Renewable Energy Credits (RECs) (\$1,311.66)
e) Llano Estacado - Texico \$32,944.00
f) Wind Revenues (WCA) (\$6,926.64)
g) Solar Costs \$0.00
h) 2006 Base Line Wholesale Sales Credit \$0.00
i) REC Credit to FPPCAC \$60,702.84
j) Direct Assigned SunEd \$0.00
k) Direct Assigned SunEd PPA \$0.00
l) Electric Commodity Trading Margins - annual amount PPA \$0.00
m) Share of ARR/TCR Credits (\$8,051,044.05)
\$ (8,163,403.28)

7a. Applicable Fuel and Purchased Power Expense - \$13,026,784.47
(Sum of Item 5, and 6 excluding 6a and 6b)

8. Applicable KWH Sales (**)
Other - Projected January-15
454,605.734 Projected Billed Sales (kWh) At the Meter
NM Retail Actual Fuel Cost Factor

6 b) Fuel and
Purchased Power
Cost Adjustment
Revenue Billed ...
September,
6 a) Increased October and
Fuel and November 2014
Purchased Power using

	January-15	Loss Factor	kWh @ Source	Loss Multiplier	(\$ per kWh)	7a. Applicable Fuel and Purchase Power Expense	July Cost Month (September Factor) Act.	September 2014 FPPCAC Factor	7b. Applicable Fuel and Purchase Power Expense
Secondary	198,447,879	1.132439	224,730,117	1.0325870970080	\$ 0.029589	\$5,871,857.03	\$ 335,914.85	\$ 285,079.82	\$5,922,692.06
Primary	128,588,778	1.112001	142,990,850	1.0139512013098	\$ 0.029055	\$ 3,736,133.98	\$ (50,736.78)	\$ 311,199.89	\$ 3,374,197.31
Sub-Transmission	20,915,749	1.032089	21,586,915	0.9410853779885	\$ 0.026967	\$ 564,033.34	\$ (234,031.72)	\$ 5,179.21	\$ 324,822.41
Backbone Transmission	106,653,328	1.024427	109,258,548	0.9340989687097	\$ 0.026767	\$ 2,854,760.12	\$ 334,363.62	\$ (341,265.56)	\$ 3,530,389.31
	<u>454,605,734</u>	<u>1.0967007076510</u>	<u>498,566,430</u>			<u>\$ 13,026,784.47</u>	<u>\$ 385,509.97</u>	<u>\$ 260,193.36</u>	<u>\$ 13,152,101.08</u>

9. Base Fuel and Purchased Power Expense -
Applicable KWH Sales associated with line 6b Base Cost of Fuel

	Actual Sales	Fuel in Base Loss Adj(New)	Fuel in Base (\$)
Secondary	166,779,303	\$ 0.032465	\$ 5,414,490.07
Primary	105,228,183	\$ 0.031871	\$ 3,353,727.42
Sub-Transmission	14,267,829	\$ 0.029581	\$ 422,056.65
Backbone Transmission	114,480,215	\$ 0.029362	\$ 3,361,368.07
	<u>400,755,530</u>		<u>\$12,551,642.21</u>

10. Increased or Decreased Fuel & Purchased Power
Expense - (Item 7b less Item 9)

Secondary	\$ 508,201.99
Primary	\$ 20,469.89
Sub-Transmission	\$ (97,234.24)
Backbone Transmission	\$ 169,021.23
	<u>\$ 600,458.87</u>

11. Fuel & Purchased Power Cost Adjustment Factor-
(Item 10 Divided by Item 8)

Secondary	\$ 0.002561
Primary	\$ 0.000159
Sub-Transmission	\$ (0.004649)
Backbone Transmission	\$ 0.001585

12. Attach a Statement of Variances to Rule 550.
Refer to Page 5.

(**) If Other, Provide Basis

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
NOVEMBER 2014
RULE 550 FORM I

Applicable New Mexico Retail Rate Schedules
As Approved in Case No. 10-00395-UT Issued September 2011

Rate 1	Revision 9	Rate 30	Revision 3
Rate 3	Revision 5	Rate 34	Revision 3
Rate 4	Revision 27	Rate 39	Revision 2
Rate 5	Revision 4	Rate 40	Revision 2
Rate 6	Revision 8	Rate 42	Revision 2
Rate 13	Revision 8	Rate 44	Revision 2
Rate 14	Revision 7	Rate 46	Original
Rate 16	Revision 7	Rate 47	Revision 2
Rate 28	Revision 5		

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
NOVEMBER 2014
RULE 550 FORM I

Southwestern Public Service Co. records its fuel expense in Federal Energy Regulatory Commission(FERC) Accounts 501, 503 and 547. The amounts recorded in Accounts 503 - Steam from other sources and 547 - Fuel, are reflected in Item 1 along with Account 501 - Fuel. The FERC definitions for Accounts 501, 503 and 547 are as follows:

Account 501 -

A. This account shall include the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the first boiler plant bunker, hopper, bucket, tank or holder of the boiler-house structure. Records shall be maintained to show the quantity, B.t.u. content and cost of each type of fuel used.

Account 503 -

This account shall include the cost of steam purchased, or transferred from another department of the utility or from others under a joint facility operating arrangement, for use in prime movers devoted to the production of electricity.

Account 547 -

This account shall include the cost delivered at the station (see account 151, Fuel Stock, for Major utilities, and account 154, Plant Materials and Operating Supplies, for Nonmajor utilities) of all fuel, such as gas, oil, kerosene, and gasoline used in other power generation.

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
NOVEMBER 2014
RULE 550 FORM I

Item 12 - Statement of Adjustments/Variances to Rule 550.

Adjustments:

Non-firm Off System Sales Margin Credit:

Per Final Order in Case No. 1957 issued February 24, 1986, continued per Final Order in Case No. 2542 issued September 6, 1994, continued per Final Order in Case No. 2731 issued October 24, 1997, continued per Final Order in Case No. 2798 issued November 30, 1998, continued per Final Order in Case No. 3169 issued June 6, 2000, continued per Final Order in Case No. 3709 issued August 19, 2003 and continues per Final Order in Case No. 08-00354-UT issued on March 18, 2009.

Balancing Account Item 6(a)

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(E) NMAC to utilize 1) the "fourth month preceding the Current Month" rather than the second month and, 2) the "revenues billed under the monthly factor" as opposed to the "revenues billed in the Current Month."

Applicable kWh Sales - Item 8

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(D) NMAC to utilize the projected kWh sales for the month in which a Factor will be applied.

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
DECEMBER 2014
RULE 550 FORM I

APPLICABLE RATE SCHEDULE(S) Refer to Page 3

EFFECTIVE DATE OF FUEL FACTOR FEBRUARY 2015

1. Account 501 - Fuel Expense (1)			
a) Coal (*)			\$22,119,590.29
Less: TUCO Non-Mine and Non-Freight Costs			\$3,109,498.32
b) Gas (*)			\$20,821,636.20
c) Oil (*)			\$15,264.71
d) Total Acct 501 Fuel Expense			\$39,846,992.88
2. Account 518 - Nuclear Fuel Expense (*)			\$0.00
3. Account 555 - Purchased Power Expense			
a) Firm/Capacity			
Capacity		\$0.00	
Firm		\$0.00	
Bank (net)		\$0.00	
Spinning Reserves		\$0.00	
Total Firm/Capacity		\$0.00	
b) Contingent/Unit Commitment		\$0.00	
c) Economy		\$39,262,731.82	
d) Less SunEd Direct Assigned PPA for	Oct-14	(\$12,745.76)	
e) Less SunEd REC Costs	Dec-14	\$49,010.00	
f) Less SunEd Direct Assigned Estimate for	Dec-14	\$ 358,091.63	
g) Less Incremental Fuel Costs for NM Coops Planning Reserves		\$ -	
h) Total Purchased Power Expense			\$38,868,375.95
4. Less Account 447 - Sales For Resale			
a) Firm/Capacity		\$0.00	
Capacity		\$0.00	
Firm		\$13,980,860.00	
Spinning Reserves		\$0.00	
b) Contingent		\$0.00	
c) Economy		\$5,343,885.80	
d) Firm Surplus		\$0.00	
System Sales		\$0.00	
Block Sales		\$0.00	
e) Total Sales For Resale			\$19,324,745.80
5. New Mexico Retail Applicable Fuel & Purchased Power Expense			
a) Sub-total of Items 1(d)+2+3(g)-4(e)		\$59,390,623.03	
b) NM Retail Sales/Total Applicable Retail Sales		0.269465	
c) NM Retail Applicable Fuel & Purchased Power Expense (Item 5a times Item 5b)			\$16,003,694.23

(1) Includes Accounts 501, 503 and 547. Refer to Page 4 for explanation.

(*) Attach Cost Breakdown by Fuel Type

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
DECEMBER 2014
RULE 550 FORM I

5c. Carried forward from page 1 \$16,003,694.23

6. Balancing Account
a) Increased Fuel and Purchased Power **Included in calculations below**
August Cost Month (October Factor)
b) Fuel and Purchased Power Cost Adjustment Revenue Billed **Included in calculations below**
Amounts Billed in October, November, and December 2014 using the
October 2014 FPPCAC Factor
Other Adjustments/Rule 550 Variance
c) Non-firm Off System Sales Margin Credit (\$351,700.39)
d) Proceeds from the Sale of Renewable Energy Credits (RECs) \$0.00
e) Llano Estacado - Texico \$23,988.25
f) Wind Revenues (WCA) (\$10,208.85)
g) Solar Costs \$0.00
h) 2006 Base Line Wholesale Sales Credit \$0.00
i) REC Credit to FPPCAC (\$11,977.47)
j) Direct Assigned SunEd \$0.00
k) Direct Assigned SunEd PPA \$0.00
l) Electric Commodity Trading Margins - annual amount PPA \$0.00
m) Share of ARR/TCR Credits (\$1,342,920.37)
\$ (1,692,818.83)

7a. Applicable Fuel and Purchased Power Expense - \$14,310,875.40
(Sum of Item 5, and 6 excluding 6a and 6b)

8. Applicable KWH Sales (**)
Other - Projected February-15
404,110,825 Projected Billed Sales (kWh) At the Meter
NM Retail Actual Fuel Cost Factor

	Projected Billed Sales (kWh) At the Meter	6 a) Increased Fuel and Purchased Power	6 b) Fuel and Purchased Power Cost Adjustment Revenue Billed October, November and December 2014 using	7a. Applicable Fuel and Purchase Power Expense	August Cost Month (October Factor) Act.	October 2014 FPPCAC Factor	7b. Applicable Fuel and Purchase Power Expense		
Secondary	166,680,570	1.132439	188,755,579	1.0330346148359	\$ 0.036583	\$ 6,097,693.21	\$ (279,570.20)	\$ (486,232.02)	\$6,304,355.03
Primary	124,015,458	1.112001	137,905,313	1.0143906424382	\$ 0.035923	\$ 4,454,990.39	\$ 720,883.26	\$ 689,102.69	\$ 4,486,770.96
Sub-Transmission	19,650,615	1.032089	20,281,183	0.9414932394516	\$ 0.033341	\$ 655,177.63	\$ (82,886.86)	\$ 196,847.00	\$ 375,443.77
Backbone Transmission	93,764,182	1.024427	96,054,560	0.9345038022997	\$ 0.033094	\$ 3,103,014.17	\$ 1,620,594.71	\$ 1,447,394.89	\$ 3,276,213.99
	<u>404,110,825</u>	<u>1.0962256092260</u>	<u>442,996,635</u>			<u>\$ 14,310,875.40</u>	<u>\$ 1,979,020.91</u>	<u>\$ 1,847,112.56</u>	<u>\$ 14,442,783.74</u>

9. Base Fuel and Purchased Power Expense -
Applicable KWH Sales associated with line 6b Base Cost of Fuel

	Actual Sales	Fuel in Base Loss Adj(New)	Fuel in Base (\$)
Secondary	149,324,558	\$ 0.032465	\$ 4,847,821.76
Primary	111,793,519	\$ 0.031871	\$ 3,562,971.26
Sub-Transmission	14,989,873	\$ 0.029581	\$ 443,415.43
Backbone Transmission	120,305,451	\$ 0.029362	\$ 3,532,408.65
	<u>396,413,401</u>		<u>\$12,386,617.11</u>

10. Increased or Decreased Fuel & Purchased Power Expense - (Item 7b less Item 9)

Secondary	\$ 1,456,533.27
Primary	\$ 923,799.70
Sub-Transmission	\$ (67,971.67)
Backbone Transmission	\$ (256,194.67)
	<u>\$ 2,056,166.64</u>

11. Fuel & Purchased Power Cost Adjustment Factor-
(Item 10 Divided by Item 8)

Secondary	\$ 0.008738
Primary	\$ 0.007449
Sub-Transmission	\$ (0.003459)
Backbone Transmission	\$ (0.002732)

12. Attach a Statement of Variances to Rule 550.
Refer to Page 5.

(**) If Other, Provide Basis

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
DECEMBER 2014
RULE 550 FORM I

Applicable New Mexico Retail Rate Schedules
As Approved in Case No. 10-00395-UT Issued September 2011

Rate 1	Revision 9	Rate 30	Revision 3
Rate 3	Revision 5	Rate 34	Revision 3
Rate 4	Revision 27	Rate 39	Revision 2
Rate 5	Revision 4	Rate 40	Revision 2
Rate 6	Revision 8	Rate 42	Revision 2
Rate 13	Revision 8	Rate 44	Revision 2
Rate 14	Revision 7	Rate 46	Original
Rate 16	Revision 7	Rate 47	Revision 2
Rate 28	Revision 5		

**SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
DECEMBER 2014
RULE 550 FORM I**

Southwestern Public Service Co. records its fuel expense in Federal Energy Regulatory Commission(FERC) Accounts 501, 503 and 547. The amounts recorded in Accounts 503 - Steam from other sources and 547 - Fuel, are reflected in Item 1 along with Account 501 - Fuel. The FERC definitions for Accounts 501, 503 and 547 are as follows:

Account 501 -

A. This account shall include the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the first boiler plant bunker, hopper, bucket, tank or holder of the boiler-house structure. Records shall be maintained to show the quantity, B.t.u. content and cost of each type of fuel used.

Account 503 -

This account shall include the cost of steam purchased, or transferred from another department of the utility or from others under a joint facility operating arrangement, for use in prime movers devoted to the production of electricity.

Account 547 -

This account shall include the cost delivered at the station (see account 151, Fuel Stock, for Major utilities, and account 154, Plant Materials and Operating Supplies, for Nonmajor utilities) of all fuel, such as gas, oil, kerosene, and gasoline used in other power generation.

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
DECEMBER 2014
RULE 550 FORM I

Item 12 - Statement of Adjustments/Variances to Rule 550.

Adjustments:

Non-firm Off System Sales Margin Credit:

Per Final Order in Case No. 1957 issued February 24, 1986, continued per Final Order in Case No. 2542 issued September 6, 1994, continued per Final Order in Case No. 2731 issued October 24, 1997, continued per Final Order in Case No.2798 issued November 30, 1998, continued per Final Order in Case No.3169 issued June 6, 2000, continued per Final Order in Case No. 3709 issued August 19, 2003 and continues per Final Order in Case No. 08-00354-UT issued on March 18, 2009.

Balancing Account Item 6(a)

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(E) NMAC to utilize 1) the "fourth month preceding the Current Month" rather than the second month and, 2) the "revenues billed under the monthly factor" as opposed to the "revenues billed in the Current Month."

Applicable kWh Sales - Item 8

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(D) NMAC to utilize the projected kWh sales for the month in which a Factor will be applied.

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
JANUARY 2015
RULE 550 FORM I

APPLICABLE RATE SCHEDULE(S) Refer to Page 3

EFFECTIVE DATE OF FUEL FACTOR MARCH 2015

1. Account 501 - Fuel Expense (1)			
a) Coal (*)			\$26,410,349.79
Less: TUCO Non-Mine and Non-Freight Costs			\$4,120,901.87
b) Gas (*)			\$12,199,172.64
c) Oil (*)			\$45,912.95
d) Total Acct 501 Fuel Expense			\$34,534,533.51
2. Account 518 - Nuclear Fuel Expense (*)			\$0.00
3. Account 555 - Purchased Power Expense			
a) Firm/Capacity			
Capacity		\$0.00	
Firm		\$0.00	
Bank (net)		\$0.00	
Spinning Reserves		\$0.00	
Total Firm/Capacity		\$0.00	
b) Contingent/Unit Commitment		\$0.00	
c) Economy		\$34,718,805.28	
d) Less SunEd Direct Assigned PPA for	Nov-14	\$27,477.31	
e) Less SunEd REC Costs	Jan-15	\$53,630.00	
f) Less SunEd Direct Assigned Estimate for	Jan-15	\$437,399.75	
g) Less Incremental Fuel Costs for NM Coops Planning Reserves		\$0.00	
h) Total Purchased Power Expense			\$34,200,298.22
4. Less Account 447 - Sales For Resale			
a) Firm/Capacity		\$0.00	
Capacity		\$0.00	
Firm		\$18,146,536.13	
Spinning Reserves		\$0.00	
b) Contingent		\$0.00	
c) Economy		\$5,543,161.90	
d) Firm Surplus		\$0.00	
System Sales		\$0.00	
Block Sales		\$0.00	
e) Total Sales For Resale			\$23,689,698.03
5. New Mexico Retail Applicable Fuel & Purchased Power Expense			
a) Sub-total of Items 1(d)+2+3(g)-4(e)		\$45,045,133.71	
b) NM Retail Sales/Total Applicable Retail Sales		0.271163	
c) NM Retail Applicable Fuel & Purchased Power Expense (Item 5a times Item 5b)			\$12,214,573.59

(1) Includes Accounts 501, 503 and 547. Refer to Page 4 for explanation.

(*) Attach Cost Breakdown by Fuel Type

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
JANUARY 2015
RULE 550 FORM I

5c. Carried forward from page 1 \$12,214,573.59

6. Balancing Account
a) Increased Fuel and Purchased Power **Included in calculations below**
September Cost Month (November Factor)
b) Fuel and Purchased Power Cost Adjustment Revenue Billed **Included in calculations below**
Amounts Billed in November, December 2014 and January 2015 using the
November 2014 FPPCAC Factor
Other Adjustments/Rule 550 Variance
c) Non-firm Off System Sales Margin Credit (\$289,882.27)
d) Proceeds from the Sale of Renewable Energy Credits (RECs) \$0.00
e) Llano Estacado - Texico \$28,322.08
f) Wind Revenues (WCA) (\$10,753.68)
g) Solar Costs \$0.00
h) 2006 Base Line Wholesale Sales Credit \$0.00
i) REC Credit to FPPCAC (\$23,164.11)
j) Direct Assigned SunEd \$0.00
k) Direct Assigned SunEd PPA \$0.00
l) Electric Commodity Trading Margins - annual amount PPA (\$282,861.52)
m) Share of ARR/TCR Credits (\$884,798.93)
\$ (1,463,138.43)

7a. Applicable Fuel and Purchased Power Expense - \$10,751,435.16
(Sum of Item 5, and 6 excluding 6a and 6b)

8. Applicable KWH Sales (**)
Other - Projected March-15
426,218,564 Projected Billed Sales (kWh) At the Meter
NM Retail Actual Fuel Cost Factor

	Projected Billed Sales (kWh) At the Meter		6 a) Increased Fuel and Purchased Power using September Cost Month		6 b) Fuel and Purchased Power Cost Adjustment Revenue Billed November, December 2014 and January 2015		7a. Applicable Fuel and Purchase Power Expense (November Factor) Act.		7b. Applicable Fuel and Purchase Power Expense	
	March-15	Loss Factor	kWh @ Source	Loss Multiplier	(\$ per kWh)	Power Expense	November 2014 FPPCAC Factor	November 2014 FPPCAC Factor	November 2014 FPPCAC Factor	and Purchase Power Expense
Secondary	165,341,898	1.132439	187,239,614	1.0354501395656	\$ 0.026119	\$ 4,318,631.90	\$ (3,232,709.10)	\$ (3,911,305.21)	\$4,997,228.01	
Primary	131,109,018	1.112001	145,793,359	1.0167625723302	\$ 0.025648	\$ 3,362,685.05	\$ (858,847.52)	\$ (266,761.79)	\$ 2,770,599.32	
Sub-Transmission	22,354,460	1.032089	23,071,792	0.9436947147653	\$ 0.023805	\$ 532,144.75	\$ (345,997.23)	\$ (70,461.80)	\$ 256,609.32	
Backbone Transmission	107,413,188	1.024427	110,036,970	0.9366889343486	\$ 0.023628	\$ 2,537,973.45	\$ 237,270.05	\$ (319,369.56)	\$ 3,094,613.06	
	<u>426,218,564</u>	<u>1.0936683059168</u>	<u>466,141,735</u>			<u>\$ 10,751,435.16</u>	<u>\$ (4,200,283.80)</u>	<u>\$ (4,567,898.36)</u>	<u>\$ 11,119,049.71</u>	

9. Base Fuel and Purchased Power Expense -
Applicable KWH Sales associated with line 6b Base Cost of Fuel

	Actual Sales	Fuel in Base Loss Adj(New)	Fuel in Base (\$s)
Secondary	167,113,207	\$ 0.032465	\$ 5,425,330.28
Primary	108,052,296	\$ 0.031871	\$ 3,443,734.73
Sub-Transmission	12,853,303	\$ 0.029581	\$ 380,213.55
Backbone Transmission	118,548,466	\$ 0.029362	\$ 3,480,820.07
	<u>406,567,273</u>		<u>\$12,730,098.64</u>

10. Increased or Decreased Fuel & Purchased Power Expense - (Item 7b less Item 9)

Secondary	\$ (428,102.27)
Primary	\$ (673,135.41)
Sub-Transmission	\$ (123,604.23)
Backbone Transmission	\$ (386,207.01)
	<u>\$ (1,611,048.93)</u>

11. Fuel & Purchased Power Cost Adjustment Factor-
(Item 10 Divided by Item 8)

Secondary	\$ (0.002589)
Primary	\$ (0.005134)
Sub-Transmission	\$ (0.005529)
Backbone Transmission	\$ (0.003596)

12. Attach a Statement of Variances to Rule 550.
Refer to Page 5.

(**) If Other, Provide Basis

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
JANUARY 2015
RULE 550 FORM I

Applicable New Mexico Retail Rate Schedules
As Approved in Case No. 10-00395-UT Issued September 2011

Rate 1	Revision 9	Rate 30	Revision 3
Rate 3	Revision 5	Rate 34	Revision 3
Rate 4	Revision 27	Rate 39	Revision 2
Rate 5	Revision 4	Rate 40	Revision 2
Rate 6	Revision 8	Rate 42	Revision 2
Rate 13	Revision 8	Rate 44	Revision 2
Rate 14	Revision 7	Rate 46	Original
Rate 16	Revision 7	Rate 47	Revision 2
Rate 28	Revision 5		

**SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
JANUARY 2015
RULE 550 FORM I**

Southwestern Public Service Co. records its fuel expense in Federal Energy Regulatory Commission(FERC) Accounts 501, 503 and 547. The amounts recorded in Accounts 503 - Steam from other sources and 547 - Fuel, are reflected in Item 1 along with Account 501 - Fuel. The FERC definitions for Accounts 501, 503 and 547 are as follows:

Account 501 -

A. This account shall include the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the first boiler plant bunker, hopper, bucket, tank or holder of the boiler-house structure. Records shall be maintained to show the quantity, B.t.u. content and cost of each type of fuel used.

Account 503 -

This account shall include the cost of steam purchased, or transferred from another department of the utility or from others under a joint facility operating arrangement, for use in prime movers devoted to the production of electricity.

Account 547 -

This account shall include the cost delivered at the station (see account 151, Fuel Stock, for Major utilities, and account 154, Plant Materials and Operating Supplies, for Nonmajor utilities) of all fuel, such as gas, oil, kerosene, and gasoline used in other power generation.

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
JANUARY 2015
RULE 550 FORM I

Item 12 - Statement of Adjustments/Variances to Rule 550.

Adjustments:

Non-firm Off System Sales Margin Credit:

Per Final Order in Case No. 1957 issued February 24, 1986, continued per Final Order in Case No. 2542 issued September 6, 1994, continued per Final Order in Case No. 2731 issued October 24, 1997, continued per Final Order in Case No. 2798 issued November 30, 1998, continued per Final Order in Case No. 3169 issued June 6, 2000, continued per Final Order in Case No. 3709 issued August 19, 2003 and continues per Final Order in Case No. 08-00354-UT issued on March 18, 2009.

Balancing Account Item 6(a)

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(E) NMAC to utilize 1) the "fourth month preceding the Current Month" rather than the second month and, 2) the "revenues billed under the monthly factor" as opposed to the "revenues billed in the Current Month."

Applicable kWh Sales - Item 8

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(D) NMAC to utilize the projected kWh sales for the month in which a Factor will be applied.

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
FEBRUARY 2015
RULE 550 FORM I

APPLICABLE RATE SCHEDULE(S) Refer to Page 3

EFFECTIVE DATE OF FUEL FACTOR APRIL 2015

1. Account 501 - Fuel Expense (1)			
a) Coal (*)			\$21,776,488.78
Less: TUCO Non-Mine and Non-Freight Costs			\$3,661,464.29
b) Gas (*)			\$8,760,960.83
c) Oil (*)			\$9,783.20
d) Total Acct 501 Fuel Expense			\$26,885,768.52
2. Account 518 - Nuclear Fuel Expense (*)			\$0.00
3. Account 555 - Purchased Power Expense			
a) Firm/Capacity			
Capacity		\$0.00	
Firm		\$0.00	
Bank (net)		\$0.00	
Spinning Reserves		\$0.00	
Total Firm/Capacity		\$0.00	
b) Contingent/Unit Commitment		\$0.00	
c) Economy		\$30,297,968.61	
d) Less SunEd Direct Assigned PPA for	Dec-14	\$28,327.17	
e) Less SunEd REC Costs	Feb-15	\$68,140.00	
f) Less SunEd Direct Assigned Estimate for	Feb-15	\$512,372.48	
g) Less Incremental Fuel Costs for NM Coops Planning Reserves		\$0.00	
h) Total Purchased Power Expense			\$29,689,128.95
4. Less Account 447 - Sales For Resale			
a) Firm/Capacity		\$0.00	
Capacity		\$0.00	
Firm		\$14,901,158.52	
Spinning Reserves		\$0.00	
b) Contingent		\$0.00	
c) Economy		\$4,618,135.17	
d) Firm Surplus		\$0.00	
System Sales		\$0.00	
Block Sales		\$0.00	
e) Total Sales For Resale			\$19,519,293.69
5. New Mexico Retail Applicable Fuel & Purchased Power Expense			
a) Sub-total of Items 1(d)+2+(g)-4(e)		\$37,055,603.78	
b) NM Retail Sales/Total Applicable Retail Sales		0.260034	
c) NM Retail Applicable Fuel & Purchased Power Expense (Item 5a times Item 5b)			\$9,635,716.87

(1) Includes Accounts 501, 503 and 547. Refer to Page 4 for explanation.

(*) Attach Cost Breakdown by Fuel Type

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
FEBRUARY 2015
RULE 550 FORM I

5c. Carried forward from page 1 \$9,635,716.87

6. Balancing Account
a) Increased Fuel and Purchased Power **Included in calculations below**
October Cost Month (December Factor)

b) Fuel and Purchased Power Cost Adjustment Revenue Billed **Included in calculations below**
Amounts Billed in December 2014, January and February 2015 using the
December 2014 FPPCAC Factor

Other Adjustments/Rule 550 Variance

c) Non-firm Off System Sales Margin Credit	(\$225,842.25)
d) Proceeds from the Sale of Renewable Energy Credits (RECs)	\$0.00
e) Llano Estacado - Texico	\$25,971.80
f) Wind Revenues (WCA)	(\$8,971.50)
g) Solar Costs	\$0.00
h) 2006 Base Line Wholesale Sales Credit	\$0.00
i) REC Credit to FPPCAC	(\$19,440.18)
j) Direct Assigned SunEd	\$0.00
k) Direct Assigned SunEd PPA	\$0.00
l) Electric Commodity Trading Margins - annual amount PPA	(\$157.68)
m) Share of ARR/TCR Credits	(\$481,322.90)
	\$ (709,762.71)

7a. Applicable Fuel and Purchased Power Expense - \$8,925,954.16
(Sum of Item 5, and 6 excluding 6a and 6b)

8. Applicable KWH Sales (**)

Other - Projected April-15
418,081,213 Projected Billed Sales (kWh) At the Meter
NM Retail Actual Fuel Cost Factor

	Projected Billed Sales (kWh) At the Meter		6 a) Increased Fuel and Purchased Power 2014, January and February 2015 using		6 b) Fuel and Purchased Power Cost Adjustment Revenue Billed in December		7a. Applicable Fuel and Purchase Power Expense (December Factor) Actual		7b. Applicable Fuel and Purchase Power Expense	
	April-15	Loss Factor	kWh @ Source	Loss Multiplier	(\$ per kWh)	Power Expense	December 2014 FPPCAC Factor	December 2014 FPPCAC Factor	December 2014 FPPCAC Factor	December 2014 FPPCAC Factor
Secondary	156,979,836	1.132439	177,770,089	1.0360407279146	\$ 0.022119	\$ 3,472,279.70	\$ (1,774,515.80)	\$ (2,192,775.46)	\$3,890,539.35	
Primary	131,975,008	1.112001	146,756,341	1.0173425018759	\$ 0.021720	\$ 2,866,506.20	\$ (1,273,772.13)	\$ (784,400.96)	\$ 2,377,135.03	
Sub-Transmission	22,781,919	1.032089	23,512,968	0.9442329686921	\$ 0.020159	\$ 459,265.12	\$ (483,515.67)	\$ (102,922.20)	\$ 78,671.65	
Backbone Transmission	106,344,450	1.024427	108,942,126	0.9372231923975	\$ 0.020010	\$ 2,127,903.14	\$ (891,945.16)	\$ (1,546,844.76)	\$ 2,782,802.74	
	<u>418,081,213</u>	<u>1.0930448673378</u>	<u>456,981,524</u>			<u>\$ 8,925,954.16</u>	<u>\$ (4,423,748.76)</u>	<u>\$ (4,626,943.38)</u>	<u>\$ 9,129,148.77</u>	

9. Base Fuel and Purchased Power Expense -
Applicable KWH Sales associated with line 6b Base Cost of Fuel

	Actual kWh Sales At the Meter December 2014	Fuel in Base (\$ per kWh)	Fuel in Base (\$)
Secondary	195,588,343	\$ 0.032465	\$ 6,349,775.55
Primary	113,430,968	\$ 0.031871	\$ 3,615,158.39
Sub-Transmission	12,286,284	\$ 0.029581	\$ 363,440.57
Backbone Transmission	120,677,543	\$ 0.029362	\$ 3,543,334.02
	<u>441,983,138</u>		<u>\$13,871,708.53</u>

10. Increased or Decreased Fuel & Purchased Power Expense - (Item 7b less Item 9)

Secondary	\$ (2,459,236.20)
Primary	\$ (1,238,023.37)
Sub-Transmission	\$ (284,768.91)
Backbone Transmission	\$ (760,531.28)
	<u>\$ (4,742,559.76)</u>

11. Fuel & Purchased Power Cost Adjustment Factor-
(Item 10 Divided by Item 8)

Secondary	\$ (0.015666)
Primary	\$ (0.009381)
Sub-Transmission	\$ (0.012500)
Backbone Transmission	\$ (0.007152)

12. Attach a Statement of Variances to Rule 550.
Refer to Page 5.

(**) If Other, Provide Basis

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
FEBRUARY 2015
RULE 550 FORM I

Applicable New Mexico Retail Rate Schedules
As Approved in Case No. 10-00395-UT Issued September 2011

Rate 1	Revision 9	Rate 30	Revision 3
Rate 3	Revision 5	Rate 34	Revision 3
Rate 4	Revision 27	Rate 39	Revision 2
Rate 5	Revision 4	Rate 40	Revision 2
Rate 6	Revision 8	Rate 42	Revision 2
Rate 13	Revision 8	Rate 44	Revision 2
Rate 14	Revision 7	Rate 46	Original
Rate 16	Revision 7	Rate 47	Revision 2
Rate 28	Revision 5		

**SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
FEBRUARY 2015
RULE 550 FORM I**

Southwestern Public Service Co. records its fuel expense in Federal Energy Regulatory Commission(FERC) Accounts 501, 503 and 547. The amounts recorded in Accounts 503 - Steam from other sources and 547 - Fuel, are reflected in Item 1 along with Account 501 - Fuel. The FERC definitions for Accounts 501, 503 and 547 are as follows:

Account 501 -

A. This account shall include the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the first boiler plant bunker, hopper, bucket, tank or holder of the boiler-house structure. Records shall be maintained to show the quantity, B.t.u. content and cost of each type of fuel used.

Account 503 -

This account shall include the cost of steam purchased, or transferred from another department of the utility or from others under a joint facility operating arrangement, for use in prime movers devoted to the production of electricity.

Account 547 -

This account shall include the cost delivered at the station (see account 151, Fuel Stock, for Major utilities, and account 154, Plant Materials and Operating Supplies, for Nonmajor utilities) of all fuel, such as gas, oil, kerosene, and gasoline used in other power generation.

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
FEBRUARY 2015
RULE 550 FORM I

Item 12 - Statement of Adjustments/Variations to Rule 550.

Adjustments:

Non-firm Off System Sales Margin Credit:

Per Final Order in Case No. 1957 issued February 24, 1986, continued per Final Order in Case No. 2542 issued September 6, 1994, continued per Final Order in Case No. 2731 issued October 24, 1997, continued per Final Order in Case No. 2798 issued November 30, 1998, continued per Final Order in Case No. 3169 issued June 6, 2000, continued per Final Order in Case No. 3709 issued August 19, 2003 and continues per Final Order in Case No. 08-00354-UT issued on March 18, 2009.

Balancing Account Item 6(a)

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(E) NMAC to utilize 1) the "fourth month preceding the Current Month" rather than the second month and, 2) the "revenues billed under the monthly factor" as opposed to the "revenues billed in the Current Month."

Applicable kWh Sales - Item 8

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(D) NMAC to utilize the projected kWh sales for the month in which a Factor will be applied.

SOUTHWESTERN PUBLIC SERVICE COMPANY
ACTUAL FUEL COST FOR
MARCH 2015
RULE 550 FORM I

APPLICABLE RATE SCHEDULE(S) Refer to Page 3

EFFECTIVE DATE OF FUEL FACTOR MAY 2015

1. Account 501 - Fuel Expense (1)			
a) Coal (*)			\$21,361,986.53
Less: TUCO Non-Mine and Non-Freight Costs			\$4,121,892.13
b) Gas (*)			\$12,853,747.58
c) Oil (*)			\$9,536.78
d) Total Acct 501 Fuel Expense			\$30,103,378.76
2. Account 518 - Nuclear Fuel Expense (*)			\$0.00
3. Account 555 - Purchased Power Expense			
a) Firm/Capacity			
Capacity		\$0.00	
Firm		\$0.00	
Bank (net)		\$0.00	
Spinning Reserves		\$0.00	
Total Firm/Capacity		\$0.00	
b) Contingent/Unit Commitment		\$0.00	
c) Economy		\$26,736,811.66	
d) Less SunEd Direct Assigned PPA for	Jan-15	(\$9,599.35)	
e) Less SunEd REC Costs	Mar-15	\$88,900.00	
f) Less SunEd Direct Assigned Estimate for	Mar-15	\$702,626.10	
g) Less Incremental Fuel Costs for NM Coops Planning Reserves		\$0.00	
h) Total Purchased Power Expense			\$25,954,884.92
4. Less Account 447 - Sales For Resale			
a) Firm/Capacity		\$0.00	
Capacity		\$0.00	
Firm		\$11,526,630.48	
Spinning Reserves		\$0.00	
b) Contingent		\$0.00	
c) Economy		\$5,220,178.60	
d) Firm Surplus		\$0.00	
System Sales		\$0.00	
Block Sales		\$0.00	
e) Total Sales For Resale			\$16,746,809.08
5. New Mexico Retail Applicable Fuel & Purchased Power Expense			
a) Sub-total of Items 1(d)+2+(g)-4(e)		\$39,311,454.60	
b) NM Retail Sales/Total Applicable Retail Sales		0.274579	
c) NM Retail Applicable Fuel & Purchased Power Expense (Item 5a times Item 5b)			\$10,794,099.89

(1) Includes Accounts 501, 503 and 547. Refer to Page 4 for explanation.

(*) Attach Cost Breakdown by Fuel Type

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5c. Carried forward from page 1 \$10,794,099.89

6. Balancing Account

a) Increased Fuel and Purchased Power **Included in calculations below**
November Cost Month (January Factor)

b) Fuel and Purchased Power Cost Adjustment Revenue Billed **Included in calculations below**
Amounts Billed in January, February and March 2015 using the
January 2015 FPPCAC Factor

Other Adjustments/Rule 550 Variance

c) Non-firm Off System Sales Margin Credit \$ (122,041.03)

d) Proceeds from the Sale of Renewable Energy Credits (RECs) \$0.00

e) Llano Estacado - Texico \$18,479.59

f) Wind Revenues (WCA) (\$9,852.26)

g) Solar Costs \$0.00

h) 2006 Base Line Wholesale Sales Credit \$0.00

i) REC Credit to FPPCAC (\$25,878.10)

j) Direct Assigned SunEd \$0.00

k) Direct Assigned SunEd PPA \$0.00

l) Electric Commodity Trading Margins - annual amount PPA \$0.00

m) Share of ARR/TCR Credits (\$451,902.42)

\$ (591,194.22)

7a. Applicable Fuel and Purchased Power Expense - \$10,202,905.67
(Sum of Item 5, and 6 excluding 6a and 6b)

8. Applicable KWH Sales (**)
Other - Projected May-15
447,435,177 Projected Billed Sales (kWh) At the Meter
NM Retail Actual Fuel Cost Factor

	May-15	Loss Factor	kWh @ Source	Loss Multiplier	(\$ per kWh)	6 a) Increased Fuel and Purchased Power		6 b) Fuel and Purchased Power Cost Adjustment Revenue Billed		7b. Applicable Fuel and Purchase Power Expense
						7a. Applicable Fuel and Purchase Power Expense	Month (January 2015 Factor)	Amounts Billed in January, February and March 2015 using	November Cost FPPCAC Factor	
Secondary	173,087,749	1.132439	196,011,317	1.0375868516160	\$ 0.023660	\$ 4,095,288.82	\$ 971,930.13	\$ 533,301.50	\$4,533,917.45	
Primary	127,475,472	1.112001	141,752,852	1.0188607214904	\$ 0.023233	\$ 2,961,659.96	\$ (424,508.49)	\$ 17,760.91	\$ 2,519,390.56	
Sub-Transmission	14,903,533	1.032089	15,381,773	0.9456420841189	\$ 0.021564	\$ 321,373.29	\$ (298,376.24)	\$ (60,913.81)	\$ 83,910.86	
Backbone Transmission	131,968,423	1.024427	135,192,016	0.9386218468637	\$ 0.021403	\$ 2,824,583.60	\$ 351,413.47	\$ 175,110.24	\$ 3,000,886.84	
	<u>447,435,177</u>	<u>1.0914161048169</u>	<u>488,337,958</u>			<u>\$ 10,202,905.67</u>	<u>\$ 600,458.87</u>	<u>\$ 665,258.84</u>	<u>\$ 10,138,105.70</u>	

9. Base Fuel and Purchased Power Expense -
Applicable KWH Sales associated with line 6b Base Cost of Fuel

	Actual kWh Sales At the Meter January 2015	Fuel in Base (\$ per kWh)	Fuel in Base (\$)
Secondary	208,482,027	\$ 0.032465	\$ 6,768,369.01
Primary	110,290,966	\$ 0.031871	\$ 3,515,083.38
Sub-Transmission	13,102,560	\$ 0.029581	\$ 387,586.83
Backbone Transmission	110,479,644	\$ 0.029362	\$ 3,243,903.31
	<u>442,355,197</u>		<u>\$13,914,942.52</u>

10. Increased or Decreased Fuel & Purchased Power Expense - (Item 7b less Item 9)

Secondary	\$ (2,234,451.56)
Primary	\$ (995,692.82)
Sub-Transmission	\$ (303,675.97)
Backbone Transmission	\$ (243,016.47)
	<u>\$ (3,776,836.82)</u>

11. Fuel & Purchased Power Cost Adjustment Factor-
(Item 10 Divided by Item 8)

Secondary	\$ (0.012909)
Primary	\$ (0.007811)
Sub-Transmission	\$ (0.020376)
Backbone Transmission	\$ (0.001841)

12. Attach a Statement of Variances to Rule 550.
Refer to Page 5.

(**) If Other, Provide Basis

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Applicable New Mexico Retail Rate Schedules
As Approved in Case No. 10-00395-UT Issued September 2011

Rate 1	Revision 9	Rate 30	Revision 3
Rate 3	Revision 5	Rate 34	Revision 3
Rate 4	Revision 27	Rate 39	Revision 2
Rate 5	Revision 4	Rate 40	Revision 2
Rate 6	Revision 8	Rate 42	Revision 2
Rate 13	Revision 8	Rate 44	Revision 2
Rate 14	Revision 7	Rate 46	Original
Rate 16	Revision 7	Rate 47	Revision 2
Rate 28	Revision 5		

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Southwestern Public Service Co. records its fuel expense in Federal Energy Regulatory Commission(FERC) Accounts 501, 503 and 547. The amounts recorded in Accounts 503 - Steam from other sources and 547 - Fuel, are reflected in Item 1 along with Account 501 - Fuel. The FERC definitions for Accounts 501, 503 and 547 are as follows:

Account 501 -

A. This account shall include the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the first boiler plant bunker, hopper, bucket, tank or holder of the boiler-house structure. Records shall be maintained to show the quantity, B.t.u. content and cost of each type of fuel used.

Account 503 -

This account shall include the cost of steam purchased, or transferred from another department of the utility or from others under a joint facility operating arrangement, for use in prime movers devoted to the production of electricity.

Account 547 -

This account shall include the cost delivered at the station (see account 151, Fuel Stock, for Major utilities, and account 154, Plant Materials and Operating Supplies, for Nonmajor utilities) of all fuel, such as gas, oil, kerosene, and gasoline used in other power generation.

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Item 12 - Statement of Adjustments/Variances to Rule 550.

Adjustments:

Non-firm Off System Sales Margin Credit:

Per Final Order in Case No. 1957 issued February 24, 1986, continued per Final Order in Case No. 2542 issued September 6, 1994, continued per Final Order in Case No. 2731 issued October 24, 1997, continued per Final Order in Case No. 2798 issued November 30, 1998, continued per Final Order in Case No. 3169 issued June 6, 2000, continued per Final Order in Case No. 3709 issued August 19, 2003 and continues per Final Order in Case No. 08-00354-UT issued on March 18, 2009.

Balancing Account Item 6(a)

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(E) NMAC to utilize 1) the "fourth month preceding the Current Month" rather than the second month and, 2) the "revenues billed under the monthly factor" as opposed to the "revenues billed in the Current Month."

Applicable kWh Sales - Item 8

Per Order Conditionally Approving Application in Case No. 07-00382-UT issued February 21, 2008, Southwestern Public Service Company was granted a variance from 17.9.550.7(D) NMAC to utilize the projected kWh sales for the month in which a Factor will be applied.