414 Nicollet Mall – 401 8
Minneapolis, Minnesota 55401

December 21, 2018

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. ER19-___-000
Attachment O-SPS Revisions Adding Wholesale Distribution Service Formula Rate

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and Part 35 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations, 18 C.F.R. § 35.13 (2018), Public Service Company of Colorado ("PSCo"),[1] on behalf of Southwestern Public Service Company ("SPS"), submits revised tariff records to the Xcel Energy Operating Companies FERC Electric Tariff, Third Revised Volume No. 1 ("Xcel Energy Tariff" or "Tariff") to revise Attachment O-SPS, the SPS transmission formula rate template ("Attachment O-SPS" or "Template"). The proposed revisions to the Template establish a new formula rate mechanism ("Distribution Service Formula") to calculate a monthly Wholesale Distribution Service Charge ("Distribution Charge"), which applies to SPS's transmission service customers that take delivery of energy from SPS at distribution voltage (less than 69 kV) delivery points. The current Distribution Charge is a stated rate of $2.43/kW/month established in 2000. By replacing the stated rate with the Distribution Service Formula rate, this filing establishes a rate that more accurately recovers the costs SPS incurs to provide Wholesale Distribution Service and establishes a formula rate mechanism that will update the Distribution Charge each year.

SPS respectfully requests that the Commission permit the revisions to the Template (the "Revised Template") to become effective as of March 1, 2019, more than sixty (60) days after this filing, without suspension. As discussed below, granting SPS's requested March 1, 2019 effective date is supported by the testimony and associated exhibits included as part of this filing.

SPS estimates that the changes included in the Revised Template will result in an increase to SPS's 2019 revenues recovered under the Template by approximately $0.7 million.

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

Upon Commission acceptance of the Revised Template, Xcel Energy Services Inc. ("XES") and SPS will work with Southwest Power Pool, Inc. ("SPP") to submit a companion filing to modify the SPP Tariff to reflect the Revised Template in Attachment H to the SPP Open Access Transmission Tariff (the "SPP Tariff"), effective March 1, 2019. XES and SPS will also work with SPP to modify the Network Integration Transmission Service Agreements ("NITSAs") with the two SPS customers that currently receive Wholesale Distribution Service to replace the current stated rate with a reference to the rate calculated using the new Distribution Service Formula rate, to be effective March 1, 2019.

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-0001: A copy of the Revised Template in clean format;
3. Exhibit No. SPS-0002: A copy of the Revised Template in marked format, showing the revisions to the Template, including revisions to the associated Formula Rate Implementation Procedures ("Protocols");
4. Exhibit Nos. SPS-0003 and SPS-0004: the Direct Testimony of Wesley L. Berger, Manager, Rate Cases for SPS ("Berger Direct Testimony") and associated exhibits; and
5. Exhibit Nos. SPS-0005 and SPS-0006: the Direct Testimony of Arthur P. Freitas, Manager, Revenue Analysis for XES ("Freitas Direct Testimony") and associated exhibits.[2]

II. BACKGROUND

A. The Filing Parties

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 390,000 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"); wholesale sales and transmission services are regulated by the Commission. Since 1973, SPS has been a

[2] Exhibits SPS-0001 and SPS-0002 submitted with this filing are the clean and marked tariff pages to the Revised Template and Protocols. Mr. Freitas is sponsoring the changes to the Revised Template included in Exhibits SPS-0001 and SPS-0002. Mr. Berger is sponsoring the revisions to the Protocols included in Exhibits SPS-0001 and SPS-0002.

transmission-owning member of the SPP, which is now a FERC-approved Regional Transmission Organization ("RTO"). Since June 2000, transmission service over the SPS transmission system has been available under the SPP Tariff. Approximately thirty-nine (39) percent of the transmission loads on the SPS transmission system are wholesale transmission service customers taking Network Integration Transmission Service ("NITS") under the SPP Tariff.

PSCo is an affiliate of SPS, and a vertically integrated electric utility that, *inter alia*, provides generation, transmission, and distribution services in Colorado. PSCo is the designated e-Tariff filing entity for revisions to the Xcel Energy Tariff, consistent with the requirements of Order No. 714.[3] PSCo is a party to this filing solely as the eTariff filing entity.

XES is the centralized service company subsidiary of Xcel Energy and, as such, performs an array of administrative and general services on behalf of the Xcel Energy Operating Companies. Among other things, XES submits filings with and appears in proceedings before the Commission on behalf of SPS.[4]

B. The Attachment O-SPS Transmission Formula Rate Template

SPS calculates its annual transmission revenue requirement (or "ATRR") pursuant to the formulae set forth in the Template (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, NITS provided under Schedule 9 of the SPP Tariff, and regional transmission costs recovered under Schedule 11 to the SPP Tariff.[5] SPS employs a forward-looking Template, whereby the ATRR is projected under the 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 Protocols, which are included as Appendix 1 to the 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

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

4 The Xcel Energy Tariff was filed via eTariff in *Public Service Company of Colorado,* Docket No. ER10-2070-000 (July 30, 2010), and accepted by the Commission on September 24, 2010. *See Public Service Company of Colorado*, Docket No. ER10-2070-000 (Sept. 24, 2010) (delegated letter order). The Xcel Energy Tariff was "rebaselined" in the Commission's eTariff system effective April 16, 2016, in order to implement a new eTariff software system. The rebaselined Xcel Energy Tariff was accepted for filing in Docket No. ER16-1422-000. *Public Service Company of Colorado,* Docket No. ER16-1422 (Aug. 16, 2016) (delegated letter order).

5 On November 27, 2018, PSCo, on behalf of SPS, filed revisions to the Template to, *inter alia*, revise the depreciation rates applicable to the Template effective February 1, 2019. *See Public Service Company of Colorado*, Revisions to Attachment O-SPS Formula Rate Template, Docket No. ER19-404-000 (Nov. 27, 2018) (the "November 27 Filing"). The November 27 Filing is pending Commission action, with initial comments due December 28, 2018. *See* Notice of Extension of Time, *Public Service Company of Colorado,* Docket No. ER19-404-000 (Dec. 7, 2018).

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 Distribution Charge

Wholesale Distribution Service is wheeling provided to wholesale customers across SPS's distribution facilities. Wholesale Distribution Service is provided in concert with wholesale transmission service. Like all of SPS's wholesale transmission service customers, the SPS customers that receive Wholesale Distribution Service pay transmission service rates. In addition, the Wholesale Distribution Service customers pay the Distribution Charge.

Currently, two of SPS's wholesale transmission service customers take delivery of energy at distribution voltages and receive Wholesale Distribution Service: Golden Spread Electric Cooperative Inc. ("Golden Spread") and Lubbock Power & Light ("LP&L"). SPS provides Wholesale Distribution Service at twenty (20) delivery points on SPS's distribution system in Texas. The currently effective Distribution Charge, which is a stated rate of $2.43 per kW/month, was originally agreed to by SPS and Golden Spread as a result of settlement discussions in Docket ER00-536. The Distribution Charge is included in Section 8.9 of (i) the three-party NITSA between SPP, SPS and Golden Spread, and (ii) the three-party NITSA between SPP, SPS, and LP&L.[6]

III. DESCRIPTION AND JUSTIFICATION OF PROPOSED TARIFF REVISIONS

A. Basis for the New Distribution Service Formula

The Revised Template includes a new Distribution Service Formula to calculate the Distribution Charge that will apply to SPS's Wholesale Distribution Service customers. The rate calculated using the Distribution Service Formula replaces the current stated Distribution Charge of $2.43 per kW-month.

SPS is transitioning from a stated rate to the Distribution Service Formula because doing so: (i) replaces an outdated stated rate with a formula rate mechanism that accurately calculates the rate needed for SPS to recover the costs it incurs to provide Wholesale Distribution Service using a Template that clearly explains each cost component and data input;[7] (ii) updates the Distribution Charge consistently as SPS's distribution investments, costs and loads change over time, subject to the same transparent annual review process that applies to SPS's wholesale transmission formula rates under the Protocols;[8] (iii) is consistent with the Commission's

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6 Berger Direct Testimony at 6-8.

7 Freitas Direct Testimony at 9-13 (explaining how the Distribution Service Formula calculates each component of the Distribution Charge).

8 Berger Direct Testimony at 13-14; Freitas Direct Testimony at 16-17.

position of encouraging the exploration of formula rates;[9] and (iv) conserves the resources of SPS, its wholesale transmission customers, and the Commission by eliminating the need for periodic stated rate cases.

B. Template Revisions to Implement the Distribution Service Formula

As Mr. Freitas explains, the Distribution Service Formula calculates the Distribution Charge using a fixed charge rate ("FCR") to determine SPS's total company distribution revenue requirement ("Total SPS DRR"). The fixed charge rate is developed by measuring the following cost components for SPS's distribution system on a total company basis: (i) Operations and Maintenances Expense; (ii) Taxes Other Than Income; (iii) Administrative and General Expense; (iv) Return on Rate Base; (v) Depreciation Expense; (vi) Income Tax Expense; (vii) Amortization of Excess Accumulated Deferred Income Taxes ("ADIT"); (viii) General and Intangible Plant; (ix) Cash Working Capital; (x) Accumulated Deferred Income Taxes; and (xi) Revenue Credits. A carrying charge factor is calculated for each of these cost components. These carrying charge factors are then summed to arrive at a total distribution gross-plant fixed carrying charge rate ("Carrying Charge"). The Carrying Charge is then multiplied by SPS distribution gross plant balance to arrive at the Total SPS DRR.[10]

SPS's Wholesale Distribution Service customers use only a portion of SPS's distribution system, however. Therefore, SPS makes two adjustments to the Total SPS DRR so that it includes only the portion used by the Wholesale Distribution Service customers. First, because the Wholesale Distribution Service customers currently use only SPS's "primary voltages" distribution system, the Distribution Service Formula excludes the costs associated with facilities that are part of SPS's secondary voltage level distribution system.[11] To calculate this adjustment, SPS will use SPS's most recently filed "class cost-of-service study" filed with the PUCT ("PUCT Study"), which includes a functional breakdown of SPS's primary voltage distribution system and its secondary voltage distribution system, to calculate the percentage share of the Total SPS DRR that makes up the primary voltage distribution system, which results

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9 *See Promoting Transmission Investment through Pricing Reform*, Order No. 679, 116 FERC ¶ 61,057 at P 386 (2006) ("Order No. 679") ("[W]e continue to encourage public utilities to explore the benefits of filing transmission-related formula rates…"), *order on reh'g*, Order No. 679-A, 117 FERC ¶ 61,345 (2006), *order on reh'g and clarification*, Order No. 679-B, 119 FERC ¶ 61,062 (2007). *See also Southwest Power Pool, Inc.*, 111 FERC ¶ 61,118 at P 32 (2005) (encouraging utilities to consider adopting formula rates to facilitate timely recovery of transmission related investments).

10 Freitas Direct Testimony at 10-13.

11 Freitas Direct Testimony at 7; Berger Direct Testimony at 10-11. The primary component of the distribution system begins where the transmission system ends, specifically at distribution substations. These distribution substations reduce the voltage from a transmission voltage (69 kV or greater) to a level between 2.4 kV and 33 kV. From there, primary distribution lines will extend to customers who receive service at this level. The secondary component of the distribution system consists of transformers and secondary distribution lines placed at the end of primary distribution lines. Berger Direct Testimony at 10-11.

in the SPS Primary DRR.[12] Currently, that percentage is 79.41 percent. Relying on the PUCT Study is appropriate because Texas is SPS's largest jurisdiction and all of the Wholesale Distribution Service delivery points are located in Texas. Therefore, the PUCT Study measures the functional breakdown that affects SPS's Wholesale Distribution Service customers. Going forward, SPS will adjust this percentage each time SPS submits an updated PUCT Study for retail ratemaking purposes in Texas.[13]

Second, the Distribution Service Formula allocates the SPS Primary DRR between SPS's three jurisdictions (FERC, Texas retail, and New Mexico retail) using a non-coincident peak (or "NCP") demand allocator. SPS will calculate these non-coincident peaks on a calendar year basis and will use actual non-coincident peaks from the most recently available year for each jurisdiction.[14] Applying this adjustment results in the Distribution ARR.

The Distribution Charge is the Distribution ARR divided by the wholesale distribution billing determinants. The Distribution Service Formula will use the prior year's actual NCPs billing determinants to estimate the following year's rate. Then, during the annual true-up process set out in the Protocols, the billing determinants will be updated with each customer's actual wholesale distribution NCPs for that calendar year.[15] Mr. Freitas calculates that, for purposes of the 2019 Estimated Rate, the Distribution Charge, calculated using the Distribution Service Formula, will be $3.965/kW-month.[16]

C. Corresponding Changes to the Protocols

As reflected in Exhibit Nos. SPS-0001 and SPS-0002, this filing revises the transmission formula rate Protocols to include appropriate references to the development of the Distribution Charge using the Distribution Service Formula. Specifically, additional language has been added to Sections 1, 2(a)(iv), 2(f)(ii)(6), 3(a)(iv), and 3(d)(iv) of the Protocols. In other words, the formulaic calculation of the Distribution Charge will be subject to the same procedures that apply to the development of SPS's transmission service rates (in the form of the Template's calculation of SPS's ATRR). Each year, SPS will prepare a Projected Distribution ARR. The Projected Distribution ARR will then be 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 Distribution ARR will be subject to all of the

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12 Berger Direct Testimony at 11-12. A class cost-of-service study functionalizes retail jurisdiction costs to the electric utility functions necessary for SPS to provide service; classifies those costs according to the component of electric service that applies to each function; and allocates those costs to the customer classes based upon how each class causes those costs to be incurred. As it relates to this filing, the class cost of service study separates SPS's distribution system into its primary and secondary functions. *Id.*

13 Berger Direct Testimony at 11-12.

14 Freitas Direct Testimony at 13; Berger Direct Testimony at 12.

15 Freitas Direct Testimony at 8.

16 Freitas Direct Testimony at 14.

provisions of the Protocols, including those that provide for postings on SPS's 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.[17]

D. Subsequent Companion Filing by SPP to Revise the Wholesale Distribution Service Customers' NITSAs and Attachment H to the SPP Tariff

Currently, Section 8.9 of the Golden Spread NITSA and the LP&L NITSA provide that the Wholesale Distribution Service Charge is "$2.43 times the maximum metered kW per distribution delivery point, adjusted for losses as described in Section 8.6 above, per month."[18] Each of these NITSAs is a three-party agreement between SPP, SPS, and the customer. As such, SPP is responsible for filing with the Commission any change to the Golden Spread NITSA and the LP&L NITSA that requires such a filing.

Upon acceptance of this filing, SPS will work with SPP, Golden Spread, and LP&L to modify Section 8.9 of each NITSA to refer to the Distribution Charge calculated using the new Distribution Service Formula, similar to how the Meter Charge stated in the current NITSAs refers to the Template. Specifically, the reference to "$2.43 . . ." in Section 8.9 of the current NITSAs would be replaced with "The Monthly Wholesale Distribution Service Charge per kW as stated in the Xcel Energy Operating Companies Open Access Transmission Tariff, Attachment O-SPS, Table 1 . . ."[19] SPS anticipates that this revision to Section 8.9 of the Golden Spread and LP&L NITSAs will be filed as compliance filings in response to the Commission's order on this filing with a requested effective of March 1, 2019.

In addition, the Template is incorporated in Attachment H to the SPP Tariff. Upon Commission acceptance of this filing, SPS will also work with SPP to submit a companion filing to modify the SPP Tariff to reflect the Revised Template in Attachment H to the SPP Tariff effective March 1, 2019.

IV. INFORMATION RELATING TO THE EFFECT OF THE RATE CHANGE

The Revised Template will affect the Distribution Charge revenues collected from Golden Spread and LP&L, but will not affect SPS's other wholesale transmission customers. The Revised Template's impacts are shown in Exhibit No. SPS-0004 (Estimated Revenue Impact of Filing) and are summarized in the following table:

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[17] Berger Direct Testimony at 13-14.

[18] Berger Direct Testimony at 14.

[19] Berger Direct Testimony at 15.

Table 1 - Annual Customer Impact

	Current Distribution Charges	2019 Estimate Using SPS Proposed Formula	Estimated Increase (Annualized) ($)
Golden Spread	$349,784	$570,738	$220,954
LP&L	$761,722	$1,242,893	$481,170
Total Wholesale	$1,111,506	$1,813,631	$702,124

To estimate the effect of the rate changes in this filing, Mr. Berger used the current Template (as revised in Docket No. ER19-404-000) to calculate the impact on the 2019 total estimated transmission service charges and Distribution Charge revenues by wholesale customer. Using the most recent available billing determinants (September 2017 – August 2018), Mr. Berger calculated the annual impact to Golden Spread and LP&L. The proposed Template revisions increase SPS's transmission service revenues (in the form of an increase in Distribution Charge revenues) by approximately $0.7 million per year on an annualized basis. The actual increase for 2019 should be lower than $0.7 million because SPS has requested an effective date of March 1, 2019, which means that the revised Distribution Charge will be in effect for only ten months rather than 12 months in 2019.[20]

V. OTHER FILING REQUIREMENTS

None of the costs proposed to be recovered in the Revised Template have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices.[21]

VI. REQUESTED EFFECTIVE DATE

SPS respectfully requests that the Commission allow the revisions to become effective March 1, 2019, more than sixty (60) days after filing, without suspension or modification. This effective date will allow SPS to begin recovering its properly measured costs of providing Wholesale Distribution Service without delay. Then, in the 2019 Annual True-up, calculated in June 2020, the Revised Template would be used to derive the 2019 actual Distribution Charges and true-up, with the true-up recovered (or refunded) in the Estimated Distribution Charges for 2021, giving effect to the Revised Template back to March 1, 2019, plus interest back to that date.

Good cause exists to grant SPS's requested March 1, 2018 effective date. To the extent the Commission chooses to suspend the effectiveness of the Revised Template, it should do so

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[20] Berger Direct Testimony at 15-16.

[21] 18 C.F.R. 35.13(b)(7) (2018).

for a nominal, one-day suspension period. In *West Texas Utilities Co.*,[22] the Commission explained that a nominal suspension period is justified in cases where no more than ten percent of the proposed increase appears to be excessive. Here, although the percentage increase in Distribution Charges as compared to the currently effective Distribution Charge is significant, the overall rate impact of SPS's filing is an increase of roughly 0.74 percent in total SPS 2019 wholesale transmission service revenue.[23]

In any event, no part of the proposed increase is excessive. SPS's costs of providing Wholesale Distribution Service have increased since 2000. The Distribution Service Formula accurately measures SPS's cost of providing Wholesale Distribution Service using a Template that clearly explains each cost component and data input and subject to a transparent annual review process under the associated Protocols.[24]

VII. REQUESTS FOR WAIVER

A. Requests for Waiver to Provide Cost-of-Service Statements

SPS respectfully requests that the Commission recognize that SPS has endeavored to comply fully with the Commission's filing requirements set forth in Part 35 of the Commission's regulations. In the event that the Commission, upon review of the filing, should find that SPS has misinterpreted or failed to respond in some detail to such filing requirements, SPS requests that the Commission waive any failure to comply strictly with such filing requirements in recognition of SPS's good faith attempt at compliance.

To the extent necessary, SPS respectfully requests waiver of any requirement to submit cost-of-service statements. Specifically, SPS requests waiver of the following sections of the Commission's regulations: Sections 35.13(d)(1)-(2) (Period I and II data for Statements AA through BM), Section 35.13(d)(5) (workpapers related to Period I and II data), and Section 35.13(h) (cost-of-service statements).[25] Good cause exists to grant these waivers. Detailed statements of SPS's cost of service are not needed because the Revised Template will calculate the Distribution Charge on a formulaic basis and will be trued-up each year to the Company's actual costs. The Commission has routinely granted such waiver requests in similar proceedings where a party has proposed to implement or modify a formula rate construct.[26]

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22 *West Texas Utilities Co*., 18 FERC ¶ 61,189 at 61,375 (1982), which states that a "utility's increased rates will be suspended for only one day instead of the five month maximum in those cases where our preliminary analysis indicates that no more than ten percent of the increase appears to be excessive."

23 *See* Exhibit No. SPS-0004, page 1.

24 Berger Direct Testimony at 13-14; Freitas Direct Testimony at 9-13 and 16-17.

25 *See* 18 C.F.R. § 35.13(d)(1)-(2), (d)(5), (h) (2018).

26 *Duke Energy Progress, Inc.*, 149 FERC ¶ 61,220, at P 77 (2014) (granting waiver of Period I and II data, consistent with "prior approval of formula rates"); *Pub. Serv. Co. of New Mexico*, 142 FERC ¶ 61,168, at P 29 (2013) (granting waiver of Period I and II data), *reh'g denied*, 143 FERC ¶ 61,227 (2013); *S. California Edison Co.*, 136 FERC ¶ 61,074, at P 29 (2011); *Xcel Energy Servs. Inc.*, 122 FERC ¶ 61,098, at P 75 (2008) (granting waiver of Period I and II data), *on reh'g*, 125 FERC ¶ 61,092 (2008); *American Elec.*

In addition, specific support for SPS's revisions to add the Distribution Formula to the Template is contained in the testimony, supporting exhibits, and other materials included with this filing. This includes the Exhibits included with the Berger Direct Testimony and Freitas Direct Testimony.

VII. CORRESPONDENCE AND COMMUNICATIONS

The following persons are authorized to receive notices and communications with respect to this filing:

William A. Grant*
Regional Vice President – Rates and Regulatory Affairs
Southwestern Public Service Company
790 Buchanan Street - 7
Amarillo, TX 79101
(806) 378-2928 (phone)
William.a.grant@xcelenergy.com

Wesley L. Berger*
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Kenneth B. Driver*
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kbdriver@jonesday.com

SPS requests that the individuals identified above with an asterisk be placed on the Commission's official service list in this proceeding. SPS respectfully requests waiver of Section 385.203(b)(3) of the Commission's regulations to permit the designation of more than two persons upon whom service is to be made in this proceeding.[27]

VIII. SERVICE AND POSTING

SPS will serve a copy or notice of this filing on the state regulatory commissions with jurisdiction over SPS and on each network transmission service customers in Zone 11. A courtesy copy or notice will be served on the Director, Division of Tariffs and Market

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Power Serv. Corp., 120 FERC ¶ 61,205, at P 41 (2007) (granting waiver of Period I and II data), *reh'g denied*, 121 FERC 61,245 (2007); *Commonwealth Edison Co.*, 119 FERC ¶ 61,238, at PP 92-94 (2007) (granting waiver of Period I and II data and cost-of-service statements), *reh'g granted in part*, 122 FERC ¶ 61,037 (2008), *reh'g granted in part*, 124 FERC ¶ 61,231 (2008).

27 18 C.F.R. § 385.203(b)(3) (2018).

Development (Central). A copy of the filing is also available for public inspection in the offices of SPS in Amarillo, Texas.

IX. CONCLUSION

For the reasons stated above, SPS respectfully requests that the Commission accept the revised e-Tariff records, to be effective March 1, 2019. SPS further requests the Commission grant all of the waivers requested herein.

Respectfully submitted,

/s/ *James P. Johnson*

James P. Johnson
Assistant General Counsel
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Xcel Energy Services Inc., on behalf of Public Service Company of Colorado and Southwestern Public Service Company

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

CERTIFICATE OF SERVICE

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

Dated at Minneapolis, Minnesota this 21tst day of December, 2018.

s/ *Tracee J. Holte*
Tracee J. Holte
Senior Transmission Business Analyst
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Minneapolis, MN 55401
(612) 330-6206
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Exhibit No. SPS - 0001

(Revised Template - CLEAN)

ATTACHMENT O -SPS
Southwestern Public Service Company Formulaic Rates

Rate Formula Template
Utilizing Projected Data
For rates effective 01/01/20yy

Table 1

SOUTHWESTERN PUBLIC SERVICE COMPANY

Line No.	(1)	(2)	(3)	(4)	(5) Transmission Amount
1	PROJECTED REVENUE REQUIREMENT	(ln 45)			$ -
2	PRIOR YEAR TRUE UP ADJUSTMENT	Input			
3	INTEREST ON PRIOR YEAR TRUE UP ADJUSTMENT - Input				
4	PRIOR PERIOD CORRECTION TRUE UP ADJUSTMENT (Worksheet A.1 Ln 52)				$ -
5	INTEREST ON PRIOR PERIOD CORRECTION TRUE UP ADJUSTMENT (Worksheet A.1 Ln 53)				$ -
6	PROJECTED REVENUE REQUIREMENT WITH TRUE UP & PRIOR PERIOD CORRECTION	(ln 1 + sum lines 2 through 5)			$ -
7	DIVISOR				
8	Transmission Network Load	(Worksheet C)			-
9	RATES				
10	Annual Cost ($/kW/Yr)	(ln 6 / ln 8)	-		
11	Network & P-to-P Rate ($/kW/Mo)	(ln 10 / 12)	-		
			Peak		Off-Peak
12	Weekly P-To-P Rate ($/kW/Wk)	(ln 10 / 52; ln 10 / 52)	-		-
13	Daily P-To-P Rate ($/kW/Day)	(ln 12 / 6; ln 12 / 7)	-	Capped at weekly rate	-
14	Hourly P-To-P Rate ($/MWh)	(ln 13 / 16; ln 13 / 24 both x 1,000)	-	Capped at weekly & daily rate	-
15	METER CHARGE				Charge
16	Revenue Requirement	(Worksheet N)			$0
17	Number of Delivery Points	(Worksheet N)			0
18	Annual Meter Charge ($ per delivery point)	(ln 16 / ln 17)			$0
19	Monthly Meter Charge ($ per delivery point)	(ln 18 / 12)			$0
20	RADIAL LINE CHARGE (Worksheet A-2)		(Annual Charge)		Monthly Charge
21		(Worksheet A-2, Ln xx, Col m)	$0		$0
22		(Worksheet A-2, Ln xx, Col m)	$0		$0
23		(Worksheet A-2, Ln xx, Col m)	$0		$0
24		(Worksheet A-2, Ln xx, Col m)	$0		$0
25		(Worksheet A-2, Ln xx, Col m)	$0		$0
26		(Worksheet A-2, Ln xx, Col m)	$0		$0
27		(Worksheet A-2, Ln xx, Col m)	$0		$0
28	WHOLESALE DISTRIBUTION SERVICE CHARGE				Rate
29	Projected Distribution ARR	(Worksheet T)			$0
30	Prior Year True Up Adjustment	Input			$0
31	Interest On Prior Year True Up Adjustment	Input			$0
32					
33	Projected Distribution ARR with True Up	(Line 29+Line 30+Line 31)			$0
34					
35	Wholesale NCP Load (Kw)	Input			0

36			
37	Monthly Rate ($/Kw-mo)	(Line 33/Line 35)	$0

Worksheet A.3 Table 14.2

Southwestern Public Service Company
Worksheet A.3 - Projected Billing Year True-Up Adjustment and Interest Calculation for Wholesale Distribution Service Charge

Line No.			20yy
1	I. Revenue Requirement True-up:		
2	Projected Revenue Requirement for the Prior Rate Year - (WsT Line 46)		
3	Actual Revenue Requirement for the True-up Rate Year - (WsT Line 286)		
4	Revenue Requirement True-up Adjustment (Over Recovery is Negative, Under Recovery is Positive)		
5			
6	III. Volume True-up:		
7	Projected Divisor Load for the Prior Rate Year - (Input)		
8	Actual Divisor Load for the Prior Rate Year - (Input)		
9	Volume Adjustment (line 7 - line 8)		
10			
11	Projected Rate per kW-yr for the Prior Rate Year - (Rate, Line 37)		
12			
13	Volume Revenue Adjustment (Over Recovery is Negative, Under Recovery is Positive) (line 9 x line 11)		
14			
15	Net True-up Adjustment (Over Recovery is Negative, Under Recovery is Positive) (sum lines 4 + 13)		
16			
17			
18	IV. Interest Calculation:		
19		Projected Billing	
20		Year	
21		FERC	Monthly
22		Quarterly	Interest
23	Months	Interest Rates	Rate
24	January - Projected Yr 20yy		0.0000
25	February		0.0000
26	March		0.0000
27	April		0.0000
28	May		0.0000
29	June		0.0000
30	July		0.0000
31	August		0.0000
32	September		0.0000
33	October		0.0000

34	November	0.0000	
35	December	0.0000	
36	January - True-up Yr 20yy	0.0000	
37	February	0.0000	
38	March	0.0000	
39	April	0.0000	
40	May	0.0000	
41	June	0.0000	
42	July	0.0000	
43	August	0.0000	
44	September	0.0000	
45	Average Monthly Interest Rate	0.0000	
46			
47			
48	Over/Under Recovery Amount (Distribution ARR from Line 15 amount)		$ -
49	Average Monthly Interest Rate (ln 45)		$ -
50	Monthly Interest Recovery Amount (ln 48 x ln 49)		$ -
51			
52	Number of Months for Interest Recovery Amount		
53			
54	Interest Recovery Amount (ln 52 times ln 50)		$ -
55			
56	Prior Year True-up Adjustment (line 48)		$ -
57	Interest on Prior Year True-up Adjustment (ln 54)		$ -
58			
59	Note:		
60	The interest is calculated using the interest rate posted on the FERC website.		
61	See link to website below.		
62	http://www.ferc.gov/enforcement/acct-matts/interest-rates.asp		

Southwestern Public Service Company
Worksheet T - Distribution Fixed Charge Rate Calculation
12 Months Ended December 31, 20yy

Worksheet T
Table 46

Projection

Line No.		Distribution	Reference
1	(1) O&M		Line 62
2			
3	(2) Other Taxes		Line 88
4			
5	(3) A&G		Line 98
6			
7	(4) Return (Note 1)		Line 154
8			
9	(5) Depreciation (Note 1)		Line 162
10			
11	(6) Composite Income Tax		Line 174
12			
13	(7) Excess/Deficient ADIT Amortization		Line 210
14			
15	(8) General & Intangible Plant		Line 240
16			
17	(9) Cash Working Capital		Line 246
18			
19	(10) ADIT Adjustment		Line 270
20			
21	(11) Revenue Credits		Line 277
22	`		
23	**FIXED CHARGE RATE (FCR)**		
24			
25			
26			
27		**Reference**	
28	Total Distribution Plant	Line 58	
29			
30	Total SPS Distribution Revenue Requirement	Line 28 * Line 23	$ -
31			
32	Primary Function Percent of Revenue Requirement	(Note 2)	
33	Secondary Function Percent of Revenue Requirement		
34			
35	SPS Primary Distribution Revenue Requirement	Line 30 * Line 32	$ -
36			

Line	Description	(kW)	(%)	Reference	$ Amount
37	Primary Distribution NCP Breakdown				
38					
39		(kW)	(%)		
40	Texas				
41	New Mexico				
42	Wholesale				
43					
44	Total	-			
45					
46	Wholesale Distribution Annual Revenue Requirement			Line 35 * Line 42	$ -
47					
48					
49					
50					
51					
52					
53	**(1) O&M Expense:**			**Reference**	**$ Amount**
54					
55	Total Distribution Plant Investment				
56	Total Distribution Plant				
57	Less: Distribution ARO				
58	A. Total Distribution Plant				0
59					
60	B. Total Distribution O&M				
61					
62	Distribution O&M FCR Component			A/B	
63					
64	**(2) OTHER TAXES EXPENSE**				
65					
66	A. Payroll Taxes				
67	B. Property Taxes				
68	C. Other Taxes				
69	D. Total Taxes Other Than Income			FF1 page 114, line 14, column c:	
70					
71	E. Distribution Wages Expense				
72	F. A&G Wages Expense				
73	G. Total Wages Expense				
74	H. Wages and Salaries Allocator			E/(G-F)	
75					
76	I. Payroll Taxes Allocated to Distribution			A*H	
77					
78	J. Total Distribution Plant			Line 58	
79	K. Total Electric Plant				
80	L. Gross Plant Allocator			J/K	
81					
82	M. Property Taxes Allocated to Distribution			B*L	

83				
84		N. Total Other Taxes Allocated to Distribution	I+M	
85				
86		O. Total Distribution Plant		
87				
88		Other Taxes FCR Component	N/O	
89				
90	**(3)**	**A&G EXPENSE**		
91				
92		A. Total A&G related O&M		
93		B. Wages and Salarie Allocator	Line 74	
94		C. Distribution Related A&G Expense		
95				
96		D. Total Distribution Plant Investment	Line 58	
97				
98		A&G Expense FCR Component	C/D	
99				
100	**(4)**	**RATE OF RETURN WORKSHEET**	**Reference**	
101				
102		A. Common Equity Calculation		
103				
104		Proprietary Capital		
105				
106		Less: Preferred Stock Issued		
107				
108		Less: Account No. 216.1		
109				
110		Less: Accum other comprehensive Income		
111				
112		Common Equity =	Line 104 - 106 - 108 - 110	
113				
114		B. Rate of Return Calculation		
115				
116		Long Term Debt		
117				
118		Preferred Stock		
119				
120		Common Equity	Line 112	
121				
122		Total Capital =	Lines 116 + 118 + 120	
123				
124		C. Cost of Debt		
125		Interest on Long Term Debt		
126		Interest on Debt to Assoc. Companies (LTD portion only)		
127		Amortization of Debt Discount and Expense		

128		Amortization of Loss on Reacquired Debt					
129		Less: Amort of Premium on Debt					
130		Less: Amort of Gain on Reacquired Debt					
131		Total Interest Expense		Lines 125 + 126 + 127 + 128 – 129 – 130			
132							
133		Average Cost of Debt		Line 131 / Line 116			
134							
135		D. Cost of Preferred Stock					
136		Preferred Stock Dividends					
137							
138		Average Cost of Preferred Stock		Line 136 / Line 118			
139							
140						**CAPITAL STRUCTURE**	
141							Weighted Cost
142			Amount	**%**		**%**	Of Capital %
143		Long Term Debt					
144		Preferred Stock					
145		Common Equity (1)					
146		Total				ROR=	
147							
148		E. Total Distribution Gross Plant		Line 58			
149		F. Total Distribution Accumulated Depreciation					
150		G. Distribution Net Plant		E-F			
151							
152		H. Distribution Return		G*ROR			
153							
154		Distribution Return FCR Component		H/E			
155							
156	**(5)**	**DEPRECIATION EXPENSE**		**Reference**			**$ Amount**
157							
158		Distribution Depreciation Expense					
159							
160		Total Distribution Plant Investment		Line 58			
161							
162		SLDp =		Line 158 / Line 160			

163				
164	**(6)**	**COMPOSITE INCOME TAX EXPENSE**		
165				
166			T= 1-(1-State Tx)*(1-Federal Tx)	
167		A. Distribution CIT=	(T/1-T)*(1-Wtd.LTD/ROR)	
168				
169			State Tax Rate	
170			Federal Tax Rate	
171				
172		B. Income Tax Expense	Line 152 * A	
173				
174		Income Tax Expense FCR Component	B/Line 148	
175				
176				
177				
178	**(7)**	**Excess/Deficient ADIT Amortization**	**Reference**	
179				
180		Total Distribution Excess ADIT Amortization - Plant		
181				
182		Total General and Intangible Excess ADIT Amortization - Plant		
183		Wages and Salaries Allocator	Line 74	
184				
185		Total Distribution portion of General and Intangible Excess ADIT Amortization - Plant	Line 182 * Line 183	
186				
187				
188		Total Non-Plant Excess ADIT Amortization - Allocated on Plant		
189		Gross Plant Allocator	Line 80	
190				
191		Total Distribution Non-Plant Excess ADIT Amortization - Allocated on Plant	Line 188 * Line 189	
192				
193		Total Non-Plant Excess ADIT Amortization - Allocated on Labor		

194		Wages and Salaries Allocator		Line 183	
195					
196		Distribution Portion of Non-Plant Excess ADIT Amortization - Allocated on Labor		Line 193 * Line 194	
197					
198					
199		Total Non-Plant Excess ADIT Amortization - Direct Assigned to Distribution			
200					
201		Total Distribution Portion of Excess ADIT Amortization		Add Lines 180, 185, 191, 196, 199	
202		Total Distribution Plant		Line 58	
203					
204		Gross-up Tax Calculation			
205		Composite Income Tax Rate	T= 1-(1-State Tx)*(1-Federal Tx)		
206		Gross-up factor	1/(1-T)		
207					
208		Total Distribution Portion of Excess ADIT Amortization		Line 201 * Line 206	
209					
210		Excess ADIT Amortization FCR Component		Line 208 / Line 202	
211					
212					
213	**(8)**	**GENERAL & INTANGILBE PLANT**		**Reference**	
214					
215		General Gross Plant		FF1 P 205 L 5 col g	
216		General Accumulated Depreciation		FF1 P 219 L 28 col c (enter negative)	
217		General Accumulated Amortization		FF1 P 200 footnote (enter negative)	
218		General Net Plant			
219					
220		Intangible Gross Plant		FF1 P 207 L 99 col g	
221		Intangible Accumulated Amortization		FF1 P 200 footnote (enter negative)	
222		Intangible Net Plant			
223					
224		General & Intangible Gross Plant		Line 215 + Line 220	
225		General & Intangible Net Plant		Line 218 + Line 222	

226				
227		Wages and Salaries Allocator	Line 74	
228				
229		General & Intangible Gross plant allocated to Distribution	Line 224 * Line 227	
230		General & Intangible Net plant allocated to Distribution	Line 225 * Line 227	
231				
232		General & Intangible Return	Line 230 * ROR	
233		General & Intangible Income Taxes	Line 232 * Line 167	
234				
235		Revenue Requirement Carrying Charge Rate	Line 9 +13 + 19	
236		General & Intangible Depr, Excess ADIT Amort, ADIT Adj		
237				
238		General & Intangible Plant Revenue Requirement	Line 232 +233 + 236	
239		Total Distribution Plant Investment	Line 58	
240		General & Intangible Plant FCR Component	Line 238 / Line 239	
241				
242				
243				
244	**(9)**	**CASH WORKING CAPITAL**		
245				
246		Cash Working Capital will be set at and remain $0 until such time as SPS files and receives FERC approval.		
247				
248				
249	**(10)**	**ACCUMULATED DEFERRED INCOME TAX**	**Reference**	
250				
251		Gross Plant Allocator	Line 80	
252				
253		Accumulated Deferred Income Tax		
254		Account 190		
255		Account 282 (enter negative)		
256		Account 283 (enter negative)		
257		Account 254 - Non-plant Excess ADIT (enter negative)		
258		Account 182 - Non-Plant Deficient ADIT		
259		Total ADIT		
260				
261		Distribution share of ADIT	Line 259 * Line 251	
262				

263		Return	Line 261 * ROR	
264		Income Taxes	Line 263 * Line 167	
265				
266		ADIT Adjustment	Line 263 + Line 264	
267				
268		Distribution Plant	Line 58	
269				
270		ADIT Distribution FCR Component	Line 266 / Line 268	
271				
272	**(11)**	**Revenue Credits**		
273				
274		A. Distribution Related Other Revenues		
275		B. Total Distribution Plant	Line 58	
276				
277		C. Distribution Revenue Credit Factor Factor	Line 274 / Line 275	
278				
279	**Note 1: Return on Equity and the Depreciation rates cannot change without a Section 205 or 206 filing.**			
280	**Note 2: The percent of the distribution system that is primary is from the most recently filed class cost of service model in a Texas rate case.**			

Southwestern Public Service Company — **Work sheet T Table 46**

Worksheet T - Distribution Fixed Charge Rate Calculation
12 Months Ended December 31, 20yy

Actual Line No.		Distribution	Reference
281	(1) O&M		Line 342
282			
283	(2) Other Taxes		Line 368
284			
285	(3) A&G		Line 378
286			
287	(4) Return (Note 1)		Line 434
288			

289	(5) Depreciation (Note 1)		Line 442
290			
291	(6) Composite Income Tax		Line 454
292			
293	(7) Excess/Deficient ADIT Amortization		Line 490
294			
295	(8) General & Intangible Plant		Line 520
296			
297	(9) Cash Working Capital		Line 526
298			
299	(10) ADIT Adjustment		Line 550
300			
301	(11) Revenue Credits		Line 557
302	`		
303	**FIXED CHARGE RATE (FCR)**		
304			
305			
306			
307		**Reference**	
308	Total Distribution Plant	Line 338	
309			
310	Total SPS Distribution Revenue Requirement	Line 308 * Line 303	$ -
311			
312	Primary Function Percent of Revenue Requirement	(Note 2)	
313	Secondary Function Percent of Revenue Requirement		
314			
315	SPS Primary Distribution Revenue Requirement	Line 310 * Line 312	$ -
316			
317	Primary Distribution NCP Breakdown		
318			

319			(kW)	(%)	
320		Texas			
321		New Mexico			
322		Wholesale			
323					
324		Total			
325					
326	Wholesale Distribution Annual Revenue Requirement			Line 315 * Line 322	$ -
327					
328					
329					
330					
331					
332					
333	**(1)**	**O&M Expense:**		**Reference**	**$ Amount**
334					
335		Total Distribution Plant Investment			
336		Total Distribution Plant			
337		Less: Distribution ARO			
338		A. Total Distribution Plant			
339					
340		B. Total Distribution O&M			
341					
342		Distribution O&M FCR Component		A/B	
343					
344	**(2)**	**OTHER TAXES EXPENSE**			
345					
346		A. Payroll Taxes			
347		B. Property Taxes			
348		C. Other Taxes			
349		D. Total Taxes Other Than Income		FF1 page 114, line 14, column c:	
350					
351		E. Distribution Wages Expense			
352		F. A&G Wages Expense			
353		G. Total Wages Expense			
354		H. Wages and Salaries Allocator		E/(G-F)	
355					
356		I. Payroll Taxes Allocated to Distribution		A*H	
357					
358		J. Total Distribution Plant		Line 338	
359		K. Total Electric Plant			
360		L. Gross Plant Allocator		J/K	
361					
362		M. Property Taxes Allocated to Distribution		B*L	
363					
364		N. Total Other Taxes Allocated to Distribution		I+M	

365				
366		O. Total Distribution Plant		
367				
368		Other Taxes FCR Component	N/O	
369				
370	**(3)**	**A&G EXPENSE**		
371				
372		A. Total A&G related O&M		
373		B. Wages and Salarie Allocator	Line 354	
374		C. Distribution Related A&G Expense		
375				
376		D. Total Distribution Plant Investment	Line 338	
377				
378		A&G Expense FCR Component	C/D	
379				
380	**(4)**	**RATE OF RETURN WORKSHEET**	**Reference**	
381				
382		A. Common Equity Calculation		
383				
384		Proprietary Capital		
385				
386		Less: Preferred Stock Issued		
387				
388		Less: Account No. 216.1		
389				
390		Less: Accum other comprehensive Income		
391				
392		Common Equity =	Line 384 - 386 - 388 - 390	
393				
394		B. Rate of Return Calculation		
395				
396		Long Term Debt		
397				
398		Preferred Stock		
399				
400		Common Equity	Line 392	
401				
402		Total Capital =	Lines 396 + 398 + 400	
403				
404		C. Cost of Debt		
405		Interest on Long Term Debt		
406		Interest on Debt to Assoc. Companies (LTD portion only)		
407		Amortization of Debt Discount and Expense		
408		Amortization of Loss on Reacquired Debt		
409		Less: Amort of Premium on Debt		

410		Less: Amort of Gain on Reacquired Debt					
411		Total Interest Expense		Lines 405 + 406 + 407 + 408 – 409 – 410			
412							
413		Average Cost of Debt		Line 411 / Line 396			
414							
415		D. Cost of Preferred Stock					
416		Preferred Stock Dividends					
417							
418		Average Cost of Preferred Stock		Line 416 / Line 398			
419							
420						**CAPITAL STRUCTURE**	
421							Weighted Cost Of Capital %
422			Amount	**%**		**%**	
423		Long Term Debt					
424		Preferred Stock					
425		Common Equity (1)					
426		Total				ROR=	
427							
428		E. Total Distribution Gross Plant		Line 338			
429		F. Total Distribution Accumulated Depreciation					
430		G. Distribution Net Plant		E-F			
431							
432		H. Distribution Return		G*ROR			
433							
434		Distribution Return FCR Component		H/E			
435							
436	**(5)**	**DEPRECIATION EXPENSE**		**Reference**			
437							
438		Distribution Depreciation Expense					
439							
440		Total Distribution Plant Investment		Line 338			
441							
442		SLDp =		Line 438 / Line 440			
443							
444	**(6)**	**COMPOSITE INCOME TAX EXPENSE**					

Line		Description		Reference	
445					
446			T= 1-(1-State Tx)*(1-Federal Tx)		
447		A. Distribution CIT=	(T/1-T)*(1-Wtd.LTD/ROR)		
448					
449			State Tax Rate		
450			Federal Tax Rate		
451					
452		B. Income Tax Expense		Line 432 * A	
453					
454		Income Tax Expense FCR Component		B/Line 428	
455					
456					
457					
458	**(7)**	**Excess/Deficient ADIT Amortization**		**Reference**	
459					
460		Total Distribution Excess ADIT Amortization - Plant			
461					
462		Total General and Intangible Excess ADIT Amortization - Plant			
463		Wages and Salaries Allocator		Line 354	
464					
465		Total Distribution portion of General and Intangible Excess ADIT Amortization - Plant		Line 462 * Line 463	
466					
467					
468		Total Non-Plant Excess ADIT Amortization - Allocated on Plant			
469		Gross Plant Allocator		Line 360	
470					
471		Total Distribution Non-Plant Excess ADIT Amortization - Allocated on Plant		Line 468 * Line 469	
472					
473		Total Non-Plant Excess ADIT Amortization - Allocated on Labor			
474		Wages and Salaries Allocator		Line 463	
475					
476		Distribution Portion of Non-Plant Excess ADIT Amortization - Allocated on Labor		Line 473 / Line 474	
477					
478					

479		Total Non-Plant Excess ADIT Amortization - Direct Assigned to Distribution			
480					
481		Total Distribution Portion of Excess ADIT Amortization		Add Lines 460, 465,471,476,479	
482		Total Distribution Plant		Line 338	
483					
484		Gross-up Tax Calculation			
485		Composite Income Tax Rate	T= 1-(1-State Tx)*(1-Federal Tx)		
486		Gross-up factor	1/(1-T)		
487					
488		Total Distribution Portion of Excess ADIT Amortization		Line 481 * Line 486	
489					
490		Excess ADIT Amortization FCR Component		Line 482 / Line 488	
491					
492					
493	**(8)**	**GENERAL & INTANGILBE PLANT**		**Reference**	
494					
495		General Gross Plant		FF1 P 205 L 5 col g	
496		General Accumulated Depreciation		FF1 P 219 L 28 col c (enter negative)	
497		General Accumulated Amortization		FF1 P 200 footnote (enter negative)	
498		General Net Plant			
499					
500		Intangible Gross Plant		FF1 P 207 L 99 col g	
501		Intangible Accumulated Amortization		FF1 P 200 footnote (enter negative)	
502		Intangible Net Plant			
503					
504		General & Intangible Gross Plant		Line 495 + Line 500	
505		General & Intangible Net Plant		Line 498 + Line 502	
506					
507		Wages and Salaries Allocator		Line 354	
508					
509		General & Intangible Gross plant allocated to Distribution		Line 504 * Line 507	
510		General & Intangible Net plant allocated to Distribution		Line 505	

			* Line 507	
511				
512		General & Intangible Return	Line 510 * ROR	
513		General & Intangible Income Taxes	Line 512 * Line 447	
514				
515		Revenue Requirement Carrying Charge Rate	Line 289 +293 + 299	
516		General & Intangible Depr, Excess ADIT Amort, ADIT Adj	Line 509 * Line 515	
517				
518		General & Intangible Plant Revenue Requirement	Line 512 +513 + 516	
519		Total Distribution Plant Investment	Line 338	
520		General & Intangible Plant FCR Component	Line 518 / Line 519	
521				
522				
523				
524	**(9)**	**CASH WORKING CAPITAL**		
525				
526		Cash Working Capital will be set at and remain $0 until such time as SPS files and receives FERC approval.		
527				
528				
529	**(10)**	**ACCUMULATED DEFERRED INCOME TAX**	**Reference**	
530				
531		Gross Plant Allocator	Line 360	
532				
533		Accumulated Deferred Income Tax		
534		Account 190		
535		Account 282 (enter negative)		
536		Account 283 (enter negative)		
537		Account 254 - Non-plant Excess ADIT (enter negative)		
538		Account 182 - Non-Plant Deficient ADIT		
539		Total ADIT		
540				
541		Distribution share of ADIT	Line 539 * Line 531	
542				
543		Return	Line 541 * ROR	
544		Income Taxes	Line 543 * Line 447	

545				
546		ADIT Adjustment	Line 543 + Line 544	
547				
548		Distribution Plant	Line 338	
549				
550		ADIT Distribution FCR Component	Line 546 / Line 548	
551				
552	**(11)**	**Revenue Credits**		
553				
554		A. Distribution Related Other Revenues		
555		B. Total Distribution Plant	Line 338	
556				
557		C. Distribution Revenue Credit Factor Factor	Line 554 / Line 555	
558				
559	**Note 1: Return on Equity and the Depreciation rates cannot change without a Section 205 or 206 filing.**			
560	**Note 2: The percent of the distribution system that is primary is from the most recently filed class cost of service model in a Texas rate case.**			

APPENDIX 1 to Attachment O – SPS

ANNUAL FORMULA RATE IMPLEMENTATION PROCEDURES
SOUTHWESTERN PUBLIC SERVICE COMPANY

Section 1 Applicability

The formula rate template and these Annual Formula Rate Implementation Procedures (collectively, the "*Formula Rate*") comprise SPS's filed transmission rate. SPS shall follow the Formula Rate to calculate annually its Zonal Annual Transmission Revenue Requirement ("*Zonal ATRR*"), the monthly rate for Network Integration Transmission Service ("*NITS Rate*"), the rates for point-to-point transmission service ("*PTP Rates*"), the monthly meter charge ("*Meter Charge*"), the monthly radial line charge ("*Radial Line Charge*"), the ATRR for Base Plan Upgrades ("*BPU ATRR*"), the Annual Revenue Requirement for Wholesale Distribution Service ("Distribution ARR"), and the ATRR and rates for Ancillary Services Schedule 1 – Scheduling, System Control and Dispatch Service ("*Schedule 1 Rates*") provided in the SPS rate zone under the Southwest Power Pool ("*SPP*") and Xcel Energy Operating Companies ("*Xcel Energy*") Open Access Transmission Tariffs ("OATTs") (collectively, the "*Annual Update*"). Recovery of costs associated with existing facilities and new facilities shall be consistent with the Formula Rate and Attachment AI and Attachment J, respectively, of the SPP OATT. The Formula Rate and the charges produced thereunder shall be effective for service on and after January 1, 2009. The Formula Rate shall be applicable on and after January 1 of each calendar year for service from January 1 – December 31 of each calendar year (the "*Rate Year*"), subject to the review, challenge and true-up procedures of this Appendix 1.

Section 2 Annual Updates

a. No later than 5 p.m. CPT on October 1 of each year, SPS, or Xcel Energy Services Inc. ("*XES*") or another representative of Xcel Energy on SPS's behalf, shall determine and post its Annual Update to be effective during the next Rate Year. The Annual Update shall consist of the following:

(i) a data-populated version of the Formula Rate template setting forth the projected ATRR for the next Rate Year ("*Projected ATRR*") plus any applicable True-up Adjustment, as defined in Section 3.a., produced by operation of the Formula Rate;

(ii) a recalculation of the projected Base Plan Upgrade ("*BPU*") ATRR for the next Rate Year plus any applicable BPU True-up adjustment;

(iii) with respect to any True-up Adjustment or BPU True-up Adjustment calculated pursuant to Section 3, a calculation of applicable interest on any net over or under recovery based on the interest rates specified in the Commission's regulation at 18 C.F.R § 35.19a. The interest rate to be applied to the over or under recovery amounts shall be determined using the average rate for the twenty-one (21) months preceding October of the current year. The interest payable shall then be calculated by multiplying the average interest rate (monthly) by the over or under recovery amount by 24 months, the period during which the over or under recovery exists.

(iv) a recalculation of the Zonal ATRR, NITS Rate, PTP Rates, BPU ATRR, Meter Charge, Radial Line Charge, Distribution ARR, and the Schedule 1 Rates for the next Rate Year;

(v) supporting documentation, including, but not limited to, fully functioning Excel® files (or such other native format files), required to support, demonstrate and explain information upon which the Annual Update is based;

(vi) disclosure of the following changes to the extent any has taken effect since January 1, 2009, or since the prior October 1, and affects the Formula Rate or calculation of the Annual Update or the allocation of costs or revenues to SPS's transmission customers: changes in (a) FERC's Uniform System of Accounts ("*USoA*"), (b) FERC Form No. 1 reporting requirements as applicable, (c) any FERC ratemaking orders applicable to the SPS Formula Rate, (d) the accounting policies, practices or procedures of SPS, (e) the SPP and/or the Xcel OATTs as they relate to SPS, or (f) classification or reclassification of facilities from transmission to radial or from radial to transmission (inclusive of changes to the net book value of such facilities as a result of depreciation) (changes in items (a) through (f) collectively referred to as "*Material Changes*");

(vii) disclosure and documentation of the impact of any changes in the classification of "Transmission Facilities" as defined in Attachment AI of the SPP OATT that took effect since January 1, 2009, or in the most recent proceeding year, that impact the Formula Rate or Radial Line Charge(s) to any transmission customer(s);

(viii) a copy of that actuarial report(s) estimating SPS's Post-Employment Benefits Other Than Pensions expenses for the next Rate Year pursuant to Statement of Financial Accounting Standards No. 106, Employers' Accounting for Post-Employment Benefits Other Than Pensions ("*PBOP*"); and

(ix) information regarding wholesale gains on SPS's sale or transfer of a transmission asset.

b. SPS shall contemporaneously post and notify its transmission customers, other parties to FERC Docket No. ER08-313 as of the date the settlement is filed with the Commission and affected state regulatory commissions (collectively, "*Interested Parties*") of the availability of the Annual Update on the publicly-accessible portions of the SPS page of the SPP OASIS[1] and the Transmission page of the Xcel Energy Inc. Web Site [2] (collectively, the "*Web Sites*"). The posting shall include both a Portable Document Format and fully functioning Excel® file (or such other native format file) of all materials contained in the Annual Update.

[1] Currently http://www.oatioasis.com/SPS/index.html

[2] Currently https://www.transmission.xcelenergy.com/Resources/Open-Access-Same-Time-Information-System-&-Open-Access-Transmission-Tariff

c. If October 1 falls on a weekend or a holiday recognized by FERC, the Annual Update shall be posted by 5:00 p.m. CPT on the next business day.

d. Each year, no later than October 20, or the next business day if October 20 is not a business day, SPS shall convene a meeting among SPS and Interested Parties and their respective representatives ("*Customer Meeting*") to explain the Annual Update for the next Rate Year. This Customer Meeting shall (i) allow enough time for SPS to present details about its Annual Update; (ii) provide Interested Parties and their respective representatives the chance to seek information and clarifications from SPS about the Annual Update; and (iii) allow for participation via teleconference. Interested Parties shall be provided written notice at least fourteen (14) calendar days prior to the Customer Meeting. Written notice may be provided by email to the representative(s) of the Interested Party on record with SPS.

e. SPS shall modify the Annual Update to reflect any changes that it and the Interested Parties have agreed upon as of November 15, or the next business day if November 15 is not a business day, and on such date, provide SPS's Zonal ATRR and each Base Plan Upgrade's Revenue Requirement and description to the SPP for the purpose of SPP preparing any necessary tariff filing.[3] SPS shall also cause the revised Annual Update to be posted on the Web Sites no later than December 1. Contemporaneous with the posting of the revised Annual Update, SPS shall file the revised Annual Update with the Commission ("*Annual Informational Filing*"). If December 1 falls on a weekend or a holiday recognized by FERC, the Annual Informational Filing shall be posted no later than 4:00 p.m. CPT on the next business day. The Annual Informational Filing and posting will include both Portable Document Format and fully functioning Excel® file (or such other native format file) of all materials contained in the revised Annual Update. As soon as available, such posting shall also include the docket number assigned by the FERC to the Annual Informational Filing. The Annual Informational Filing shall not require Commission action.[4]

[3] In the event that the SPP is no longer required to make a tariff filing to reflect SPS's Zonal ATRR in the SPP OATT, and to the extent consistent with applicable Commission precedent, the November 15 deadline may be delayed or extended, as appropriate, until such later deadline established by the SPP that will facilitate timely billing of the new Zonal ATRR in the subsequent Rate Year.

[4] The transmittal letter accompanying the Annual Informational Filing shall inform the Commission that the Annual Informational Filing is not intended to be subject to the Commission's notice requirements, that it is not intended for the Commission to take action

accepting the Annual Informational Filing, and shall inform the Commission regarding the procedures contained in these Implementation Procedures for review and challenge of the Annual Informational Filing. If the Commission issues a notice of or an order accepting the Annual Informational Filing, SPS or XES shall advise the Commission of the challenge process in these Implementation Procedures and shall work with the settling parties in Docket No. ER08-313-000, et al., to seek rescission of such action. No Commission action on the Annual Informational Filing shall affect any rights under the Formula Rate or these Implementation Procedures.

f. The Annual Update for the new Rate Year shall:

(i) be based upon SPS's most recent budget and other information for the new Rate Year, that reasonably projects costs properly recorded (or to be recorded) on the books and records of SPS consistent with the Commission's USoA, FERC's orders establishing generally applicable transmission ratemaking policies, FERC accounting policies and practices, SPP's policies, and the SPP and Xcel Energy OATTs; effective January 1, 2015, PBOP charges will be based on the PBOP expense amount reported in SPS's most recent annual actuarial valuation report as of the date of SPS's Annual Update; and

(ii) compute the Projected ATRR using a rate base reflecting the following:

(1) an average of 13 monthly balances shall be applied to (i) gross plant balance for all plant functions, (ii) accumulated depreciation and amortization balance for all plant functions, (iii) the gross plant balance associated with the generator step-ups, (iv) capital structure balances (that is, long-term debt, preferred stock, and common equity), and (v) Construction Work in Progress ("*CWIP*") balance (if/when CWIP recovery is approved by the Commission);

(2) an average of the beginning of year and end of year balances shall be
applied to (i) accumulated deferred income tax balances, (ii) unamortized balance of abandoned incentive plant (if/when abandoned incentive plant recovery is approved by the Commission), (iii) unamortized balance of extraordinary property loss (if/when recovery is approved by the Commission), (iv) land held for future use plant balance, (v) materials and supplies, and (vi) prepayments;

(3) Cash Working Capital shall be calculated (the value will be set to zero until an alternative recovery mechanism is approved by the Commission);

(4) the most recent end of the year actual plant balances shall be used in the calculation of the Radial Line Charges and the Meter Charges;

(5) for each Base Plan Upgrade project, the revenue requirement credit shall be based on the projected investment amount, the projected in-service date and the projected Fixed Charge Rate ("*FCR*"); and

(6) the most recent calendar year actual costs, plant balances, and customer billing determinants shall be used to estimate the Distribution ARR.

Section 3 True-up Adjustment

The True-up Adjustment component of the Zonal ATRR for each Rate Year, beginning with 2011, shall be determined as follows:

a. Beginning with 2010, no later than 5 p.m. CPT on June 15 of each year, SPS or XES or another representative of Xcel Energy on SPS's behalf, shall calculate and post the ATRR for the previous Rate Year based on its actual costs as reflected in its FERC Form No. 1 and its books and records for that Rate Year ("*Actual ATRR*"). The Actual ATRR shall be compared with the Projected ATRR for the same year ("*True-up Year*") to determine any excess or shortfall in the projected Zonal ATRR that was used for billing purposes in the True-up Year. In addition, actual divisor loads shall be compared to projected divisor loads and the difference multiplied by the zonal rate actually billed to determine any excess or shortfall in collection due to volume. The sum of the excess or shortfall due to the actual versus projected Zonal ATRR and the excess or shortfall due to volume shall constitute the ("*True-up Adjustment*"). The True-up Adjustment shall have the following support:

(i) a data-populated version of the Formula Rate template setting forth the Actual ATRR for the True-up Year;

(ii) a determination of the difference between the Projected ATRR and the Actual ATRR for such True-up Year, as set forth in Section 3.a. herein, shall be provided in Worksheet A included in the data populated version of the Formula Rate as described in item (i);

(iii) a determination of the difference between the Projected BPU ATRR and the Actual BPU ATRR for such True-up Year shall be provided in Worksheet A that is included in the data populated version of the formula;

(iv) a determination of the difference between the Projected Distribution ARR and the Actual Distribution ARR for such True-up Year shall be provided in Worksheet A that is included in the data populated version of the formula.

(v) supporting documentation required hereunder, including, but not limited to, fully functioning Excel® files (or such other native format files), which demonstrate or explain information not otherwise set out in SPS's FERC

Form No. 1;

(vi) disclosure of any Material Changes on the calculation of the True-up Adjustment to the extent that such Material Changes have taken effect since January 1, 2009, or since the prior October 1, and those Material Changes affect the Formula Rate or calculation of the True-up Adjustment or the allocation of costs or revenues to SPS's transmission customers; and

(vii) example True-up Adjustments for the 2009 and 2012 net revenue requirements (using illustrative numbers) have been provided as Exhibit A attached hereto.

b. By no later than June 15, SPS shall contemporaneously post the True-up Adjustment on the Web Sites and SPS shall file a letter with the Commission ("*True-up Filing*") announcing the availability of the True-up Adjustment on the Web Sites (i.e., it will not file the entirety of the True-up Adjustment). If June 15 falls on a weekend or a holiday recognized by FERC, the True-up Filing shall be filed and posted no later than 4:00 p.m. CPT on the next business day. The True-up Adjustment posting shall include both a Portable Document Format and fully functioning Excel® file (or such other native format file) of all materials contained in the True-up Adjustment. SPS shall notify the Interested Parties of the availability of the True-up Filing and posting. The True-up Filing shall not require Commission action.

c. Each year, no later than July 15, SPS shall convene a meeting among SPS and other Interested Parties and their respective representatives ("*True-up Customer Meeting*"). This True-up Customer Meeting shall (i) allow enough time for SPS to present details about its True-up Adjustment; (ii) provide Interested Parties and their respective representatives the chance to seek information and clarifications from SPS about the True-up Adjustment; and (iii) allow for participation via teleconference. SPS shall post and Interested Parties shall be provided written notice at least fourteen (14) calendar days prior to the True-up Customer Meeting. Written notice may be provided by email to the representative(s) of the Interested Party on record with SPS.

d. The True-up Adjustment shall:

(i) be based on costs that are prudently incurred and properly recorded on the books and records of SPS, including SPS's FERC Form No. 1 data, as applicable, for the most recently completed calendar year consistent with the USoA, FERC's orders establishing generally applicable transmission ratemaking policies, and, to the extent specified in the Formula Rate, SPS's books and records kept in conformance with the FERC USoA, FERC accounting policies and practices, SPP's policies, and the SPP and Xcel Energy OATTs;

(ii) compute the Actual ATRR using the same methodology for calculating rate base and capital structure balances as specified for the Annual Update in Section 2(f)(ii) above;

(iii) compute the Actual BPU ATRR using the actual Base Plan Upgrade project investment amount(s), the actual in-service date(s), and the actual FCR;

(iv) compute the Actual Distribution ARR using the actual formula rate components and billing determinants for the True-up Year; and

(v) include a side-by-side comparison of the actual ATRR formula rate components as compared with the projected ATRR formula rate components for the True-up Year ("*Variance Analyses*").

e. Summary of Formula Rate Process including True-up Adjustment:

(i) Monthly charges shall be based on the Zonal ATRR that uses projected data for each Rate Year. For example, those charges for service from January 1, 2009 through December 31, 2009 shall be based on projected 2009 plant-in-service costs. Beginning January 1, 2012, the monthly charges shall be based on the Zonal ATRR using projected data that includes projected data for the BPU ATRR.

(ii) The Zonal ATRR based on projected 2009 data shall be trued-up in June 2010 to a Zonal ATRR based on actual data. Beginning with the 2012 Rate Year, the Zonal ATRR and the BPU ATRR based on projected data shall be trued-up in June 2013 to a Zonal ATRR and BPU ATRR based on actual data.

(iii) Differences between the Zonal ATRR and the BPU ATRR calculated using projected and actual data for a given True-up Year that result from the True-up Adjustment process shall be rolled forward to the following projected Rate Year, including interest. For example, the True-up Adjustment for the 2012 Formula Rates would be calculated in June 2013 and included in the rate formula effective January 1, 2014.

(iv) The sequence outlined in subsections (i), (ii) and (iii), above, shall repeat each subsequent Rate Year and is summarized below:

Month	Year	Action
Oct.	2009	Annual Update - SPS populates the formula with Year 2010 projected data. Formula template amounts for 2010 actual data are left blank at this time.
June	2010	True-up Adjustment - SPS populates the Year 2009 projected data formula with Year 2009 actual

		data and calculates the 2009 True-up Adjustment (before interest).
Oct.	2010	Annual Update - SPS calculates the interest to include in the 2009 True-up Adjustment.
Oct.	2010	Annual Update - SPS populates the formula with Year 2011 projected data and includes the 2009 True-up Adjustment amount into the Zonal ATRR for 2011. Formula template amounts for 2011 actual data are left blank at this time.
June	2011	True-up Adjustment - SPS populates the Year 2010 projected data formula with Year 2010 actual data and calculates the 2010 True-up Adjustment (before interest).
Oct.	2011	Annual Update - SPS calculates the interest to include in the 2010 True-up Adjustment.
Oct.	2011	Annual Update - SPS populates the formula with Year 2012 projected data including projected data for the BPU ATRR and inputs the 2010 True-up Adjustment amount into the Zonal ATRR for 2012. Formula template amounts for 2012 actual data are left blank at this time.
June	2012	True-up Adjustment - SPS populates the formula with 2011 actual data and calculates the 2011 True-up Adjustment (before interest).
Oct.	2012	Annual Update - SPS calculates the interest to include in the 2011 True-up Adjustment.
Oct.	2012	Annual Update – SPS populates the formula with Year 2013 projected data including projected data for the BPU ATRR and inputs the 2011 True-up Adjustment amount into the Zonal ATRR for Year 2013. Formula template amounts for 2013 actual data are left blank at this time.
June	2013	True-up Adjustment – SPS

		populates the formula with 2012 actual data including the actual BPU ATRR and calculates the 2012 Zonal ATRR and BPU ATRR True-up adjustments (before interest).
Oct.	2013	Annual Update – SPS calculates the interest to include in the 2012 True-up Adjustment.
Oct.	2013	Annual Update – SPS populates the formula with Year 2014 projected data including projected data for the BPU ATRR and inputs the 2012 Zonal ATRR and the 2012 BPU ATRR True-up Adjustment amounts into the Zonal ATRR and BPU ATRR for 2014. Formula template amounts for 2014 actual data are left blank at this time.
June	(Year)	True-up Adjustment - SPS populates the formula with (Year - 1) actual data and calculates the (Year – 1)True-up Adjustment (before interest).
Oct	(Year)	Annual Update – SPS calculates the interest to include in the (Year – 1) True-up Adjustment. Annual Update – SPS populates the formula with (Year + 1) projected data and (Year – 1) True-up Adjustment

f. The True-up Adjustment is subject to challenge and review in accordance with the procedures set forth in this Appendix 1, and all other rights that any entity may have under the Federal Power Act ("*FPA*") or the Commission's regulations.

Section 4 Annual Review Procedures

Each Annual Update and True-up Adjustment shall be subject to the following review procedures ("*Annual Review Procedures*"):

a. Beginning June 15, but no later than November 30 of each year, any Interested Party and any entity that has standing to challenge SPS formula rates under the FPA may serve reasonable information requests in writing on SPS concerning the True-up Adjustment and/or the Annual Update for the next calendar year ("*Information Requests*"). The deadline may be extended by mutual consent.

b. Information Requests submitted according to Section 4.a., above, shall be limited to what is appropriate to determine whether the Formula Rate (inclusive of any corrections) has been applied accurately, appropriately, and in accordance with its terms. Permissible Information Requests include, but are not limited to, Information Requests regarding Material Changes and Information Requests related to whether costs have been prudently incurred and whether costs have been properly recorded, on the books and records of SPS, including SPS's FERC Form No. 1, as applicable, consistent with the USoA, FERC's orders establishing generally applicable transmission ratemaking policies, FERC accounting policies and practices, SPP's policies, and the SPP and Xcel Energy OATTs. Such Information Requests shall not solicit information concerning costs or allocations where those specific costs or allocations have been addressed by any final FERC order or by any final settlement approved by the appropriate authority, court or agency, except to determine if the costs or allocations have been accurately and appropriately implemented in accordance with the terms of the order and/or settlement or to determine if different circumstances might affect such prior actions. Interested Parties should make good faith efforts to submit consolidated sets of Information Requests that limit the number and overlap of questions to the maximum extent practicable.

c. SPS shall make a good faith effort to respond to Information Requests pertaining to the Annual Update or True-up Adjustment within fourteen (14) calendar days after receipt of such Information Requests. Information requests received after 4 p.m. CPT shall be considered received the next business day.

Section 5 <u>Resolution of Issues and Challenges to Annual Update and/or True-Up Adjustments</u>

a. No later than December 5 of each year, any Interested Party may notify SPS in writing of any specific challenge(s) to any component of the most recently posted True-up Adjustment and/or Annual Update ("*<u>Preliminary Challenge</u>*"). Within five (5) business days of receiving notice of such challenge(s), SPS shall provide written notice to all Interested Parties of such challenge(s) and post notice of such challenge(s) on the Web Sites. SPS and the Interested Party shall make good faith efforts to resolve the Preliminary Challenge through negotiations, and shall allow any Interested Party to participate in such negotiations. Any modification to the True-up Adjustment or the Annual Update that results from such negotiations and that is agreed upon no later than November 15 shall be incorporated into the Annual Update and True-up Adjustment for the next Rate Year and incorporated into the Company's Annual Informational Filing. However, to the extent such negotiations lead to agreed-upon changes to the Formula Rate, such changes shall be filed with the Commission and such changes to the Formula Rate shall have an effective date of January 1 of the Rate Year under review subject to Commission approval.

b. SPS shall provide and post a written response within fourteen (14) calendar days of receiving a Preliminary Challenge. Its written response shall notify all Interested Parties of the extent to which SPS agrees or disagrees with the position raised by the Interested Party(ies), and what, if any, modifications to the Annual Update or True-up Adjustment will result. If SPS disagrees with the issue(s) raised in the Preliminary Challenge, it shall provide supporting documentation with its response.

c. All information and correspondence produced pursuant to these Implementation Procedures may be included in any Formal Challenge, in any other proceeding concerning the Formula Rate initiated at FERC pursuant to the FPA, or in any proceeding before the U.S. Court of Appeals to review a FERC decision related to the Formula Rate. SPS may, however, designate any response to an Information Request as confidential if the information conveyed is not publicly available. Interested Parties' representatives shall treat such response as non-public information provided in confidence. Interested Parties may use responses designated as confidential in connection with any informal dispute resolution process commenced pursuant to Section 5.a. herein, any Formal Challenge brought pursuant to Section 5.e. herein, or in conjunction with a protest to a proposed change to the formula rate initiated by SPS through a separate FPA Section 205 filing; provided, however, when so used, such response shall initially be filed under seal (unless the claim of confidentiality is waived by SPS), subject to a later determination by the presiding authority that the material is, in whole or in part, not entitled to confidential treatment.

d. If SPS and the Interested Parties have not resolved all identified issues within thirty (30) calendar days after receipt of SPS's response to the issue(s), senior management representatives of SPS and the Interested Parties shall meet to try to resolve the issue(s).

e. If these senior management representatives are not able to resolve the issue(s) within sixty (60) calendar days, any Interested Party that has not resolved any Preliminary Challenge to a True-up Adjustment may file with FERC a Formal Challenge to a True-up Adjustment pursuant to these Implementation Procedures ("*Formal Challenge*").

(i) Failure to notify SPS of an issue shall not bar pursuit of such issue in the filing of a Formal Challenge.
(ii) Failure to notify SPS of an issue shall not bar pursuit of such issue in a subsequent Annual Update or True-up Adjustment review.
(iii) Failure to file a Formal Challenge regarding an issue(s) as to a given Annual Update or True-up Adjustment shall not bar pursuit of such issue(s) or the filing of a Formal Challenge as to such issue(s) as relates to a subsequent Annual Update or True-up Adjustment review.

f. In any proceeding ordered by the FERC in response to a Formal Challenge raised under these Implementation Procedures, SPS shall bear the burden of demonstrating the justness and reasonableness of the charges resulting from its application of the Formula Rate, and of proving that it properly applied the Formula Rate, properly calculated the challenged Annual Update or True-up Adjustment pursuant to the Formula Rate, and that adoption of any Material

Change is just and reasonable. Nothing herein is intended to alter the burden applied by FERC with respect to prudence challenges.

g. Any changes to the data inputs resulting from Preliminary Challenges or Formal Challenges that are not agreed to or resolved by a final Commission Order on or before November 15 shall be incorporated into the Formula Rate and True-up Adjustment for the next Rate Year that begins after the negotiations have become final.

h. It is recognized that resolution of Preliminary Challenges and/or Formal Challenges related to Material Changes may necessitate pro forma adjustments to the Formula Rate calculations, changes to the Formula Rate, or changes to the input data to restore the intent of the formula as of the effective date of the settlement or as the Formula Rate may be subsequently modified by FERC or through settlement, and to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential. It is further recognized that the impact of any such pro forma adjustment or changes to the Formula Rate calculation, the Formula Rate, or input data may be applicable to the entire Rate Year at issue in a Preliminary Challenge or Formal Challenge. If such pro forma adjustment occurs mid-year, it shall be effective mid-year, however, the charges produced by the Formula Rate shall not be adjusted mid-year but rather the impact on the charges from the pro forma adjustment shall be reflected in the True-up Adjustment. If such a change in the Formula Rate is agreed to by the settling parties in Docket No. ER08-313-000 et al. or required by FERC, SPS shall file such Formula Rate change under FPA Section 205, with requests for waiver of applicable notice requirements, to permit the change to become effective for the Annual Update or True-up Adjustment for the Rate Year under review, which requests for waiver of the applicable notice requirements shall not be opposed by any settling party in Docket No. ER08-313-000, et al.

i. Except as provided in Section 5.h, no party shall, in conjunction with the Annual Update or True-up Adjustment, seek to modify the Formula Rate (i.e., all modifications to the Formula Rate shall require an FPA filing).

Section 6 Challenges to the Formula

a. Nothing in these Annual Formula Rate Implementation Procedures shall be deemed to limit in any way the right of any party to file a request for prospective relief under FPA Sections 205, 206 or 306 and FERC's regulations to change the Formula Rate. Any party may challenge the continuing reasonableness of the Formula Rate or the charges produced thereby.

b. Neither failure to notify SPS of an issue nor failure to file a Formal Challenge nor failure to exercise any rights under FPA Sections 205, 206, and 306 and FERC's regulations in any given year shall be construed as a bar to raising any issue in any proceeding initiated at FERC.

Section 7 **<u>Corrections to FERC Form No. 1, Annual Update, or True-up Adjustment</u>**

a. Notwithstanding any other provision of these Implementation Procedures, (i) if SPS identifies, determines or concludes that corrections to any prior year's FERC Form No. 1 or Annual Update or True-up Adjustment pursuant to the Formula Rate are required to correct an error, or (ii) at any time an Interested Party presents information or raises a concern to SPS that indicates that an error exists or a correction is required to any prior year's FERC Form No. 1 or Annual Update or True-up Adjustment, SPS shall investigate the alleged error(s) and within 30 days shall inform Interested Parties of the results of the investigation by posting such results on its Web Sites as set forth in Section 2.b. The results of the investigation shall include an explanation of the nature of the alleged error(s) and the extent to which SPS agrees or disagrees that such error(s) require corrections to the FERC Form No. 1, Annual Update or True-up Adjustment.

b. If a correction to an Annual Update or True-up Adjustment results from the error, no mid-year adjustment will result, but an adjustment will be made in a future period as follows.

SPS shall promptly correct such error(s) identified in Section 7.a., and shall notify Interested Parties of such correction(s) by posting an appropriate amended Annual Update or True-up Adjustment on the Web Sites as set forth in Section 2.b. If a correction to the Annual Update or True-up Adjustment is identified before November 15 (i.e., before the commencement of the next Rate Year), the modified charges produced by the Formula Rate shall be reflected in the next Rate Year. Otherwise, the correction shall be reflected in the next True-up Adjustment, and credited in the following Rate Year.

c. In any Rate Year in which an out-of-period correction is reflected, SPS shall also include worksheets to describe such adjustments, including interest on the total correction for the entire period in which the error existed through and including the Rate Year in which the correction is reflected in the Annual Update. The applicable interest rate shall be the FERC-published interest rates.

d. In the event SPS corrects or fails to correct an Annual Update or True-up Adjustment pursuant to this Section 7, Interested Parties shall have the same rights to review and submit challenges to the correction(s) or SPS's failure to make a correction as those parties otherwise would have had pursuant to these Annual Formula Rate Implementation Procedures, without abridgement or restriction, if the Form No. 1, Annual Update, or True-up Adjustment had been correctly stated in the first instance; provided, however, the scope of review of the Section 7 correction, the formula line item reflecting the Section 7 correction, and the worksheets calculating the Section 7 correction is limited to the aspects of the Formula Rate, Annual Update and/or True-up Adjustment affected by the out-of-period correction(s).

Section 8 **<u>Changes to Formula Rate Initiated by SPS</u>**

a. Any changes to the Formula Rate initiated by SPS, including any changes necessitated by Material Changes, may only be implemented as a result of a filing with FERC under Section 205 or 206 of the FPA.

b. However, in the event that FERC mandates any changes in the format for the FERC Form No. 1 or the USoA, SPS may make a filing with FERC under FPA Section 205 that updates the FERC Form No. 1 and USoA references in its Formula Rate to reflect any such changes prior to or coincident with the Annual Update or True-up Adjustment where these changes are reflected in the Formula Rate. Such filing may not be used to raise issues unrelated to the proposed changes. If such a change in the Formula Rate is required pursuant to this Section 8.b., the FPA Section 205 filing may include a request for waiver of applicable notice requirements, to permit the change to become effective for the Annual Update or True-up Adjustment for the applicable Rate Year, which requests for waiver of notice requirements shall not be opposed by any settling party in Docket No. ER08-313-000, et al.

Section 9 <u>Changes to the Stated Inputs in the Formula Rate</u>

a. The following Formula Rate inputs shall be stated values to be used in the Formula Rate (both for the Annual Update and True-up Adjustment) until changed by a filing pursuant to Section 205 of the FPA or by a proceeding under Section 206 of the FPA: (a) the rate of return on common equity ("*<u>ROE</u>*"); and (b) depreciation rates or amortization periods. With respect to the PBOP charges, the amount shall be based on an Actuarial Study and is net of any amounts received from the Federal government for the prescription drug subsidy ("<u>Medicare D Subsidy</u>"). The amount SPS will contribute to its external PBOP trust will be at a minimum equal to its actual PBOP expense.

Effective on and after October 20, 2014: with respect to a filing under FPA Section 205 to change the transmission formula ROE established in the comprehensive Settlement Agreement in Docket No. EL05-19-000 et al. ("*Settlement Agreement*"), SPS will not submit a filing prior to October 31, 2019 seeking to increase the fixed settlement ROE of 10.5 percent (which includes the SPP RTO membership adder), and will not request an effective date earlier than January 1, 2020; with respect to a filing under FPA Section 206 to change the fixed settlement ROE of 10.5 percent, no Settling Party to the Settlement Agreement will file or support an FPA Section 206 filing to reduce the fixed settlement ROE prior to October 31, 2019, and no Settling Party will request a refund effective date earlier than January 1, 2020 ("*<u>Limited ROE Moratorium</u>*").

b. For extraordinary property losses, the unamortized balance shall be included in rate base and shall be amortized for Formula Rate purposes only after FERC has authorized the amount of the loss and the amortization of the loss for ratemaking purposes.

c. For abandoned plant, the unamortized balance shall be included in rate base and shall be amortized for Formula Rate purposes only after FERC has authorized the amount of any abandoned plant and the amortization of the balance for ratemaking purposes.

EXHIBIT A

EXAMPLE OF 2009 TRUE-UP ADJUSTMENT:

Projected 2009 net ATRR was $90,000,000, projected load was 4,500,000 kw and the resulting zonal rate was $20.00 per kw-yr.

Actual 2009 net ATRR calculated based on FERC Form No. 1 data available in May, 2010 is $88,000,000, actual 12 CP load is 4,512,820 kw for a resulting zonal rate of $19.50 per kw-yr.

2009 TRUE-UP ADJUSTMENT CALCULATION:
There is an over recovery of the net revenue requirement equal to $2,000,000 ($90,000,000 – $88,000,000 = $2,000,000).

There is also a $256,400 over recovery in revenue collection due to volume ((4,500,000kw – 4,512,820kw) X $20 per kw-yr = $256,400).

In this example, the total True-up Adjustment amount would be a net over recovery of $2,256,400 ($2,000,000 + $256,400 = $2,256,400), which would be applied as a reduction to the 2011 projected net ATRR beginning in January 2011.

This same amount can also be calculated by taking the difference between the 2009 projected zonal rate and the zonal rate calculated based on actual data times the actual load (($20.00 – $19.50) per kw-yr X 4,512,820 kw = $2,256,400). (Allow for rounding.)

EXAMPLE OF 2012 TRUE-UP ADJUSTMENT:

Projected 2012 Zonal ATRR = $118M	Actual 2012 Zonal ATRR = $120M
Projected 2012 BPU ATRR = $10M	Actual 2012 BPU ATRR = $9M
Projected Load = 5,400,000 kW	Actual Load = 5,200,000 kW

Projected Zonal Rate = $20.00 per kW-yr. (($118M - $10M) / 5,400,000 kW)
Actual Zonal Rate = $21.35 per kW-yr. (($120M - $9M) / 5,200,000 kW)

2012 TRUE-UP ADJUSTMENT CALCULATION:
Zonal ATRR under recovery of $2M. ($120M - $118M)

Zonal ATRR under recovery of $1M from the BPU ARR. ($9M - $10M. The projected BPU ATRR revenue credit reducing the Zonal ATRR was $1M higher than the actual BPU ATRR.)

Zonal ATRR under recovery of $4M due to the volume variance, projected load as compared to actual load. ((5,200,000 kW – 5,400,000 kw) x $20.00 per kW = $4M.)

In this example, the total Zonal ATRR True-up would be a net under recovery of $7M. [5] ($2M + $1M + $4M)

[5] The BPU ATRR amount is revenue credited to the Zonal ATRR. Because the projected BPU ARR was $1M higher than the actual BPU ATRR, the projected Zonal ATRR was $1M lower than it should have been. In the next annual update, the projected BPU revenue credit will be reduced by $1M from the BPU ATRR true-up. This results in a smaller BPU revenue credit and a larger projected Zonal ATRR.

This same amount can also be calculated by taking the difference between the 2012 actual zonal rate and the projected zonal rate times the actual load. (($21.35 per kW - $20.00 per kW) x 5,200,000 kW = $7M.) (Allow for rounding.)

Exhibit No. SPS - 0002

(Revised Template - MARKED)

ATTACHMENT O -SPS
Southwestern Public Service Company Formulaic Rates

Rate Formula Template
Utilizing Projected Data
For rates effective 01/01/20yy

Table 1

SOUTHWESTERN PUBLIC SERVICE COMPANY

Line No.	(1)	(2)	(3)	(4)	(5) Transmission Amount
1	PROJECTED REVENUE REQUIREMENT	(ln 45)			$ -
2	PRIOR YEAR TRUE UP ADJUSTMENT	Input			
3	INTEREST ON PRIOR YEAR TRUE UP ADJUSTMENT - Input				
4	PRIOR PERIOD CORRECTION TRUE UP ADJUSTMENT (Worksheet A.1 Ln 52)				$ -
5	INTEREST ON PRIOR PERIOD CORRECTION TRUE UP ADJUSTMENT (Worksheet A.1 Ln 53)				$ -
6	PROJECTED REVENUE REQUIREMENT WITH TRUE UP & PRIOR PERIOD CORRECTION	(ln 1 + sum lines 2 through 5)			$ -
7	DIVISOR				
8	Transmission Network Load	(Worksheet C)			-
9	RATES				
10	Annual Cost ($/kW/Yr)	(ln 6 / ln 8)	-		
11	Network & P-to-P Rate ($/kW/Mo)	(ln 10 / 12)	-		
			Peak		Off-Peak
12	Weekly P-To-P Rate ($/kW/Wk)	(ln 10 / 52; ln 10 / 52)	-		-
13	Daily P-To-P Rate ($/kW/Day)	(ln 12 / 6; ln 12 / 7)	-	Capped at weekly rate	-
14	Hourly P-To-P Rate ($/MWh)	(ln 13 / 16; ln 13 / 24 both x 1,000)	-	Capped at weekly & daily rate	-
15	METER CHARGE				Charge
16	Revenue Requirement	(Worksheet N)			$0
17	Number of Delivery Points	(Worksheet N)			0
18	Annual Meter Charge ($ per delivery point)	(ln 16 / ln 17)			$0
19	Monthly Meter Charge ($ per delivery point)	(ln 18 / 12)			$0
20	RADIAL LINE CHARGE (Worksheet A-2)		(Annual Charge)		Monthly Charge
21		(Worksheet A-2, Ln xx, Col m)	$0		$0
22		(Worksheet A-2, Ln xx, Col m)	$0		$0
23		(Worksheet A-2, Ln xx, Col m)	$0		$0
24		(Worksheet A-2, Ln xx, Col m)	$0		$0
25		(Worksheet A-2, Ln xx, Col m)	$0		$0
26		(Worksheet A-2, Ln xx, Col m)	$0		$0
27		(Worksheet A-2, Ln xx, Col m)	$0		$0
28	WHOLESALE DISTRIBUTION SERVICE CHARGE				Rate
29	Projected Distribution ARR	(Worksheet T)			$0
30	Prior Year True Up Adjustment	Input			$0
31	Interest On Prior Year True Up Adjustment	Input			$0
32					
33	Projected Distribution ARR with True Up	(Line 29+Line 30+Line 31)			$0
34					
35	Wholesale NCP Load (Kw)	Input			0

36~~1~~			
37~~2~~	Monthly Rate ($/Kw-mo)	(Line 33/Line 35)	$0

Worksheet A.3 Table 14.2

Southwestern Public Service Company
Worksheet A.3 - Projected Billing Year True-Up Adjustment and Interest Calculation for Wholesale Distribution Service Charge

Line No.		20yy
1	I. Revenue Requirement True-up:	
2	Projected Revenue Requirement for the Prior Rate Year - (WsT Line 46)	
3	Actual Revenue Requirement for the True-up Rate Year - (WsT Line 286)	
4	Revenue Requirement True-up Adjustment (Over Recovery is Negative, Under Recovery is Positive)	-
5		
6	III. Volume True-up:	
7	Projected Divisor Load for the Prior Rate Year - (Input)	-
8	Actual Divisor Load for the Prior Rate Year - (Input)	-
9	Volume Adjustment (line 7 - line 8)	-
10		
11	Projected Rate per kW-yr for the Prior Rate Year - (Rate, Line 37)	
12		
13	Volume Revenue Adjustment (Over Recovery is Negative, Under Recovery is Positive) (line 9 x line 11)	
14		
15	Net True-up Adjustment (Over Recovery is Negative, Under Recovery is Positive) (sum lines 4 + 13)	-
16		
17		
18	IV. Interest Calculation:	

		Projected Billing Year	
19		Projected Billing	
20		Year	
21		FERC	Monthly
22		Quarterly Interest	Interest
23	Months	Rates	Rate
24	January - Projected Yr 20yy	-	0.0000
25	February	-	0.0000
26	March	-	0.0000
27	April	-	0.0000
28	May	-	0.0000
29	June	-	0.0000
30	July	-	0.0000
31	August	-	0.0000
32	September	-	0.0000
33	October	-	0.0000

34	November	-	0.0000	
35	December	-	0.0000	
36	January - True-up Yr 20yy	-	0.0000	
37	February	-	0.0000	
38	March	-	0.0000	
39	April	-	0.0000	
40	May	-	0.0000	
41	June	-	0.0000	
42	July	-	0.0000	
43	August	-	0.0000	
44	September	-	0.0000	
45	Average Monthly Interest Rate		0.0000	
46				
47				
48	Over/Under Recovery Amount (Distribution ARR from Line 15 amount)			$ -
49	Average Monthly Interest Rate (ln 45)			$ -
50	Monthly Interest Recovery Amount (ln 48 x ln 49)			$ -
51				
52	Number of Months for Interest Recovery Amount			
53				
54	Interest Recovery Amount (ln 52 times ln 50)			$ -
55				
56	Prior Year True-up Adjustment (line 48)			$ -
57	Interest on Prior Year True-up Adjustment (ln 54)			$ -
58				
59	Note:			
60	The interest is calculated using the interest rate posted on the FERC website.			
61	See link to website below.			
62	http://www.ferc.gov/enforcement/acct-matts/interest-rates.asp			

Southwestern Public Service Company
Worksheet T - Distribution Fixed Charge Rate Calculation
12 Months Ended December 31, 20yy

Worksheet T
Table 46

Projection

Line No.		Distribution	Reference
1	(1) O&M		Line 62
2			
3	(2) Other Taxes		Line 88
4			
5	(3) A&G		Line 98
6			
7	(4) Return (Note 1)		Line 154
8			
9	(5) Depreciation (Note 1)		Line 162
10			
11	(6) Composite Income Tax		Line 174
12			
13	(7) Excess/Deficient ADIT Amortization		Line 210
14			
15	(8) General & Intangible Plant		Line 240
16			
17	(9) Cash Working Capital		Line 246
18			
19	(10) ADIT Adjustment		Line 270
20			
21	(11) Revenue Credits	-	Line 277
22	`		
23	**FIXED CHARGE RATE (FCR)**	-	
24			
25			
26			
27		**Reference**	
28	Total Distribution Plant	Line 58	
29			
30	Total SPS Distribution Revenue Requirement	Line 28 * Line 23	$ -
31			
32	Primary Function Percent of Revenue Requirement	(Note 2)	
33	Secondary Function Percent of Revenue Requirement		
34			
35	SPS Primary Distribution Revenue Requirement	Line 30 * Line 32	$ -
36			

Line		Description	(kW)	(%)	Reference	$ Amount
37	Primary Distribution NCP Breakdown					
38						
39			(kW)	(%)		
40		Texas				
41		New Mexico				
42		Wholesale	-			
43						
44		Total	-			
45						
46	Wholesale Distribution Annual Revenue Requirement				Line 35 * Line 42	$ -
47						
48						
49						
50						
51						
52						
53	**(1)**	**O&M Expense:**			**Reference**	**$ Amount**
54						
55		Total Distribution Plant Investment				
56		Total Distribution Plant				-
57		Less: Distribution ARO				-
58		A. Total Distribution Plant				0
59						
60		B. Total Distribution O&M				
61						
62		Distribution O&M FCR Component			A/B -	-
63						
64	**(2)**	**OTHER TAXES EXPENSE**				
65						
66		A. Payroll Taxes				-
67		B. Property Taxes				-
68		C. Other Taxes				-
69		D. Total Taxes Other Than Income			FF1 page 114, line 14, column c:	
70						
71		E. Distribution Wages Expense				-
72		F. A&G Wages Expense				-
73		G. Total Wages Expense				-
74		H. Wages and Salaries Allocator			E/(G-F)	
75						
76		I. Payroll Taxes Allocated to Distribution			A*H	
77						
78		J. Total Distribution Plant			Line 58	
79		K. Total Electric Plant				
80		L. Gross Plant Allocator			J/K	
81						
82		M. Property Taxes Allocated to Distribution			B*L	

83				
84		N. Total Other Taxes Allocated to Distribution	I+M	
85				
86		O. Total Distribution Plant		
87				
88		Other Taxes FCR Component	N/O	-
89				
90	**(3)**	**A&G EXPENSE**		
91				
92		A. Total A&G related O&M		-
93		B. Wages and Salarie Allocator	Line 74	
94		C. Distribution Related A&G Expense		
95				
96		D. Total Distribution Plant Investment	Line 58	
97				
98		A&G Expense FCR Component	C/D	-
99				
100	**(4)**	**RATE OF RETURN WORKSHEET**	**Reference**	-
101				
102		A. Common Equity Calculation		
103				
104		Proprietary Capital		-
105				
106		Less: Preferred Stock Issued		-
107				
108		Less: Account No. 216.1		-
109				
110		Less: Accum other comprehensive Income		-
111				
112		Common Equity =	Line 104 - 106 - 108 - 110	
113				
114		B. Rate of Return Calculation		
115				
116		Long Term Debt		-
117				
118		Preferred Stock		-
119				
120		Common Equity	Line 112	
121				
122		Total Capital =	Lines 116 + 118 + 120	
123				
124		C. Cost of Debt		
125		Interest on Long Term Debt		-
126		Interest on Debt to Assoc. Companies (LTD portion only)		-
127		Amortization of Debt Discount and Expense		-

128		Amortization of Loss on Reacquired Debt					-
129		Less: Amort of Premium on Debt					-
130		Less: Amort of Gain on Reacquired Debt					-
131		Total Interest Expense		Lines 125 + 126 + 127 + 128 – 129 – 130			-
132							
133		Average Cost of Debt		Line 131 / Line 116			
134							
135		D. Cost of Preferred Stock					
136		Preferred Stock Dividends					-
137							
138		Average Cost of Preferred Stock		Line 136 / Line 118			
139							
140						**CAPITAL STRUCTURE**	
141							Weighted Cost Of Capital %
142			Amount	%		%	
143		Long Term Debt					
144		Preferred Stock					
145		Common Equity (1)		-		-	-
146		Total				ROR=	
147							
148		E. Total Distribution Gross Plant		Line 58			
149		F. Total Distribution Accumulated Depreciation					-
150		G. Distribution Net Plant		E-F			
151							
152		H. Distribution Return		G*ROR			
153							
154		Distribution Return FCR Component		H/E		-	-
155							
156	(5)	**DEPRECIATION EXPENSE**		**Reference**			**$ Amount**
157							
158		Distribution Depreciation Expense					-
159							
160		Total Distribution Plant Investment		Line 58			
161							
162		SLDp =	-	Line 158 / Line 160	-		-

Line		Description	Reference	Amount
163				
164	**(6)**	**COMPOSITE INCOME TAX EXPENSE**		
165				
166			T= 1-(1-State Tx)*(1-Federal Tx)	
167		A. Distribution CIT=	(T/1-T)*(1-Wtd.LTD/ROR)	
168				
169			State Tax Rate	-
170			Federal Tax Rate	
171				
172		B. Income Tax Expense	Line 152 * A	
173				
174		Income Tax Expense FCR Component	B/Line 148	-
175				
176				
177				
178	**(7)**	**Excess/Deficient ADIT Amortization**	**Reference**	
179				
180		Total Distribution Excess ADIT Amortization - Plant		-
181				
182		Total General and Intangible Excess ADIT Amortization - Plant		-
183		Wages and Salaries Allocator	Line 74	
184				
185		Total Distribution portion of General and Intangible Excess ADIT Amortization - Plant	Line 182 * Line 183	-
186				
187				
188		Total Non-Plant Excess ADIT Amortization - Allocated on Plant		-
189		Gross Plant Allocator	Line 80	
190				
191		Total Distribution Non-Plant Excess ADIT Amortization - Allocated on Plant	Line 188 * Line 189	-
192				
193		Total Non-Plant Excess ADIT Amortization - Allocated on Labor		-

194		Wages and Salaries Allocator		Line 183	
195					
196		Distribution Portion of Non-Plant Excess ADIT Amortization - Allocated on Labor		Line 193 * Line 194	-
197					
198					
199		Total Non-Plant Excess ADIT Amortization - Direct Assigned to Distribution			-
200					
201		Total Distribution Portion of Excess ADIT Amortization		Add Lines 180, 185, 191, 196, 199	
202		Total Distribution Plant		Line 58	
203					
204		Gross-up Tax Calculation			
205		Composite Income Tax Rate	T= 1-(1-State Tx)*(1-Federal Tx)		
206		Gross-up factor	1/(1-T)		
207					
208		Total Distribution Portion of Excess ADIT Amortization		Line 201 * Line 206	
209					
210		Excess ADIT Amortization FCR Component		Line 208 / Line 202	-
211					
212					
213	**(8)**	**GENERAL & INTANGILBE PLANT**		**Reference**	
214					
215		General Gross Plant		FF1 P 205 L 5 col g	-
216		General Accumulated Depreciation		FF1 P 219 L 28 col c (enter negative)	-
217		General Accumulated Amortization		FF1 P 200 footnote (enter negative)	-
218		General Net Plant			
219					
220		Intangible Gross Plant		FF1 P 207 L 99 col g	-
221		Intangible Accumulated Amortization		FF1 P 200 footnote (enter negative)	-
222		Intangible Net Plant			
223					
224		General & Intangible Gross Plant		Line 215 + Line 220	
225		General & Intangible Net Plant		Line 218 + Line 222	

226				
227		Wages and Salaries Allocator	Line 74	
228				
229		General & Intangible Gross plant allocated to Distribution	Line 224 * Line 227	
230		General & Intangible Net plant allocated to Distribution	Line 225 * Line 227	
231				
232		General & Intangible Return	Line 230 * ROR	
233		General & Intangible Income Taxes	Line 232 * Line 167	
234				
235		Revenue Requirement Carrying Charge Rate	Line 9 +13 + 19	
236		General & Intangible Depr, Excess ADIT Amort, ADIT Adj		
237				
238		General & Intangible Plant Revenue Requirement	Line 232 +233 + 236	
239		Total Distribution Plant Investment	Line 58	
240		General & Intangible Plant FCR Component	Line 238 / Line 239	-
241				
242		-	-	-
243				
244	**(9)**	**CASH WORKING CAPITAL**		
245				
246		Cash Working Capital will be set at and remain $0 until such time as SPS files and receives FERC approval.		
247		-	-	-
248				
249	**(10)**	**ACCUMULATED DEFERRED INCOME TAX**	**Reference**	
250				
251		Gross Plant Allocator	Line 80	
252				
253		Accumulated Deferred Income Tax		
254		Account 190		-
255		Account 282 (enter negative)		-
256		Account 283 (enter negative)		-
257		Account 254 - Non-plant Excess ADIT (enter negative)		-
258		Account 182 - Non-Plant Deficient ADIT		-
259		Total ADIT		
260				
261		Distribution share of ADIT	Line 259 * Line 251	
262				

263		Return	Line 261 * ROR	
264		Income Taxes	Line 263 * Line 167	
265				
266		ADIT Adjustment	Line 263 + Line 264	
267				
268		Distribution Plant	Line 58	
269				
270		ADIT Distribution FCR Component	Line 266 / Line 268	-
271				
272	**(11)**	**Revenue Credits**		
273				
274		A. Distribution Related Other Revenues		-
275		B. Total Distribution Plant	Line 58	
276				
277		C. Distribution Revenue Credit Factor Factor	Line 274 / Line 275	-
278				
279	**Note 1: Return on Equity and the Depreciation rates cannot change without a Section 205 or 206 filing.**			
280	**Note 2: The percent of the distribution system that is primary is from the most recently filed class cost of service model in a Texas rate case.**			

Southwestern Public Service Company

Worksheet T - Distribution Fixed Charge Rate Calculation

12 Months Ended December 31, 20yy

Worksheet T Table 46

Actual Line No.		Distribution	Reference
281	(1) O&M		Line 342
282			
283	(2) Other Taxes		Line 368
284			
285	(3) A&G		Line 378
286			
287	(4) Return (Note 1)		Line 434
288			

289	(5) Depreciation (Note 1)		Line 442
290			
291	(6) Composite Income Tax		Line 454
292			
293	(7) Excess/Deficient ADIT Amortization		Line 490
294			
295	(8) General & Intangible Plant		Line 520
296			
297	(9) Cash Working Capital		Line 526
298			
299	(10) ADIT Adjustment		Line 550
300			
301	(11) Revenue Credits	-	Line 557
302	` -		
303	**FIXED CHARGE RATE (FCR)**	-	
304			
305			
306			
307		**Reference**	
308	Total Distribution Plant	Line 338	
309			
310	Total SPS Distribution Revenue Requirement	Line 308 * Line 303	$ -
311			
312	Primary Function Percent of Revenue Requirement	(Note 2)	
313	Secondary Function Percent of Revenue Requirement		
314			
315	SPS Primary Distribution Revenue Requirement	Line 310 * Line 312	$ -
316			
317	Primary Distribution NCP Breakdown		
318			

Line		Description	(kW)	(%)	Reference	$ Amount
319			(kW)	(%)		
320		Texas				
321		New Mexico				
322		Wholesale	-			
323						
324		Total				
325						
326	Wholesale Distribution Annual Revenue Requirement				Line 315 * Line 322	$ -
327						
328						
329						
330						
331						
332						
333	**(1)**	**O&M Expense:**			**Reference**	**$ Amount**
334						
335		Total Distribution Plant Investment				
336		Total Distribution Plant				-
337		Less: Distribution ARO				-
338		A. Total Distribution Plant				
339						
340		B. Total Distribution O&M				
341						
342		Distribution O&M FCR Component			A/B -	-
343						
344	**(2)**	**OTHER TAXES EXPENSE**				
345						
346		A. Payroll Taxes				-
347		B. Property Taxes				-
348		C. Other Taxes				-
349		D. Total Taxes Other Than Income			FF1 page 114, line 14, column c:	
350						
351		E. Distribution Wages Expense				-
352		F. A&G Wages Expense				-
353		G. Total Wages Expense				-
354		H. Wages and Salaries Allocator			E/(G-F)	
355						
356		I. Payroll Taxes Allocated to Distribution			A*H	
357						
358		J. Total Distribution Plant			Line 338	
359		K. Total Electric Plant				
360		L. Gross Plant Allocator			J/K	
361						
362		M. Property Taxes Allocated to Distribution			B*L	
363						
364		N. Total Other Taxes Allocated to Distribution			I+M	

Line		Description	Reference	Amount
365				
366		O. Total Distribution Plant		
367				
368		Other Taxes FCR Component	N/O	
369				
370	**(3)**	**A&G EXPENSE**		
371				
372		A. Total A&G related O&M		
373		B. Wages and Salarie Allocator	Line 354	
374		C. Distribution Related A&G Expense		
375				
376		D. Total Distribution Plant Investment	Line 338	
377				
378		A&G Expense FCR Component	C/D	
379				
380	**(4)**	**RATE OF RETURN WORKSHEET**	**Reference**	
381				
382		A. Common Equity Calculation		
383				
384		Proprietary Capital		
385				
386		Less: Preferred Stock Issued		
387				
388		Less: Account No. 216.1		
389				
390		Less: Accum other comprehensive Income		
391				
392		Common Equity =	Line 384 - 386 - 388 - 390	
393				
394		B. Rate of Return Calculation		
395				
396		Long Term Debt		
397				
398		Preferred Stock		
399				
400		Common Equity	Line 392	
401				
402		Total Capital =	Lines 396 + 398 + 400	
403				
404		C. Cost of Debt		
405		Interest on Long Term Debt		
406		Interest on Debt to Assoc. Companies (LTD portion only)		
407		Amortization of Debt Discount and Expense		
408		Amortization of Loss on Reacquired Debt		
409		Less: Amort of Premium on Debt		

410		Less: Amort of Gain on Reacquired Debt					-
411		Total Interest Expense		Lines 405 + 406 + 407 + 408 – 409 – 410			-
412							
413		Average Cost of Debt		Line 411 / Line 396			
414							
415		D. Cost of Preferred Stock					
416		Preferred Stock Dividends					-
417							
418		Average Cost of Preferred Stock		Line 416 / Line 398			
419							
420						**CAPITAL STRUCTURE**	
421							Weighted Cost Of Capital %
422			Amount	**%**		**%**	
423		Long Term Debt					
424		Preferred Stock					
425		Common Equity (1)		-		-	-
426		Total				ROR=	
427							
428		E. Total Distribution Gross Plant		Line 338			
429		F. Total Distribution Accumulated Depreciation					-
430		G. Distribution Net Plant		E-F			
431							
432		H. Distribution Return		G*ROR			
433							
434		Distribution Return FCR Component		H/E		-	-
435							
436	**(5)**	**DEPRECIATION EXPENSE**		**Reference**			-
437							
438		Distribution Depreciation Expense					-
439							
440		Total Distribution Plant Investment		Line 338			
441							
442		SLDp =	-	Line 438 / Line 440	-		-
443							
444	**(6)**	**COMPOSITE INCOME TAX EXPENSE**					

445				
446			T= 1-(1-State Tx)*(1-Federal Tx)	
447		A. Distribution CIT=	(T/1-T)*(1-Wtd.LTD/ROR)	
448				
449			State Tax Rate	-
450			Federal Tax Rate	
451				
452		B. Income Tax Expense	Line 432 * A	
453				
454		Income Tax Expense FCR Component	B/Line 428	-
455				
456				
457				
458	**(7)**	**Excess/Deficient ADIT Amortization**	**Reference**	
459				
460		Total Distribution Excess ADIT Amortization - Plant		-
461				
462		Total General and Intangible Excess ADIT Amortization - Plant		-
463		Wages and Salaries Allocator	Line 354	
464				
465		Total Distribution portion of General and Intangible Excess ADIT Amortization - Plant	Line 462 * Line 463	-
466				
467				
468		Total Non-Plant Excess ADIT Amortization - Allocated on Plant		-
469		Gross Plant Allocator	Line 360	
470				
471		Total Distribution Non-Plant Excess ADIT Amortization - Allocated on Plant	Line 468 * Line 469	-
472				
473		Total Non-Plant Excess ADIT Amortization - Allocated on Labor		-
474		Wages and Salaries Allocator	Line 463	
475				
476		Distribution Portion of Non-Plant Excess ADIT Amortization - Allocated on Labor	Line 473 / Line 474	-
477				
478				

479		Total Non-Plant Excess ADIT Amortization - Direct Assigned to Distribution			-
480					
481		Total Distribution Portion of Excess ADIT Amortization		Add Lines 460, 465,471,476,479	
482		Total Distribution Plant		Line 338	
483					
484		Gross-up Tax Calculation			
485		Composite Income Tax Rate	T= 1-(1-State Tx)*(1-Federal Tx)		
486		Gross-up factor	1/(1-T)		
487					
488		Total Distribution Portion of Excess ADIT Amortization		Line 481 * Line 486	
489					
490		Excess ADIT Amortization FCR Component		Line 482 / Line 488	-
491					
492					
493	**(8)**	**GENERAL & INTANGILBE PLANT**		**Reference**	
494					
495		General Gross Plant		FF1 P 205 L 5 col g	-
496		General Accumulated Depreciation		FF1 P 219 L 28 col c (enter negative)	-
497		General Accumulated Amortization		FF1 P 200 footnote (enter negative)	-
498		General Net Plant			
499					
500		Intangible Gross Plant		FF1 P 207 L 99 col g	-
501		Intangible Accumulated Amortization		FF1 P 200 footnote (enter negative)	-
502		Intangible Net Plant			
503					
504		General & Intangible Gross Plant		Line 495 + Line 500	
505		General & Intangible Net Plant		Line 498 + Line 502	
506					
507		Wages and Salaries Allocator		Line 354	
508					
509		General & Intangible Gross plant allocated to Distribution		Line 504 * Line 507	
510		General & Intangible Net plant allocated to Distribution		Line 505	

			* Line 507	
511				
512		General & Intangible Return	Line 510 * ROR	
513		General & Intangible Income Taxes	Line 512 * Line 447	
514				
515		Revenue Requirement Carrying Charge Rate	Line 289 +293 + 299	
516		General & Intangible Depr, Excess ADIT Amort, ADIT Adj	Line 509 * Line 515	
517				
518		General & Intangible Plant Revenue Requirement	Line 512 +513 + 516	
519		Total Distribution Plant Investment	Line 338	
520		General & Intangible Plant FCR Component	Line 518 / Line 519	-
521				
522				
523				
524	**(9)**	**CASH WORKING CAPITAL**		
525				
526		Cash Working Capital will be set at and remain $0 until such time as SPS files and receives FERC approval.		
527				
528				
529	**(10)**	**ACCUMULATED DEFERRED INCOME TAX**	**Reference**	
530				
531		Gross Plant Allocator	Line 360	
532				
533		Accumulated Deferred Income Tax		
534		Account 190		-
535		Account 282 (enter negative)		-
536		Account 283 (enter negative)		-
537		Account 254 - Non-plant Excess ADIT (enter negative)		-
538		Account 182 - Non-Plant Deficient ADIT		-
539		Total ADIT		
540				
541		Distribution share of ADIT	Line 539 * Line 531	
542				
543		Return	Line 541 * ROR	
544		Income Taxes	Line 543 * Line 447	

545				
546		ADIT Adjustment	Line 543 + Line 544	
547				
548		Distribution Plant	Line 338	
549				
550		ADIT Distribution FCR Component	Line 546 / Line 548	
551				
552	**(11)**	**Revenue Credits**		
553				
554		A. Distribution Related Other Revenues		
555		B. Total Distribution Plant	Line 338	
556				
557		C. Distribution Revenue Credit Factor Factor	Line 554 / Line 555	
558				
559	**Note 1: Return on Equity and the Depreciation rates cannot change without a Section 205 or 206 filing.**			
560	**Note 2: The percent of the distribution system that is primary is from the most recently filed class cost of service model in a Texas rate case.**			

APPENDIX 1 to Attachment O – SPS

ANNUAL FORMULA RATE IMPLEMENTATION PROCEDURES
SOUTHWESTERN PUBLIC SERVICE COMPANY

Section 1 Applicability

The formula rate template and these Annual Formula Rate Implementation Procedures (collectively, the "*Formula Rate*") comprise SPS's filed transmission rate. SPS shall follow the Formula Rate to calculate annually its Zonal Annual Transmission Revenue Requirement ("*Zonal ATRR*"), the monthly rate for Network Integration Transmission Service ("*NITS Rate*"), the rates for point-to-point transmission service ("*PTP Rates*"), the monthly meter charge ("*Meter Charge*"), the monthly radial line charge ("*Radial Line Charge*"), the ATRR for Base Plan Upgrades ("*BPU ATRR*"), the Annual Revenue Requirement for Wholesale Distribution Service ("Distribution ARR"), and the ATRR and rates for Ancillary Services Schedule 1 – Scheduling, System Control and Dispatch Service ("*Schedule 1 Rates*") provided in the SPS rate zone under the Southwest Power Pool ("*SPP*") and Xcel Energy Operating Companies ("*Xcel Energy*") Open Access Transmission Tariffs ("OATTs") (collectively, the "*Annual Update*"). Recovery of costs associated with existing facilities and new facilities shall be consistent with the Formula Rate and Attachment AI and Attachment J, respectively, of the SPP OATT. The Formula Rate and the charges produced thereunder shall be effective for service on and after January 1, 2009. The Formula Rate shall be applicable on and after January 1 of each calendar year for service from January 1 – December 31 of each calendar year (the "*Rate Year*"), subject to the review, challenge and true-up procedures of this Appendix 1.

Section 2 Annual Updates

a. No later than 5 p.m. CPT on October 1 of each year, SPS, or Xcel Energy Services Inc. ("*XES*") or another representative of Xcel Energy on SPS's behalf, shall determine and post its Annual Update to be effective during the next Rate Year. The Annual Update shall consist of the following:

(i) a data-populated version of the Formula Rate template setting forth the projected ATRR for the next Rate Year ("*Projected ATRR*") plus any applicable True-up Adjustment, as defined in Section 3.a., produced by operation of the Formula Rate;

(ii) a recalculation of the projected Base Plan Upgrade ("*BPU*") ATRR for the next Rate Year plus any applicable BPU True-up adjustment;

(iii) with respect to any True-up Adjustment or BPU True-up Adjustment calculated pursuant to Section 3, a calculation of applicable interest on any net over or under recovery based on the interest rates specified in the Commission's regulation at 18 C.F.R § 35.19a. The interest rate to be applied to the over or under recovery amounts shall be determined using the average rate for the twenty-one (21) months preceding October of the current year. The interest payable shall then be calculated by multiplying the average interest rate (monthly) by the over or under recovery amount by 24 months, the period during which the over or under recovery exists.

(iv) a recalculation of the Zonal ATRR, NITS Rate, PTP Rates, BPU ATRR, Meter Charge, Radial Line Charge, Distribution ARR, and the Schedule 1 Rates for the next Rate Year;

(v) supporting documentation, including, but not limited to, fully functioning Excel® files (or such other native format files), required to support, demonstrate and explain information upon which the Annual Update is based;

(vi) disclosure of the following changes to the extent any has taken effect since January 1, 2009, or since the prior October 1, and affects the Formula Rate or calculation of the Annual Update or the allocation of costs or revenues to SPS's transmission customers: changes in (a) FERC's Uniform System of Accounts ("*USoA*"), (b) FERC Form No. 1 reporting requirements as applicable, (c) any FERC ratemaking orders applicable to the SPS Formula Rate, (d) the accounting policies, practices or procedures of SPS, (e) the SPP and/or the Xcel OATTs as they relate to SPS, or (f) classification or reclassification of facilities from transmission to radial or from radial to transmission (inclusive of changes to the net book value of such facilities as a result of depreciation) (changes in items (a) through (f) collectively referred to as "*Material Changes*");

(vii) disclosure and documentation of the impact of any changes in the classification of "Transmission Facilities" as defined in Attachment AI of the SPP OATT that took effect since January 1, 2009, or in the most recent proceeding year, that impact the Formula Rate or Radial Line Charge(s) to any transmission customer(s);

(viii) a copy of that actuarial report(s) estimating SPS's Post-Employment Benefits Other Than Pensions expenses for the next Rate Year pursuant to Statement of Financial Accounting Standards No. 106, Employers' Accounting for Post-Employment Benefits Other Than Pensions ("*PBOP*"); and

(ix) information regarding wholesale gains on SPS's sale or transfer of a transmission asset.

b. SPS shall contemporaneously post and notify its transmission customers, other parties to FERC Docket No. ER08-313 as of the date the settlement is filed with the Commission and affected state regulatory commissions (collectively, "*Interested Parties*") of the availability of the Annual Update on the publicly-accessible portions of the SPS page of the SPP OASIS[1] and the Transmission page of the Xcel Energy Inc. Web Site [2] (collectively, the "*Web Sites*"). The posting shall include both a Portable Document Format and fully functioning Excel® file (or such other native format file) of all materials contained in the Annual Update.

[1] Currently http://www.oatioasis.com/SPS/index.html

[2] Currently https://www.transmission.xcelenergy.com/Resources/Open-Access-Same-Time-Information-System-&-Open-Access-Transmission-Tariff

c. If October 1 falls on a weekend or a holiday recognized by FERC, the Annual Update shall be posted by 5:00 p.m. CPT on the next business day.

d. Each year, no later than October 20, or the next business day if October 20 is not a business day, SPS shall convene a meeting among SPS and Interested Parties and their respective representatives ("*Customer Meeting*") to explain the Annual Update for the next Rate Year. This Customer Meeting shall (i) allow enough time for SPS to present details about its Annual Update; (ii) provide Interested Parties and their respective representatives the chance to seek information and clarifications from SPS about the Annual Update; and (iii) allow for participation via teleconference. Interested Parties shall be provided written notice at least fourteen (14) calendar days prior to the Customer Meeting. Written notice may be provided by email to the representative(s) of the Interested Party on record with SPS.

e. SPS shall modify the Annual Update to reflect any changes that it and the Interested Parties have agreed upon as of November 15, or the next business day if November 15 is not a business day, and on such date, provide SPS's Zonal ATRR and each Base Plan Upgrade's Revenue Requirement and description to the SPP for the purpose of SPP preparing any necessary tariff filing.[3] SPS shall also cause the revised Annual Update to be posted on the Web Sites no later than December 1. Contemporaneous with the posting of the revised Annual Update, SPS shall file the revised Annual Update with the Commission ("*Annual Informational Filing*"). If December 1 falls on a weekend or a holiday recognized by FERC, the Annual Informational Filing shall be posted no later than 4:00 p.m. CPT on the next business day. The Annual Informational Filing and posting will include both Portable Document Format and fully functioning Excel® file (or such other native format file) of all materials contained in the revised Annual Update. As soon as available, such posting shall also include the docket number assigned by the FERC to the Annual Informational Filing. The Annual Informational Filing shall not require Commission action.[4]

[3] In the event that the SPP is no longer required to make a tariff filing to reflect SPS's Zonal ATRR in the SPP OATT, and to the extent consistent with applicable Commission precedent, the November 15 deadline may be delayed or extended, as appropriate, until such later deadline established by the SPP that will facilitate timely billing of the new Zonal ATRR in the subsequent Rate Year.

[4] The transmittal letter accompanying the Annual Informational Filing shall inform the Commission that the Annual Informational Filing is not intended to be subject to the Commission's notice requirements, that it is not intended for the Commission to take action

accepting the Annual Informational Filing, and shall inform the Commission regarding the procedures contained in these Implementation Procedures for review and challenge of the Annual Informational Filing. If the Commission issues a notice of or an order accepting the Annual Informational Filing, SPS or XES shall advise the Commission of the challenge process in these Implementation Procedures and shall work with the settling parties in Docket No. ER08-313-000, et al., to seek rescission of such action. No Commission action on the Annual Informational Filing shall affect any rights under the Formula Rate or these Implementation Procedures.

f. The Annual Update for the new Rate Year shall:

(i) be based upon SPS's most recent budget and other information for the new Rate Year, that reasonably projects costs properly recorded (or to be recorded) on the books and records of SPS consistent with the Commission's USoA, FERC's orders establishing generally applicable transmission ratemaking policies, FERC accounting policies and practices, SPP's policies, and the SPP and Xcel Energy OATTs; effective January 1, 2015, PBOP charges will be based on the PBOP expense amount reported in SPS's most recent annual actuarial valuation report as of the date of SPS's Annual Update; and

(ii) compute the Projected ATRR using a rate base reflecting the following:

(1) an average of 13 monthly balances shall be applied to (i) gross plant balance for all plant functions, (ii) accumulated depreciation and amortization balance for all plant functions, (iii) the gross plant balance associated with the generator step-ups, (iv) capital structure balances (that is, long-term debt, preferred stock, and common equity), and (v) Construction Work in Progress ("*CWIP*") balance (if/when CWIP recovery is approved by the Commission);

(2) an average of the beginning of year and end of year balances shall be
applied to (i) accumulated deferred income tax balances, (ii) unamortized balance of abandoned incentive plant (if/when abandoned incentive plant recovery is approved by the Commission), (iii) unamortized balance of extraordinary property loss (if/when recovery is approved by the Commission), (iv) land held for future use plant balance, (v) materials and supplies, and (vi) prepayments;

(3) Cash Working Capital shall be calculated (the value will be set to zero until an alternative recovery mechanism is approved by the Commission);

(4) the most recent end of the year actual plant balances shall be used in the calculation of the Radial Line Charges and the Meter Charges; ~~and~~

(5) for each Base Plan Upgrade project, the revenue requirement credit shall be based on the projected investment amount, the projected in-service date and the projected Fixed Charge Rate ("*FCR*")~~.~~; and

(6) the most recent calendar year actual costs, plant balances, and customer billing determinants shall be used to estimate the Distribution ARR.

Section 3 True-up Adjustment

The True-up Adjustment component of the Zonal ATRR for each Rate Year, beginning with 2011, shall be determined as follows:

a. Beginning with 2010, no later than 5 p.m. CPT on June 15 of each year, SPS or XES or another representative of Xcel Energy on SPS's behalf, shall calculate and post the ATRR for the previous Rate Year based on its actual costs as reflected in its FERC Form No. 1 and its books and records for that Rate Year ("*Actual ATRR*"). The Actual ATRR shall be compared with the Projected ATRR for the same year ("*True-up Year*") to determine any excess or shortfall in the projected Zonal ATRR that was used for billing purposes in the True-up Year. In addition, actual divisor loads shall be compared to projected divisor loads and the difference multiplied by the zonal rate actually billed to determine any excess or shortfall in collection due to volume. The sum of the excess or shortfall due to the actual versus projected Zonal ATRR and the excess or shortfall due to volume shall constitute the ("*True-up Adjustment*"). The True-up Adjustment shall have the following support:

(i) a data-populated version of the Formula Rate template setting forth the Actual ATRR for the True-up Year;

(ii) a determination of the difference between the Projected ATRR and the Actual ATRR for such True-up Year, as set forth in Section 3.a. herein, shall be provided in Worksheet A included in the data populated version of the Formula Rate as described in item (i);

(iii) a determination of the difference between the Projected BPU ATRR and the Actual BPU ATRR for such True-up Year shall be provided in Worksheet A that is included in the data populated version of the formula;

(iv) a determination of the difference between the Projected Distribution ARR and the Actual Distribution ARR for such True-up Year shall be provided in Worksheet A that is included in the data populated version of the formula.

(~~i~~v) supporting documentation required hereunder, including, but not limited to, fully functioning Excel® files (or such other native format files), which demonstrate or explain information not otherwise set out in SPS's FERC

Form No. 1;

(vi) disclosure of any Material Changes on the calculation of the True-up Adjustment to the extent that such Material Changes have taken effect since January 1, 2009, or since the prior October 1, and those Material Changes affect the Formula Rate or calculation of the True-up Adjustment or the allocation of costs or revenues to SPS's transmission customers; and

(vii) example True-up Adjustments for the 2009 and 2012 net revenue requirements (using illustrative numbers) have been provided as Exhibit A attached hereto.

b. By no later than June 15, SPS shall contemporaneously post the True-up Adjustment on the Web Sites and SPS shall file a letter with the Commission ("*True-up Filing*") announcing the availability of the True-up Adjustment on the Web Sites (i.e., it will not file the entirety of the True-up Adjustment). If June 15 falls on a weekend or a holiday recognized by FERC, the True-up Filing shall be filed and posted no later than 4:00 p.m. CPT on the next business day. The True-up Adjustment posting shall include both a Portable Document Format and fully functioning Excel® file (or such other native format file) of all materials contained in the True-up Adjustment. SPS shall notify the Interested Parties of the availability of the True-up Filing and posting. The True-up Filing shall not require Commission action.

c. Each year, no later than July 15, SPS shall convene a meeting among SPS and other Interested Parties and their respective representatives ("*True-up Customer Meeting*"). This True-up Customer Meeting shall (i) allow enough time for SPS to present details about its True-up Adjustment; (ii) provide Interested Parties and their respective representatives the chance to seek information and clarifications from SPS about the True-up Adjustment; and (iii) allow for participation via teleconference. SPS shall post and Interested Parties shall be provided written notice at least fourteen (14) calendar days prior to the True-up Customer Meeting. Written notice may be provided by email to the representative(s) of the Interested Party on record with SPS.

d. The True-up Adjustment shall:

(i) be based on costs that are prudently incurred and properly recorded on the books and records of SPS, including SPS's FERC Form No. 1 data, as applicable, for the most recently completed calendar year consistent with the USoA, FERC's orders establishing generally applicable transmission ratemaking policies, and, to the extent specified in the Formula Rate, SPS's books and records kept in conformance with the FERC USoA, FERC accounting policies and practices, SPP's policies, and the SPP and Xcel Energy OATTs;

(ii) compute the Actual ATRR using the same methodology for calculating rate base and capital structure balances as specified for the Annual Update in Section 2(f)(ii) above;

(iii) compute the Actual BPU ATRR using the actual Base Plan Upgrade project investment amount(s), the actual in-service date(s), and the actual FCR; ~~and~~

(iv) compute the Actual Distribution ARR using the actual formula rate components and billing determinants for the True-up Year; and

(~~i~~v) include a side-by-side comparison of the actual ATRR formula rate components as compared with the projected ATRR formula rate components for the True-up Year ("*Variance Analyses*").

e. Summary of Formula Rate Process including True-up Adjustment:

(i) Monthly charges shall be based on the Zonal ATRR that uses projected data for each Rate Year. For example, those charges for service from January 1, 2009 through December 31, 2009 shall be based on projected 2009 plant-in-service costs. Beginning January 1, 2012, the monthly charges shall be based on the Zonal ATRR using projected data that includes projected data for the BPU ATRR.

(ii) The Zonal ATRR based on projected 2009 data shall be trued-up in June 2010 to a Zonal ATRR based on actual data. Beginning with the 2012 Rate Year, the Zonal ATRR and the BPU ATRR based on projected data shall be trued-up in June 2013 to a Zonal ATRR and BPU ATRR based on actual data.

(iii) Differences between the Zonal ATRR and the BPU ATRR calculated using projected and actual data for a given True-up Year that result from the True-up Adjustment process shall be rolled forward to the following projected Rate Year, including interest. For example, the True-up Adjustment for the 2012 Formula Rates would be calculated in June 2013 and included in the rate formula effective January 1, 2014.

(iv) The sequence outlined in subsections (i), (ii) and (iii), above, shall repeat each subsequent Rate Year and is summarized below:

Month	Year	Action
Oct.	2009	Annual Update - SPS populates the formula with Year 2010 projected data. Formula template amounts for 2010 actual data are left blank at this time.
June	2010	True-up Adjustment - SPS populates the Year 2009 projected data formula with Year 2009 actual

		data and calculates the 2009 True-up Adjustment (before interest).
Oct.	2010	Annual Update - SPS calculates the interest to include in the 2009 True-up Adjustment.
Oct.	2010	Annual Update - SPS populates the formula with Year 2011 projected data and includes the 2009 True-up Adjustment amount into the Zonal ATRR for 2011. Formula template amounts for 2011 actual data are left blank at this time.
June	2011	True-up Adjustment - SPS populates the Year 2010 projected data formula with Year 2010 actual data and calculates the 2010 True-up Adjustment (before interest).
Oct.	2011	Annual Update - SPS calculates the interest to include in the 2010 True-up Adjustment.
Oct.	2011	Annual Update - SPS populates the formula with Year 2012 projected data including projected data for the BPU ATRR and inputs the 2010 True-up Adjustment amount into the Zonal ATRR for 2012. Formula template amounts for 2012 actual data are left blank at this time.
June	2012	True-up Adjustment - SPS populates the formula with 2011 actual data and calculates the 2011 True-up Adjustment (before interest).
Oct.	2012	Annual Update - SPS calculates the interest to include in the 2011 True-up Adjustment.
Oct.	2012	Annual Update – SPS populates the formula with Year 2013 projected data including projected data for the BPU ATRR and inputs the 2011 True-up Adjustment amount into the Zonal ATRR for Year 2013. Formula template amounts for 2013 actual data are left blank at this time.
June	2013	True-up Adjustment – SPS

		populates the formula with 2012 actual data including the actual BPU ATRR and calculates the 2012 Zonal ATRR and BPU ATRR True-up adjustments (before interest).
Oct.	2013	Annual Update – SPS calculates the interest to include in the 2012 True-up Adjustment.
Oct.	2013	Annual Update – SPS populates the formula with Year 2014 projected data including projected data for the BPU ATRR and inputs the 2012 Zonal ATRR and the 2012 BPU ATRR True-up Adjustment amounts into the Zonal ATRR and BPU ATRR for 2014. Formula template amounts for 2014 actual data are left blank at this time.
June	(Year)	True-up Adjustment - SPS populates the formula with (Year - 1) actual data and calculates the (Year – 1)True-up Adjustment (before interest).
Oct	(Year)	Annual Update – SPS calculates the interest to include in the (Year – 1) True-up Adjustment. Annual Update – SPS populates the formula with (Year + 1) projected data and (Year – 1) True-up Adjustment

f. The True-up Adjustment is subject to challenge and review in accordance with the procedures set forth in this Appendix 1, and all other rights that any entity may have under the Federal Power Act ("*FPA*") or the Commission's regulations.

Section 4 Annual Review Procedures

Each Annual Update and True-up Adjustment shall be subject to the following review procedures ("*Annual Review Procedures*"):

a. Beginning June 15, but no later than November 30 of each year, any Interested Party and any entity that has standing to challenge SPS formula rates under the FPA may serve reasonable information requests in writing on SPS concerning the True-up Adjustment and/or the Annual Update for the next calendar year ("*Information Requests*"). The deadline may be extended by mutual consent.

b. Information Requests submitted according to Section 4.a., above, shall be limited to what is appropriate to determine whether the Formula Rate (inclusive of any corrections) has been applied accurately, appropriately, and in accordance with its terms. Permissible Information Requests include, but are not limited to, Information Requests regarding Material Changes and Information Requests related to whether costs have been prudently incurred and whether costs have been properly recorded, on the books and records of SPS, including SPS's FERC Form No. 1, as applicable, consistent with the USoA, FERC's orders establishing generally applicable transmission ratemaking policies, FERC accounting policies and practices, SPP's policies, and the SPP and Xcel Energy OATTs. Such Information Requests shall not solicit information concerning costs or allocations where those specific costs or allocations have been addressed by any final FERC order or by any final settlement approved by the appropriate authority, court or agency, except to determine if the costs or allocations have been accurately and appropriately implemented in accordance with the terms of the order and/or settlement or to determine if different circumstances might affect such prior actions. Interested Parties should make good faith efforts to submit consolidated sets of Information Requests that limit the number and overlap of questions to the maximum extent practicable.

c. SPS shall make a good faith effort to respond to Information Requests pertaining to the Annual Update or True-up Adjustment within fourteen (14) calendar days after receipt of such Information Requests. Information requests received after 4 p.m. CPT shall be considered received the next business day.

Section 5 <u>Resolution of Issues and Challenges to Annual Update and/or True-Up Adjustments</u>

a. No later than December 5 of each year, any Interested Party may notify SPS in writing of any specific challenge(s) to any component of the most recently posted True-up Adjustment and/or Annual Update ("*<u>Preliminary Challenge</u>*"). Within five (5) business days of receiving notice of such challenge(s), SPS shall provide written notice to all Interested Parties of such challenge(s) and post notice of such challenge(s) on the Web Sites. SPS and the Interested Party shall make good faith efforts to resolve the Preliminary Challenge through negotiations, and shall allow any Interested Party to participate in such negotiations. Any modification to the True-up Adjustment or the Annual Update that results from such negotiations and that is agreed upon no later than November 15 shall be incorporated into the Annual Update and True-up Adjustment for the next Rate Year and incorporated into the Company's Annual Informational Filing. However, to the extent such negotiations lead to agreed-upon changes to the Formula Rate, such changes shall be filed with the Commission and such changes to the Formula Rate shall have an effective date of January 1 of the Rate Year under review subject to Commission approval.

b. SPS shall provide and post a written response within fourteen (14) calendar days of receiving a Preliminary Challenge. Its written response shall notify all Interested Parties of the extent to which SPS agrees or disagrees with the position raised by the Interested Party(ies), and what, if any, modifications to the Annual Update or True-up Adjustment will result. If SPS disagrees with the issue(s) raised in the Preliminary Challenge, it shall provide supporting documentation with its response.

c. All information and correspondence produced pursuant to these Implementation Procedures may be included in any Formal Challenge, in any other proceeding concerning the Formula Rate initiated at FERC pursuant to the FPA, or in any proceeding before the U.S. Court of Appeals to review a FERC decision related to the Formula Rate. SPS may, however, designate any response to an Information Request as confidential if the information conveyed is not publicly available. Interested Parties' representatives shall treat such response as non-public information provided in confidence. Interested Parties may use responses designated as confidential in connection with any informal dispute resolution process commenced pursuant to Section 5.a. herein, any Formal Challenge brought pursuant to Section 5.e. herein, or in conjunction with a protest to a proposed change to the formula rate initiated by SPS through a separate FPA Section 205 filing; provided, however, when so used, such response shall initially be filed under seal (unless the claim of confidentiality is waived by SPS), subject to a later determination by the presiding authority that the material is, in whole or in part, not entitled to confidential treatment.

d. If SPS and the Interested Parties have not resolved all identified issues within thirty (30) calendar days after receipt of SPS's response to the issue(s), senior management representatives of SPS and the Interested Parties shall meet to try to resolve the issue(s).

e. If these senior management representatives are not able to resolve the issue(s) within sixty (60) calendar days, any Interested Party that has not resolved any Preliminary Challenge to a True-up Adjustment may file with FERC a Formal Challenge to a True-up Adjustment pursuant to these Implementation Procedures ("*Formal Challenge*").

(i) Failure to notify SPS of an issue shall not bar pursuit of such issue in the filing of a Formal Challenge.
(ii) Failure to notify SPS of an issue shall not bar pursuit of such issue in a subsequent Annual Update or True-up Adjustment review.
(iii) Failure to file a Formal Challenge regarding an issue(s) as to a given Annual Update or True-up Adjustment shall not bar pursuit of such issue(s) or the filing of a Formal Challenge as to such issue(s) as relates to a subsequent Annual Update or True-up Adjustment review.

f. In any proceeding ordered by the FERC in response to a Formal Challenge raised under these Implementation Procedures, SPS shall bear the burden of demonstrating the justness and reasonableness of the charges resulting from its application of the Formula Rate, and of proving that it properly applied the Formula Rate, properly calculated the challenged Annual Update or True-up Adjustment pursuant to the Formula Rate, and that adoption of any Material

Change is just and reasonable. Nothing herein is intended to alter the burden applied by FERC with respect to prudence challenges.

g. Any changes to the data inputs resulting from Preliminary Challenges or Formal Challenges that are not agreed to or resolved by a final Commission Order on or before November 15 shall be incorporated into the Formula Rate and True-up Adjustment for the next Rate Year that begins after the negotiations have become final.

h. It is recognized that resolution of Preliminary Challenges and/or Formal Challenges related to Material Changes may necessitate pro forma adjustments to the Formula Rate calculations, changes to the Formula Rate, or changes to the input data to restore the intent of the formula as of the effective date of the settlement or as the Formula Rate may be subsequently modified by FERC or through settlement, and to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential. It is further recognized that the impact of any such pro forma adjustment or changes to the Formula Rate calculation, the Formula Rate, or input data may be applicable to the entire Rate Year at issue in a Preliminary Challenge or Formal Challenge. If such pro forma adjustment occurs mid-year, it shall be effective mid-year, however, the charges produced by the Formula Rate shall not be adjusted mid-year but rather the impact on the charges from the pro forma adjustment shall be reflected in the True-up Adjustment. If such a change in the Formula Rate is agreed to by the settling parties in Docket No. ER08-313-000 et al. or required by FERC, SPS shall file such Formula Rate change under FPA Section 205, with requests for waiver of applicable notice requirements, to permit the change to become effective for the Annual Update or True-up Adjustment for the Rate Year under review, which requests for waiver of the applicable notice requirements shall not be opposed by any settling party in Docket No. ER08-313-000, et al.

i. Except as provided in Section 5.h, no party shall, in conjunction with the Annual Update or True-up Adjustment, seek to modify the Formula Rate (i.e., all modifications to the Formula Rate shall require an FPA filing).

Section 6 Challenges to the Formula

a. Nothing in these Annual Formula Rate Implementation Procedures shall be deemed to limit in any way the right of any party to file a request for prospective relief under FPA Sections 205, 206 or 306 and FERC's regulations to change the Formula Rate. Any party may challenge the continuing reasonableness of the Formula Rate or the charges produced thereby.

b. Neither failure to notify SPS of an issue nor failure to file a Formal Challenge nor failure to exercise any rights under FPA Sections 205, 206, and 306 and FERC's regulations in any given year shall be construed as a bar to raising any issue in any proceeding initiated at FERC.

Section 7 **Corrections to FERC Form No. 1, Annual Update, or True-up Adjustment**

a. Notwithstanding any other provision of these Implementation Procedures, (i) if SPS identifies, determines or concludes that corrections to any prior year's FERC Form No. 1 or Annual Update or True-up Adjustment pursuant to the Formula Rate are required to correct an error, or (ii) at any time an Interested Party presents information or raises a concern to SPS that indicates that an error exists or a correction is required to any prior year's FERC Form No. 1 or Annual Update or True-up Adjustment, SPS shall investigate the alleged error(s) and within 30 days shall inform Interested Parties of the results of the investigation by posting such results on its Web Sites as set forth in Section 2.b. The results of the investigation shall include an explanation of the nature of the alleged error(s) and the extent to which SPS agrees or disagrees that such error(s) require corrections to the FERC Form No. 1, Annual Update or True-up Adjustment.

b. If a correction to an Annual Update or True-up Adjustment results from the error, no mid-year adjustment will result, but an adjustment will be made in a future period as follows.

SPS shall promptly correct such error(s) identified in Section 7.a., and shall notify Interested Parties of such correction(s) by posting an appropriate amended Annual Update or True-up Adjustment on the Web Sites as set forth in Section 2.b. If a correction to the Annual Update or True-up Adjustment is identified before November 15 (i.e., before the commencement of the next Rate Year), the modified charges produced by the Formula Rate shall be reflected in the next Rate Year. Otherwise, the correction shall be reflected in the next True-up Adjustment, and credited in the following Rate Year.

c. In any Rate Year in which an out-of-period correction is reflected, SPS shall also include worksheets to describe such adjustments, including interest on the total correction for the entire period in which the error existed through and including the Rate Year in which the correction is reflected in the Annual Update. The applicable interest rate shall be the FERC-published interest rates.

d. In the event SPS corrects or fails to correct an Annual Update or True-up Adjustment pursuant to this Section 7, Interested Parties shall have the same rights to review and submit challenges to the correction(s) or SPS's failure to make a correction as those parties otherwise would have had pursuant to these Annual Formula Rate Implementation Procedures, without abridgement or restriction, if the Form No. 1, Annual Update, or True-up Adjustment had been correctly stated in the first instance; provided, however, the scope of review of the Section 7 correction, the formula line item reflecting the Section 7 correction, and the worksheets calculating the Section 7 correction is limited to the aspects of the Formula Rate, Annual Update and/or True-up Adjustment affected by the out-of-period correction(s).

Section 8 **Changes to Formula Rate Initiated by SPS**

a. Any changes to the Formula Rate initiated by SPS, including any changes necessitated by Material Changes, may only be implemented as a result of a filing with FERC under Section 205 or 206 of the FPA.

b. However, in the event that FERC mandates any changes in the format for the FERC Form No. 1 or the USoA, SPS may make a filing with FERC under FPA Section 205 that updates the FERC Form No. 1 and USoA references in its Formula Rate to reflect any such changes prior to or coincident with the Annual Update or True-up Adjustment where these changes are reflected in the Formula Rate. Such filing may not be used to raise issues unrelated to the proposed changes. If such a change in the Formula Rate is required pursuant to this Section 8.b., the FPA Section 205 filing may include a request for waiver of applicable notice requirements, to permit the change to become effective for the Annual Update or True-up Adjustment for the applicable Rate Year, which requests for waiver of notice requirements shall not be opposed by any settling party in Docket No. ER08-313-000, et al.

Section 9 Changes to the Stated Inputs in the Formula Rate

a. The following Formula Rate inputs shall be stated values to be used in the Formula Rate (both for the Annual Update and True-up Adjustment) until changed by a filing pursuant to Section 205 of the FPA or by a proceeding under Section 206 of the FPA: (a) the rate of return on common equity ("*ROE*"); and (b) depreciation rates or amortization periods. With respect to the PBOP charges, the amount shall be based on an Actuarial Study and is net of any amounts received from the Federal government for the prescription drug subsidy ("Medicare D Subsidy"). The amount SPS will contribute to its external PBOP trust will be at a minimum equal to its actual PBOP expense.

Effective on and after October 20, 2014: with respect to a filing under FPA Section 205 to change the transmission formula ROE established in the comprehensive Settlement Agreement in Docket No. EL05-19-000 et al. ("*Settlement Agreement*"), SPS will not submit a filing prior to October 31, 2019 seeking to increase the fixed settlement ROE of 10.5 percent (which includes the SPP RTO membership adder), and will not request an effective date earlier than January 1, 2020; with respect to a filing under FPA Section 206 to change the fixed settlement ROE of 10.5 percent, no Settling Party to the Settlement Agreement will file or support an FPA Section 206 filing to reduce the fixed settlement ROE prior to October 31, 2019, and no Settling Party will request a refund effective date earlier than January 1, 2020 ("*Limited ROE Moratorium*").

b. For extraordinary property losses, the unamortized balance shall be included in rate base and shall be amortized for Formula Rate purposes only after FERC has authorized the amount of the loss and the amortization of the loss for ratemaking purposes.

c. For abandoned plant, the unamortized balance shall be included in rate base and shall be amortized for Formula Rate purposes only after FERC has authorized the amount of any abandoned plant and the amortization of the balance for ratemaking purposes.

EXHIBIT A

EXAMPLE OF 2009 TRUE-UP ADJUSTMENT:

Projected 2009 net ATRR was $90,000,000, projected load was 4,500,000 kw and the resulting zonal rate was $20.00 per kw-yr.

Actual 2009 net ATRR calculated based on FERC Form No. 1 data available in May, 2010 is $88,000,000, actual 12 CP load is 4,512,820 kw for a resulting zonal rate of $19.50 per kw-yr.

2009 TRUE-UP ADJUSTMENT CALCULATION:
There is an over recovery of the net revenue requirement equal to $2,000,000 ($90,000,000 – $88,000,000 = $2,000,000).

There is also a $256,400 over recovery in revenue collection due to volume ((4,500,000kw – 4,512,820kw) X $20 per kw-yr = $256,400).

In this example, the total True-up Adjustment amount would be a net over recovery of $2,256,400 ($2,000,000 + $256,400 = $2,256,400), which would be applied as a reduction to the 2011 projected net ATRR beginning in January 2011.

This same amount can also be calculated by taking the difference between the 2009 projected zonal rate and the zonal rate calculated based on actual data times the actual load (($20.00 – $19.50) per kw-yr X 4,512,820 kw = $2,256,400). (Allow for rounding.)

EXAMPLE OF 2012 TRUE-UP ADJUSTMENT:

Projected 2012 Zonal ATRR = $118M	Actual 2012 Zonal ATRR = $120M
Projected 2012 BPU ATRR = $10M	Actual 2012 BPU ATRR = $9M
Projected Load = 5,400,000 kW	Actual Load = 5,200,000 kW

Projected Zonal Rate = $20.00 per kW-yr. (($118M - $10M) / 5,400,000 kW)
Actual Zonal Rate = $21.35 per kW-yr. (($120M - $9M) / 5,200,000 kW)

2012 TRUE-UP ADJUSTMENT CALCULATION:
Zonal ATRR under recovery of $2M. ($120M - $118M)

Zonal ATRR under recovery of $1M from the BPU ARR. ($9M - $10M. The projected BPU ATRR revenue credit reducing the Zonal ATRR was $1M higher than the actual BPU ATRR.)

Zonal ATRR under recovery of $4M due to the volume variance, projected load as compared to actual load. ((5,200,000 kW – 5,400,000 kw) x $20.00 per kW = $4M.)

In this example, the total Zonal ATRR True-up would be a net under recovery of $7M. [5] ($2M + $1M + $4M)

[5] The BPU ATRR amount is revenue credited to the Zonal ATRR. Because the projected BPU ARR was $1M higher than the actual BPU ATRR, the projected Zonal ATRR was $1M lower than it should have been. In the next annual update, the projected BPU revenue credit will be reduced by $1M from the BPU ATRR true-up. This results in a smaller BPU revenue credit and a larger projected Zonal ATRR.

This same amount can also be calculated by taking the difference between the 2012 actual zonal rate and the projected zonal rate times the actual load. (($21.35 per kW - $20.00 per kW) x 5,200,000 kW = $7M.) (Allow for rounding.)

Exhibit Nos. SPS-0003 - SPS-0004

(W. Berger Direct Testimony)

Exhibit No. SPS-0003

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southwestern Public Service Company	**)** **)**	**Docket No. ER19-____-000**

DIRECT TESTIMONY
OF
WESLEY L. BERGER

ON BEHALF OF
SOUTHWESTERN PUBLIC SERVICE COMPANY

DECEMBER 21, 2018

DIRECT TESTIMONY OF WESLEY L. BERGER

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EXHIBITS TO
DIRECT TESTIMONY OF WESLEY L. BERGER

Exhibit No.	**Description**
SPS – 0004	Estimated Annual Cost Impact to Wholesale Distribution Service Customers

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southwestern Public Service Company	**)**	**Docket No. ER19-____-000**
	)	

Summary of the Direct Testimony of Wesley L. Berger

Mr. Berger provides testimony in support of the filing by Southwestern Public Service Company ("SPS") to revise the transmission formula rate template ("Template") and the associated Annual Formula Rate Implementation Procedures ("Protocols") set forth in the Attachment O-SPS to the Xcel Energy Open Access Transmission Tariff ("Xcel Energy OATT") in order to incorporate new formula rate calculations for the Wholesale Distribution Service Charge applicable to SPS's wholesale transmission service customers with loads at distribution voltage. Mr. Berger provides an overview of SPS; introduces SPS's other witness in this proceeding (Mr. Arthur P. Freitas); and explains and supports the changes to the Template (the "Revised Template") and Protocols that SPS proposes to become effective March 1, 2019. Mr. Berger also calculates the estimated cost impact of the Revised Template on those customers currently receiving Wholesale Distribution Service from SPS.

DIRECT TESTIMONY OF

WESLEY L. BERGER

I. INTRODUCTION AND EXPERIENCE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Wesley L. Berger. My business address is 790 S. Buchanan St., Amarillo, TX 79101.

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

A. I am employed by Southwestern Public Service Company ("SPS"), a New Mexico corporation and wholly owned subsidiary of Xcel Energy Inc. ("Xcel Energy"), as Manager, Rate Cases.

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: SPS, Northern States Power Company, a Minnesota corporation ("NSPM"), Northern States Power Company, a Wisconsin corporation ("NSPW"), and Public Service Company of Colorado ("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.

A. I graduated from New Mexico State University in 1993, receiving a Bachelor of Science degree in Mathematics and a Bachelor of Arts degree in Economics. I received a Master of Arts degree in Economics with specialization in public utility regulation from New Mexico State University in 1995.

Q. WHAT IS YOUR PROFESSIONAL EXPERIENCE?

A. From June 1995 through April 1997, I worked as a Regulatory Compliance Coordinator for SPS providing rate design and general regulatory compliance support. After SPS and Public Service Company of Colorado merged to form New Century Energies in May 1997, I worked as a Pricing Analyst and later as a Pricing Specialist through July 2000. I provided cost of service and rate design support for the retail and wholesale jurisdictions of SPS. After the merger creating Xcel Energy in August 2000, I became a Contract Administration Manager in the Wholesale Origination department, where I attended wholesale market development meetings and regional tariff meetings, and I supported the negotiation of wholesale power purchase and sale agreements. In August 2004, I became an Originator, which meant that my duties focused more on negotiating purchase and sale agreements. In 2005, I returned to Regulatory Administration to direct a retail rate case filing in Texas. In May 2006, I assumed my current position as Manager, Rate Cases.

Q. HAVE YOU ATTENDED OR TAKEN ANY SPECIAL COURSES OR SEMINARS RELATING TO PUBLIC UTILITIES?

A. Yes. In addition to my public utility regulation courses at New Mexico State University, I have completed the advanced rate design course presented by the Edison Electric Institute. I have also attended multiple seminars, including a Regulatory & Accounting seminar presented by PricewaterhouseCoopers, a Utility Finance & Accounting seminar presented by Financial Accounting Institute, and the Public Utility Conference sponsored by New Mexico State University.

Q. WHAT ARE YOUR DUTIES IN YOUR CURRENT POSITION?

A. I oversee rate filings with the Federal Energy Regulatory Commission ("FERC" or "Commission") that impact SPS. I also provide input on SPS's cost allocation and cost of service issues for its retail jurisdictions in Texas and New Mexico. In addition, I provide regulatory policy input on various issues impacting SPS.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION OR ANY OTHER REGULATORY COMMISSION?

A. Yes. I have filed written testimony with the Commission. Specifically, I have filed testimony in Docket Nos. ER00-536, ER12-1682, and ER16-1030. I have testified before the Public Utility Commission of Texas ("PUCT") and the New Mexico Public Regulation Commission ("NMPRC").

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 proposal to revise Attachment O-SPS to the Xcel Energy Operating Companies Open Access Transmission Tariff ("Xcel Energy OATT" or "Tariff"). Attachment O-SPS is a formula rate template (the "Template" or "Formula Rate Template") used to calculate the rates applicable to SPS's wholesale transmission service customers. In this filing, SPS is submitting a proposal to modify the Template to add new tables that establish a new formula (the "Distribution Service Formula") to calculate the Wholesale Distribution Service Charge ("Distribution Charge") applicable to SPS's wholesale transmission service customers with loads at distribution voltage. In my testimony:

- I provide an overview of SPS;
- I provide an overview of the filing and introduce SPS's other witness, Mr. Arthur P. Freitas;
- I explain the basis for and support SPS's new Distribution Service Formula.
- I discuss the estimated cost impact of SPS's new Distribution Service Formula.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes. I am sponsoring the following exhibit, which is attached to my testimony:

Exhibit No.	Description
SPS-0004	Estimated Annual Cost Impact to Wholesale Distribution Service Customers

Exhibits SPS-0001 and SPS-0002 submitted with this filing are the clean and marked tariff pages to the Revised Template and Protocols. I am sponsoring the revisions to the Protocols included in Exhibits SPS-0001 and SPS-0002. Mr. Freitas sponsors the changes to the Revised Template included in Exhibits SPS-0001 and SPS-0002.

Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes.

III. OVERVIEW OF SPS'S FILING

A. Overview of SPS

Q. PLEASE DESCRIBE SPS.

A. Headquartered in Amarillo, Texas, SPS is a vertically integrated generation, transmission, and distribution electric utility that serves approximately 390,000 retail and wholesale customers in a 52,000 square-mile area of the Panhandle and the South Plains of Texas, and eastern and southern New Mexico. SPS's service area extends approximately 400 miles from north to south and 200 miles from east to west. SPS also owns certain transmission facilities in Kansas and Oklahoma. SPS provides regulated, cost-based retail services subject to the jurisdiction of the PUCT and the NMPRC. SPS also provides cost-based requirements wholesale service to cooperative and municipal power customers, with rates determined under production formula rate templates that are part of the individual wholesale power sales agreements.

SPS is a member of the SPP regional transmission organization ("RTO") and is synchronously connected to the Eastern Interconnection grid. With limited exceptions, all transmission services on the SPS system are provided under the SPP Tariff. SPS is also connected to the Western Interconnection grid through three high-voltage direct-current back-to-back converters. Although SPS operates adjacent to the Electric Reliability Council of Texas ("ERCOT") grid, it has no direct interconnections with ERCOT transmission owners.

Q. PLEASE DESCRIBE SPS'S SERVICE AREA.

A. The Texas retail jurisdiction is SPS's single largest regulatory jurisdiction. SPS also serves retail customers in a large portion of eastern and southeastern New Mexico. SPS's service territory in both Texas and New Mexico is primarily agricultural, with large areas of oil and natural gas production. Additionally, wholesale power sales and transmission services have historically been a significant business segment for SPS. SPS directly serves six wholesale requirements power sales (production) customers, who in turn may serve member customers, and provides wholesale Network Integration Transmission Service ("NITS") to various customers with loads on the SPS transmission system. The

SPS transmission system is primarily included in Zone 11 of the SPP Tariff. In total, wholesale transmission services currently account for approximately 39 percent of SPS's total transmission network demand.

B. SPS's Filing and the Associated Testimony

Q. PLEASE DESCRIBE THE CURRENTLY EFFECTIVE SPS FORMULA RATE TEMPLATE.

A. The SPS Formula Rate Template is a transmission formula rate. In addition to the formula calculations themselves, Attachment 1 to the Template is a set of Annual Formula Rate Implementation Procedures (the "Protocols"). The Formula Rate Template and Protocols are on file with the Commission as Attachment – O (SPS) to the Xcel Energy OATT and as Attachment H, Addendum 5 to the SPP Tariff.

SPS calculates its annual transmission revenue requirement (or "ATRR") pursuant to the formulae set forth in the Template. These annual transmission revenue requirements are then used to calculate rates for Firm and Non-Firm Point-to-Point Transmission Service provided under Schedules 7 and 8 and NITS provided under Schedule 9 of the SPP Tariff; the portion of the costs of facilities eligible for regional cost allocation under the SPP Tariff are recovered through Schedule 11 to the SPP Tariff. SPS employs a forward-looking Template, whereby the ATRR is projected under the Template each year using estimated costs and loads. The ATRR projections are then 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. For example, the Estimated Rates for 2018 will be subject to true-up in June 2019, with the true-up applied to bills by the end of 2019. In addition to postings on the SPS Open Access Same-time Information System ("OASIS"), and customer meetings, discovery and challenge processes under the Protocols, SPS submits an annual informational filing with the Commission with the Estimated Rates for the upcoming Rate Year.

Q. PLEASE SUMMARIZE THE CHANGES TO THE FORMULA RATE TEMPLATE SPS PROPOSES IN THIS FILING.

A. In this proceeding, SPS is proposing to revise the Template to add the Distribution Service Formula to update the Distribution Charge applicable to SPS's wholesale transmission customers with loads that take delivery at distribution voltages ("Wholesale Distribution Service"). The Distribution Charge is listed in the SPP Network Integration Transmission Service Agreement ("NITSA") with each affected customer. This Revised Template converts the Distribution Charge from a stated rate to a rate calculated annually (subject to true-up) using the Distribution Service Formula. SPS is also making conforming revisions to the Protocols.

Q. WHAT IS THE PROPOSED EFFECTIVE DATE FOR THE REVISED TEMPLATE AND PROTOCOLS?

A. SPS is requesting an effective date of March 1, 2019 for the Revised Template and Protocols.

Q. PLEASE INTRODUCE THE OTHER WITNESS PROVIDING TESTIMONY IN SUPPORT OF SPS'S PROPOSED TARIFF CHANGES.

A. SPS's filing is also supported by the Direct Testimony of Mr. Arthur P. Freitas, Manager of Revenue Analysis for XES, Exhibit Nos. SPS-0005 to SPS-0006 (the "Freitas Direct Testimony").

Q. WHAT DOES MR. FREITAS ADDRESS IN HIS TESTIMONY?

A. Mr. Freitas supports SPS's proposed Template modifications to add the Distribution Service Formula. He explains the formula calculations, the sources for the data, and consistency with SPS retail cost-of-service studies.

Q. HAVE YOU QUANTIFIED THE IMPACT OF THE CHANGE PROPOSED IN THE REVISED TEMPLATE ON SPS'S WHOLESALE DISTRIBUTION SERVICE CUSTOMERS?

A. Yes. In Exhibit SPS-0004, I present the annual customer impact of the new Distribution Service Formula. In Section V of my testimony, I discuss my calculations of the annual customer impact presented in Exhibit SPS-0004.

IV. SPS'S WHOLESALE DISTRIBUTION SERVICE

Q. WHAT IS WHOLESALE DISTRIBUTION SERVICE?

A. Wholesale Distribution Service is wheeling provided to wholesale customers across SPS's distribution facilities. Wholesale Distribution Service is provided in concert with wholesale transmission service. Like all of SPS's wholesale transmission service customers, the SPS customers that receive Wholesale Distribution Service pay transmission service rates. In addition, the Wholesale Distribution Service customers pay SPS's Distribution Charge.

Q. WHICH OF SPS'S WHOLESALE TRANSMISSION SERVICE CUSTOMERS ALSO RECEIVE WHOLESALE DISTRIBUTION SERVICE?

A. Currently, two wholesale transmission service customers take delivery at distribution voltages and receive Wholesale Distribution Service: Golden Spread Electric Cooperative Inc. ("Golden Spread") and Lubbock Power & Light ("LP&L"). In total, SPS provides Golden Spread and LP&L Wholesale Distribution Service to twenty (20) discrete delivery points.

Q. WHY IS SPS PROPOSING TO USE A FORMULA TO CALCULATE THE DISTRIBUTION CHARGE?

A. SPS established the current Distribution Charge rate of $2.43/kW-month in 2000 as a result of settlement discussions in Docket No. ER00-536. SPS's $2.43/kW-month stated rate is outdated and no longer accurately measures the costs SPS incurs to provide Wholesale Distribution Service. In addition, SPS believes that using a formula rate to calculate the Delivery Charge is appropriate because the formula rate is updated consistently as costs and distribution loads change through time, and it is easily auditable by SPS's Wholesale Distribution Service customers.

Q. WHAT AGREEMENTS WILL NEED TO BE UPDATED TO INCORPORATE THE NEW DISTRIBUTION FORMULA RATE?

A. The Distribution Charge is listed in (i) the three-party NITSA between SPP, SPS and Golden Spread, and (ii) the three-party NITSA between SPP, SPS, and LP&L. In this filing, SPS is proposing to replace the stated Distribution Charge with the Distribution Service Formula rate, which will be updated on an annual basis going forward. Upon Commission acceptance of the Revised Template, SPS will work with SPP to revise the Golden Spread and LP&L NITSAs to refer to the new Distribution Service Formula rate instead of the current stated Distribution Charge and file the revised NITSAs with the Commission.

Q. PLEASE BRIEFLY DESCRIBE SPS'S PROPOSED DISTRIBUTION SERVICE FORMULA.

A. The Distribution Service Formula calculates the Distribution Charge in three steps. First, a fixed carrying charge is calculated for each component of SPS's distribution system. The gross plant carrying charge rate is then multiplied by distribution gross plant, which results in a total company distribution revenue requirement ("Total SPS DRR"). Mr. Freitas discusses the cost components and calculations used in the Distribution Service Formula in more detail. Second, SPS's Distribution Service Formula adjusts the Total SPS DRR so it reflects only the primary service voltages of the distribution system ("SPS Primary DRR"). Finally, SPS's Distribution Service Formula allocates the SPS Primary DRR among SPS's wholesale, Texas retail, and New Mexico retail jurisdictions in order to calculate the wholesale distribution annual revenue requirement ("Distribution ARR").

Q. WHY DOES SPS PROPOSE TO ADJUST THE TOTAL SPS DRR TO INCLUDE ONLY SPS'S PRIMARY DISTRIBUTION SYSTEM?

A. The Total SPS DRR includes all components of SPS's distribution system. SPS's distribution system is composed of primary and secondary components. The primary component of the distribution system begins where the transmission system ends, specifically at distribution substations. These distribution substations reduce the voltage from a transmission voltage (69 kV or greater) to a level between 2.4 kV and 33 kV. From there, primary distribution lines will extend to customers who receive service at this level. The secondary component of the distribution system consists of transformers and secondary distribution lines placed at the end of primary distribution lines. Because the Wholesale Distribution Service customers currently use only SPS's primary distribution system, the Revised Template excludes the costs associated with facilities that are part of SPS's secondary level distribution system.

Q. HOW DOES SPS PROPOSE TO DETERMINE THE COSTS ASSOCIATED WITH SPS'S PRIMARY DISTRIBUTION SYSTEM?

A. For purposes of calculating the Distribution Charge, SPS will use the functional breakdown of the primary distribution system and the secondary distribution system included in SPS's most recently filed "class cost-of-service study" filed with the PUCT (the "PUCT Study"). A class cost-of-service study functionalizes retail jurisdiction costs to the electric utility functions necessary for SPS to provide service; classifies those costs according to the component of electric service that applies to each function; and allocates those costs to the customer classes based upon how each class causes those costs to be incurred. Importantly, the class cost of service study separates SPS's distribution system into its primary and secondary functions. Relying on the most recent class cost-of-service study filed with the PUCT is appropriate because Texas is SPS's largest jurisdiction and all of the Wholesale Distribution Service delivery points are located in Texas. Therefore, the PUCT Study provides a functional breakdown of SPS's distribution system that serves SPS's Wholesale Distribution Service customers. Currently, the primary component of the distribution system represents 79.41 percent of SPS's total distribution investment, according to the most recent PUCT Study. Going forward, SPS proposes to adjust this percentage each time the percentage is adjusted for retail ratemaking purposes in Texas. This will maintain consistency in primary distribution charges across jurisdictions. Mr. Freitas presents the results of SPS's most recent PUCT Study.

Q. PLEASE DESCRIBE HOW SPS WILL ALLOCATE THE SPS PRIMARY DRR AMONG JURISDICTIONS.

A. SPS will allocate the SPS Primary DRR among its wholesale, Texas, and New Mexico jurisdictions using a calendar year NCP (non-coincident peak) demand allocator. The result is that the Distribution Charge is based only on the portion of the SPS Primary DRR that is allocated to SPS's wholesale jurisdiction. This methodology is consistent with how the SPS Primary DRR is allocated in SPS's Texas retail and New Mexico retail jurisdictions. SPS proposes to update this allocation factor on a calendar year basis. The NCP demand allocator will be calculated using loss-adjusted meter data in each jurisdiction.

Q. ONCE THE DISTRIBUTION ARR IS DEVELOPED, HOW WILL THE DISTRIBUTION CHARGE BE CALCULATED?

A. The Distribution Charge is equal to the Distribution ARR divided by SPS's wholesale distribution billing NCPs. SPS proposes to use the prior calendar year actual billed NCPs to estimate the next year's rate. The reason for this proposal is that SPS does not forecast distribution delivery NCPs. In the true-up process, the billing determinants will be updated with the actual wholesale distribution NCPs for that calendar year. For example, actual calendar year 2018 billing determinants will be used in the 2020 estimated rate calculation. When SPS calculates the 2020 true-up rate in the summer of 2021, when 2020 FERC Form 1 actual cost data is available, SPS will use the actual billing determinants from calendar year 2020. The use of actual data will ensure the billed amounts for 2020 reflect actual costs as reported in the FERC Form 1 report and actual loads, similar to the true-up calculation under the transmission formula Template. Mr. Freitas provides additional explanation of SPS's proposed formula rate estimate and true-up calculations.

Q. WHAT RETURN ON EQUITY ("ROE") DOES SPS PROPOSE TO USE FOR THE DISTRIBUTION SERVICE FORMULA?

A. SPS proposes to use the base ROE as used for transmission service under the Template. Currently, the base ROE is 10.00 percent, exclusive of the RTO membership adder, as established in the "global settlement" in Docket No. ER15-949 *et al*. SPS uses this same 10 percent ROE in its wholesale production formula rate template, also pursuant to the global settlement.

Q. DOES SPS PROPOSE ANY CHANGES TO THE PROTOCOLS RELATED TO THE DISTRIBUTION SERVICE FORMULA?

A. Yes. In addition to the changes to the Template, SPS is also proposing changes to the Protocols. SPS proposes to incorporate the Distribution Service Formula calculation into the Protocols' process that applies to SPS's wholesale transmission service rates. Specifically, additional language has been added to Sections 1, 2(a)(iv), 2(f)(ii)(6), 3(a)(iv), and 3(d)(iv) of the Protocols. These changes ensure that the formulaic calculation of the Distribution Charge will be subject to the same procedures that apply to the development of SPS's transmission service rates (in the form of the Template's calculation of SPS's ATRR). This includes initially setting the cash working capital component of the Distribution Service Formula to $0, and it will remain $0 until SPS receives approval from the Commission to change the cash working capital amount.

Each year, SPS will prepare a Projected Distribution ARR. The Projected Distribution ARR will then be 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 Distribution ARR will be subject to all of the provisions of the Protocols, including those that provide for postings on SPS's 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. The changes to the Protocols also specify that the estimated Distribution Charge rate will be based on the most recent calendar year's actual data.

Q. WHAT IS THE 2019 ESTIMATED RATE USING THE NEW DISTRIBUTION SERVICE FORMULA?

A. The 2019 Distribution Charge is $3.965/kW-month. Mr. Freitas presents SPS's calculation of the 2019 Estimated Rate.

Q. HOW DOES SPS PROPOSE TO REFLECT THE CHANGE TO THE DISTRIBUTION CHARGE IN THE THREE PARTY NITSA AGREEMENTS?

A. In the existing three-party NITSAs, Section 8.9 states:

> **8.9 Wholesale Distribution Service Charge** $2.43 times the maximum metered kW per distribution delivery point, adjusted for losses as described in Section 8.6 above, per month. The distribution delivery points are delivery points listed in Appendix 3 where the Network Customer receives services below 69kV.

Upon acceptance of this filing, SPS will work with SPP to modify Section 8.9 to each NITSA to refer to the Distribution Charge calculated using the new Distribution Delivery

Rate formula, similar to how the Meter Charge stated in the NITSAs already refers to the Template. Specifically, Section 8.9 would be modified to state:

> **8.9 Wholesale Distribution Service Charge** *The Monthly Wholesale Distribution Service Charge per kW as stated in the Xcel Energy Operating Companies Open Access Transmission Tariff, Attachment O-SPS, Table 1* times the maximum metered kW per distribution delivery point, adjusted for losses as described in Section 8.6 above, per month. The distribution delivery points are delivery points listed in Appendix 3 where the Network Customer receives services below 69kV.

This text mirrors the text used for the Meter Charge billed under the NITSAs, which also uses a rate formula. SPS anticipates that this revision to Section 8.9 of the Golden Spread and LP&L NITSAs will be filed as compliance filings in response to the Commission's order on this filing with a requested effective date identical to the effective date the Commission grants for the Template and Protocols changes SPS has filed in this proceeding.

In addition to modifying the NITSAs, SPS would work with SPP to update Attachment H to the SPP Tariff to incorporate the revisions to the Template.

V. IMPACT OF THE DISTRIBUTION SERVICE FORMULA

Q. HAVE YOU ESTIMATED THE IMPACT OF THE DISTRIBUTION SERVICE FORMULA ON SPS'S WHOLESALE DISTRIBUTION SERVICE CUSTOMERS?

A. Yes. I have estimated the impact by using customer billing information for the twelve-month period of November 2017 through October 2018 and the Distribution Charge of $3.965/kW-month calculated by Mr. Freitas using the Distribution Service Formula. These customer impact calculations are shown in Exhibit No. SPS–0004 attached to my testimony.

Q. WHAT IS THE DOLLAR IMPACT ON SPS'S WHOLESALE DISTIBUTION SERVICE CUSTOMERS?

A. The impact of the Revised Template on SPS's Wholesale Distribution Service customers is approximately $0.7 million on an annual basis based on the 2019 estimated rate. Table 1 summarizes the annual impact to each SPS Wholesale Distribution Service customer.

Table 1 - Annual Customer Impact

	Current Distribution Charges	2019 Estimate Using SPS Proposed Formula	Estimated Increase (Annualized) ($)
Golden Spread	$349,784	$570,738	$220,954
LP&L	$761,722	$1,242,893	$481,170
Total Wholesale	$1,111,506	$1,813,631	$702,124

Table 1 overstates the 2019 bill impact because SPS has requested that the Revised Template go into effect March 1, 2019, so SPS would bill the increased rate for only ten rather than twelve months in 2019.

Q. PLEASE EXPLAIN WHY THE DISTRIBUTION SERVICE FORMULA INCREASES THE DISTRIBUTION CHARGE TO $3.965/KW-MONTH.

A. As I discussed earlier, SPS's current Distribution Charge of $2.43/kW-month was established as the result of a settlement between SPS and Golden Spread in 2000. SPS's system has undergone many changes since that time, which has increased SPS's costs of providing Wholesale Distribution Service. For example, SPS gross distribution plant increased from $642.1 million in 1999 to $1.297 billion in 2017, and SPS distribution operation and maintenance expenses increased from $22.9 million in 1999 to $36.1 million in 2017. Therefore, the increase in the Distribution Charge is the result of an increase in SPS's costs as compared to the as-settled stated Distribution Charge rate agreed to in 2000. In addition, the Distribution Service Formula results in a Distribution Charge rate that is both cost-based and comparable to the distribution component of the rates being paid by SPS's retail customers for the same type of service.

VI. CONCLUSION

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. I recommend that the Commission approve SPS's proposed revisions to SPS's Formula Rate Template and Protocols discussed in my testimony, effective on March 1, 2019. The changes are just and reasonable because the Distribution Service Formula accurately calculates the rate needed for SPS to recover the costs it incurs to provide Wholesale Distribution Service. In addition, the Distribution Charge calculated using the Distribution Service Formula is both cost-based and comparable to the distribution component of the rates being paid by SPS's retail customers in Texas for the same type of service.

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

A. Yes.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southwestern Public Service Company) **Docket No. ER19-____-000**
)

AFFIDAVIT

Wesley L. Berger, being duly sworn, deposes and states: that the Direct Testimony of Wesley L. Berger 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.

Wesley L. Berger

Subscribed and sworn before me this 20 day of December 2018.

Cindy Baeza
[Name]
Notary Public
My commission expires: [date] 10/06/2020

CINDY BAEZA
Notary Public, State of Texas
Notary ID #13078365-0
My Commission Expires 10-06-2020

Exhibit No. SPS - 0004

(Wholesale Distribution Cost Impacts)

Customer	(a) Estimated 2019 Transmission Charges	(b) Current 2019 Distribution Service Charges	(c) Total Current Transmission Charges	(d) Estimated 2019 Transmission Charges	(e) Proposed 2019 Distribution Service Charges	(f) Total Proposed Transmission Charges	(g) Increase ($)	(h) Increase (%)
Golden Spread Electric Cooperative	$ 43,480,446	$ 349,784	$ 43,830,230	$ 43,480,446	$ 570,738	$ 44,051,184	$ 220,954	0.50%
Central Valley Electric Cooperative	6,092,753	-	6,092,753	6,092,753	-	6,092,753	-	0.00%
City of Brownfield, TX	775,969	-	775,969	775,969	-	775,969	-	0.00%
City of Floydada, TX	192,664	-	192,664	192,664	-	192,664	-	0.00%
City of Tulia, TX	327,624	-	327,624	327,624	-	327,624	-	0.00%
Farmers' Electric Cooperative	3,159,779	-	3,159,779	3,159,779	-	3,159,779	-	0.00%
Lea County Electric Cooperative	10,049,682	-	10,049,682	10,049,682	-	10,049,682	-	0.00%
Lubbock Power & Light	25,932,073	761,722	26,693,796	25,932,073	1,242,893	27,174,966	481,170	1.80%
Roosevelt County Electric Cooperative	1,324,146	-	1,324,146	1,324,146	-	1,324,146	-	0.00%
Tri-County Electric Cooperative	3,095,930	-	2,933,355	3,095,930	-	2,933,355	-	0.00%
Total	$ 94,431,066	$ 1,111,506	$ 95,379,998	$ 94,431,066	$ 1,813,631	$ 96,082,122	$ 702,124	0.74%

Notes:

(1) The Estimated 2019 Transmission Charges are SPS's proposed rates effective February 1, 2019 in Docket ER19-404

(2) The amounts shown above are annual changes. In 2019, the actual increase will be less because of the March 1, 2019 effective date.

Customer	(a) Annual Billing Demand (kW)	(b) Current Distribution Rate ($/kW)	(c) Current Distribution Charges	(d) Estimated 2019 Distribution Rate ($/kW)	(e) Estimated 2019 Distribution Charges	(f) Increase ($)	(g) Increase (%)
Golden Spread Electric Cooperative	143,944	$ 2.43	$ 349,784	$ 3.965	$ 570,738	$ 220,954	63.17%
Lubbock Power & Light	313,466	2.43	761,722	3.965	1,242,893	481,170	63.17%
Total Wholesale	457,410		$ 1,111,506		$ 1,813,631	$ 702,124	63.17%

Note: The amounts shown above are annual changes. In 2019, the actual increase will be less because of the March 1, 2019 effective date.

Exhibit Nos. SPS-0005 - SPS-0006

(A. Freitas Direct Testimony)

Exhibit No. SPS-0005

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southwestern Public Service Company	**)**	**Docket No. ER19-____-000**
	)	

DIRECT TESTIMONY
OF
ARTHUR P. FREITAS

ON BEHALF OF
SOUTHWESTERN PUBLIC SERVICE COMPANY

DECEMBER 21, 2018

DIRECT TESTIMONY OF ARTHUR P. FREITAS

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Exhibit No. SPS-0005

EXHIBITS TO
DIRECT TESTIMONY OF ARTHUR P. FREITAS

Exhibit No.	**Description**
SPS – 0006	Workpapers Supporting Wholesale Distribution Service Charge Calculations

Exhibit No. SPS-0005

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southwestern Public Service Company	**)** **)**	**Docket No. ER19-____-000**

Summary of the Direct Testimony of Arthur P. Freitas

Mr. Freitas provides testimony in support of the filing by Southwestern Public Service Company ("SPS") to revise the transmission formula rate template ("Template") set forth in Attachment O-SPS to the Xcel Energy Open Access Transmission Tariff. Mr. Freitas explains and supports the changes to the Template to establish a Distribution Service Formula to calculate SPS's wholesale Distribution Charge. Mr. Freitas describes the new Distribution Service Formula to be included in new Tables to the Template.

DIRECT TESTIMONY OF

ARTHUR P. FREITAS

I. INTRODUCTION AND EXPERIENCE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Arthur P. Freitas. My business address is 1800 Larimer Street, 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 Manager of Revenue Analysis.

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"), Northern States Power Company, a Minnesota corporation ("NSPM"), Northern States Power Company, a Wisconsin corporation ("NSPW"), and Public Service Company of Colorado ("PSCo" or the "Company") (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 Marquette University with a Bachelor's degree in Business Administration in 1994.

I worked for Boston Gas Company from 1998 through 2000 as a rate analyst. In 2000, I began working for a consulting group, La Capra Associates, where I gained a broad range of experience and expertise that encompassed utility functions from system planning through retail ratemaking. I performed analyses on a range of topics, including retail cost allocation and rate design, electricity market design and analysis, power market forecasting, and integrated resource planning. In 2011, I joined XES as a Principal Rate Analyst. I assumed my current role in July 2015.

I have significant experience involving the regulatory process. I have participated in regulatory proceedings, on behalf of both regulated utilities and interested stakeholders, in a number of states. In those proceedings, I explored various issues, including cost allocation and retail rate design, integrated resource planning, resource acquisition, transmission system expansion, and renewable energy policy. Over the course of those regulatory proceedings, I have prepared pre-filed testimony, developed and responded to discovery, and conducted analyses on issues relevant to the proceeding to support the testimony of expert witnesses.

Q. WHAT ARE YOUR DUTIES IN YOUR CURRENT POSITION?

A. I provide project supervision and technical expertise for jurisdictional cost of service studies, revenue requirement determinations, formula rate administration, and related projects for the Xcel Energy Operating Companies, with a focus on SPS.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION OR ANY OTHER REGULATORY COMMISSION?

A. Yes. I have submitted pre-filed testimony in Federal Energy Regulatory Commission ("FERC" or "Commission") Docket No. ER19-404-000, which is currently pending before the Commission. In addition, I have submitted testimony before a number of state regulatory commissions. I have submitted pre-filed testimony to the New Mexico Public Regulation Commission ("NMPRC") on SPS's cost of service and on transmission costs in Case Nos. 15-00139-UT, 15-00296-UT and 16-00269-UT, and I testified before the NMPRC in Case No. 17-00255-UT. I testified before the Public Utility Commission of Texas ("PUCT") in Docket No. 43695, a rate case filed in 2014, regarding expenses incurred and revenues received from the Southwest Power Pool, Inc. ("SPP") and other utilities under the SPP Open Access Transmission Tariff ("SPP Tariff"). In addition, I submitted pre-filed testimony in SPS's base rate cases before the PUCT in Docket Nos. 45524 and 47527. I also submitted pre-filed testimony to the PUCT in Docket Nos. 42042 and 42004 regarding transmission-related costs incurred under tariffs approved by FERC. Finally, prior to being employed by XES, I testified before the Massachusetts Department of Public Utilities on behalf of Blackstone Gas Company, and I submitted pre-filed testimony to the New Hampshire Public Utilities Commission on behalf of the Office of Consumer Advocate.

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 proposal to revise Attachment O-SPS to the Xcel Energy Operating Companies Open Access Transmission Tariff ("Xcel Energy OATT" or "Tariff"). Attachment O-SPS is a formula rate template (the "Template" or "Formula Rate Template") used to calculate the rates applicable to SPS's wholesale transmission service customers. Attachment 1 to the Template is a set of Annual Formula Rate Implementation Procedures (the "Protocols"). As part of this filing, SPS is submitting proposed revisions to the Template. I refer to these revisions as the "Revised Template." In my testimony:

- I explain and support SPS's proposed changes to the Formula Rate Template to implement a new formula (the "Distribution Service Formula") to calculate the Wholesale Distribution Service Charge ("Distribution Charge") applicable to SPS's wholesale transmission service customers that take delivery of energy at distribution voltages; and
- I support the 2019 estimated Distribution Charge rate of $3.965/kW-month calculated using the Distribution Service Formula.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes. I am sponsoring the following exhibits which are attached to my testimony:

Exhibit No.	**Description**
SPS – 0006	Workpapers Supporting Wholesale Distribution Service Charge Calculation

Exhibits SPS-0001 and SPS-0002 submitted with this filing are the clean and marked tariff pages to the Revised Template and Protocols. Specifically, I am sponsoring the Revised Template revisions included in Exhibits SPS-0001 and SPS-0002.

Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes.

Q. PLEASE SUMMARIZE THE CHANGES TO THE FORMULA RATE TEMPLATE SPS PROPOSES IN THIS FILING.

A. In this proceeding, SPS is revising the Template to add the Distribution Service Formula to calculate the Distribution Charge that SPS charges its wholesale transmission customers that take delivery of energy at distribution voltages (the "Wholesale Distribution Service" customers). Currently, the Distribution Charge is a stated rate listed in (i) the three-party Network Integration Transmission Service Agreement ("NITSA") between SPP, SPS and Golden Spread Electric Cooperative Inc. ("Golden Spread"), and (ii) the three-party NITSA between SPP, SPS, and Lubbock Power & Light ("LP&L"). The Revised Template converts the Distribution Charge from a stated rate to a rate calculated annually (subject to true-up) using the Distribution Service Formula.

III. OVERVIEW OF THE DISTRIBUTION SERVICE FORMULA

Q. PLEASE DESCRIBE SPS'S PROPOSED CALCULATION OF THE DISTRIBUTION CHARGE.

A. Using the Distribution Service Formula, the Distribution Charge will be calculated using a fixed carrying charge to determine SPS's distribution revenue requirement ("DRR"). The fixed carrying charge is developed by measuring the following cost components for SPS's distribution system on a company-wide basis:

- Operations & Maintenances Expense
- Taxes Other Than Income

- Administrative and General Expense
- Return on Rate Base
- Depreciation Expense
- Income Tax Expense
- Amortization of Excess Accumulated Deferred Income Taxes ("ADIT")
- General and Intangible Plant
- Cash Working Capital
- Accumulated Deferred Income Taxes
- Revenue Credits

For each of these components, a carrying charge factor is calculated, which is then summed to arrive at a total company distribution gross plant carrying charge ("FCR") rate. The FCR rate is then multiplied by SPS's distribution gross plant balance, which results in a total company DRR (the "Total SPS DRR"). Collectively, SPS's Wholesale Distribution Service customers use only a portion of SPS's distribution system, however. Therefore, SPS adjusts the Total SPS DRR so that it includes only the portion of SPS's distribution system revenue requirement used by the Wholesale Distribution Service customers. The first adjustment identifies the portion of the Total SPS DRR associated with SPS's primary voltage distribution system (the "SPS Primary DRR"). The second adjustment allocates SPS's primary voltage distribution system revenue requirement between SPS's three jurisdictions (FERC, Texas retail, and New Mexico retail). These adjustments to the Total SPS DRR are explained in more detail in the Berger Direct Testimony. I refer to the adjusted DRR as SPS's "Distribution ARR."

Q. ONCE THE DISTRIBUTION ARR IS DEVELOPED, HOW WILL THE DISTRIBUTION CHARGE BE CALCULATED?

A. The Distribution Charge is the Distribution ARR divided by SPS's wholesale distribution billing determinants. Because of the difficulty associated with estimating annual billing determinants, SPS is proposing to use the prior calendar year's actual billing determinants to estimate the next year's rate. In the true-up process, the billing determinants will be updated with the actual wholesale distribution non-coincident peaks for that calendar year. For example, actual calendar year 2018 billing determinants will be used in the 2020 estimated rate calculation. When SPS calculates the 2020 true-up rate in the summer of 2021, SPS will use the actual billing determinants from 2020.

Q. FOR EACH COMPONENT OF THE DISTRIBUTION CHARGE CALCULATION, PLEASE IDENTIFY THE SOURCE OF THE DATA.

A. SPS's distribution plant and expense information will be taken from SPS's most recent FERC Form 1. However, the data needed to adjust the Total SPS DRR to arrive at the Distribution ARR are not available in the FERC Form 1. First, to identify the portion of the Total SPS DRR that is associated with SPS's primary voltage distribution system, the Distribution Service Formula uses data from SPS's most recent retail "class cost of service study" filed with the PUCT (the "PUCT Study"). SPS proposes to recalculate the SPS Primary DRR each time SPS files a new PUCT Study with the PUCT.

Second, to allocate the SPS Primary DRR between its three jurisdictions, SPS will use actual non-coincident peaks ("NCPs") from the most recently available year for each jurisdiction SPS serves (FERC, Texas retail, and New Mexico retail). SPS proposes to calculate these non-coincident peaks on a calendar year basis. For both of these adjustments to the Total SPS DRR, SPS will include the data and calculations as part of the supporting documentation it provides during the transmission formula rate annual true-up under the Protocols. This will allow the parties ample time to review the calculations prior to the data being included in rates during the transmission formula rate annual update in the fall of each year.

Q. WILL THE DISTRIBUTION CHARGE HAVE AN ESTIMATED RATE AND TRUE-UP RATE LIKE THE OTHER COMPONENTS OF THE TEMPLATE?

A. Yes. The Distribution Service Formula will use the same process currently applied under the Protocols to develop SPS's transmission service rates. SPS will calculate an estimated Distribution Charge for the upcoming rate year and then will true-up the Distribution Charge using actual rate year data following the end of the rate year. Any over- or under-recovery due to the true-up to actual costs will be included in the Distribution Charge for the upcoming year. In this filing, the 2019 estimated Distribution Charge is based on actual 2017 FERC Form 1 data; however, it will be trued-up to actual 2019 data. Specifically, in the spring of 2020, SPS will true-up the costs and billing determinants used to calculate the Distribution Charge using actual 2019 data. Any over- or under- recovery that results from the true up in 2020 will be included in the estimated 2021 Distribution Charge.

IV. IMPLEMENTATION OF SPS'S DISTRIBUTION SERVICE FORMULA

Q. PLEASE DISCUSS THE CHANGES TO THE FORMULA RATE TEMPLATE NECESSARY TO CALCULATE THE DISTRIBUTION CHARGE.

A. The Revised Template includes changes to Table 1, and two new tables (Table 14.2 and Table 46). In the native electronic file, Table 1 is the "Rate" tab, Table 14.2 is on a new tab "WsA.3 Distri True Up", and Table 46 is a new tab titled "WsT Distr FCR".

Table 1 (Rate) was changed to add 7 new lines (Lines 28 to 37), which calculate the estimated Distribution Charge. Line 28 is the section heading referring to the Distribution Service Formula. Line 29 references the estimated Distribution ARR, which is calculated on Table 46 (Worksheet T). Line 30 is the adjustment to reflect the true-up of the prior year's Distribution Charges. Line 31 is the adjustment for the interest on the prior year's true-up of the Distribution Charges. Line 32 is a blank line and Line 33 is the total estimated wholesale DRR. Line 34 is blank. Line 35 is the estimated annual wholesale non-coincident peak billing determinants for the customers taking Wholesale Distribution Service, and Line 37 is the annual rate in dollars per kW-year. The Distribution Charge is calculated as the Distribution ARR divided by the billing determinants (Line 33 divided by Line 35). The true-up adjustment and interest adjustment are input from Table 14.2 from the previous year's true-up file.

Table 14.2 (Worksheet A.3) is a new table that calculates the true-up adjustment and the interest on the true-up adjustment. The first section on Table 14.2 calculates the true-up amount associated with differences in the estimated Distribution ARR and the actual wholesale DRR. Both the estimated Distribution ARR and the actual Distribution ARR are calculated on Table 46. The second section of Table 14.2 calculates the true-up amount associated with differences in the estimated billing determinants used in calculating the estimated Distribution Charge and the actual billing determinants used in calculating the actual Distribution Charge. The third section of Table 14.2 calculates the interest on the total true-up amount. The interest calculation is the same calculation as the one used on Table 13 of the current Formula Rate Template.

Table 46 (Worksheet T) is a new table that is being added to the Template that calculates the estimated and actual Distribution ARR. Table 46 has two main sections. The first section calculates the estimated Distribution ARR and the second section calculates the actual Distribution ARR. The calculation of the estimated and actual Distribution ARRs is the same, with the only difference being the use of estimated versus actual data. Table 46 first calculates a fixed charge rate for the distribution system and then applies that fixed charge rate to SPS's total company distribution plant to calculate the Total SPS DRR. The Total SPS DRR is then allocated to determine the SPS Primary DRR, which is the revenue requirement of the portion of the distribution system used by the wholesale transmission customers, the primary distribution system. The SPS Primary DRR is then allocated to the wholesale transmission jurisdiction to calculate the Distribution ARR.

Q. PLEASE DESCRIBE THE CALCULATION OF THE FIXED CHARGE RATE.

A. The fixed charge rate is the sum of fixed charge rates for individual cost components which are calculated on Table 46. The individual fixed charge rates are:

(1) Operations and Maintenance Expense - The O&M component fixed charge rate is calculated by dividing total distribution O&M expense by total distribution plant (excluding asset retirement obligation amounts).

(2) Other Taxes Expense - The other taxes expense fixed charge rate is calculated by allocating a portion of payroll and property taxes to the

distribution function and dividing the distribution related taxes other than income by distribution plant.

(3) Administrative and General Expense - The A&G expense fixed charge rate is calculated by dividing an allocated share of total A&G expense by distribution plant (excluding asset retirement obligation amounts). The allocated share of A&G expense is calculated using the percentage of distribution wages to total wages excluding A&G wages. The distribution labor percentage is then multiplied by total A&G expense to calculate A&G expense allocated to distribution.

(4) Return on Rate Base - The rate of return component is calculated in the same manner as is done for the transmission revenue requirement. For the calculation of capital structure (which is used to weight the cost of equity and cost of debt), common equity is calculated as total proprietary capital minus preferred stock, balances in account 216.1, and accumulated other comprehensive income. Long-term debt is calculated as the sum of the balances of bonds (less reacquired bonds), advances from associated companies, and other long-term debt.

The cost of equity (or “ROE”) is 10.0 percent, which is the base cost of equity used in the calculation of the transmission ATRR, without the 50 basis point RTO membership adder. The cost of debt is calculated as total interest expense divided by long-term debt as calculated above. Total interest expense is the sum of interest on long-term debt, interest on debt to associated companies (long-term portion only), amortization of debt discount and expense, amortization of loss on reacquired debt, less amortization of premium on debt and less amortization of gain on reacquired debt.

The weighted average cost of capital is the sum of the cost of debt and the cost of equity weighted by the debt/equity ratio. The weighted average cost of capital is then multiplied by distribution net plant to calculate the distribution return. The distribution return fixed charge rate component is the distribution return divided by distribution plant.

(5) Depreciation Expense - The depreciation expense factor is calculated by dividing distribution depreciation expense by distribution plant.

(6) Income Tax Expense - The composite income tax expense fixed charge rate is calculated as distribution income tax expense divided by distribution plant. Distribution income tax expense is the distribution return times the effective tax rate. The effective tax rate is the combined state and federal tax rate adjusted for the tax deductibility of interest expense which is calculated as (combined tax rate/1-combined tax rate)*(1-weighted cost of debt/rate of return). The formula for the combined tax rate is 1-(1-State Tx)*(1-Federal Tx).

(7) Amortization of Excess ADIT - The excess/deficient ADIT amortization fixed charge rate accounts for the impact to the revenue requirement of the flowback of Excess ADIT. It is calculated as the total distribution related Excess ADIT amortization (grossed up to a revenue basis) divided by distribution plant (excluding asset retirement obligation amounts). The distribution-related Excess ADIT amortization is calculated by direct assigning or allocating the various plant and non-plant Excess ADIT amortization amounts. Plant and non-plant Excess ADIT amortization amounts that are distribution-specific are directly assigned. Amounts for general plant or non-plant amounts related to labor are allocated based on the ratio of distribution wages to total wages (excluding A&G wages). Non-plant Excess ADIT amortization amounts related to plant are allocated based on the ratio of distribution plant (excluding asset retirement obligation amounts) to total electric plant. The total distribution-related Excess ADIT amortization is then grossed up to a revenue basis but multiplying it by a tax gross-up factor which is 1/(1-composite tax rate).

(8) General and Intangible Plant - The general and intangible plant fixed charge rate accounts for the impact to the distribution revenue requirement of general and intangible plant. It is calculated as the general and intangible plant revenue requirement (the portion allocated to distribution) divided by distribution plant (excluding asset retirement obligation amounts). Total general and intangible plant balances are allocated to the distribution function base on the ratio of distribution wages to total wages (excluding A&G wages). The revenue requirement components associated with general and intangible plant for Rate of Return, Depreciation, Composite Income Tax, Excess/Deficient ADIT Amortization, and ADIT Adjustment are calculated consistent with the manner in which they are calculated for distribution plant. The Rate of Return component is calculated as general and intangible net plant times the rate of return. Income taxes are then calculated as the return times the effective tax rate. The carrying charge components for depreciation, excess ADIT amortization and ADIT adjustment are summed and then multiplied by general and intangible gross plant (the portion allocated to distribution) to calculate the remainder of the general and intangible revenue requirement.

(9) Cash Working Capital - The cash working capital fixed charge rate is currently zero and will not be changed absent a filing with FERC to approve a cash working capital amount. This item is included as a placeholder only.

(10) Accumulated Deferred Income Taxes - The accumulated deferred income tax fixed charge rate component accounts for the impact of accumulated deferred income taxes on the revenue requirement. The factor is calculated as the return and income taxes on the distribution allocated

portion of ADIT divided by distribution plant (excluding asset retirement obligation amounts). Total ADIT is allocated to distribution based on the ratio of distribution plant (excluding asset retirement obligation amounts) to total electric plant. Total ADIT includes the ADIT in FERC Accounts 190, 281, 282, and 283, as well as the non-plant Excess ADIT in FERC Accounts 254 and 182. The plant-related Excess ADIT is still presented in FERC Account 282 in the FERC Form 1 so it is being included as well. The return associated with the ADIT allocated to distribution is calculated by multiplying the ADIT balance allocated to distribution by the rate of return. The income tax associated with the ADIT allocated to distribution is calculated by multiplying the ADIT return by the effective tax rate.

(11) Revenue Credits - The revenue credit fixed charge rate is calculated by dividing distribution-related other revenues by distribution plant (excluding asset retirement obligation amounts). Distribution-related other revenues are taken from Table 15 (Worksheet B), line 7 of the previous year's formula rate true-up (which ties to the FERC Form 1).

The sum of items (1) through (11) produce the total FCR, which is then multiplied by the distribution plant balance (excluding asset retirement obligation amounts) to calculate the total SPS DRR. The FCR used in the calculation of the 2019 estimated Distribution Charge is 0.12409. To arrive at the Distribution ARR, the Total SPS DRR is then (1) allocated to the primary system, and (2) further allocated based on the wholesale transmission customers' distribution load as a portion of total distribution loads on a non-coincident peak basis. Table 1 below presents the Total SPS DRR, the total SPS Primary DRR, and the Distribution ARR.

Table 1

Total SPS DRR	$160,278,379
SPS Primary DRR	$127,278,162
Distribution ARR	$1,813,421

Q. WHAT IS THE 2019 ESTIMATED RATE USING THE NEW DISTRIBUTION FORMULA?

A. The estimated 2019 Distribution Charge is $3.965/kW/month.

Q. DO SPS'S RETAIL CUSTOMERS PAY A SIMILAR CHARGE?

A. Yes. In Texas and New Mexico, the retail distribution charge is part of the bundled retail rate. However, the class cost-of-service study filed in each jurisdiction calculates this component of SPS's retail rate by allocating SPS's jurisdictional distribution system costs to each retail customer class. The class cost-of-service studies in Texas and New Mexico do this allocation in a similar manner. In developing the proposed Distribution Charge, the goal was to calculate the Distribution ARR in a manner consistent with the way it is calculated in the PUCT Study. As discussed by Mr. Berger, the reason SPS proposes to use the PUCT Study is that currently all SPS Wholesale Distribution Service customers receive service within Texas.

Q. IF THE CALCULATION IS SIMILAR TO THAT FOR SPS'S TEXAS RETAIL CUSTOMERS, WILL SPS'S WHOLESALE DISTRIBUTION CHARGE BE IDENTICAL TO THE AMOUNT INCLUDED IN THE BUNDLED TEXAS RETAIL RATES?

A. No. The most recent PUCT Study was based on a test year for the twelve months ending June 30, 2017. In contrast, the SPS Distribution Formula will be updated on a calendar year basis. Furthermore, the data in the FERC Form 1 reports total SPS balances whereas the PUCT Study uses Texas retail jurisdiction amounts only.

V. CONCLUSION

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. I recommend that the Commission approve SPS's proposed revisions to SPS's Formula Rate Template discussed in my testimony. The changes are just and reasonable because they provide an updated, cost-based Distribution Charge applicable to SPS's Wholesale Distribution Service customers, and will allow the Distribution Charge to be updated on an annual basis as cost changes and load changes occur.

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

A. Yes.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southwestern Public Service Company	))	**Docket No. ER19-____-000**

AFFIDAVIT

Arthur P. Freitas, being duly sworn, deposes and states: that the Direct Testimony of Arthur P. Freitas 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.

Arthur P. Freitas

Subscribed and sworn before me this 20 day of December 2018.

Schuna D. Wright

Notary Public
My commission expires: May 6, 2021

SCHUNA D WRIGHT
Notary Public
State of Colorado
Notary ID # 19974007693
My Commission Expires 05-06-2021

Exhibit No. SPS-0006

(WORKPAPERS SUPPORTING WHOLESALE DISTRIBUTION SERVICE CHARGE CACULATIONS)

SOUTHWESTERN PUBLIC SERVICE COMPANY
TEXAS CLASS COST OF SERVICE STUDY
FOR THE 12 MONTH PERIOD ENDED JUNE 30, 2017
DOCKET No. 47527 Rebuttal

	DISTRIBUTION COSTS			
DESCRIPTION	DISTSUB	DISTPRI	DISTSEC	DISTLT
	(11)	(12)	(13)	(14)
RETURN (RATE BASE * ROR)	7,960,563	16,386,350	1,784,700	5,300,000
LESS:				
OPERATING EXPENSES				
Operation and Maintenance Expense Incl Cost of Sales	5,381,687	18,017,339	1,996,086	2,150,452
Depreciation Expense	4,130,975	12,420,806	1,354,824	3,721,751
Amortization Expense	(1,639)	(2,333)	(248)	(1,656)
Taxes Other Than Income Taxes	1,403,136	2,989,754	326,325	867,582
Federal, State, & Deferred Income Tax & ITC	998,299	2,595,959	281,276	1,051,806
TOTAL OPERATING EXPENSES	11,912,457	36,021,525	3,958,262	7,789,936
EQUALS TOTAL COST OF SERVICE	19,873,020	52,407,875	5,742,962	13,089,935
LESS:				
OTHER OPERATING REVENUES	523,379	1,146,923	124,473	400,767
EQUALS:				
PROPOSED SALES OF ELECTRICITY @ EQUALIZEI	19,349,641	51,260,952	5,618,489	12,689,168
	21.76%	57.65%	6.32%	14.27%
		79.41%		20.59%