

**Southwestern Public Service Company**

**Attachment O - Transmission Formula Rate 2015 True-Up**

**Golden Spread Information Request No. 1**

July 26, 2016

**General Questions:**

GSEC 1-1. Please provide a copy of all data requests submitted by all parties pertaining to SPS's Attachment O - Transmission Formula Rate 2015 True-up, along with responses to those data requests. In addition, please provide this information on a continuing basis.

**Response:**

SPS will provide copies of all submitted data requests and responses to those requests on a continuing basis. Please note that the responses will also be posted on the websites that other Annual True-Up and Update materials are posted on.

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GSEC 1-2. Please identify the nature and amount of any one-time expenses that were written-off to any transmission O&M account or A&G account during 2015.

**Response:**

In 2015, SPS Transmission operations experienced five cancelled capital projects that were written-off to O&M. The projects included the following:

Eddy County to Kiowa, \$213K

Midland to Lea County, \$106K

Tuco to East New Deal, \$94K

Harrington to Randall, \$197K

River Birch Wind, \$178K\*

\*River Birch Wind was a customer-funded project and had an off-set to the expense in revenue, making this a \$0 impact on the income statement.

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GSEC 1-3. Please identify any capital leases and their corresponding amounts included in the transmission formula rate (i.e., General Plant, Transmission Plant).

**Response:**

SPS does not have any capital leases.

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GSEC 1-4. Please indicate whether or not there are any utility pipelines installed in SPS's transmission rights-of-ways. If so, please provide the annual payment to SPS for use of those rights-of-way and how those revenues are treated in the SPS transmission formula rate.

**Response:**

No utility pipelines are installed within SPS's electric transmission line right-of-ways.

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GSEC 1-5. Please identify all expenditures for lobbying, regulatory affairs and other civic, political and related activities incurred during 2015 and included in SPS's transmission formula rate. This identification should include, but not be limited to:

- a. Identification of the organization for which the expenditure was made;
- b. Identification of each amount during 2015 by month;
- c. Identification of the FERC Account where the donation was recorded;
- d. Identification of all related expenditures incurred in 2015 that would not have been incurred but for the expenditure for civic, political and lobbying activities, including the details on these expenditures requested in items a. through c.

**Response:**

There were no expenditures for lobbying, regulatory affairs and other civic, political and related activities incurred during 2015 included in the transmission formula rate.

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- GSEC 1-6. Please identify all charitable donation expenditures incurred during 2015 and included in SPS's transmission formula rate. This identification should include, but not be limited to:
- a. Identification of the organization for which the expenditure or donation was made;
  - b. Identification of each amount during 2015 by month;
  - c. Identification of the FERC Account where the expenditure or donation was recorded;
  - d. Identification of all expenditures incurred in 2015 that would not have been incurred but for the charitable expenditure or donation, including the details on these expenditures requested in items a. through c.

**Response:**

There were no charitable donation expenditures incurred during 2015 included in the transmission formula rate.

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GSEC 1-7. Please identify and quantify any Goodwill booked during 2015 that is included in the common equity portion of SPS's capital structure reflected in the transmission formula rate.

**Response:**

There was no Goodwill booked during 2015 that was included in the common equity portion of SPS's capital structure.

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GSEC 1-8. For 2015, please provide a detailed description of SPS's accounting for expenses associated with Southwest Power Pool market operations, including the accounts in which such expenses are recorded. To the extent any of such expenses are recorded in Accounts 560-574, provide a detailed explanation of the basis for such recordation and the amount by account associated with such expenses booked to those accounts.

**Response:**

SPS records expenses associated with SPP market operations in FERC Account 575.7. This account is not included in the transmission formula rate.

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GSEC 1-9. Please identify any regulatory assets reported in the 2015 Form 1 that now or in the future are expected to affect the charges under the Transmission Formula Rate as a result of amortization through expenses, if and when approved by the appropriate regulatory body.

**Response:**

Please see Attachment SPS-GSEC 1-9.

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GSEC 1-10. Please specify the FERC account number(s) in which SPS records monetary penalties for violations of NERC Reliability Standards, and explain whether these accounts and the costs of any such monetary penalties are included in the Transmission Formula Rate. To the extent there were any monetary penalties for violations of NERC Reliability Standards during 2015 that are included in the Transmission Formula Rate, please provide the following information:

- a. the amount of the penalties;
- b. the FERC accounts where such penalties were recorded;
- c. the nature of the alleged violation that gave rise to the penalty; and
- d. the amount of the penalties included in the Transmission Formula Rate.

**Response:**

SPS records monetary penalties for violations of NERC Reliability Standards to FERC Account 426.3. This FERC account is not included in the transmission formula rate.

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The following questions pertain to the spreadsheet file “06-2016---Attachment\_O-SPS\_2015\_True-Up\_Formula\_Rate” and SPS’s 2015 FERC Form 1:

GSEC 1-11. Refer to SPS’s 2015 FERC Form 1 page 205, line 4 Account 303 – Miscellaneous Intangible Plant, please explain and provide supporting documentation for the increase of approximately \$32.9 million, or 31%, above the 2014 balance. Also please provide a detailed itemized listing of the amounts booked to Account 303 for 2015.

**Response:**

The increase in plant is due to \$39.8 million in plant additions, offset by \$6.9 million in retirements. The largest plant additions in 2015 were the Geographic Information System Transmission (GIST)-III Computer Software (\$21.3 million) and General Ledger Phase 1 (\$8.0 million).

Please refer to the table below for a listing of all additions and retirements during 2015.

Project Description	
<u>Additions</u>	
GIST-III Computer Software - SPS	\$21,255,530
General Ledger Ph 1 SW SPS	8,000,668
GIST Ph3 SW SPS	1,874,821
SPP IM Phase II SW SPS	1,798,376
ITSA Pole Ph2 SW SPS	1,280,788
OSI PI SW SPS	1,110,150
Miscellaneous ROW projects under \$1M	<u>4,470,498</u>
Total Additions	\$39,790,831
<u>Retirements</u>	
EM SPP PCI Southwest Power Pool PCI - TX	\$2,881,766
EM Trading Risk Mgmt Repl Panorama - TX	1,017,414
Miscellaneous Retirement ROW projects under \$1M	<u>2,997,567</u>
Total Retirements	\$6,896,747
Total Net Increase	\$32,894,083

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GSEC 1-12. Refer to SPS's 2015 FERC Form 1 page 207, line 48 Account 350 – Land and Land Rights, please explain and provide supporting documentation for the increase of approximately \$25.3 million, or 28%, above the 2014 balance.

**Response:**

The increase in FERC Account 350 – Land and Land Rights is due to plant additions throughout 2015. Please refer to the table below which provides the major projects that make up the additions for the FERC Account 350 increase.

Project Description	
<u>Additions - ROW (Right of Way)</u>	
W-67 Bowers to Howard, ROW	\$6,241,830
ROW Tuco Intg-Woodward J-11	2,071,657
J-20 Hobbs to Kiowa, ROW	1,977,444
W-78 Wheeler Co-Coburn Crrek,ROW	1,482,146
J-22 N Loving to China Draw, ROW	1,247,535
J-21 Kiowa to North Loving, ROW	1,094,534
W-50 Ochiltree to Lipscomb,ROW	1,042,786
Miscellaneous ROW under \$1M	<u>10,912,979</u>
Total Additions	\$26,070,911
<u>Retirements</u>	
Miscellaneous Retirement ROW under \$1M	\$ 820,043
Total Increase	<u><u>\$25,250,868</u></u>

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GSEC 1-13. Refer to SPS's 2015 FERC Form 1 page 207, line 50 Account 353 – Station Equipment, please explain and provide supporting documentation for the increase of approximately \$108.1 million, or 16%, above the 2014 balance.

**Response:**

The increase in FERC Account 353 – Station Equipment is due to \$112.7 million of plant additions, offset by \$4.6 million in retirements. Please refer to the Attachment SPS-GSEC 1-13 which provides the major projects that make up the additions or retirements for the FERC Account 353 increase.

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GSEC 1-14. Refer to SPS's 2015 FERC Form 1 page 207, line 52 Account 355 – Poles and Fixtures, please explain and provide supporting documentation for the increase of approximately \$156.4 million, or 20%, above the 2014 balance.

**Response:**

Please refer to the Attachment SPS-GSEC 1-14 which provides the major projects that make up the additions or retirements for the FERC Account 355 increase.

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GSEC 1-15. Refer to SPS's 2015 FERC Form 1 page 207, line 53 Account 356 – Overhead Conductors and Devices, please explain and provide supporting documentation for the increase of approximately \$30.1 million, or 11%, above the 2014 balance.

**Response:**

The increase in FERC Account 356 – Overhead Conductors and Devices is due to \$32.2 million in plant additions offset by \$1.6 million in retirements and \$0.5 million in transfers to other plant accounts. Please refer to the table below which provides the major projects that make up the additions, retirements and transfers for the FERC Account 356 increase.

Project Description	
<u>Additions</u>	
W-72 NORTHLOVING-CHDW 115KV NEW 19.7MI LINE	\$5,249,448
Z47 NE MIAMI-BRISCOE TAP 69KV-REPLACE 31.0 MI LINE	3,538,701
W-70 HOPI-NORTHLOVING 115KV NEW 10.5 MILE LINE	2,877,752
Z-70 BOWERS-NE MIAMI 69KV ? REPLACE 25.0 MI LINE	2,825,779
J-16 PTJU-RDRN 345KV NEW 40.4 MILE LINE	2,025,724
W-79 BAXE TO RDRN 115KV NEW 18.9 MILE TLINE	1,767,937
W-49 ROSWELL INTG-CAPITAN 115KV INS	1,604,927
W48 EAST PLANT TO HASTING 115KV REBUILD 5-MI	1,387,054
SPS GEOSPATIAL COST ON CLOSED WO'S,2014	1,345,992
W-50 OCH-LPS 115KV NEW 18 MI LINE	1,268,074
W68 - NEW 115KV SULPHUR SPRINGS TO DIAMONDBACK	1,240,913
HOPI - ADD 115KV NORTH LOVING TERMINAL	1,176,979
Y-60,UPW,REHAB,UNSCHLD,REPL DAMAGED STATIC	1,142,167
Miscellaneous projects under \$1M	<u>4,698,789</u>
Total Additions	\$32,150,241
<u>Retirements</u>	
J1 - RETERMINATE AT TUCO SUB	\$637,265
W-35 JOHNSON DRAW TO GAINES COUNTY 115KV REMOVAL	447,695
Miscellaneous retirement projects under \$1M	<u>520,476</u>
Total Retirements	\$1,605,437
<u>Transfers</u>	
Misc Transfers	<u>\$414,525</u>
Total net increase	<u><u>\$30,130,278</u></u>

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GSEC 1-16. Refer to SPS's 2015 FERC Form 1 page 207, line 94 Account 397 – Communication Equipment, please explain and provide supporting documentation for the increase of approximately \$17.7 million, or 29%, above the 2014 balance.

**Response:**

The increase in plant is the result of approximately \$17.7 million in additions. The largest additions were EMS DEMS Phase 2 hardware for \$6.7 million, dynamic EMS environment for \$3.5 million, and various other communications equipment projects that are less than \$500,000 each.

Please refer to Attachment SPS-GSEC 1-16 for a listing of all additions during 2015.

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GSEC 1-17. Refer to SPS's 2015 FERC Form 1 page 321, line 83 Account 560 – Operation Supervision and Engineering, please explain and provide supporting documentation for the increase of approximately \$0.8 million, or 11%, above the 2014 balance.

**Response:**

Operations Supervision and Engineering, FERC Account 560, increased \$773,162 from 2014 to 2015. The Transmission business area had an increase of \$724K from three activities. One driver of the increase was a \$472K shift of focus from the substation maintenance workplan (FERC Account 562) as the Substation technicians were mitigating a facility rating issue in response to a NERC self-audit. The SPS Transmission Control Center implemented a new Dynamic Energy Management System (DEMS) that required temporary consulting engineers while the SPS control center employees were trained and performed testing on the new system; this was an increase of \$149K. The Transmission Regional Planning group incurred \$104K in increased contractor services to cover leave of absences and advanced hiring for pending retirements. In addition to the Transmission Operations group, there was an increase of \$47K from the Safety & Training group for increased safety training related to the transmission construction departments.

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GSEC 1-18. Refer to SPS's 2015 FERC Form 1 page 321, line 97 Account 566 – Miscellaneous Transmission Expenses, please provide a detailed tabulation of every entry booked to this account during 2015, including name, description of cost item and amount.

**Response:**

Please see Attachment SPS-GSEC 1-18.

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GSEC 1-19. Refer to SPS's 2015 FERC Form 1 page 323, line 193 Account 931 – Rents, please explain and provide supporting documentation for the increase of approximately \$1.6 million, or 19%, above the 2014 balance.

**Response:**

FERC Account 931, Rents increased \$1.6 million December 2015 Year to Date (YTD) compared to December 2014 YTD due primarily to a \$1.2 million increase (25%) in shared asset costs. Increased shared asset costs were mostly due to a \$10.1 million increase (23%) in total network equipment assets (across all Xcel Energy operating companies) from December 2014 to December 2015.

A shared asset can be defined as a unit of property that is owned by one of the Xcel Energy Operating Companies and is used by an Xcel Energy affiliate. Costs associated with these assets are charged out in relation to usage by various entities. Examples include software, buildings and related equipment, transportable equipment and infrastructure (network equipment, communication equipment). This ensures that the costs related to the assets are appropriately assigned to the legal entities that are the beneficiaries of those services.

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GSEC 1-20. Refer to the tab labeled “ARR – Actual Data”, Line 241, Acct. 928 – Transmission Specific, please explain and provide supporting documentation for the increase of approximately \$0.4 million, above the 2014 balance.

**Response:**

The increase in FERC Account 928 – Transmission Specific as compared to 2014 is due the settlement of the ROE complaint on the transmission formula. Expenses in the amount of \$432,090 that had been deferred over the course of the proceeding were expensed in 2015 as a result of the complaint being settled. The expenses associated with the ROE complaint on the transmission formula are directly allocated to Transmission.

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GSEC 1-21. Refer to the tab labeled “WsC Divisor”, please provide a breakdown of both the projected and actual monthly loads between SPS retail load and other transmission loads.

**Response:**

The table listed below provides a breakdown of both the projected and actual monthly loads between SPS retail loads (Retail Network Service) and other transmission loads (Network Transmission Service for Others).

Month 2015 (a)	Projected Monthly Loads			Actual Monthly Loads		
	Monthly Peak MW-Total (b) = (c) + (d)	Retail Network Service (c)	Network Transmission Service for Others (d)	Monthly Peak MW-Total (e) = (f) + (g)	Retail Network Service (e)	Network Transmission Service for Others (f)
January	4,051	2,776	1,275	4,203	2,834	1,369
February	4,008	2,735	1,273	4,089	2,752	1,337
March	3,936	2,586	1,350	4,067	2,739	1,328
April	4,413	2,767	1,646	4,001	2,454	1,547
May	5,137	3,245	1,892	3,878	2,612	1,266
June	5,661	3,470	2,192	5,020	3,038	1,982
July	6,106	3,571	2,535	5,700	3,349	2,351
August	6,057	3,569	2,489	5,705	3,319	2,386
September	5,266	3,292	1,974	5,242	3,143	2,099
October	4,336	2,834	1,502	4,349	2,862	1,487
November	4,140	2,763	1,377	3,907	2,693	1,214
December	4,299	2,912	1,387	4,041	2,754	1,287

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GSEC 1-22. Refer to the tab labeled “WsE Rate Base Adj”, Row 323, Reg Liab – Transmission Attach O, please explain and provide supporting documentation for the change in the allocation of the 2015 actual ADIT amount from Transmission Related to Retail, Production & Other Related, while the projected ADIT amount on Row 151 continues to be allocated to Transmission Related.

**Response:**

The projected rates included the Reg Liab – Transmission Attach O item in transmission related. Upon review of the nature of the ADIT and underlying asset/liability of this item, it was determined that this item should not be included in transmission rates. The reason is that this item, and its underlying asset/liability, is recorded for GAAP accounting purposes in order to recognize revenue in the period in which it is earned. For ratemaking purposes, the asset/liability associated with the transmission true-up is not included in rate base. Because this item is not related to ratemaking, it was determined that it should be included in the Transmission Related to Retail, Production & Other Related category. It remained in the Transmission Related category in the projected ADIT section of Worksheet E in order to get an accurate true up.

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GSEC 1-23. Refer to the tab labeled “WsG OM - WS”, Line 52, Employee Pensions and Benefits, please reconcile the amount shown on Line 52 of \$34,474,878 to the corresponding amount reported in the FERC Form 1, page 323, Line 187, of \$37,111,923.

**Response:**

See the footnote to FERC Form 1, page 323, Line 187 for more explanation on the below calculation:

Pension and Benefit Expense as Reported	\$37,111,923
Pension Tracker	(\$ 622,401)
Amortization	(\$ 1,974,941)
Sub-Total	\$34,514,581
Eddy County HVDC Transmission	(\$ 39,703)
Total per WsG OM – WS, Line 52	\$34,474,878

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GSEC 1-24. Refer to the tab labeled “WsK Cap Structure”, Line 47, Interest on Long Term Credit Facility, did SPS have any interest associated with long-term credit facility during 2015? If yes, please provide the amounts.

**Response:**

There was no interest associated with the long-term credit facility during 2015.

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GSEC 1-25. Refer to the tab labeled “WsK Cap Structure”, Line 49, Amort of Gain on Reacquired Debt, did SPS have any amortization of gain on reacquired debt during 2015? If yes, please provide the amounts.

**Response:**

SPS had no Amortization of Gain on Reacquired Debt in 2015.

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GSEC 1-26. Refer to the tab labeled "WsN Meters", Line 4, Total, please reconcile the amount shown on Line 4 for the allocated metered investment of \$61,774,931 to the corresponding amount reported in the FERC Form 1, page 207, Line 70.g, of \$64,700,054.

**Response:**

The allocated metered investment of \$61,774,931 is the end of year FERC Account 370 balance from the 2013 FERC Form 1 that was used in the 2015 projection. Unlike other components of the SPS transmission formula rate, the monthly meter charge is based on historical data and is not trued-up. The \$64,700,054 amount found in the 2015 FERC Form 1 will be used in the 2017 projection.

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**The following questions pertain to SPS's Material Changes Report (meeting materials, Tab 3):**

GSEC 1-27. With reference to page 8 of SPS's Material Changes Report, please explain if and how SPP's request for waivers in Docket No. ER16-1341-000 to implement Attachment Z2 billings (which was approved on July 7) affect the formula rate true-up for the 2015 rate year. Include in your explanation a quantification of zonal and regional impacts that Attachment Z2 will have in the true-up, as well as the FERC accounts and formula rate line references that will be impacted by the implementation.

**Response:**

The SPP Attachment Z2 billings will not impact the 2015 true-up. Any Attachment Z2 credits received by SPS for prior periods will be reflected in the true-up for the 2016 rate year. SPP has not provided SPS any final quantifications of the Attachment Z2 billings for prior periods.

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GSEC 1-28. Will the implementation of Attachment Z2 described in the question above affect subsequent rate years? If so, please explain how? Include in your explanation a quantification of zonal and regional impacts that Attachment Z2 will have in future rate years as well as the FERC accounts and formula rate line references that will be impacted by the implementation.

**Response:**

No. Revenues and expenses associated with Z2 will be recorded in 2016 and on a going forward basis.

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GSEC 1-29. With reference to page 4 of SPS's Material Changes Report, please explain the anticipated impact of FERC's July 21, 2016 order on remand in Docket No. ER12-959-007 on the formula rate true-up for the 2015 rate year. Include in your explanation a quantification of zonal and regional impacts that FERC's order will have on the true-up, as well as the FERC accounts and formula rate line references that will be impacted by the implementation.

**Response:**

FERC's order on remand in ER12-959-007 will have no impact on the transmission formula rate true up. The expenses at issue in ER12-959-007 are recorded in FERC Account 565 which is not included in the formula rate.

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GSEC 1-30. Will the implementation of FERC's order on remand described in the question above affect subsequent rate years? If so, please explain how? Include in your explanation a quantification of zonal and regional impacts that FERC's remand order will have in future rate years as well as the FERC accounts and formula rate line references that will be impacted by the implementation.

**Response:**

No. See the response to GSEC 1-29.