



790 Buchanan Street
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August 30, 2022

VIA ELECTRONIC FILING

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**Re: *Public Service Company of Colorado*
 Southwestern Public Service Company
 Docket No. ER22-____-000
 Revisions to Attachment O-SPS Transmission Formula Rate Template in
 Xcel Energy Operating Companies Joint Open Access Transmission Tariff**

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act,¹ part 35 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations,² and Order No. 714,³ Public Service Company of Colorado ("PSCo"), on behalf of its affiliate, Southwestern Public Service Company ("SPS"), submits the enclosed limited revision to Attachment O-SPS of the Xcel Energy Operating Companies Joint Open Access Transmission Tariff ("Xcel Energy OATT").⁴ The enclosed revisions are necessary to allow adjustments to the Accumulated Deferred Income Taxes ("ADIT") portion of rate base to flow through the ADIT proration calculation.

As explained herein, these revisions are necessary to correct an error recently discovered by SPS with respect to tariff modifications recently accepted by the Commission in Docket No. ER22-201-000. The Commission granted an effective of May 19, 2021 for those revisions in Docket No. ER22-201-000, and so SPS respectfully requests that the Commission waive its prior notice requirements to permit an effective date of May 19, 2021 for the revisions proposed herein. SPS anticipates that the implementation of these revisions will result in a small rate decrease for its transmission customers. Granting this request is consistent with Commission policy and precedent and is supported by the testimony included as part of this filing.

¹ 16 U.S.C. § 824d.

² 18 C.F.R. pt. 35 (2022).

³ *Electronic Tariff Filings*, FERC Stats. & Regs. ¶ 31,276 (2008), *order on clarification*, Order No. 714-A, 147 FERC ¶ 61,115 (2014) ("Order No. 714").

⁴ PSCo is the designated e-Tariff filing entity for the Xcel Energy OATT, consistent with the requirements of Order No. 714.

I. CONTENTS OF FILING

This filing consists of the following items, which are included as attachments to the XML package:

1. This transmittal letter;
2. Exhibit No. SPS-0001a: A copy of the proposed revisions to Table 21A, Worksheet D.2 ADIT Proration Factor of Attachment O-SPS of the Xcel Energy OATT in clean format;
3. Exhibit No. SPS-0001b: A copy of the proposed revisions to Table 21A, Worksheet D.2 ADIT Proration Factor of Attachment O-SPS of the Xcel Energy OATT in marked format; and
4. Exhibit No. SPS-0002: The Direct Testimony of Ryan A. Matley, Principal Rate Analyst for SPS (“Matley Direct Testimony”).

II. BACKGROUND

A. Southwestern Public Service Company and its Relevant Affiliates

SPS is a wholly owned utility operating company subsidiary of Xcel Energy Inc. (“Xcel Energy”), a public utility holding company headquartered in Minneapolis, Minnesota. SPS is a vertically integrated electric utility that, *inter alia*, provides generation, transmission, and distribution services in Texas and New Mexico, and owns transmission in portions of Kansas and Oklahoma. SPS provides cost-based regulated electric services to approximately 400,000 retail and wholesale customers in Texas and New Mexico. SPS’s retail electric services are subject to the jurisdiction of the Public Utility Commission of Texas (“PUCT”) and the New Mexico Public Regulation Commission (“NMPRC”). SPS’s wholesale sales and transmission services and rates are regulated by the Commission.

Since 1973, SPS has been a transmission-owning member of Southwest Power Pool, Inc. (“SPP”), a FERC-approved Regional Transmission Organization. Since June 2000, transmission service over the SPS transmission system has been available under the SPP Tariff; however, the SPS transmission formula rate is set forth in Attachment O-SPS of the Xcel Energy OATT (the “Transmission Template”) and incorporated in Attachment H of the SPP Open Access Transmission Tariff (“SPP Tariff”).⁵

PSCo is an affiliate of SPS, and a vertically integrated electric utility that, *inter alia*, provides generation, transmission, and distribution services in Colorado. Transmission service over the PSCo system is available under the Xcel Energy OATT, and PSCo is the designated eTariff filing entity for

⁵ Upon the Commissions order accepting the revisions proposed herein, SPS will work with SPP to submit a companion filing to reflect the accepted revisions in Attachment H to the SPP Tariff.

revisions to the Xcel Energy OATT, consistent with the requirements of Order No. 714.⁶ PSCo is a party to this filing solely as the eTariff filing entity.⁷

B. The Attachment O-SPS Transmission Formula Rate Template

SPS calculates its annual transmission revenue requirement (“ATRR”) pursuant to the formulae set forth in the Transmission Template (i.e., Attachment O-SPS to the Xcel Energy Tariff). This ATRR is then used to calculate rates for Firm and Non-Firm Point-to-Point Transmission Service provided under Schedules 7 and 8 of the SPP Tariff, Network Integration Transmission Service provided under Schedule 9 of the SPP Tariff, and regional transmission costs recovered under Schedule 11 to the SPP Tariff. SPS employs a forward-looking Transmission Template, whereby the ATRR is projected under the Transmission Template each year using estimated costs and loads. The ATRR excludes the costs of distribution facilities providing distribution delivery service to wholesale customers with loads at distribution voltage.

Pursuant to the Annual Formula Rate Implementation Procedures (“Protocols”), which are included as Appendix 1 to the Transmission Template, SPS’s projected ATRR is subject to an annual true-up based on actual costs and loads when actual data becomes available. SPS calculates the true-up by June of the year following the estimated Rate Year, and the true-up is applied to customer bills by the end of the year following the estimated Rate Year. The Protocols provide for postings on SPS’s Open Access Same-Time Information System (“OASIS”), customer meetings, discovery and challenge processes, and an Annual Informational Update filing with the Commission with the Estimated Rates for the upcoming Rate Year.

C. The Currently Effective ADIT Proration Calculation

SPS filed changes to its Transmission Template in Docket Nos. ER16-236-000 and ER18-2319-000 to add the ability to prorate ADIT balances. However, any adjustment to rate base amounts of plant in the Transmission Template also result in the need to adjust the ADIT balances, and these revisions did not add the ability to make necessary adjustments to the ADIT balances that are subject to proration.⁸ As a result, adjustments to ADIT balances are currently unable to flow through the proration calculation.⁹ Prior to the acceptances of the revisions accepted in Docket No. ER22-201-000 discussed below, there were no adjustments to rate base included in the Transmission Template and therefore no need to make an adjustment to ADIT balances subject to proration.¹⁰

⁶ The Xcel Energy OATT was filed via eTariff in Baseline Electronic Tariff Filing of the Xcel Energy Operating Companies, *Pub. Serv. Co. of Colo.*, Docket No. ER10-2070-000 (July 30, 2010), and accepted by the Commission on September 24, 2010. *See Pub. Serv. Co. of Colo.*, Docket No. ER10-2070-000 (Sept. 24, 2010) (delegated letter order). The Xcel Energy OATT was “re-baselined” in the Commission’s eTariff system effective April 16, 2016, in order to implement a new eTariff software system. The re-baselined Xcel Energy OATT was accepted for filing in Docket No. ER16-1422-000. *Pub. Serv. Co. of Colo.*, Docket No. ER16-1422 (Aug. 16, 2016) (delegated letter order).

⁷ This filing does not affect rates or services on the PSCo transmission system under the Xcel Energy OATT.

⁸ Matley Direct Testimony at 8.

⁹ *Id.*

¹⁰ *Id.*

D. ADIT Adjustments Related to Advanced Grid Intelligence and Security Costs

On April 22, 2021, the Commission instituted a proceeding under section 206 of the Federal Power Act in Docket No. EL21-58-000 to investigate the justness and reasonableness of the inclusion of costs associated with SPS's Advanced Grid Intelligence and Security ("AGIS") program in SPS's formula rates and established a refund effective date of May 19, 2021.¹¹ The Commission also established hearing and settlement judge procedures, which resulted in SPS and the other parties reaching an uncontested settlement whereby SPS would file changes to its transmission and production formula rate templates to remove the gross plant, accumulated depreciation, accumulated deferred income taxes, and depreciation expense associated with AGIS investment, adjust the gross plant and net plant allocator calculation to leave the AGIS plant in the denominator, and include the ability to remove any AGIS expense. SPS filed the tariff revisions agreed to in the settlement pursuant to section 205 of the Federal Power Act, and the modifications to the Transmission Template were assigned to Docket No. ER22-201-000. The Commission subsequently approved the settlement agreement and the Transmission Template modifications on May 6, 2022 and established an effective date of May 19, 2021.¹²

As described in Mr. Matley's Direct Testimony, shortly after the completion of the 2021 Transmission Formula Rate True-Up customer meeting on July 13, 2022, SPS realized that the Transmission Template modifications filed and accepted in Docket No. ER22-201-000 did not include changes to allow ADIT adjustments related to AGIS investments to flow through the ADIT proration calculation.¹³ As a result of this oversight, the Transmission Template currently does not exclude all impacts of AGIS plant investment and SPS is at risk of violating Internal Revenue Service ("IRS") tax normalization requirements.¹⁴

III. DESCRIPTION AND JUSTIFICATION OF PROPOSED TARIFF REVISIONS

Mr. Matley summarizes the limited changes to the Transmission Template being proposed in his Direct Testimony.¹⁵ Specifically, SPS is proposing to modify Table 21A, Worksheet D.2 of the Transmission Template to add the average balance from any ADIT adjustments into the proration calculation.¹⁶ Currently, only the total ADIT average balances are brought through the proration calculation, and there is no mechanism to add the ADIT adjustments to those total average ADIT balances.¹⁷ Mr. Matley explains that the first nine tables of Table 21A, Worksheet D.2 have been modified to allow any ADIT adjustments to flow from Table 21D, Worksheet D.5 Adjustments to Rate Base into the proration calculation.¹⁸

These changes are consistent with IRS tax normalization rules that require ADIT balances to

¹¹ *Sw. Pub. Serv. Co.*, 175 FERC ¶ 61,060 (2021) ("AGIS Order").

¹² *Sw. Pub. Serv. Co.*, 179 FERC ¶ 61,098 (2022) ("Settlement Order").

¹³ Matley Direct Testimony at 11.

¹⁴ *Id.* at 8-9.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

be prorated when a utility uses a projected test year and claims accelerated depreciation for utility plant in its income tax filings. The IRS requires such utilities to use the formula provided in Section 1.167(1)-1(h)(6)(ii) of the IRS's regulations to calculate the amount of deferred taxes subject to exclusion from rate base.¹⁹ The IRS has issued guidance concluding that utilities subject to this requirement that do not seek to comply are subject to the sanction of denial of accelerated depreciation.²⁰ If the IRS were to rule that SPS's calculation of average ADIT balances does not comply with Section 1.167(1)-1(h)(6) of the IRS's regulations, such a ruling would prohibit SPS from claiming accelerated depreciation and would cause a rate increase for SPS's customers, since ADIT associated with accelerated depreciation would no longer be decreasing rate base.²¹

Moreover, the revisions to the Transmission Template proposed herein are necessary to ensure that all impacts of AGIS plant investment will be excluded, which is consistent with the intent of the settlement agreement approved in the Settlement Order.²²

IV. INFORMATION RELATING TO THE EFFECT OF THE RATE CHANGE

The revisions to the Transmission Template proposed herein will result in a small rate decrease for SPS transmission customers because the changes will flow the AGIS-related ADIT adjustment through the ADIT proration calculation. As Mr. Matley explains, the effect of these changes and the requested effective date of May 19, 2021 will result in a decrease of \$2,976 to the SPS zonal revenue requirement for the 2021 true-up.²³

SPS's transmission customers should be aware, however, that the 2021 true-up posted on OASIS before the customer meeting on July 13, 2022 already includes this reduction.²⁴ As noted above, SPS discovered the error to be remedied by the revisions proposed herein following the July 13, 2022 customer meeting.²⁵ Accordingly, if the Commission does not approve the changes proposed herein and the requested effective date, the SPS zonal revenue requirement posted on OASIS will increase by \$2,976.

V. REQUESTS FOR WAIVER AND PROPOSED EFFECTIVE DATE

SPS respectfully requests that the Commission grant waiver of its sixty (60) day prior notice requirement²⁶ and allow the proposed revisions to Attachment O-SPS to become effective on May 19, 2021. SPS submits that good cause exists to grant the requested effective date.²⁷ Permitting a May 19, 2021 effective will enable SPS to correct the error created by the tariff records filed in Docket No. ER22-201-000 and allow SPS to implement a small rate reduction for SPS's customers for the 2021

¹⁹ Matley Direct Testimony at 9-10.

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *Id.* at 12.

²⁴ *Id.*

²⁵ Matley Direct Testimony at 11.

²⁶ 18 C.F.R. § 35.3(a).

²⁷ 18 C.F.R. § 35.11.

true-up as described above. The Commission has consistently granted waiver of its prior notice requirements for filings involving rate decreases.²⁸ Moreover, these revisions will ensure compliance with IRS requirements. If the requested effective date is not granted, SPS would be at risk of noncompliance with Section 1.167(1)-1(h)(6) of the IRS's regulations, which could result in SPS being prohibited from claiming accelerated depreciation. Such a result would lead to a rate increase for SPS's customers because ADIT associated with accelerated depreciation would no longer be decreasing rate base.

SPS respectfully requests waiver of any other filing requirements under the Commission's regulations which the Commission deems necessary to accept the enclosed revisions, including any applicable requirements of the cost-of-service regulations in 18 C.F.R. § 35.13. The enclosed revisions modify a transmission formula rate, and Commission policy permits waiver of the cost-of-service statements for formula rates.²⁹ Furthermore, good cause exists to grant all necessary waivers, as the filing will provide a rate reduction to transmission customers.

VI. SERVICE

Pursuant to 18 C.F.R. § 35.2(e), an electronic version or notice of this filing will be served upon each of the state commissions having jurisdiction over SPS and upon SPS's transmissions service customers. A courtesy copy will be provided to the Director, Division of Tariffs and Market Development (Central). In addition, a copy of this filing will be posted at the offices of SPS at 790 Buchanan Street in Amarillo, Texas.

VII. COMMUNICATIONS AND CORRESPONDENCE

Correspondence and communications with respect to this filing should be sent to, and SPS requests the Secretary include on the official service list, the following³⁰:

²⁸ See, e.g., *Sw. Pub. Serv. Co.*, 173 FERC ¶ 61,210 at P 15 (2020) (granting a retroactive effective date for tariff revisions resulting in a rate decrease); *Pub. Serv. Co. of Colo.*, 166 FERC ¶ 61,077 at P 49 (2019) (same) ("The Commission generally finds good cause to grant waiver of the prior notice requirement in the case of rate decreases."); *Southwest Power Pool, Inc.*, 165 FERC ¶ 61,133, at P 13 n.17 (2018); *Central Hudson Gas & Electric Corp.*, 60 FERC ¶ 61,106, at 61,338, reh'g denied, 61, FERC ¶ 61,089 (1992) ("We will generally grant waiver of the 60-day prior notice requirement . . . [for] filings that reduce rates and charges—such as rate decreases . . .").

²⁹ See, e.g., *Pacific Gas & Electric Co.*, 165 FERC ¶ 61,194 at P 33 (2018); *Pub. Serv. Co. of New Mex.*, 142 FERC ¶ 61,168 at P 29 (2013); *Empire Dist. Elec. Co.*, 140 FERC ¶ 61,087 at P 49 (2012); *S. Cal. Edison Co.*, 136 FERC ¶ 61,074 at P 29; *Xcel Energy Servs., Inc.*, 122 FERC ¶ 61,098 at P 75 (2008); *Am. Elec. Power Serv. Corp.*, 120 FERC ¶ 61,205 at PP 40-41 (2007); *Trans-Allegheny Interstate Line Co.*, 119 FERC ¶ 61,219 at P 57 (2007); *Allegheny Power Sys. Operating Cos.*, 111 FERC ¶ 61,308 at PP 55-56 (2005), *order on reh'g*, 115 FERC ¶ 61,156 (2006); *Commonwealth Edison Co.*, 119 FERC ¶ 61,238 at PP 93-94 (2007).

³⁰ To the extent necessary, SPS respectfully requests waiver of Rule 203(b)(3) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.203(b), to permit all of the persons listed to be placed on the official service list for this proceeding.

The Honorable Kimberly D. Bose

August 30, 2022

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VIII. CONCLUSION

SPS respectfully requests that the Commission accept the revisions to Attachment O-SPS of the Xcel Energy OATT, to be effective May 19, 2021. Please direct any questions regarding this filing to the undersigned.

Respectfully submitted,

/s/ David E. Pettit

David E. Pettit
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Counsel for Southwestern Public Service Company

Cc: SPS State Commissions
SPS Zone 11 Network Transmission Service Customers
Director, Division of Tariffs and Development (Central)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a notice of the enclosed upon the state commissions with jurisdiction over SPS and on affected transmission service customers.

Dated at Amarillo, TX, this 30th day of August, 2022.

/s/ Casey Settles

Casey Settles

Southwestern Public Service Company

790 S. Buchanan, 7th Floor

Amarillo, TX 79101

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Exhibit No. SPS-0001a
Revisions to Table 21A, Worksheet D.2
ADIT Proration Factor of Attachment
O-SPS of the Xcel Energy OATT in
clean format

Proposed Effective Date: 5-19-2021

Southwestern Public Service Company		WsD 2 ADIT Proration Factor	
Accumulated Deferred Income Taxes Proration Factor		Table 21A	
Rate Year=			
Line No.			
1	Account 282 – Liberalized Depreciation-Transmission		
2	Days in Period		
3	A	B	C
4	Month	Days in the Month	Number of Days Remaining in Year After Month's Accrual of Deferred Taxes
		D	E
		Total Days in Future Portion of Test Period	Proration Amount (C / D)
Averaging with Proration - Projected			
	F	G	H
	Projected Monthly Activity	Prorated Projected Monthly Activity (E x F)	Prorated Projected Balance (Cumulative Sum of G)
Averaging Preserving Projected Proration – True-up (See Note 6 and 7)			
	I	J	K
	Actual Monthly Activity	Difference between projected and actual activity (See Note 1)	Preserve proration when actual monthly projected activity are either both increases or decreases (See Note 2)
			L
			Difference between projected and actual activity when actual activity is a decrease or projected activity is a decrease while actual activity is an increase (See Note 3)
			M
			When projected activity is an increase while actual activity is a decrease or projected activity is a decrease while actual activity is an increase (See Note 4)
			N
			Balance reflecting proration or averaging (See Note 5)
5			
6	December 31 st balance Prorated Items		
7	January		
8	February		
9	March		
10	April		
11	May		
12	June		
13	July		
14	August		
15	September		
16	October		
17	November		
18	December		
19	Total		
20			
21			

Approved Effective Date:

[illegible]

Approved Effective Date:

[illegible]

Proposed Effective Date: 5-19-2021

[illegible]

Approved Effective Date:

[illegible]

Approved Effective Date:

[illegible]

Approved Effective Date:

[illegible]

Approved Effective Date:

[illegible]

Approved Effective Date:

[illegible]

Approved Effective Date:

[illegible]

Approved Effective Date:

[illegible]

Approved Effective Date:

[illegible]

Notes:

- 1) Column J is the difference between projected monthly and actual monthly activity (Column I minus Column F). Specifically, if projected and actual activity are both positive, a negative in Column J represents over-projection (amount of projected activity that did not occur) and a positive in Column J represents under-projection (excess of actual activity over projected activity). If projected and actual activity are both negative, a negative in Column J represents under-projection (excess of actual activity over projected activity) and a positive in Column J represents over-projection (amount of projected activity that did not occur).
- 2) Column K preserves proration when actual monthly and projected monthly activity are either both increases or decreases. Specifically, if Column J is over-projected, enter Column G x [Column I/Column F]. If Column J is under-projected, enter the amount from Column G and complete Column L). In other situations, enter zero.
- 3) Column L applies when (1) Column J is under-projected AND (2) actual monthly and projected monthly activity are either both increases or decreases. Enter the amount from Column J. In other situations, enter zero.
- 4) Column M applies when (1) projected monthly activity is an increase while actual monthly activity is a decrease OR (2) projected monthly activity is a decrease while actual monthly activity is an increase. Enter actual monthly activity (Col I). In other situations, enter zero.
- 5) Column N is computed by adding the prorated monthly activity, if any, from Column K to 50 percent of the portion of monthly activity, if any, from Column L or M to the balance at the end of the prior month. The activity in columns L and M is multiplied by 50 percent to reflect averaging of rate base to the extent that the proration requirement has not been applied to a portion of the monthly activity.
- 6) The methodology to remove double averaging from the true-up ADIT Proration calculation is effective June 27, 2018.
- 7) Excess/deficient ADIT resulting from the enactment of the Tax Reform and Jobs Act is included beginning January 1, 2018 (with the 2018 True-Up)

Exhibit No. SPS-0001b
Revisions to Table 21A, Worksheet D.2
ADIT Proration Factor of Attachment
O-SPS of the Xcel Energy OATT in
marked format

Southwestern Public Service Company		WsD 2 ADIT Proration Factor	
Accumulated Deferred Income Taxes Proration Factor		Table 21A	
Rate Year=			
Line No.			
1	Account 282 – Liberalized Depreciation-Transmission		
2	Days in Period		
3	A	B	C
4	Month	Days in the Month	Number of Days Remaining in Year After Month's Accrual of Deferred Taxes
		D	E
		Total Days in Future Portion of Test Period	Proration Amount (C / D)
Averaging with Proration - Projected			
	F	G	H
	Projected Monthly Activity	Prorated Projected Monthly Activity (E x F)	Prorated Projected Balance (Cumulative Sum of G)
Averaging Preserving Projected Proration – True-up (See Note 6 and 7)			
	I	J	K
	Actual Monthly Activity	Difference between projected and actual activity (See Note 1)	Preserve proration when actual monthly projected activity are either both increases or decreases (See Note 2)
			L
			Difference between projected and actual activity when actual and projected activity are either both increases or decreases (See Note 3)
			M
			When projected activity is an increase while actual activity is a decrease or projected activity is a decrease while actual activity is an increase (See Note 4)
			N
			Balance reflecting proration or averaging (See Note 5)
5	December 31 st balance Prorated Items		
6	January		
7	February		
8	March		
9	April		
10	May		
11	June		
12	July		
13	August		
14	September		
15	October		
16	November		
17	December		
18	Total		
19			
20			
21			

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

- 1) Column J is the difference between projected monthly and actual monthly activity (Column I minus Column F). Specifically, if projected and actual activity are both positive, a negative in Column J represents over-projection (amount of projected activity that did not occur) and a positive in Column J represents under-projection (excess of actual activity over projected activity). If projected and actual activity are both negative, a negative in Column J represents under-projection (excess of actual activity over projected activity) and a positive in Column J represents over-projection (amount of projected activity that did not occur).
- 2) Column K preserves proration when actual monthly and projected monthly activity are either both increases or decreases. Specifically, if Column J is over-projected, enter Column G x [Column I/(Column F)]. If Column J is under-projected, enter the amount from Column G and complete Column L). In other situations, enter zero.
- 3) Column L applies when (1) Column J is under-projected AND (2) actual monthly and projected monthly activity are either both increases or decreases. Enter the amount from Column J. In other situations, enter zero.
- 4) Column M applies when (1) projected monthly activity is an increase while actual monthly activity is a decrease OR (2) projected monthly activity is a decrease while actual monthly activity is an increase. Enter actual monthly activity (Col I). In other situations, enter zero.
- 5) Column N is computed by adding the prorated monthly activity, if any, from Column K to 50 percent of the portion of monthly activity, if any, from Column L or M to the balance at the end of the prior month. The activity in columns L and M is multiplied by 50 percent to reflect averaging of rate base to the extent that the proration requirement has not been applied to a portion of the monthly activity.

6) The methodology to remove double averaging from the true-up ADIT Proration calculation is effective June 27, 2018.

7) Excess/deficient ADIT resulting from the enactment of the Tax Reform and Jobs Act is included beginning January 1, 2018 (with the 2018 True-Up)

Exhibit No. SPS-0002
Direct Testimony of Ryan A. Matley

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Southwestern Public Service Company

)
)

Docket No. ER22-____-000

**DIRECT TESTIMONY
OF
RYAN A. MATLEY**

**ON BEHALF OF
SOUTHWESTERN PUBLIC SERVICE COMPANY**

AUGUST 30, 2022

DIRECT TESTIMONY OF RYAN A. MATLEY

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DIRECT TESTIMONY OF

RYAN A. MATLEY

I. INTRODUCTION AND EXPERIENCE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ryan A. Matley. My business address is 1800 Larimer Street, Suite 1100, Denver, Colorado 80202.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am employed by Xcel Energy Services Inc. ("XES"), the centralized service company subsidiary of Xcel Energy Inc. ("Xcel Energy"), as Principal Rate Analyst.

Q. PLEASE DESCRIBE XCEL ENERGY.

A. Xcel Energy is a public utility holding company with, among other subsidiaries, four wholly-owned, vertically-integrated public utility operating company subsidiaries: Southwestern Public Service Company ("SPS" or the "Company"), Northern States Power Company, a Minnesota corporation, Northern States Power Company, a Wisconsin corporation, and Public Service Company of Colorado, a Colorado corporation, ("PSCo") (together, the "Xcel Energy Operating Companies").

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of SPS.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I graduated from the University of Pennsylvania in 2002 with a Bachelor of Science degree in Chemical Engineering. I am currently enrolled in a Masters of Economics program with a concentration in Public Utilities Regulation and Economics at New Mexico State

1 University, with an expected graduation in May 2023. Prior to XES, I was employed at
2 Pacific Gas & Electric Company from 2007 through 2011, and at the Rocky Mountain
3 Institute from 2011 through 2013. I came to XES in 2013 as an Associate Product
4 Developer. In that role, I was responsible for developing new energy efficiency and
5 renewable products. From 2014 to 2019, I worked as Product Development, Team Lead
6 managing a team of product developers. In 2019, I took my current position as a Principal
7 Rate Analyst supporting SPS.

8 **Q. WHAT ARE YOUR DUTIES IN YOUR CURRENT POSITION?**

9 A. I develop the jurisdictional cost of service for SPS's retail jurisdictions, as well as work on
10 cost recovery for SPS's wholesale jurisdiction. My responsibilities include the technical
11 components of the cost of service and revenue requirement as well as supporting SPS's
12 regulatory filings and responses to discovery questions.

13 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
14 **FEDERAL ENERGY REGULATORY COMMISSION ("FERC" OR THE**
15 **"COMMISSION") OR ANY OTHER REGULATORY COMMISSION?**

16 A. Yes. I submitted testimony and testified before the New Mexico Public Regulation
17 Commission ("NMPRC") in NMPRC Case No. 18-00308-UT, on issues related to
18 customer interest in voluntary renewable energy programs. I also submitted testimony
19 and testified before the NMPRC in SPS's 2020 New Mexico base rate case application,
20 NMPRC Case No. 20-00238-UT, sponsoring the overall proposed revenue requirement
21 and the jurisdictional cost of service study for that rate case. I have not previously
22 submitted testimony before the FERC.

II. PURPOSE OF TESTIMONY**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

A. The purpose of my testimony is to support SPS's proposed revisions to Attachment O-SPS to the Xcel Energy Operating Companies Joint Open Access Transmission Tariff ("Xcel Energy OATT" or "Tariff"). Attachment O-SPS is a formula rate template (the "Transmission Template") used to calculate the rates applicable to SPS's wholesale transmission service customers in the SPS rates zone (Zone 11) and transmission costs recovered under Southwest Power Pool, Inc. ("SPP") regional rates under Schedule 11 to the SPP Open Access Transmission Tariff ("SPP Tariff"). SPS is proposing to revise the Transmission Template to allow any adjustments to rate base to flow through the Accumulated Deferred Income Taxes ("ADIT") proration calculation. I will describe the proposed modifications, explain why SPS proposes the modifications become effective May 19, 2021, and discuss the rate impact of the proposed change.

Q. WHAT IS THE PROPOSED EFFECTIVE DATE FOR THE REVISIONS TO THE TRANSMISSION TEMPLATE?

A. SPS proposes revisions to the Transmission Template be effective on May 19, 2021 to align with the effective date of the Advanced Grid Intelligence and Security ("AGIS") adjustments in the formula rate accepted in Docket No. ER22-201-000, to ensure compliance with the IRS tax normalization rules.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes. I am sponsoring the following exhibits:

<u>Exhibit No.</u>	<u>Description</u>
SPS-0001a	A copy of the changes to Table 21A, Worksheet D.2 ADIT Proration Factor in clean format.

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1 the Western Interconnection grid through three high-voltage direct-current back-to-back
2 converters. Although SPS operates adjacent to the Electric Reliability Council of Texas
3 (“ERCOT”) grid, SPS has no direct interconnections with ERCOT transmission owners.

4 SPS today owns and operates approximately 5,300 megawatts (“MW”) of
5 generation, and purchases approximately 2,400 MW of generation under long-term power
6 purchase agreements (“PPAs”) with non-affiliated parties. With the start of the SPP
7 Integrated Marketplace (“SPP IM”) in March 2014, SPS both purchases wholesale energy
8 from, and sells wholesale power to, SPP’s regional energy and ancillary services markets.
9 SPS uses the company-owned generation, PPA resources, and purchases from the SPP IM
10 to serve the power supply needs of its retail customers and wholesale production customers.

11 **Q. PLEASE DESCRIBE SPS’S SERVICE AREA.**

12 A. The Texas retail jurisdiction is SPS’s single largest regulatory jurisdiction. SPS also serves
13 retail customers in a large portion of eastern and southeastern New Mexico. SPS’s service
14 territory in both Texas and New Mexico is primarily agricultural, with large areas of oil
15 and natural gas production. Additionally, wholesale power sales and transmission services
16 have historically been a significant business segment for SPS. In total, wholesale
17 production services accounted for 11.6 percent of SPS’s total production demand in
18 calendar year 2021.

19 SPS provides wholesale Network Integration Transmission Service (“NITS”) to
20 multiple customers with loads on the SPS transmission system under the SPP Tariff. The
21 SPS transmission system is included in Zone 11 of the SPP Tariff. In total, wholesale
22 network transmission services accounted for 32.3 percent of SPS’s total transmission
23 network services in calendar year 2021.

1 **IV. OVERVIEW OF SPS’S TRANSMISSION TEMPLATE**

2 **Q. PLEASE DESCRIBE SPS’S CURRENTLY EFFECTIVE TRANSMISSION**
3 **TEMPLATE.**

4 A. In addition to the Transmission Template’s calculations, Appendix 1 to the
5 Transmission Template is a set of Annual Formula Rate Implementation Procedures
6 (the “Protocols”). The Transmission Template, including the Protocols, is on file
7 with the Commission as Attachment O-SPS to the Xcel Energy OATT and as
8 Attachment H, Addendum 5 to the SPP Tariff. SPS calculates its Zonal annual
9 transmission revenue requirement (“ATRR”), its project-specific Base Plan
10 Upgrade (“BPU”) revenue requirements, and the Scheduling, System Control and
11 Dispatch revenue requirement (for Schedule 1 services) pursuant to the formulae set
12 forth in the Transmission Template. Under the SPP Tariff, as provided in Section
13 II(1) of Attachment H, SPS’s Zonal ATRR for Zone 11 is calculated using the
14 formula rate as specified in Attachment O-SPS of the Xcel Energy OATT. SPS’s
15 Zonal ATRR is used to calculate rates for Firm and Non-Firm Point-to-Point
16 Transmission Service provided under Schedules 7 and 8 and for Network Service
17 provided under Schedule 9 of the SPP Tariff. SPS employs a forward-looking
18 Transmission Template, whereby the ATRR is projected under the Transmission
19 Template each year using estimated costs and loads. The ATRR projections are then
20 subject to an annual true-up based on actual costs and loads when actual data
21 becomes available. SPS calculates the true-up by June of the year following the
22 estimated Rate Year, and the true-up is applied with interest to customer bills at the

1 beginning of the second year following the estimated Rate Year. For example, the
2 Estimated ATRR and Estimated Rates for 2021 were calculated in late 2020 and are
3 subject to true-up in June 2022, with the true-up applied to bills in 2023. The
4 Protocols provide specifics for postings on the Open Access Same-Time
5 Information System (“OASIS”), customer meetings, discovery, challenge
6 processes, and an annual informational filing with the Commission with the
7 Estimated Rates for the upcoming Rate Year on December 1st.

8 After SPS makes its filing to revise the Transmission Template, and the
9 Commission issues an order accepting the revisions, SPS will work with SPP to
10 make a companion filing to similarly update SPS’s formula rate template contained
11 in Addendum 5, Attachment H of the SPP Tariff. SPP will request the same
12 effective date set by the Commission for the Xcel Energy OATT’s Transmission
13 Template revisions. The revisions to Addendum 5, Attachment H to the SPP Tariff
14 will be companion changes to implement the changes accepted in the Commission
15 order approving the Xcel Energy OATT modifications.

16 V. THE TRANSMISSION TEMPLATE REVISIONS

17 **Q. PLEASE EXPLAIN WHY SPS IS PROPOSING TO MODIFY THE**
18 **TRANSMISSION TEMPLATE.**

19 A. SPS’s currently approved Transmission Template does not allow for any adjustments to
20 the ADIT portion of rate base to flow through the ADIT proration calculation. As discussed
21 in more detail below, the IRS requires ADIT balances to be prorated when a utility uses a
22 projected test year and claims accelerated depreciation for utility plant in its income tax

1 filing. Consequently, any adjustments to the ADIT balance also need to be prorated so that
2 SPS can ensure compliance with IRS requirements.

3 **Q. WHY DOES SPS'S TRANSMISSION TEMPLATE NOT ALLOW FOR**
4 **ADJUSTMENTS TO THE ADIT PORTION OF RATE BASE TO FLOW**
5 **THROUGH THE PRORATION CALCULATION?**

6 A. In response to a series of IRS private letter rulings, SPS filed changes to its Transmission
7 Template in Docket Nos. ER16-236 and ER18-2319 to add the ability to prorate ADIT
8 balances. However, any adjustments to rate base amounts of plant in the Transmission
9 Template also result in the need to adjust the ADIT balances, and these revisions, which
10 were accepted by the Commission, did not add the ability to adjust the ADIT balances that
11 are subject to proration. As a result, adjustments to ADIT balances that correspond to
12 adjustments to rate base amounts of plant are currently unable to flow through the proration
13 calculation.

14 **Q. WHY IS THE OMISSION OF ADIT PRORATION ADJUSTMENTS AN ISSUE**
15 **ONLY NOW WHEN PRORATION WAS ADDED TO THE TRANSMISSION**
16 **TEMPLATE IN 2016?**

17 A. Until the AGIS adjustments to the formula rate accepted in Docket No. ER22-201-000,
18 there were no adjustments to rate base included in the transmission formula, and therefore
19 no need to make an adjustment to ADIT balances subject to proration.

20 **Q. PLEASE SUMMARIZE THE CHANGES TO THE TRANSMISSION TEMPLATE**
21 **INCLUDED IN THIS FILING.**

22 A. Currently, only the total ADIT average balances are brought through the proration
23 calculation, and there is no mechanism to add ADIT adjustments to those total average

ADIT balances. SPS proposes to modify Table 21A, Worksheet D.2 ADIT Proration Factor, in the Transmission Template to add the average balance from any ADIT adjustments into the proration calculation. The first nine tables of Table 21A, Worksheet D.2 have been modified to allow any ADIT adjustments to flow from Table 21D, Worksheet D.5 Adjustments to Rate Base into the proration calculation. The last two tables of Table 21A, Worksheet D.2 dealing with the proration of excess ADIT balances associated with past Federal net operating loss balances have not been modified as those balances are not expected to be adjusted. Please see Exhibit SPS-0001b for the specific proposed changes to Table 21A, Worksheet D.2.

VI. PROPOSED EFFECTIVE DATE

Q. WHAT IS SPS'S PROPOSED EFFECTIVE DATE FOR THE REVISIONS TO THE TRANSMISSION TEMPLATE?

A. SPS proposes an effective date of May 19, 2021.

Q. WHY IS IT IMPORTANT FOR THESE CHANGES TO HAVE A RETROACTIVE EFFECTIVE DATE OF MAY 19, 2021?

A. There are two reasons it is important for the proposed changes to have a retroactive effective date of May 19, 2021. The first is that it would align the change to ADIT subject to proration from the revisions proposed in this filing with rate base adjustments specific to AGIS investments, which FERC approved in Docket No. ER22-201 and SPS implemented effective May 19, 2021. This effective date would allow the changes to be included in the 2021 true-up.

The second is that it would ensure compliance with IRS tax normalization requirements and preserve SPS's use of accelerated depreciation. The IRS requires utilities

1 that use a projected test year and claim accelerated depreciation for utility plant in its
2 income tax filings to use the formula provided in Section 1.167(1)-1(h)(6)(ii) of the IRS's
3 regulations to calculate the amount of deferred taxes subject to exclusion from rate base.
4 The IRS has issued guidance concluding that utilities subject to this requirement that do
5 not seek to comply are subject to the sanction of denial of accelerated depreciation. If the
6 IRS were to rule that SPS's calculation of average ADIT balances does not comply with
7 Section 1.167(1)-1(h)(6) of the IRS's regulations, such a ruling would prohibit SPS from
8 claiming accelerated depreciation and would cause a rate increase for SPS's transmission
9 customers, since ADIT associated with accelerated depreciation would no longer be
10 decreasing rate base.

11 **Q. PLEASE EXPLAIN WHAT LED TO THE TRANSMISSION TEMPLATE**
12 **CHANGES APPROVED IN DOCKET NO. ER22-201.**

13 A. On April 22, 2021, FERC instituted a proceeding under section 206 of the Federal Power
14 Act in Docket No. EL21-58 to investigate the justness and reasonableness of SPS's formula
15 rates' inclusion of costs associated with the AGIS program. The refund effective date
16 established by FERC in Docket No. EL21-58 was May 19, 2021. The case was appointed
17 to a Settlement Judge to convene SPS and the intervening parties: Central Valley Electric
18 Cooperative, Inc., Farmer's Electric Cooperative, Inc., Lea County Electric Cooperative,
19 Inc., and Roosevelt County Electric Cooperative, Inc. (collectively, New Mexico
20 Cooperatives), Golden Spread Electric Cooperative, Inc., Lubbock Power & Light, and
21 SPP. SPS reached an uncontested settlement agreement with the parties on changes to its
22 transmission and production formula rate templates to remove the gross plant, accumulated
23 depreciation, accumulated deferred income taxes, and depreciation expense associated

1 with AGIS investment, adjust the gross plant and net plant allocator calculation to leave
2 the AGIS plant in the denominator, and include the ability to remove any AGIS expense.
3 SPS filed the tariff revisions agreed to in the settlement pursuant to section 205 of the
4 Federal Power Act, and the modifications to the Transmission Template were assigned to
5 Docket No. ER22-201. The Commission subsequently approved the settlement agreement
6 and the Transmission Template modifications in Docket No. ER22-201, effective May 19,
7 2021, by letter order issued on May 6, 2022.

8 **Q. WHEN DID SPS DETERMINE THE TRANSMISSION TEMPLATE**
9 **MODIFICATIONS PROPOSED IN THIS DOCKET WERE NECESSARY?**

10 A. Shortly after the completion of the 2021 Transmission Formula Rate True-Up customer
11 meeting on July 13, 2022, SPS realized that the Transmission Template modifications filed
12 in Docket No. ER22-201 did not include changes to allow the AGIS ADIT adjustments to
13 flow through the ADIT proration calculation. The AGIS ADIT adjustments are needed to
14 reduce the total ADIT balances recovered in the Transmission Template by the ADIT
15 balances that are a result of AGIS plant additions which SPS is removing from the
16 Transmission Template.

17 If this oversight is not corrected, SPS is potentially at risk of failing to comply with
18 IRS tax normalization requirements. Therefore, SPS has promptly put together this filing
19 to modify the Transmission Template to avoid such a complication. Further, Commission
20 approval of the proposed May 19, 2021 effective date will ensure that SPS's Transmission
21 Template excludes all impacts of AGIS plant investment on May 19, 2021 which is
22 consistent with the intent of the settlement agreement approved in Docket No. ER22-201.

VII. RATE IMPACT**Q. WHAT IS THE RATE IMPACT OF SPS'S PROPOSAL?**

A. The inclusion of the ADIT adjustment to the proration calculation, effective May 19, 2021 would result in a small rate decrease to customers. Specifically, in the 2021 true-up there would be a decrease to the SPS zonal revenue requirement in the amount of \$2,976.

Q. IS PRORATION OF THE AGIS ADIT ADJUSTMENT ALREADY INCLUDED IN THE TRANSMISSION TEMPLATE FOR THE 2021 TRUE-UP?

A. Yes. SPS had made the change to flow the AGIS ADIT adjustment through the ADIT proration calculation in its Transmission Template, and therefore the ADIT proration of the AGIS adjustment is included in the 2021 true-up that SPS posted on June 15, 2022. As I discussed above, in mid-July SPS realized that the tariff records were never modified to allow for the AGIS adjustment to flow through the ADIT proration calculation.

Q. WHAT WILL HAPPEN IF THE COMMISSION DOES NOT APPROVE SPS'S REQUESTED EFFECTIVE DATE?

A. Should SPS not receive approval of the proposed changes in this filing with a May 19, 2021 effective date, SPS would need to remove the AGIS adjustment from its 2021 true-up to be consistent with the tariff records approved in Docket No. ER22-201. Removing the AGIS adjustment from the ADIT proration calculation would increase the 2021 network revenue requirement already posted by SPS by \$2,976. So, while overall allowing the AGIS ADIT adjustment to flow through proration would provide a rate decrease, in the specific circumstances of the 2021 Transmission Template true-up, should SPS have to remove the proration adjustment it erroneously already included, the revenue requirement would increase.

1 **Q. HOW DID YOU CALCULATE THE COST IMPACT TO THE TRANSMISSION**
2 **CUSTOMERS?**

3 A. I compared the actual 2021 total ATRR revenue requirement on Table 7, line 197 of the
4 Transmission Template that was posted on June 15, 2021, with that same number from a
5 version of the Transmission Template with the AGIS adjustments removed from the ADIT
6 proration calculation. The total ATRR revenue requirement increased from \$144,066,097
7 to \$144,069,073 when the AGIS ADIT adjustments are removed from ADIT proration.

8 **VIII. CONCLUSION**

9 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

10 A. I recommend that the Commission approve the eTariff changes detailed in Exhibit SPS-
11 0001b proposed to allow rate base adjustments to flow through the ADIT proration
12 calculation with an effective date of May 19, 2021.

13 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

14 A. Yes.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southwestern Public Service Company

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Docket No. ER22-____-000

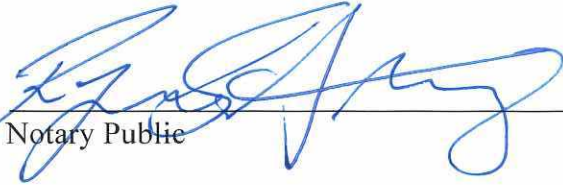
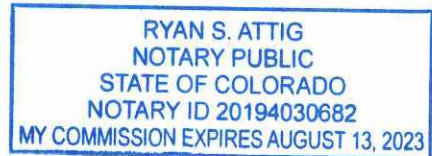
AFFIDAVIT

Ryan A. Matley, being duly sworn, deposes and states: that the Direct Testimony of Ryan A. Matley was prepared by me or under my direct supervision, and that the statements contained therein are true and correct to the best of my knowledge and belief.



Ryan A. Matley

Subscribed and sworn before me this 30 day of August 2022.


Notary Public

My commission expires: August 13, 2023