

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY'S)
APPLICATION FOR: (1) REVISION OF)
ITS RETAIL RATES UNDER ADVICE)
NOTICE NO. 312; (2) AUTHORITY TO)
ABANDON THE PLANT X UNIT 1,)
PLANT X UNIT 2, AND CUNNINGHAM)
UNIT 1 GENERATING STATIONS AND)
AMEND THE ABANDONMENT DATE)
OF THE TOLK GENERATING)
STATION; AND (3) OTHER)
ASSOCIATED RELIEF,)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
APPLICANT.)**

CASE NO. 22-00286-UT

DIRECT TESTIMONY

of

ADRIAN J. RODRIGUEZ

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Adjusted Base Period	July 1, 2021 through June 30, 2022, with certain adjustments
Base Period	July 1, 2021 through June 30, 2022
Commission	New Mexico Public Regulation Commission
Future Test Year	July 1, 2023 through June 30, 2024
IRA	Inflation Reduction Act
kWh	Kilowatt-hour
Linkage Period	July 1, 2022 through June 30, 2023
MW	Megawatt
ROE	Return on Equity
SPS	Southwestern Public Service Company, a New Mexico corporation, and wholly-owned subsidiary of Xcel Energy Inc.
Xcel Energy	Xcel Energy Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
AJR-1	Qualifications (<i>Filename: AJR-1.doc</i>)
AJR-2	SPS Service Area Map (<i>Non-native format</i>)
AJR-3	SPS Generation Resources Map (<i>Non-native format</i>)

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I. INTRODUCTION

Q. Please state your name, current position, and business address.

A. My name is Adrian J. Rodriguez. I am the President of Southwestern Public Service Company, a New Mexico corporation (“SPS”), a wholly-owned electric utility subsidiary of Xcel Energy Inc. (“Xcel Energy”). My business address is 790 South Buchanan Street, Amarillo, Texas 79101. My qualifications are provided in Attachment AJR-1.

Q. How long have you worked for SPS and Xcel Energy?

A. I have worked for SPS since June 2022.

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

A. I am testifying on behalf of SPS.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony provides an overview of SPS, its operations, and its commitment to providing our customers the safe, clean, reliable, and resilient energy services they want and value at a competitive price. I also introduce SPS’s rate filing application, including SPS’s requested authorized return on equity (“ROE”) and capital structure, the anticipated customer cost savings associated with SPS’s proposed

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1 earlier retirement of coal operations at the Tolk Generating Station, and additional
2 customer assistance programs proposed in this proceeding.

3 SPS is focused on reliably and affordably leading the clean energy transition
4 and enhancing the customer experience. SPS has worked to meet all of these goals
5 by pursuing a “Steel for Fuel” strategy, essentially adding fuel-free wind generation
6 to offset higher energy costs for the economic benefit of customers. In the future,
7 SPS expects to continue to add economical wind and solar generation while
8 prioritizing the need for flexible dispatchable generation, including potentially
9 battery storage, to ensure reliability as it continues to transition its generation fleet
10 in the years to come. Not only does this strategy result in less carbon being emitted
11 into the atmosphere and supports compliance with New Mexico’s Energy
12 Transition Act, the fuel savings and lower labor costs from renewable generation
13 help to offset the base rate cost of the new capital investment. Further, as a
14 regulated utility owning the clean energy resources, SPS’s returns the value of
15 federal tax credits to customers.

16 SPS’s investments in clean energy have already resulted in a significant
17 savings through reduction in the fuel costs paid by SPS’s New Mexico customers
18 and receipt of federal production tax credits. The addition of the Hale and

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1 Sagamore wind farms to SPS's system, for example, provided over \$18 million in
2 net savings to New Mexico retail customers in 2021, with over \$10 million of net
3 savings during Winter Storm Uri alone. Year to date net savings for 2022 (through
4 September) total \$14.5 million. As wholesale production customers utilize less of
5 our generation fleet, New Mexico retail customers' share of these avoided fuel cost
6 and production tax credit savings increases. Balancing energy savings and capacity
7 needs, SPS is committed to continuing to lead the clean energy transition in a
8 manner that does not compromise on reliability. Flexible dispatchable resources
9 will play a role in SPS's generation mix as it moves toward a lower carbon future.
10 SPS will continue to run its remaining fossil units in a safe, reliable, and economical
11 manner, and may pursue new natural gas-fired generation if warranted by future
12 conditions.

13 In order to continue to reliably and affordably lead the energy transition,
14 SPS must incorporate into its base rate revenue timely recovery of its investments
15 in infrastructure and expenses required to support our service area, to promote
16 economic development, and to maintain and improve our operations, as well as be
17 provided an opportunity to earn a fair return on its investments. SPS's service
18 territory in New Mexico is growing and we must keep up with that growth. SPS's

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1 low overall retail rates are evidence that its efforts to pursue clean energy are
2 already successfully benefitting our New Mexico customers. SPS's New Mexico
3 current average retail rates are 24% below the New Mexico average and 37% below
4 the national average on a per kilowatt-hour ("kWh") basis.¹ Inclusive of SPS's full
5 base rate revenue request in this proceeding, SPS's New Mexico retail rates would
6 still be 16% below the New Mexico average and 31% below the national average
7 on a per kWh basis. The low fuel costs embedded in those overall rates are the
8 direct result of SPS's capital investments in clean energy and the customer benefits
9 of our Steel for Fuel strategy.

10 Our mission to provide safe, clean, and reliable energy services at an
11 affordable price, and our commitment to moving New Mexico toward a lower
12 carbon future, drive our actions at SPS. This corporate mission translates into a
13 workforce that shares a deep sense of duty to our communities and other
14 stakeholders. I look forward to working with the New Mexico Public Regulation
15 Commission ("Commission") and all stakeholders to ensure that the new rates
16 established for SPS continue to allow SPS to make necessary investments in its

¹ U.S. Energy Information Administration Electric Power Monthly for August 2022, Table 5.6.B.

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1 system to safely and reliably serve its customers, provide clean affordable energy,
2 support economic growth within the State of New Mexico, and enable SPS to
3 provide the clean and reliable energy our customers and policymakers of this State
4 expect.

1 **II. COMPANY DESCRIPTION AND GOALS**

2 **A. Company Description**

3 **Q. Can you provide a general description of SPS’s electric operations?**

4 A. Yes. SPS is a New Mexico corporation and a wholly-owned electric utility
5 subsidiary of Xcel Energy. SPS’s total company service territory encompasses a
6 52,000-square-mile area in eastern and southeastern New Mexico, the Texas
7 Panhandle, and the Texas South Plains. SPS’s primary business as an electric utility
8 is generating, transmitting, distributing, and selling electric energy. SPS provides
9 retail electric services in New Mexico and Texas and serves approximately 403,400
10 customers and 96 communities in its two-state system. SPS serves approximately
11 126,100 customers and 16 communities in New Mexico. SPS’s electric system is
12 composed of approximately 24 power plant generating units, including 2,640
13 megawatts (“MW”) of renewable energy projects. Eleven of SPS’s power plant
14 generating units are located in New Mexico. SPS has more than 24,000 miles of
15 overhead and underground transmission and distribution lines and 458 substations
16 in its two-state system, including 7,015 miles of transmission and distribution lines
17 and 137 substations in New Mexico. SPS is a member of the Southwest Power
18 Pool, Inc. Regional Transmission Organization and is synchronously connected to

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1 the Eastern Interconnection. SPS is thus in a different resource position than other
2 New Mexico utilities that are members of the Western Electricity Coordinating
3 Council (as well as other Texas utilities that are members of the Electric Reliability
4 Council of Texas). A map of the SPS service area is included as Attachment AJR-2
5 to my testimony. A map showing SPS's owned and purchased power resources is
6 included as Attachment AJR-3 to my testimony.

7 **Q. Are there any aspects of SPS's New Mexico service territory that are unique?**

8 A. Yes. SPS's New Mexico service territory is growing rapidly, and we must keep up
9 with that growth. Unlike many utility service areas, SPS's New Mexico service
10 territory is primarily composed of large commercial and industrial loads. In 2021,
11 only 15% of SPS's New Mexico load was residential service. Along with our
12 residential customers, SPS's large commercial and industrial customers rightfully
13 expect timely, necessary, and reliable capital investment to continue to provide
14 reliable electric service to support their businesses. The predominance of
15 commercial and industrial customers in SPS's service territory means we must
16 always be prepared to make substantial investments promptly in order to address
17 the service needs of our commercial and industrial customers, which can involve
18 significant incremental load additions. In responding promptly to our customers'

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1 needs, we also support the economy of New Mexico. Our ability to keep the energy
2 flowing to our commercial customers can impact their own employees and
3 customers; thereby, impacting other major sectors of the state's economy. SPS has
4 an obligation to serve, and SPS's ability to respond to the needs of commercial and
5 residential customers is in the State's best interest.

6 **B. Company Goals**

7 *1. Working to Keep Customer Bills Low*

8 **Q. Is SPS focused on ensuring that its customers receive reasonably priced**
9 **electric service?**

10 **A.** Absolutely. We respect and appreciate the financial challenges that our customers
11 are facing, and while changes to electric rates can be unwelcome news, the changes
12 reflected in this case are needed so we can continue to provide the energy on which
13 they rely each day—at home and work. However, as I discussed previously, the
14 investments driving changes in SPS's base rates enable overall cost savings for SPS
15 customers like increased avoided fuel costs savings and tax credit benefits.

16 Moreover, at a time when our customers are facing increased costs in many
17 areas of their household and business budgets, Xcel Energy is committed to overall

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1 bill changes that are at or below the rate of inflation. While SPS must seek a base
2 rate revenue increase in order to make the investments and do the work that is
3 necessary to power the regional economy in our service area, we remain focused
4 on ensuring that our service remains reasonably priced. At the same time, SPS is
5 committed to providing the highest quality of reliable service, which it has
6 demonstrated during extreme events such as Winter Storm Uri in 2021.

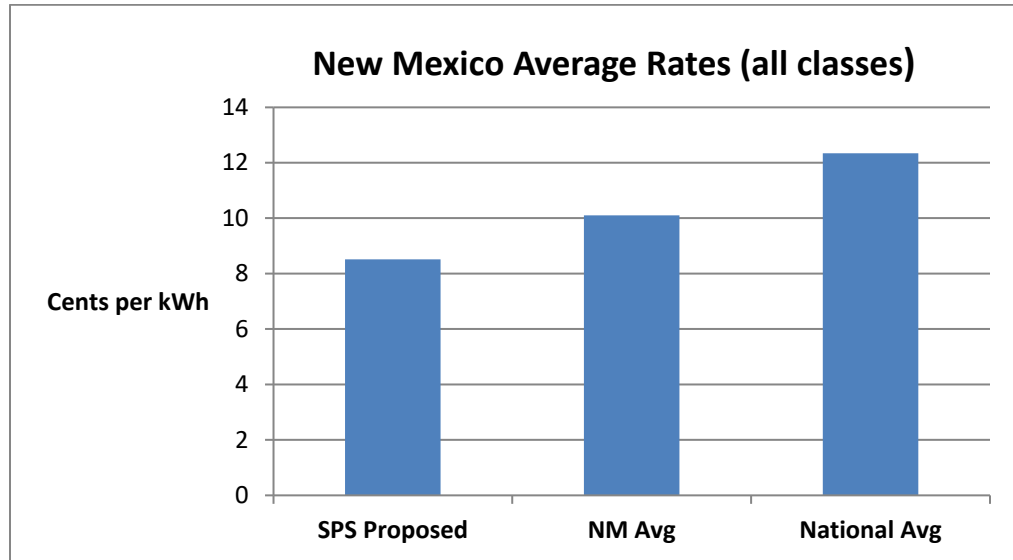
7 From a cost perspective, SPS's current New Mexico average price across
8 all customer classes, inclusive of fuel and other revenues, is 7.72 cents per kWh,
9 which is 37% lower than the national average of 12.34 cents per kWh and 24%
10 lower than the New Mexico average of 10.10 cents per kWh.² Our commitment to
11 keeping customer bills low continues with this rate change request. The proposed
12 New Mexico average price across all customer classes, inclusive of fuel and other
13 revenues, would be 8.51 cents per kWh, which is 31% lower than the national
14 average price of 12.34 cents per kWh and 16% lower than the New Mexico average
15 of 10.10 cents per kWh. Please see Chart AJR-1.

² U.S. Energy Information Administration Electric Power Monthly for August 2022, Table 5.6.B.

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Chart AJR-1



2 **Q. What effect would SPS’s proposed increase have on residential customers?**

3 A. Under the rate request proposed in this proceeding, a typical Residential Service
4 customer using 900 kWh of energy per month would see a total bill increase of
5 \$13.77 per month, or 11.31%, compared to current rates.

6 **Q. Is SPS working on programs to assist income-qualified residential customers
7 with their electric bills?**

8 A. Yes. First, SPS has actively sought and obtained federal and state funding to assist
9 customers with affording electric service. Additionally, SPS is proposing a new
10 Electric Affordability Program that is designed to provide assistance to households

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1 that have a high energy burden and the lowest incomes, covering a portion of energy
2 bills beyond what the Low Income Home Energy Assistance Program provides.

3 **Q. Has SPS made efforts to control its cost of service?**

4 A. Yes. SPS works hard to control its operating costs while continuing to provide safe
5 and reliable service at reasonable rates and has a number of processes and
6 procedures in place to ensure SPS's costs are properly managed and remain at
7 reasonable levels.

8 **Q. Have SPS's investments related to the clean energy transition supported its
9 ability to keep customer bills low?**

10 A. Yes. SPS's efforts to lead the clean energy transition support its goal of keeping
11 overall bill increases at or below the rate of inflation, especially in times of high
12 and unpredictable fuel costs. While some critics of renewable energy contend that
13 the goals of environmental progress and affordable rates are inherently at odds,
14 SPS's results have shown that electric utilities can decrease their carbon output
15 while keeping overall customer bills low. Although base rate revenue must be
16 increased to allow a recovery of and a reasonable return on SPS's new capital
17 investment, the fuel component of SPS's New Mexico retail bills is lower than it

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1 would have been if SPS had not invested in economic renewable generation, as
2 discussed on pages 2 and 3 of my direct testimony.

3 *2. Leading the Clean Energy Transition*

4 **Q. Please describe SPS's pursuit of clean energy for its customers and**
5 **communities.**

6 A. More than a decade ago, SPS began preparing for the future by shaping our
7 generation fleet to meet the changing needs of customers and economically
8 transitioning to cleaner sources of energy. This effort has taken on additional
9 importance and emphasis in New Mexico with the adoption of the Energy
10 Transition Act, which requires that renewable energy comprise at least 50% of
11 SPS's electricity sales by 2030. SPS's diligent pursuit of clean energy resources
12 for its customers and communities has positioned SPS to be able to meet and even
13 exceed this requirement. In 2021, including the output of the Hale and Sagamore
14 wind projects, 40% of the electricity SPS provided to customers in New Mexico
15 was generated by carbon-free, renewable wind and solar resources, well ahead of
16 the Energy Transition Act's January 1, 2025 requirement that 40% of delivered
17 energy be carbon-free.

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1 **Q. How have SPS’s carbon emissions from its generation facilities changed over**
2 **time?**

3 A. Carbon emissions from SPS’s generation facilities declined 53% between 2005 and
4 2021. The addition of 1,220 MW of wind generation to SPS’s system, including
5 both the company-owned Hale and Sagamore wind farms and the purchase power
6 agreements for the output from the Bonita I and II wind farms, has allowed SPS to
7 burn significantly less fuel at its fossil generation plants.

8 **Q. What are SPS’s plans with regard to its remaining coal-fired generation**
9 **facilities?**

10 A. SPS is seeking authority to abandon and retire its remaining coal generation by
11 December 31, 2028. As included in SPS’s current depreciation rates, which were
12 recently approved by the Commission in Case No. 20-00238-UT, SPS plans to
13 retire the coal assets at Harrington Generating Station by the end of 2024. As
14 discussed in the Direct Testimony of SPS witness Brooke A. Trammell, SPS is
15 seeking Commission authority to abandon and retire the coal generation at Tolk
16 Generating Station by 2028. With the earlier retirement date for coal operations,
17 SPS would continue to flexibly operate the units when experiencing higher gas
18 prices while responsibly managing the remaining water resources available in the

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1 Tolk-area wellfield. Facilities at Tolk would continue to stabilize the transmission
2 system by operating in synchronous condenser mode as opposed to generator mode.
3 Notably, Xcel Energy is committed to finding a just transition for our employees
4 who could be affected by a change in the nature of our work.

5 The passage of the Inflation Reduction Act (“IRA”) has created new and
6 expanded existing federal tax incentives for a variety of clean energy technologies.
7 SPS expects that the IRA will have a positive impact on future replacement
8 generation, an outcome that wasn’t present in past Tolk analyses. As discussed in
9 more detail by Ms. Trammell and SPS witness Ben R. Elsey, SPS estimates that
10 customers will save approximately \$100 million if Tolk is retired by 2028 as
11 opposed to 2032. This is due to the value of continued flexible operation of Tolk
12 in higher gas price timeframes paired with the lower expected cost of replacement
13 generation enabled by the passage of the IRA.

14 **Q. Has SPS achieved any other environmental goals beyond its reduction in**
15 **carbon emissions?**

16 A. Yes. Between 2005 and 2021, SPS achieved a 60% reduction in sulfur dioxide
17 emissions, a 75% reduction in nitrogen oxide emissions, and a 92% reduction in
18 mercury emissions from its owned generation facilities. During that same period,

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1 SPS's coal ash production declined 69%, and its water consumption declined 50%.
2 As SPS's remaining coal generation operations are retired, these reductions are
3 expected to continue, and SPS looks forward to working with the Commission
4 through its integrated resource planning processes to secure these expected
5 environmental achievements.

6 *3. Enhancing the Customer Experience*

7 **Q. In addition to ensuring customers receive reasonably priced electric service**
8 **from clean energy sources, is SPS also working to enhance reliability and**
9 **resilience?**

10 A. Yes. SPS has been making and will continue to make significant investments to
11 ensure that our New Mexico customers receive the reliable electric service they
12 need and expect. As discussed by Ms. Trammell, SPS is actively investing in,
13 upgrading, and planning its electrical system to support its transitioning generation
14 fleet. Not only must the grid be ready as New Mexico utilities approach the next
15 series of clean energy milestones under the New Mexico Energy Transition Act,
16 but SPS must be in a strong financial position to ensure the clean energy transition
17 continues in a reliable and affordable manner for customers.

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1 To that end, SPS recently filed an application to implement a grid
2 modernization program, including advanced metering infrastructure, in Case No.
3 22-00178-UT.³ This grid modernization program would benefit SPS’s New
4 Mexico retail customers through infrastructure and technology improvements,
5 increasing efficiency, reliability, resiliency, and security of SPS’s electric system.
6 The program would empower customers to have more control over their monthly
7 energy bills by providing them with greater insight into their energy usage. The
8 program would also enable SPS to provide additional offerings to customers and
9 promote the use of renewable energy and distributed generation—both actions that
10 can support New Mexico’s and SPS’s clean energy goals. And, importantly, SPS’s
11 grid modernization proposal would achieve net savings for customers, even based
12 on the conservative cost-benefit analysis included in SPS’s grid modernization
13 application. SPS appreciates the support that parties in that proceeding have shown
14 for SPS’s first proposal for grid modernization projects and investments.

³ *In the Matter of Southwestern Public Service Company’s Application for Authorization to Implement Grid Modernization Components that Include Advanced Metering Infrastructure and Recover the Associated Costs Through a Rider, Issuance of Related Accounting Orders, and Other Associated Relief*, Case No. 22-00178-UT, Application (Jul. 5, 2022).

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1 **Q. How is SPS responding to the economic growth it is experiencing in its New**
2 **Mexico service territory?**

3 A. SPS is working hard to respond to eastern New Mexico’s growing economy and
4 the resulting accelerated demand for new electric service, especially in counties
5 where oil and natural gas development is foundational to local economies and the
6 State’s tax base. As discussed in more detail by SPS witness Casey S. Meeks,
7 despite the pandemic and the slowing of the broader economy, SPS continues to
8 see year-over-year growth in both load and customers in our New Mexico service
9 area.

10 **Q. Has SPS’s existing capacity played an important role in SPS’s ability to timely**
11 **respond to economic and load growth in its New Mexico service area and**
12 **reduce retail customers’ fuel costs?**

13 A. Yes. SPS’s New Mexico service area has relied upon and is continuing to utilize
14 our existing available capacity in responding to the historic retail load growth. Our
15 service territory, and the State generally, will continue to benefit from SPS’s
16 available generating capacity as the economy and related demand for additional
17 power within New Mexico continue to grow. Reductions in wholesale sales over
18 the past several years have freed up existing generation capacity, enabling SPS to

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1 use the available capacity for the rapidly growing New Mexico retail loads.⁴
2 Reflected in this rate case is the departure of additional wholesale loads, which will
3 support SPS's capacity position as well as allocate additional cost savings from
4 renewable resources to retail customers.

5 **Q. Is SPS working to support its customers' goals related to their own carbon**
6 **emissions?**

7 A. Yes. The State of New Mexico is pushing to reduce emissions from oil and gas
8 fields, which most likely will be accomplished through increased electrification and
9 infrastructure needs in southeastern New Mexico. This increased electrification is

⁴ SPS ended the contractual wholesale power sales to West Texas Municipal Power Agency in accordance with the agreements approved in Case Nos. 04-00426-UT and 05-00341-UT and reduced its wholesale sales to four New Mexico electric cooperatives in accordance with the agreement approved in Case No. 10-00074-UT. *In the Matter of the Petition by the Staff of the New Mexico Public Regulation Commission for a Review of the Operations of Southwestern Public Service Company's Fuel and Purchased Power Cost Adjustment Clause*, Case No. 04-00426-UT, and *In the Matter of Southwestern Public Service Company's Application for Approval of (1) Continued Use of Its Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC") Using a Monthly Adjustment Factor Pursuant to NMPRC Rule 550, (2) The Existing Variance From Rule 550.14(A), and (3) The Report Regarding Collections Under the Previous Annual FPPCAC Adjustment Clause in Effect During the Period October 2001 Through January 2002, and Collections Under the Existing Monthly FPPCAC for the Period February 2002 Through May 2005*, Case No. 05-00341-UT, Final Order Approving Stipulation at 5 (Aug. 26, 2008); *In the Matter of the Application of Southwestern Public Service Company for Approval of System Average Cost Assignments in the Replacement Power Sales Agreements with Central Valley Electric Cooperative, Inc., Farmers' Electric Cooperative of New Mexico, Inc., Lea County Electric Cooperative, Inc., and Roosevelt County Electric Cooperative, Inc., in Accordance with the Final Orders in Case Nos. 04-00426-UT and 05-00341-UT*, Case No. 10-00074-UT, Final Order Adopting Certification of Stipulation at 2 (Aug. 19, 2010).

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1 expected to lower industrial and transportation emissions, and there will be
2 increased network loads and additions to facilitate these environmental initiatives.
3 A constructive rate outcome in this proceeding will allow SPS to begin recovering
4 a return of and return on the investments it has made or plans to make for the benefit
5 of its customers and to continue to plan for an increasingly electrified future.

6 In addition, SPS is focused on providing the infrastructure and energy to
7 run all vehicles in its service area on carbon-free electricity or other clean energy
8 by 2050. By enabling a zero-carbon transportation future, SPS's clean energy can
9 also help customers save billions of dollars in fuel costs and deliver cleaner air for
10 everyone.

11 **Q. Is approval of SPS's requested rate relief important to support continued**
12 **investment and to maintain high levels of customer service?**

13 A. Yes. As discussed by Ms. Trammell as well as SPS witnesses Patricia L. Martin
14 and Dylan W. D'Ascendis, it is critical that SPS be able to recover its increased
15 costs and earn a reasonable return on its capital investments so that it will continue
16 to have reasonable access to the capital needed to maintain its system and to make
17 the investments necessary to support New Mexico's growth and economy.

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1 4. *Benefitting Our New Mexico Customers and Communities*

2 **Q. Please describe the support that SPS provides to its New Mexico customers**
3 **and communities.**

4 A. First and foremost, SPS’s core commitment to providing safe, clean, and reliable
5 energy services at an affordable price creates an attractive environment for current
6 New Mexico residents as well as potential future residents of this State. By
7 providing an attractive energy option, SPS helps draw businesses to our
8 jurisdiction, which in turn brings more jobs, health, and vitality to all our
9 communities.

10 Further, SPS’s infrastructure investments generate immediate, well-paying
11 jobs in the State, opportunities for long-term employment at SPS’s facilities, and
12 increased tax revenues for local and state tax jurisdictions. Our infrastructure
13 investments also provide necessary support for other businesses and are engines of
14 economic growth. SPS’s renewable energy purchases from projects located in New
15 Mexico also provide much-needed revenues for our local communities. SPS
16 currently purchases wind and solar renewable energy from ten projects in New
17 Mexico with a total of 640 MW in installed capability. (See Attachment AJR-3.)

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1 Additionally, SPS has a strong record of supporting local educational
2 institutions, local charities, and non-profit organizations to improve the quality of
3 life for citizens in our service area. The Xcel Energy Foundation and SPS support
4 employee volunteer service on non-profit boards, and Xcel Energy offers a variety
5 of ways for employees to direct the corporate philanthropy efforts. SPS and the
6 Xcel Energy Foundation support our community nonprofits and civic organizations
7 through sponsorships and foundation grants. We target educational programs that
8 grow Science Technology Engineering and Mathematics instruction as well as
9 partner programs that provide economic sustainability in our communities. We also
10 increased our support in 2020 with donations to our local United Way agencies and
11 area food banks to offset the pressure placed on non-profit organizations during the
12 height of the COVID-19 pandemic.

13 Finally, SPS partners with state and local economic development
14 organizations to achieve economic growth and job creation. SPS has utilized a
15 comprehensive site selection service to establish four certified sites in our New
16 Mexico service territory that are shovel-ready for prospective businesses to develop
17 immediately. SPS also supports local chambers of commerce efforts to attract and

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1 develop new business and industry that will strengthen and diversify the economic
2 base in SPS's New Mexico service area.

3 **Q. Are there any third-party indications that SPS is doing a good job of serving**
4 **its New Mexico customers and communities?**

5 A. Yes. SPS can point to a strong record of achievement in recent years on many of
6 the issues that are important to our customers, including rapid restoration after
7 storm events, support for the rapidly growing petrochemical economy in
8 southeastern New Mexico, and progress toward environmental goals. Listed below
9 are some of the honors that Xcel Energy has received in the past few years.

- 10 • Xcel Energy was named as a World's Most Admired Company by Fortune
11 Magazine for the ninth consecutive year in 2022. Xcel Energy ranked
12 second among the most admired gas and electric companies in the country
13 based on nine criteria including innovation, social responsibility, financial
14 soundness, long-term investment value and quality of management²
- 15 • Xcel Energy was named one of the World's Most Ethical Companies in
16 2022 for the third consecutive year by Ethisphere, a global leader in defining
17 and advancing the standards of ethical business practices. Xcel Energy is
18 one of only nine honorees in the Energy & Utilities category, and one of
19 only five companies in the United States recognized this year in that group.
- 20 • Xcel Energy has been named as a finalist for the 2022 S&P Platts Global
21 Energy Awards in the category of Energy Transition – Power. The Platts
22 Global Energy Awards recognize corporate and individual innovation,
23 leadership, and exemplary performance in 19 categories spanning the entire
24 energy and chemicals complex.

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- 1 • Xcel Energy was named a Best Place to Work for LGBTQ+ Equality by the
2 Human Rights Campaign in 2022 for the sixth consecutive year. Xcel
3 Energy received a perfect score on its Corporate Equality Index.

- 4 • Xcel Energy was presented with the 2021 Distinguished Award by the
5 United Way of Chaves County for outstanding service to the people of in
6 that community.

- 7 • Xcel Energy received a national 2020 Climate Leadership Award from the
8 Center for Climate and Energy Solutions and the Climate Registry, in
9 partnership with America’s Pledge. Xcel Energy was recognized with an
10 Organizational Leadership award for its industry-leading carbon reduction
11 efforts and its support for communities and customers in achieving their
12 clean energy and climate goals.

- 13 • Xcel Energy was recognized by the Edison Electric Institute with two 2020
14 Emergency Recovery Awards for its outstanding efforts to restore service
15 to customers after a Minnesota tornado in August 2020 and Winter Storm
16 Billy in Texas in October 2020.

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1 **III. OVERVIEW OF SPS'S APPLICATION**

2 **Q. Why is SPS filing this case?**

3 A. The outcome of this rate case will be important not only for SPS, but also for our
4 customers, communities, and employees as well as the State of New Mexico's clean
5 energy future. Some of the most notable aspects of the case from the Company and
6 customer perspective include:

- 7
- 8 • The Future Test Year includes SPS's investment plans into 2024 and
9 highlights the grid investments that have and will continue to ensure our
10 transmission and distribution networks will be ready to support the evolving
11 needs of our customers while also meeting our clean energy goals, which
are consistent with the New Mexico Energy Transition Act.
 - 12 • SPS is proposing an updated 2028 retirement date for coal operations at our
13 Tolk Generating Station, which is estimated to save customers
14 approximately \$100 million compared to a 2032 retirement.
 - 15 • SPS's filing incorporates the exit of wholesale customers from our system
16 in 2022 and 2024, which provides additional avoided fuel cost savings and
17 production tax credits to our retail customers when new rates take effect.
 - 18 • SPS's proposed EAP will provide supplemental assistance to income-
19 qualified residential households that have a high energy burden and the
20 lowest incomes. This proposal is in addition to the significant state and
21 federal funding that SPS has sought and obtained for the benefit of low
22 income customers.

23 Constructive regulatory decisions in these areas will help provide price certainty to
24 our customers while ensuring SPS has a sound financial foundation to serve our

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1 communities and continue to reliably and affordably lead the clean energy
2 transition.

3 **Q. How did SPS construct this case?**

4 A. SPS's rate filing is comprised of a Base Period,⁵ Adjusted Base Period,⁶ Linkage
5 Period,⁷ and Future Test Year⁸ as allowed under Sections 62-8-7, 62-3-3(P), and
6 62-6-14(D) of the Public Utility Act and Rule 17.1.3 of the New Mexico
7 Administrative Code (the "Future Test Year Rule"). As discussed in Ms.
8 Trammell's direct testimony, SPS has fully explained and justified its Future Test
9 Year costs, has broken down costs by cost center and elements of cost on a
10 jurisdictional basis, and has explained material changes between the Adjusted Base
11 Period and Future Test Year. Ms. Trammell introduces each of SPS's witnesses
12 and discusses the main cost drivers of SPS's rate change request (including changes

⁵ The Base Period is July 1, 2021 through June 30, 2022 ("Base Period"). The data presented as the Base Period in this case is unadjusted raw data from the books of SPS, recorded for the Base Period, in accordance with the Future Test Year Rule.

⁶ The Adjusted Base Period is July 1, 2021 through June 30, 2022 ("Adjusted Base Period"), with certain adjustments discussed in the direct testimonies of Stephanie N. Niemi and Richard M. Luth.

⁷ The Linkage Period is July 1, 2022 through June 30, 2023 ("Linkage Period").

⁸ The Future Test Year is July 1, 2023 through June 30, 2024, and includes capital additions that have been placed in service since July 1, 2021; capital additions that will be placed in service through June 30, 2024; and expenses for the Adjusted Base Period with certain known and measurable adjustments ("Future Test Year").

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1 in jurisdictional allocations, retail load growth and investment to serve customers,
2 and proposals in this proceeding related to the transition of SPS's generation fleet).
3 As described and supported in the SPS's Rate Filing Package, SPS's total cost of
4 service based on the Future Test Year, as adjusted for known and measurable
5 changes, is approximately \$77.6 million, excluding fuel and purchased power costs
6 adjustment clause revenues.

7 **Q. Please describe SPS's request with regard to authorized ROE and capital**
8 **structure.**

9 A. SPS is requesting an overall weighted average cost of capital of 7.85%, which
10 reflects an equity ratio of 54.70%, an authorized ROE of 10.75%, and a cost of debt
11 of 4.34%. Mr. D'Ascendis, Ms. Martin, and SPS witness Suedeem G. Kelly support
12 these requests in their direct testimonies.

13 **Q. What would the impact be if SPS is unable to recover its costs?**

14 A. SPS employees are proud to provide safe and reliable energy service to our
15 customers, enhance the energy service our customers expect, and continue to lead
16 the energy transition, which is consistent with the policy goals of this State as
17 reflected in the New Mexico Energy Transition Act. SPS's request in this case will
18 promote financial stability and allow SPS to continue to provide that service and

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1 achieve New Mexico's public policy objectives. In contrast, limited financial
2 resources can impact service quality and compromise a company's ability to meet
3 required service and State objectives. Without full consideration of the details and
4 tools presented in this case, the Company will not possess the financial strength to
5 concurrently lead the energy transition consistent with the New Mexico Energy
6 Transition Act while providing safe and reliable core utility services to customers.
7 We are honored to serve our customers in New Mexico and excited about
8 continuing to lead the energy transition while working to keep the electricity
9 flowing and to keep bills low. To be successful in these endeavors, the support
10 requested in this case is key.

11 **Q. How can the Commission support SPS's ability to attract the capital**
12 **investment that is necessary for continued safety and reliability and supportive**
13 **of economic growth?**

14 A. The Commission's decisions with respect to rate of return and capital structure will
15 have a significant impact on SPS's ability to meet its investment goals in the future.
16 A constructive outcome in this proceeding will enable SPS to continue providing
17 reliable service, as required by the New Mexico Public Utility Act, and move
18 toward a lower-carbon future, consistent with the New Mexico Energy Transition

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1 Act. Ms. Martin and Mr. D’Ascendis explain that ratings agencies are keenly aware
2 of the challenges that utilities face when funding large capital investment projects,
3 as well as other aspects of the utility business that impact cash flows, with Ms.
4 Martin noting that rating agencies have expressed concern about the rate proceeding
5 outcomes in New Mexico. Supportive decisions on ROE and capital structure from
6 regulators are viewed positively by the ratings agencies, which, in turn, provide the
7 ratings by which utilities ultimately finance necessary capital investment. To put
8 it differently, better ratings result in better financing opportunities, rates, and terms
9 for utilities, which ultimately benefit customers through a lower cost of debt. The
10 Commission’s ultimate approval of the settlement agreement in our last base rate
11 case was viewed as constructive; however, as discussed by Ms. Martin, rating
12 agencies are looking to see continued constructive outcomes in New Mexico in
13 order to improve their risk profile of the regulatory environment.

14 **Q. Will a constructive regulatory result in this case benefit customers and the**
15 **State of New Mexico?**

16 A. Absolutely. SPS is committed to providing the electricity that our region needs to
17 remain strong and vibrant. Our regional economy cannot grow without a reliable
18 and robust electric grid, and the construction of that grid is a large part of what is

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1 driving the need for this rate case. We want to help the communities and businesses
2 in our service area grow, but the expansion of our facilities requires that we recover
3 our costs and earn a reasonable return on our investment. Today's grid must evolve
4 and be upgraded to support the clean energy transition that is before us. This current
5 case represents an opportunity for SPS and the Commission to build a constructive
6 regulatory relationship that improves investor opinion and ensures that SPS's
7 generation resources and transmission and distribution systems can meet growth
8 requirements while remaining safe, resilient, and reliable.

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1 **IV. CONCLUSION**

2 **Q. Do you have any closing remarks?**

3 A. Yes. SPS has a long history of providing safe, reliable, and affordable electric
4 service to our customers. SPS strives to be responsive to the needs and desires of
5 our customers by continually evolving and improving the customer experience and
6 reducing carbon emissions without losing sight of our core competency—safely
7 delivering reliable and affordable electricity supply to customers.

8 The purpose of this rate review is to establish rates based on the actual
9 current and planned costs of SPS’s operations in New Mexico through the end of
10 the Future Test Year, as described in Ms. Trammell’s direct testimony. As SPS’s
11 filing demonstrates, the existing rates do not accurately reflect SPS’s cost of service
12 given substantial recent and projected changes in investment, sales levels, and
13 reduced transmission services. It is my opinion that the rates requested in this filing
14 are just, reasonable, and in the public interest because they fairly balance the
15 interests of SPS’s customers and investors. For these reasons, I request that the
16 Commission provide prompt and adequate rate relief in this case.

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

18 A. Yes.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY'S)
APPLICATION FOR: (1) REVISION OF)
ITS RETAIL RATES UNDER ADVICE)
NOTICE NO. 312; (2) AUTHORITY TO)
ABANDON THE PLANT X UNIT 1,)
PLANT X UNIT 2, AND CUNNINGHAM)
UNIT 1 GENERATING STATIONS AND)
AMEND THE ABANDONMENT DATE)
OF THE TOLK GENERATING)
STATION; AND (3) OTHER)
ASSOCIATED RELIEF,)
)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
)
APPLICANT.)
_____)**

CASE NO. 22-00286-UT

VERIFICATION

On this day, November 18, 2022, I, Adrian J. Rodriguez, swear and affirm under penalty of perjury under the law of the State of New Mexico, that my testimony contained in Direct Testimony of Adrian J. Rodriguez is true and correct.

/s/ Adrian J. Rodriguez
ADRIAN J. RODRIGUEZ

QUALIFICATIONS AND PRIOR TESTIMONY OF ADRIAN J. RODRIGUEZ

My name is Adrian J. Rodriguez. I am filing testimony on behalf of Southwestern Public Service Company, a New Mexico corporation (“SPS”) and wholly-owned electric utility subsidiary of Xcel Energy Inc. (“Xcel Energy”). I am employed by SPS as President. My duties as President of SPS include overall responsibility for the operations of SPS, including customer and community relations, quality of service, communications, legislative relations, media relations, regulatory administration, and financial performance. I joined SPS as President on June 1, 2022.

I was previously Senior Vice President of Regulatory & Strategy at Puget Sound Energy (“PSE”), an investor-owned electric and gas utility serving 1.2 million electric and 900,000 natural gas customers in western Washington. At PSE, I was responsible for PSE’s clean energy strategy, regulatory and government affairs, resource planning, new product development, and energy efficiency. I joined PSE on January 1, 2021.

Prior to PSE, I was interim Chief Executive Officer and General Counsel of El Paso Electric Company (“EPE”), an investor-owned electric utility then-serving over 430,000 customers in west Texas and southern New Mexico, including Las Cruces and El Paso. I was also a member of the Company's Board of Directors during my time as interim Chief Executive Officer. Before being promoted to interim Chief Executive Officer, I served as EPE’s Senior Vice President - General Counsel in which I was specifically responsible for the legal, corporate governance, regulatory affairs, rates, and governmental affairs functions of the Company. I joined EPE in 2013 as an attorney in the Legal Department before being promoted to General Counsel in 2017.

Before joining EPE, I was an attorney in the Dallas office of Vinson & Elkins LLP, where I practiced in the energy regulation practice group and complex commercial litigation practice

group. I also served as a law clerk to the United States District Court for the Western District of Texas in San Antonio. Prior to my legal career, I provided policy analysis, political research, and legislative research for state legislative offices, issue advocacy and political campaigns, and a Washington DC-based communications firm.

I received a Bachelor of Arts with highest honors in Economics and Government (with a Certificate in Business Foundations) from the University of Texas at Austin, a Master in Public Policy from Harvard University, and a Juris Doctorate from Columbia University School of Law.

I am licensed to practice law in New Mexico and Texas. In my capacity as an attorney, I have participated in or overseen regulatory applications and proceedings before the New Mexico Public Regulation Commission, Public Utility Commission of Texas, and the Federal Energy Regulatory Commission, among other state and federal agencies. I have filed written testimony with the Washington Utilities & Transportation Commission.

Southwestern Public Service Company

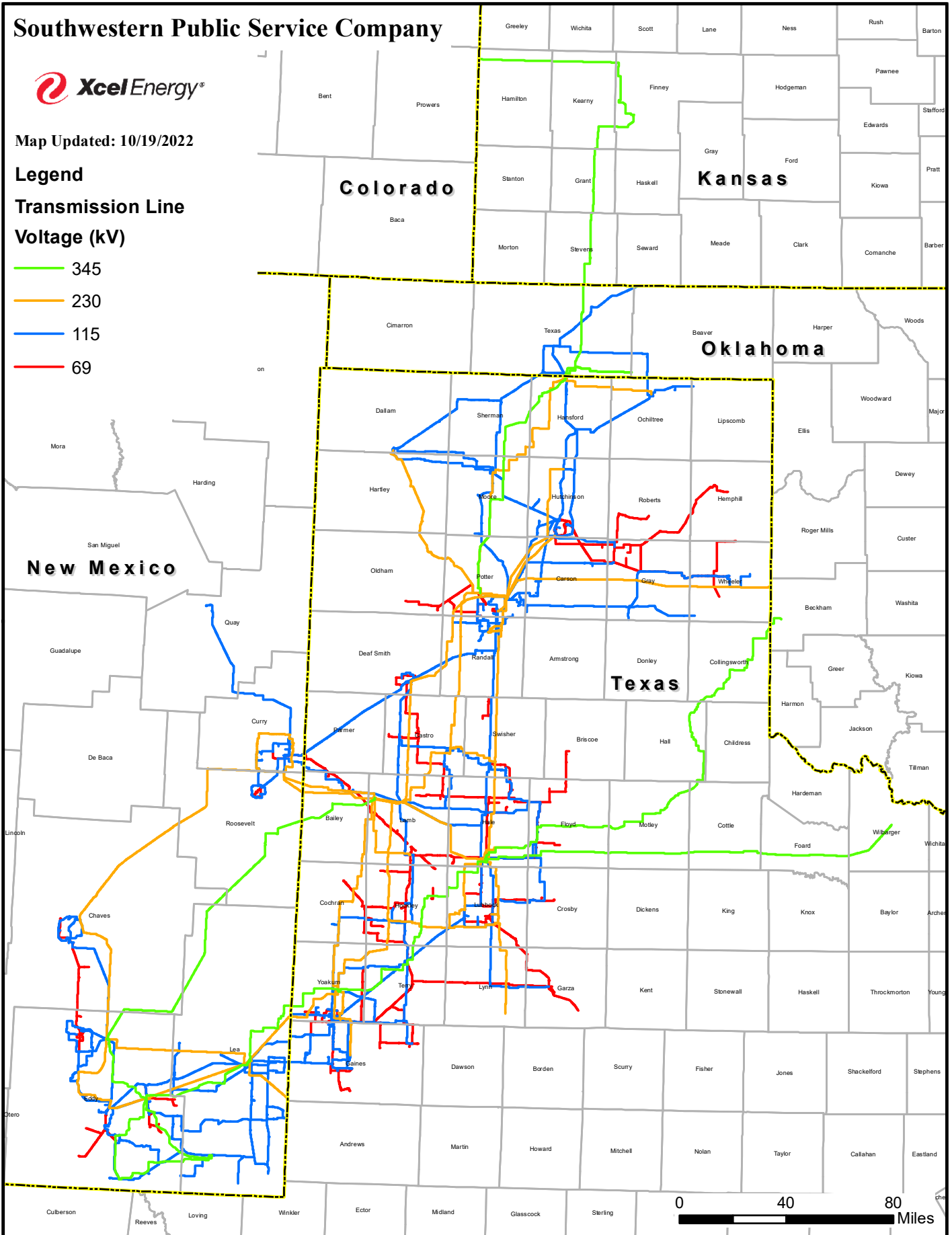


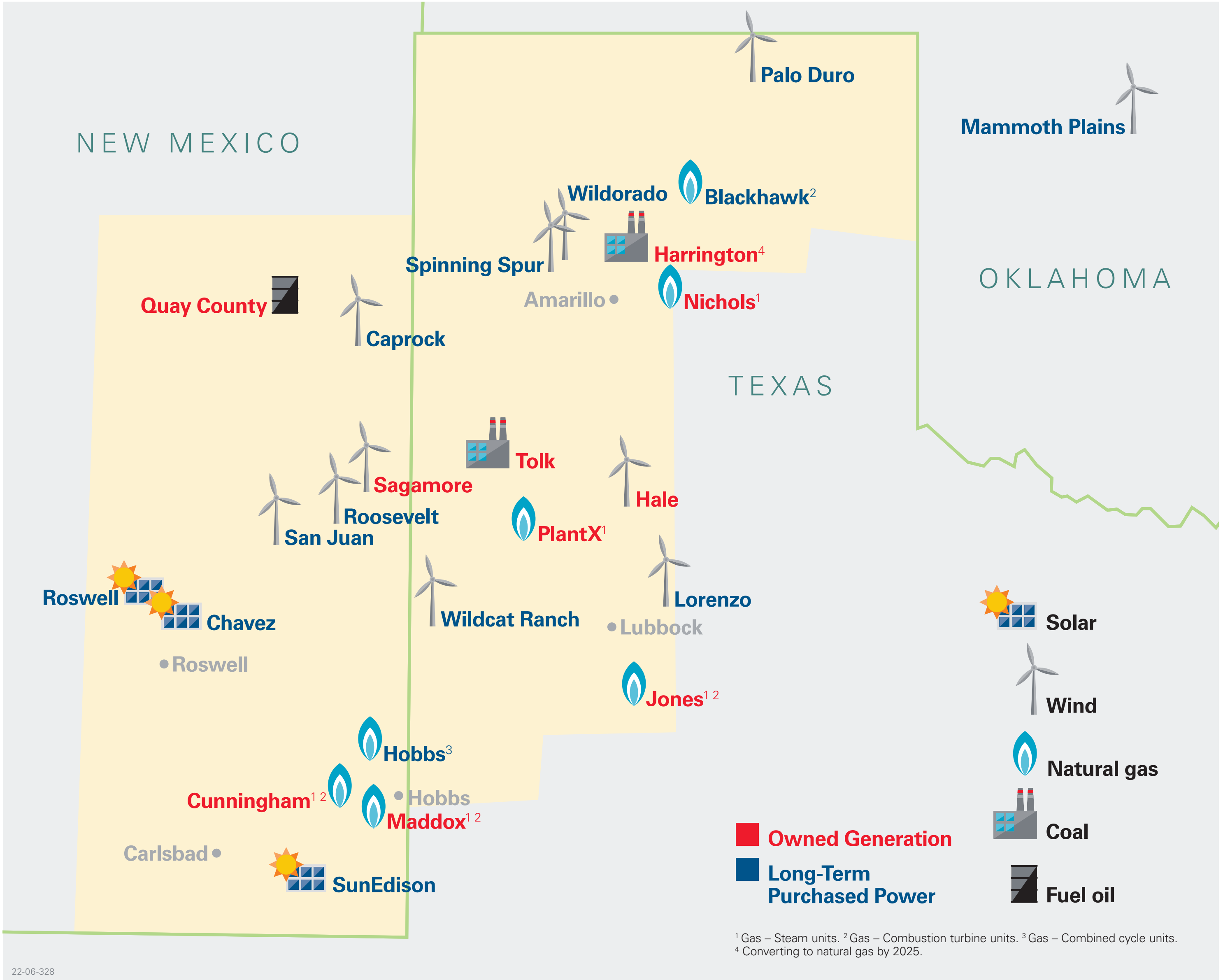
Map Updated: 10/19/2022

Legend

Transmission Line
Voltage (kV)

- 345
- 230
- 115
- 69





¹ Gas – Steam units. ² Gas – Combustion turbine units. ³ Gas – Combined cycle units.
⁴ Converting to natural gas by 2025.