

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN)	
PUBLIC SERVICE COMPANY'S)	
ANNUAL 2023 RENEWABLE ENERGY)	
PORTFOLIO PROCUREMENT PLAN)	
AND REQUESTED APPROVALS)	
THEREIN; PROPOSED 2023)	
RENEWABLE PORTFOLIO STANDARD)	
COST AND RECONCILIATION)	
RIDERS; APPLICATION FOR AN RPS)	CASE NO. 22-00177-UT
INCENTIVE; AND OTHER)	
ASSOCIATED RELIEF,)	
)	
SOUTHWESTERN PUBLIC SERVICE)	
COMPANY,)	
)	
APPLICANT.)	

**SOUTHWESTERN PUBLIC SERVICE COMPANY'S
RENEWABLE PORTFOLIO STANDARD APPLICATION
FOR THE 2023 PLAN YEAR AND 2024 NEXT PLAN YEAR**

Southwestern Public Service Company ("SPS") is a renewable energy leader in New Mexico, and this is reflected in the fact SPS has consistently met New Mexico's goals with respect to the Renewable Portfolio Standard ("RPS"). As demonstrated in this application, SPS will continue to meet RPS standards for the 2023 and 2024 Plan Years.

SPS is prepared to go still further, depending on this Commission's support. SPS proposes in this application to exceed the applicable 20% RPS standard, and to instead achieve a 40% RPS level in the 2023 and 2024 Plan Years (thereby achieving the 40% RPS level two years early), if the Commission grants SPS a financial incentive to do so. Granting SPS's financial incentive proposal will additionally accelerate the introduction

of additional renewable generation in New Mexico by making it necessary for SPS to add still more renewable resources to its portfolio earlier than it otherwise would.

The Legislature created the financial incentive mechanism in the Renewable Energy Act to encourage exceptional renewable energy performance. The Commission's approval of SPS's financial incentive proposal will make clear to both the public and other utilities that those utilities that strive to exceed the RPS will see that exceptional performance further incentivized, consistent with the goals of the Legislature.

I. Introduction

In accordance with the Renewable Energy Act 1978 NMSA, §§ 62-16-1 to 62-16-10 (2019) ("REA"), the New Mexico Public Regulation Commission's ("Commission or NMPRC") Rule 572 (which governs Renewable Energy for Electric Utilities—17.9.572 NMAC), and the Commission's Orders in SPS's previous RPS cases, SPS requests the Commission enter a final order that:

- (a) acknowledges SPS's concurrent filing of its 2021 Annual Renewable Energy Portfolio Report ("2021 RPS Report") required under 17.9.572.19 NMAC;
- (b) approves SPS's 2023 Annual Renewable Energy Act Plan ("2023 RPS Plan")¹ for the 2023 Plan Year ("Plan Year") and 2024 Next Plan Year² ("Next Plan Year") under Rule 572.14, the REA, and prior Commission Orders related to SPS's Plan Year and Next Plan Year RPS requirements;

¹ The 2023 RPS Plan is provided in the Direct Testimony of SPS Witness Mario A. Contreras as Attachment MAC-3.

² In accordance with 17.9.572.14 NMAC, SPS is submitting its 2024 Next Plan Year for informational purposes only.

- (c) approves SPS's proposed rate for its 2023 RPS Rider,³ which includes, without limitation, recovery of its RPS-related costs over a 12-month period beginning January 1, 2023, as shown in Advice Notice No. 305, attached hereto;
- (d) approves SPS's proposed rate for its 2023 RPS Reconciliation Rider, as shown in Advice Notice No. 305 attached hereto, to appropriately credit customers in 2023 for the true-up of amounts associated with periods predating the effective date of the Energy Transition Act, Senate Bill 489 ("ETA"), when the large customer cap was in effect;
- (e) determines SPS's 2023 RPS Plan complies with the annual filing requirements of Rule 572.14, the REA, and applicable prior Commission orders;
- (f) approves SPS's 2023 Solar*Connect Community Rate Rider, consistent with the final order in Case No. 18-00308-UT, as shown in Advice Notice No. 306, attached hereto;
- (g) approves SPS's proposed financial incentive and the accompanying proposed Renewable Performance Rider, as shown in Advice Notice No. 307, and, if applicable, grants SPS a variance from the cost-benefit requirement in Rule 572.22.D; and
- (h) grants all other approvals, authorizations, and relief that may be required for SPS to implement its 2023 RPS Plan under the REA, Rule 572, and the New Mexico Public Utility Act ("PUA")⁴.

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

⁴ NMSA 1978, Ch. 62, Arts. 1 – 3, 4, 6, and 8-13; see *Tri-State Generation & Transmission Ass'n v. N.M. Pub. Regulation Comm'n*, 2015-NMSC-013, ¶ 8 n. 1, 347 P.3d 274.

This Application states the following matters:

II. Jurisdiction and Affected Parties

1. SPS is a New Mexico corporation principally engaged in generating, transmitting, distributing, and selling electrical energy to the public in portions of New Mexico and Texas. SPS is a public utility as defined in the PUA, which provides electric service to the public within New Mexico pursuant to the rules, regulations, and tariffs on file with and approved by the Commission.

2. SPS's principal office in New Mexico is located at 111 E. Fifth Street, Roswell, New Mexico 88201. SPS's principal corporate office is located at 790 S. Buchanan, Amarillo, Texas 79101.

3. SPS is a wholly-owned subsidiary of Xcel Energy Inc. ("Xcel Energy"), which is a holding company under Federal Energy Regulation Commission ("FERC") regulations adopted under the Public Utility Holding Company Act of 2005.⁵ Xcel Energy is a utility holding company that owns several electric and natural gas utility operating companies, a regulated natural gas pipeline company, and three electric transmission companies.⁶

⁵ 18 C.F.R. Part 366.

⁶ Xcel Energy is the parent company of four wholly-owned electric utility operating companies: Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS. Xcel Energy's natural gas pipeline subsidiary is WestGas InterState, Inc. Through its subsidiary, Xcel Energy Transmission Holding Company, LLC, Xcel Energy also has three transmission-only operating companies: Xcel Energy Southwest Transmission Company, LLC; Xcel Energy Transmission Development Company, LLC; and Xcel Energy West Transmission Company, LLC, all of which are either currently regulated by the FERC or expected to be regulated by FERC.

III. Authorized Representatives and Service of Documents

4. The following corporate representatives and attorneys of SPS should receive all notices, pleadings, discovery requests and responses, and all other documents related to this case:

Linda Hudgins
Regulatory Case Specialist II
Southwestern Public Service Company
790 S. Buchanan
Amarillo, Texas 79101
806.378.2709
806.378.2820 (fax)
Linda.L.Hudgins@xcelenergy.com

Zoë E. Lees
Principal Attorney
XCEL ENERGY SERVICES INC.
119 E. Marcy Street
Suite 202
Santa Fe, NM 87106
Zoe.E.Lees@xcelenergy.com

IV. Notice

5. SPS has prepared the proposed form of Notice to Customers that is attached to the Application and will serve that Notice and a copy of the RPS filing on the Commission's Utility Division Staff, the New Mexico Attorney General, all parties in SPS's most recent general rate case (Case No. 20-00238-UT), and any renewable resource providers who have requested notice from the Commission, as required by Rule 572.14.C. SPS will also provide notice to customers and the general public as required by 17.1.2.10.C (1) and (2) NMAC. The proposed form of Notice is attached as Application Exhibit A.

6. A copy of SPS's 2022 RPS Plan approved in Case No. 21-00172-UT and its proposed 2023 RPS Plan, as required by Rule 572.14.C, are also posted on SPS's website at:

https://www.xcelenergy.com/company/rates_and_regulations/filings/new_mexico_renewable_portfolio_standard

V. SPS's 2021 RPS Report

7. In accordance with Rule 572.19, SPS's 2021 RPS Report:

- A. itemizes all renewable energy generation or renewable energy certificate ("REC") purchases and sales (Subsection A);
- B. lists, and includes copies of, all RECs, including acquired, issued, or retired certificates (Subsection B);
- C. provides documentation from the Western Renewable Energy Generation Information System ("WREGIS") regarding the RECs acquired, sold, retired, transferred, or expired, which allows the Commission to determine, by fuel type, the number of RECs: (i) acquired; (ii) sold; (iii) retired; (iv) transferred; and (v) expired in each calendar year (Subsection C)⁷;
- D. describes the retirements made to meet the RPS compliance based on actual retail sales and procurement costs, including the reductions, if any, to the RPS for i) purchases by retail customers through an approved voluntary program; or ii) due to the reasonable cost threshold; iii) explain and demonstrate how the reduction was determined; and iv) quantity of RECs banked for future compliance use. (Subsection D);
- E. describes and quantifies the implementation of the voluntary renewable tariff requirements in Rule 572.18 (Subsection E);
- F. presents a full explanation of approved recovery mechanisms for approved RPS plan costs, including a complete accounting of all collected and deferred amounts (Subsection F); and

⁷ RECs representing electricity delivered to New Mexico and registered with a tracking system other than WREGIS may be used to meet RPS so long as WREGIS lacks the capability to import certificates from that other tracking system. (Rule 572.17.F NMAC).

G. describes and tabulates the compliance with RPS and describes how the compliance relates to the first year a new RPS becomes effective as established in Subsection A of Section 62-16-4 NMSA 1978 (2019) and Subsection A of 17.9.572.10 NMAC and describes how the compliance relates the first year of the next new RPS. The report includes the following to demonstrate compliance with the RPS: i) report year total utility RPS requirement in megawatt-hours (“MWh”); ii) report year total utility RPS compliance in MWh; iii) report year total utility RPS provided by eligible renewable energy resources in MWh listed by resource and totaled; iv) percentage of report year total utility RPS MWh provided by eligible renewable energy resources; and v) report year kilowatt-hour (“kWh”) generation by facility from coal-fired generating facilities allocated to New Mexico retail customers (Subsection G).

8. Pursuant to 17.9.572.19 NMAC, SPS’s 2021 RPS Report is being filed concurrently and is also included as attachment MAC-2 to Mario A. Contreras’s direct testimony.

VI. SPS’s 2022 RPS Filing

9. SPS’s 2022 RPS filing for Plan Year and Next Plan Year provides the information required by the REA and Rule 572.14.B(1)-(15) related to SPS’s compliance with its RPS requirements for the Plan Year and Next Plan Year, and the other matters specified in the REA and Rule 572.

10. SPS’s 2022 RPS filing includes its 2023 RPS Plan and supporting testimony, which contains:

- A. a full explanation of the SPS’s determination of the Plan Year and Next Plan Year RPS and reasonable cost threshold (Subsection 1);
- B. the amount of renewable energy SPS plans to provide in the Plan Year and the Next Plan Year required to comply with the RPS (Subsection 3);
- C. testimony and exhibits demonstrating how the cost and amount specified in Paragraphs (2) and (3) of this subsection were determined (Subsection 4);
- D. testimony and exhibits demonstrating the Plan Year and Next Plan Year procurement amounts and costs expected to be recovered by SPS (Subsection 5);

- E. the capital, operating, and fuel costs on a per-MWh basis during the preceding calendar year of each nonrenewable generation resource rate-base by SPS, or dedicated to SPS through a power purchase agreement of one year or longer, and the nonrenewable generation resources' carbon dioxide emissions on a per-MWh basis during that same year (Subsection 6);
- F. testimony demonstrating that the portfolio procurement plan is consistent with the integrated resource plan ("IRP") and explaining any material differences (Subsection 10);
- G. demonstration that the plan is otherwise in the public interest, considering factors such as overall cost and economic development opportunities (Subsection 13);
- H. testimony demonstrating consistency with the last filed IRP and if not explain why it is inconsistent (Subsection 14); and
- I. any other information the commission may deem necessary (Subsection 15).

11. SPS is not requesting any new procurements in this filing, therefore Rules 572.13, and Rule 572.14.B(2), (7)–(9), and (11)–(12) are not applicable to this filing.

12. SPS requests authorization to collect an estimated \$8,168,306 in RPS procurement costs over a 12-month period, beginning January 1, 2023, through its RPS Rider approved in Case No. 12-00350-UT. SPS will apply the 2023 RPS Rider using a kWh-based rate calculated at \$0.000901 per kWh that will apply to all of SPS's New Mexico retail rate classes, other than energy purchased under its Solar*Connect rider.

13. SPS requests authorization to credit an estimated \$343,025 for true-up of amounts associated with periods prior to the effective date of the ETA, when the large customer cap was in effect, over a 12-month period, beginning January 1, 2023, through its RPS Reconciliation Rider approved in Case No. 19-00134-UT. The 2023 rate for the RPS Reconciliation Rider is (\$0.000088) per kWh. The rate is based upon the net true-up

of amounts associated with prior periods divided by projected kWh sales to customers other than Large Customers, from January 1, 2023 through December 31, 2023.

14. SPS's 2021 RPS Report and 2023 RPS Plan satisfy the requirements of the REA, Rule 572, and prior applicable Commission orders, and SPS's 2022 RPS filing demonstrates that its 2023 RPS Plan is in the public interest.

VII. Application for RPS Incentive

15. Pursuant to NMSA 1978, § 62-16-4(D) and 17.9.572.22 NMAC, SPS applies to the Commission for a financial incentive for SPS to achieve the level of the 2025 40% RPS requirement earlier than would otherwise be required, during years 2023 and 2024. SPS proposes to retire RECs in excess of the current RPS in order to achieve the 2025 40% standard two years ahead of the statutory deadline to do so. SPS requests an incentive of one dollar per REC retired in exceedance of the 20% standard up to the 2025 40% standard.

16. SPS will not retire excess RECs early if it does not receive an incentive to do so.

17. As part of its application for a financial incentive, SPS requests a variance from the cost-benefit analysis requirement contained within 17.9.572.22.D, but only if the Commission first finds that the requirement is applicable to SPS's specific incentive request and then determines that SPS cannot satisfy the cost-benefit analysis requirement. Mr. Contreras presents the variance request pursuant to 17.9.572.21 in his direct testimony.

18. As explained by Mr. Contreras and Mr. Elsey in their direct testimonies, SPS's proposal, if granted, will incentivize SPS to acquire additional renewable energy earlier than would otherwise be required if the incentive were not granted. As shown in Mr. Elsey's testimony, to meet its future RPS obligations, SPS will be required to obtain additional RECs to replace those it proposes to retire early; this will necessitate the acquisition of additional renewable energy resources that would not otherwise need to be procured if the incentive is not granted. As explained by Dr. Lieb in her direct testimony, SPS's proposal will also provide the benefit of emissions reductions.

19. SPS's request for an incentive aligns with NMSA 1978, § 62-16-4(A)(5), which authorizes the Commission to provide "appropriate performance-based financial or other incentives to encourage public utilities to acquire renewable energy supplies that exceed the applicable annual renewable portfolio standard." Here, SPS is requesting a financial incentive to exceed the RPS standards for 2023 and 2024 by retiring twice the number of RECs for each year than is required under the REA.

20. Granting SPS's incentive request will meet the goals of 17.9.572.22 NMAC because it will "encourage [SPS] to produce or acquire renewable energy that exceeds the applicable annual renewable portfolio standard." Further, the incentive SPS requests is permitted under 17.9.572.22.B NMAC because it will necessarily relate "to measures implemented by the utility after the effective date of [17.9.572.22 NMAC]." As explained in the testimony of Mr. Elsey and Mr. Contreras, granting SPS an incentive to exceed the RPS standard in 2023 and 2024 by retiring twice the number of RECs required will compel SPS to procure or acquire, on a going-forward basis, more

renewable generation than it would need to procure or acquire without the incentive. As shown in the testimony of Mr. Elsey, if the incentive is granted SPS will need to acquire additional renewable generation to offset the early-retired RECs to meet RPS standards going forward. Second, the requested incentive necessarily relates to measures that would be implemented by SPS after the effective date of the rule, because both the proposed early retirement of RECs and corresponding procurement of additional renewable generation to offset that early retirement will occur after the implementation date of 17.9.572.22 NMAC. It is not relevant that the RECs that would be retired if the incentive is granted may be associated with renewable generation procured prior to the effective date of the rule, because the specific utility behavior that will result from granting the requested financial incentive—i.e., SPS’s procurement of additional renewable generation to offset the early retired RECs—will necessarily occur only after the rule’s effective date.

21. Rule 17.9.572.15.E NMAC requires that a “financial incentive established pursuant to 17.9.572.22 NMAC shall be recovered or credited through a separate rider during the calendar year following the determination of the financial incentive, and subject to reconciliation for under- or over-recovery in a subsequent calendar year.” As detailed in the testimony of Mr. Saenz, SPS seeks approval to collect its proposed incentive for 2023 through a Renewable Performance Rider of \$0.000200 per kWh. SPS would reconcile the 2023 Renewable Performance Rider in its 2024 RPS filing.

VIII. Compliance with Prior Commission Orders

22. In the Final Order in Case No. 15-00208-UT, the Commission approved a Recommended Decision, which among other items, authorized SPS to modify its distributed generation tariffs to align the payment methodology for excess energy with the Southwest Power Pool's Integrated Marketplace, and required SPS to provide in its annual report the prior year's information showing the monthly excess generation, the average estimated price paid, the actual price, and a reconciliation of the cost on a quarterly basis. This information is provided in Appendix F to the 2021 RPS Report.

23. In Case No. 18-00308-UT, the Commission approved SPS's new voluntary renewable program, Solar*Connect. As part of that approval, the Commission requires annual reporting related to the program. This reporting is addressed in the direct testimony of Mr. Contreras.

IX. Miscellaneous Matters

24. In support of its Application, SPS is concurrently filing the direct testimony of the following four witnesses:

Mr. Mario A. Contreras, whose testimony:

- describes the RPS requirements;
- provides an overview of SPS's RPS requirements under the REA and Rule 572 as it applies to the REA and of SPS's filing for the 2023 Plan Year, in compliance with Rule 572.14, as well as the 2024 Next Plan Year;
- acknowledges the separate concurrent filing of SPS's 2021 Annual Renewable Energy Portfolio Report in accordance with Rule 572.19;
- presents SPS's RPS Plan, which includes SPS's plan for the Plan Year, including the information and analysis required by Rule 572 and the REA

and, for informational purposes, similar information for the Next Plan Year;

- presents SPS's Plan Year and Next Plan Year projected costs and SPS's request to recover the Plan Year costs, including reconciliation of the 2021 RPS Rider and 2021 RPS Reconciliation Rider, through SPS's proposed 2023 RPS Rate Rider and SPS's proposed 2023 Reconciliation Rider;
- addresses SPS's compliance with prior Commission orders;
- presents SPS's 2023 Solar*Connect Community Rate Rider consistent with the Final Order in Case No. 18-00308-UT;
- supports SPS's application for an incentive related to exceeding the RPS requirements and request for a variance from Rule 572.22.D, to the extent a variance is required; and
- presents SPS's requested approvals in this proceeding.

Mr. Ben R. Elsey, whose testimony:

- presents SPS's RPS requirements in the Plan Year and Next Plan year;
- supports SPS's conclusion that it has or will have RECs sufficient to comply with its Plan Year and Next Plan Year RPS requirements;
- presents SPS's RPS projected compliance position through 2032 using a financial load forecast and a planning load forecast;
- supports SPS's financial incentive proposal and discusses the resource planning implications; and
- demonstrates that the portfolio procurement plan is consistent with the IRP and explains any material differences.

Dr. Sydnie Lieb, whose testimony:

- establishes the demonstrable value, required by Rule 17.9.572.22.D, of emissions reductions attributable to SPS's financial incentive proposal;

Mr. Luis F. Saenz, whose testimony:

- supports SPS's calculation of the 2023 RPS Rider rate;

- supports SPS's calculation of the 2023 RPS Reconciliation Rider rate; and
- proposes and supports the 2023 Renewable Performance Rider.

X. Relief Requested

For the reasons stated above, SPS respectfully requests that the Commission enter a final order that:

- (A) acknowledges SPS's concurrent filing of its 2021 RPS Report;
- (B) approves SPS's 2023 RPS Plan and all components therein;
- (C) approves SPS's proposed rate for its 2023 RPS Rider set forth in Advice Notice No. 305;
- (D) approves SPS's proposed rate for its 2023 Reconciliation Rider set forth in Advice Notice No. 305;
- (E) determines SPS's 2023 RPS Plan complies with the annual filing requirements of Rule 572.14, the REA, and applicable prior Commission orders;
- (F) approve SPS's 2023 Solar*Connect Community Rate Rider set forth in Advice Notice No. 306, consistent with the final order in Case No. 18-00308-UT;
- (G) approves SPS's proposed financial incentive and the accompanying proposed Renewable Performance Rider set forth in Advice Notice No. 307 and, to the extent required, grants SPS a variance from the cost-benefit requirement in Rule 572.22.D; and
- (H) grants all other approvals, authorizations, and actions that may be required for SPS to implement its 2023 RPS Plan under the REA, Rule 572, and the PUA.

Respectfully submitted,

By: /s/ Zoë E. Lees
Zoë E. Lees
Principal Attorney
XCEL ENERGY SERVICES INC.
119 E. Marcy Street
Suite 202
Santa Fe, NM 87106
Zoe.E.Lees@xcelenergy.com

ATTORNEYS FOR SOUTHWESTERN PUBLIC SERVICE COMPANY