

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF APPROVAL OF A)
SERVICE AGREEMENT BETWEEN)
CENTRAL VALLEY ELECTRIC)
COOPERATIVE, INC. AND)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY.)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY AND CENTRAL VALLEY)
ELECTRIC COOPERATIVE, INC.,)
)
APPLICANTS.)
)**

CASE NO. 19-_____-UT

DIRECT TESTIMONY

of

BRYAN P. KAUFFMAN

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>
Boundary Agreement	Boundary and Service Agreement entered into between SPS and CVEC on June 20, 2019
Boundary Agreement Area	An area located in Eddy and Lea Counties, New Mexico subject to the service arrangements described in the Boundary Agreement between SPS and CVEC
CVEC	Central Valley Electric Cooperative, Inc.
FERC	Federal Energy Regulatory Commission
Grandfathered Service/Facilities	Utility-owned and customer-owned services/facilities that extend into the other utility's proposed service area as of the date of the Boundary Agreement
kW	kilowatt
PUA	New Mexico Public Utility Act
SPS	Southwestern Public Service Company, a New Mexico corporation
Xcel Energy	Xcel Energy Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
BPK-1	Boundary Agreement entered on June 20, 2019, between SPS and CVEC, including Exhibits A and B

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Direct Testimony
of
Bryan P. Kauffman

1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Bryan P. Kauffman. My business address is 790 S. Buchanan Street,
4 Amarillo, Texas 79101.

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

6 A. I am filing testimony on behalf of Southwestern Public Service Company, a New
7 Mexico corporation (“SPS”) and wholly-owned subsidiary of Xcel Energy Inc.
8 (“Xcel Energy”). Xcel Energy is a registered holding company that owns several
9 electric and natural gas utility operating companies, a regulated natural gas
10 pipeline company, and three electric transmission companies.¹

11 **Q. By whom are you employed and in what position?**

12 A. I am employed by SPS as Director, Business Customer Relations.

¹ Xcel Energy is the parent company of four 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 company is WestGas Interstate, Inc. Through its subsidiary, Xcel Energy Transmission Holding Company, LLC, Xcel Energy also owns 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 Federal Energy Regulatory Commission (“FERC”) or expected to be regulated by FERC.

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1 **Q. Please briefly outline your responsibilities as Director, Business Customer**
2 **Relations.**

3 A. As the Director, Business Customer Relations I oversee the relationship
4 management and policies related to service to SPS's business customers. I also
5 develop and direct account management tactics and strategies that will lead to
6 customer satisfaction for SPS's largest retail customers. Finally, I am responsible
7 for managing communications and company policy that directly affect SPS's
8 business customers.

9 **Q. Please describe your educational background.**

10 A. I have a Bachelor of Science degree in Electrical Engineering from Kansas State
11 University.

12 **Q. Please describe your professional experience.**

13 A. I started with SPS in 1984 as a Distribution Engineer, where I designed electrical
14 service extensions to customers and improvements to the electrical distribution
15 system. I also held various positions responsible for the engineering, construction
16 and operation of the electrical distribution system and customer billing and
17 collections for various districts in the Texas panhandle. Subsequently, I became a
18 Key Account Executive responsible for SPS's relationship with selected large

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1 industrial customers, which included handling billing, construction and
2 operational issues.

3 In 2004, I joined the Regulatory group as a Case Specialist where I was
4 responsible for preparing regulatory filings for both the New Mexico and Texas
5 jurisdictions. Following this, I became the Senior Consultant, Transmission
6 Policy and Compliance, where I was responsible for the Transmission business
7 unit's compliance with, and adherence, to both Federal Energy Regulatory
8 Commission and North American Electric Reliability Corporation rules and
9 reliability standards. In 2015, I was promoted to my current position as Director,
10 Customer Relations.

11 **Q. Do you hold a professional license?**

12 A. Yes. I have been a licensed Professional Engineer in the State of Texas since
13 1992.

1 **II. ASSIGNMENT AND REQUEST FOR RELIEF**

2 **Q. What is the purpose of your testimony?**

3 A. My testimony supports the joint application filed by SPS and Central Valley
4 Electric Cooperative, Inc. (“CVEC”) that requests approval of the proposed
5 Boundary and Service Area Agreement dated June 21, 2019 (“Boundary
6 Agreement” or “Agreement”). The requested approval is governed by 1978
7 NMSA, § 62-9-7 and other pertinent provisions of the New Mexico Public Utility
8 Act (“PUA”).

9 **Q. Please generally describe the Boundary Agreement.**

10 A. The Boundary Agreement: (1) establishes a new service area boundary between
11 SPS and CVEC in a limited portion of Eddy and Lea Counties, New Mexico, and,
12 within that boundary, it also defines separate SPS and CVEC service areas; (2)
13 recognizes that SPS and CVEC will have exclusive service rights for new
14 customers and additional service for existing customers in their respective service
15 areas, and that each will have the authority to develop and maintain facilities
16 necessary for serving existing and future customers in that area; (3) identifies the
17 location of distribution lines within each utility’s service area that extend into the
18 other utility’s service area; (4) authorizes SPS and CVEC to continue to operate,

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1 maintain, and replace existing facilities that extend into the other utility's service
2 area and to continue to provide service to those existing customers subject to the
3 requirements and limitations established in the Agreement; (5) establishes
4 requirements that apply to customer service requests that SPS and CVEC receive
5 for service in their respective service areas and existing and future service in the
6 other utility's service area; and (6) discusses and memorializes the resolution of
7 two separate service disputes between SPS and CVEC that pre-date the
8 negotiations that led to the Boundary Agreement. A copy of the Boundary
9 Agreement is attached to my testimony as Attachment BPK-1.

10 **Q. Please describe the area covered by the Boundary Agreement.**

11 A. The Boundary Agreement covers a primarily rural area of approximately 150
12 square miles where both SPS and CVEC currently serve industrial and oil and gas
13 production loads ("Boundary Agreement Area"). Exhibit A to the Boundary
14 Agreement is a map that depicts the Boundary Agreement Area, which shows the
15 proposed boundary line and each utility's exclusive service area (i.e., for CVEC
16 (north of the boundary line) and SPS (south of the boundary line)). Exhibit A also
17 depicts existing utility and customer owned distribution lines that currently extend
18 into each utility's proposed exclusive service area. Exhibit B to Attachment

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1 BPK-1 provides the legal description (metes and bounds) of the proposed
2 boundary line separating the service areas.

3 **Q. Please briefly discuss the circumstances that led SPS and CVEC to enter into**
4 **the Boundary Agreement.**

5 A. In recent years, oil and gas production in Eddy and Lea Counties, New Mexico
6 has significantly increased. As a result, both SPS and CVEC have received an
7 increased number of requests for new service, as well as requests for additional
8 service by existing customers. During this time, through the gradual extension of
9 both utility-owned and customer-owned distribution lines in this area, the distance
10 between SPS and CVEC distribution facilities has narrowed, and as a result, there
11 have been questions raised about which utility would be the appropriate provider
12 for new service or expanded load in the area. Even though SPS and CVEC have
13 worked in a collaborative manner to address these questions, the significant
14 expansion in service requests creates opportunities for inadvertent mistakes that
15 could result in conflicts between the parties regarding which utility should
16 provide additional or new service to the customers requesting service.

17 There has also been confusion related to SPS's and CVEC's rights and
18 obligations to serve its existing customers. For example, in 2013, SPS mistakenly

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1 extended a distribution line to serve an SPS customer in an area that was being
2 served by CVEC. In this instance, SPS personnel were unaware that the customer
3 requesting service could have been served by an existing customer-owned line fed
4 from an existing SPS primary tap and did not require an extension of the SPS
5 distribution line. This area is referred to as the Steeler lease, and is identified and
6 depicted on Exhibit A as SPS Line No. 10.

7 Because of oil and gas activity in this area and uncertainty regarding
8 which utility should provide service for the new and expanded customer service
9 requests, SPS and CVEC agree that the proposed Boundary Agreement will
10 provide needed clarity regarding service arrangements in the subject service areas.

11 **Q. Is Attachment BPK-1 a true and correct copy of the Boundary Agreement**
12 **entered into by SPS and CVEC?**

13 A. Yes.

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III. SPS/CVEC BOUNDARY AGREEMENT

A. Background

Q. Please describe the objectives of the Boundary Agreement.

A. The Boundary Agreement is consistent with the public convenience and necessity in this area of the state and otherwise conforms with the requirements of the PUA by: (1) allowing SPS and CVEC to develop utility plant and facilities without unnecessary service duplication and economic waste; and (2) avoiding potential conflicts between SPS and CVEC concerning which utility is entitled to serve new or expanding customer load in the areas covered by the Boundary Agreement. In a practical sense, the Boundary Agreement promotes administrative efficiencies by establishing separate service areas that will have clearly defined rules and requirements governing provision of electric service to the public that is subject to Commission oversight.

B. Terms and Conditions of the Boundary Agreement

Q. How does the Boundary Agreement address the utility- and customer-owned distribution lines that are located in both SPS's and CVEC's proposed service areas?

A. The Boundary Agreement recognizes that both SPS and CVEC currently serve customers through utility-owned facilities located in their proposed service area,

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1 and have a number of existing service arrangements that extend into the other
2 utility's exclusive service area that are served through either utility-owned or
3 customer-owned distribution lines. These lines are an integral part of each
4 utility's electric system. For the existing SPS and CVEC customers who are
5 served in the other utility's service area, the Boundary Agreement authorizes each
6 utility to continue to use and maintain existing facilities to provide service to
7 those customers based on SPS's and CVEC's agreement that such service shall be
8 limited to the maximum kilowatt ("kW") capability of facilities located in the
9 respective utility's service area that serves the customer account on the effective
10 date of the Boundary Agreement. Accordingly, the level of electric service that
11 will be provided by the non-service area utility to its existing customer
12 accounts/meters/loads may not be upgraded or expanded (i.e., modified beyond
13 the addition of secondary meters upon facilities existing on the date of this
14 Boundary Agreement to serve load for existing customers).² (see Terms and
15 Conditions, ¶1).

² To address the manner in which SPS provides service to its oil and gas customers, the Boundary Agreement does provide that the non-service area utility may install secondary meters to serve existing customers as long as the non-servicing utility has capacity on its facility (i.e., primary distribution line).

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1 **Q. Does the Boundary Agreement identify SPS, CVEC, and customer owned**
2 **facilities that currently extend into and provide service in the other utility's**
3 **service area?**

4 A. Yes. Exhibit A documents the following distribution lines that currently extend
5 into and provide service in the other utility's service area (i.e., "grandfathered
6 service/facilities"): (1) there are twelve (12) customer-owned distribution lines
7 that extend from SPS's service area into CVEC's service area; (2) one SPS-owned
8 distribution line that extends from SPS's service area into CVEC's service area;
9 and (3) one CVEC-owned distribution line that extends from CVEC's service area
10 into SPS's service area. All of these distribution lines are authorized by the
11 Boundary Agreement to continue to provide service to existing customers, subject
12 to the limitation that the facilities cannot be upgraded or expanded to provide new
13 or expanded service in the other utility's service area beyond the addition of a
14 secondary meter(s).

15 **Q. Please provide examples of how grandfathered service would be limited?**

16 A. For illustration purposes, if the maximum capacity of the existing SPS facilities
17 (i.e., primary meter or primary line) is 400 kW, and the customer is taking all 400
18 kW to serve its existing load, all of which is located in CVEC's service area, SPS

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1 cannot expand the capacity of the facilities to serve additional service requests for
2 load located in CVEC's service area. However, if the customer is only taking 200
3 kW to serve load located in CVEC's service area, the customer would be
4 permitted to build additional primary lines or add secondary meters in CVEC's
5 service territory up to an additional 200 kW of load.

6 **Q. How would grandfathered service be limited when a customer-owned**
7 **distribution line is located in both SPS's and CVEC's service areas?**

8 A. Using the same 400 kW of capacity as the previous example, if all of the new load
9 is located in SPS's service area, the customer can request SPS to upgrade its
10 facilities to serve additional load. However, if the new load request is for load
11 located in CVEC's service area, any request for the additional load would be
12 limited to the capacity of the facilities as of the date of the Boundary Agreement.
13 For example, if the customer is taking 200 kW to serve load located in CVEC's
14 service area and 100 kW to serve wells located in SPS's service area, the
15 customer could add up to 100 kW of additional load in CVEC's service area. Any
16 amount above 100 kW, would require an upgrade or change to the existing
17 facilities, which is not permitted under the grandfathered service arrangements.

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1 **Q. Briefly describe the process that SPS and CVEC will undertake to determine**
2 **whether grandfathered facilities will require an upgrade, expansion, or other**
3 **similar modifications to serve new or expanded load in the other utility’s**
4 **service area.**

5 A. The utility receiving the request for new or expanded service will perform a study
6 of its existing facilities to determine whether the requested new or expanded
7 service can be provided by the non-service area utility from existing facilities
8 without requiring upgrades to its facilities (such as increasing primary meter size,
9 conductor size, installation of voltage regulators or capacitor). If the study
10 determines that any upgrades would be required for the non-service area utility to
11 provide the requested service, then the non-service area utility would be
12 prohibited from serving the new or additional load unless there is a written
13 agreement between SPS and CVEC that waives this prohibition and authorizes
14 such service. (*see* Terms and Conditions, ¶2).

15 If upgrades to existing facilities are necessary to provide new or expanded
16 service in the other utility’s exclusive service area, the non-service area utility
17 will be required to advise the customer that the request for new service or

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1 expanded service will need to be made to the utility authorized to serve the area
2 where the new or additional load is located (*see* Terms and Conditions, ¶3).

3 **Q. What if the authorized service area utility is unable to provide the requested**
4 **service for new or expanded load?**

5 A. If the authorized service area utility determines that it is unable to provide the
6 service requested by a new or existing customer in its exclusive service area, then
7 SPS and CVEC will confer and determine whether the non-service area utility can
8 provide the service and attempt to reach an arrangement for providing service to
9 the customer. If the utilities agree to such an arrangement, then SPS and CVEC
10 will prepare a written agreement authorizing that service and file the agreement
11 with the Commission. (*see* Terms and Conditions, ¶4). The agreement between
12 SPS and CVEC may specify the amount of load that can be served by the non-
13 service area utility, the voltage provided, the route and distance the non-service
14 area utility can extend across the boundary, or any other limitation agreed to by
15 SPS and CVEC.

16 **Q. What other requirements does the Boundary Agreement establish for service**
17 **requests that involve a location that is near the boundary line?**

18 A. If a customer submits a request to either SPS or CVEC for a point of service at the
19 primary voltage level within one-mile of boundary line, the Boundary Agreement

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1 requires the utility receiving the request for service to submit written notice to the
2 customer advising the customer of the service area boundary and explaining the
3 respective rights and obligations of each utility under the Boundary Agreement.
4 This notice will also be provided to the other utility (*see* Terms and Conditions,
5 ¶5).

6 **Q. What does the Boundary Agreement require in relation to offers by**
7 **customers to sell to SPS or CVEC customer-owned distribution lines that are**
8 **located in the other utility's service area?**

9 A. While such a scenario rarely occurs, occasionally customers will approach SPS or
10 CVEC and offer to sell customer-owned distribution facilities. Under the
11 Boundary Agreement, if the customer proposes to sell their facilities to a non-
12 service utility, that utility must obtain written authorization from the service area
13 utility as a prerequisite for acquiring the customer's facilities (*see* Terms and
14 Conditions, ¶6). If such authorization is granted, and once the sale is
15 consummated, the utility purchasing the facilities will arrange for updating the
16 Boundary Agreement to depict and describe the facilities and will file appropriate
17 documentation in this case.

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1 **Q. Please describe other provisions in the Boundary Agreement.**

2 A. The Boundary Agreement also memorializes the resolution of two separate
3 service disputes between SPS and CVEC that pre-date the negotiations that led to
4 the Boundary Agreement. The first dispute involved SPS's inadvertent extension
5 of a distribution line into an area where CVEC was already providing service to
6 its customers in Sections 25 and 36 T20S, R27E (an area referred to as the Steeler
7 lease that is depicted as Line Nos. 10 and 11 on Exhibit A). The second dispute
8 involved a customer owned line served by a primary meter in Section 34, T19S,
9 R29E that extends through a large portion of CVEC territory (see Line No. 5 on
10 Exhibit A). In resolving both of these matters, SPS and CVEC agreed that SPS
11 would limit the use of its distribution lines in these areas to serve its existing
12 customer account(s)/meter(s) and that SPS would not use the lines to serve any
13 new or expanded loads or accounts located on the CVEC side of what is the
14 proposed boundary line under the Boundary Agreement. SPS and CVEC further
15 agreed that SPS would be allowed to use Line Nos. 10 and 11 to provide service
16 to new or existing customers who are located on the SPS side of the boundary, but
17 such service will be subject to SPS providing prior notification to CVEC and the
18 Commission in accordance with applicable Commission rules and regulations.

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1 Finally, SPS and CVEC agreed that Line No. 5 would not be used to serve any
2 additional load on either side of the boundary line (*see* Terms and Conditions, ¶7).

3 **Q. How will SPS and CVEC inform customers of the Commission's approval of**
4 **the Boundary Agreement?**

5 A. If the Commission approves the Boundary Agreement, both SPS and CVEC will
6 notify all customers who own existing facilities in the Boundary Agreement area
7 that extend from one utility's service area into the other utility's exclusive service
8 area of the following matters: (1) the Commission has approved the Boundary
9 Agreement authorizing each utility to provide exclusive service in the areas
10 described in the Agreement; (2) there are existing customer-owned lines/facilities
11 that extend from one utility's exclusive service area into the other utility's
12 exclusive service area, and that any extension or upgrade of those lines/facilities
13 may impede the authorized service area utility's ability to serve customer load
14 within its exclusive service area, pose a safety hazard and/or create a conflict with
15 the authorized service area utility that may give rise to a dispute; (3) the customer
16 should coordinate with the authorized service area utility regarding any new or
17 expanded customer-owned lines/facilities that would extend into that utility's
18 service area; and (4) under the Boundary Agreement, the Commission has

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1 approved SPS's and CVEC's proposed service areas, as well as over service
2 arrangements within the utilities' exclusive service areas and proposed new
3 service that extends from a utility's service area into the other utility's service
4 area. (*see* Terms and Conditions, ¶8).

5 **Q. Are there any other provisions in the Boundary Agreement?**

6 A. Yes. The Boundary Agreement incorporates all other requirements of the PUA
7 and the Commission's applicable rules and regulations (*see* Terms and
8 Conditions, ¶9).

**IV. THE BOUNDARY AGREEMENT SATISFIES THE APPROVAL
REQUIRMENTS OF SECTION 62-9-7 AND THE PUA**

1 **Q. What are the approval requirements for voluntary service agreements under**
2 **the PUA?**

3 A. As defined in Section 62-9-7 of the PUA, a voluntary service agreement between
4 utilities establishes the delineation between themselves of one or more service
5 areas in which each shall be entitled to exclusively furnish service to customers.
6 Voluntary service agreements between utilities provide the basis for establishing
7 exclusive service areas in order to avoid potential disagreements between utilities
8 concerning rights and obligations to serve new and expanded customer loads.
9 Section 62-9-7 recognizes that voluntary service agreements are exempt from
10 antitrust laws if: (1) the existing scheme of public utility regulation is adequate
11 (*see* NMSA 1978, §62-9-7(A)); (2) after hearing upon twenty (20) days' notice,
12 the Commission determines that the proposed delineation of service areas is
13 consistent with the public convenience and necessity and otherwise conforms to
14 the PUA (*see* NMSA 1978, §62-9-7(B)); and (3) the Commission also determines
15 that approval of a voluntary service agreement will not affect either utility's duties
16 and responsibilities in relation to the utility's rates and standards of service
17 established under NMSA 1978 Chapter 62, Article 8 (*see* NMSA 1978,

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1 §62-9-7(D)). As demonstrated below, the Boundary Agreement satisfies the
2 approval requirements under the PUA.

3 **Q. Are the service areas and service requirements established in the Boundary**
4 **Agreement adequate and consistent with the public convenience and**
5 **necessity?**

6 A. Yes. The proposed service areas are consistent with the public convenience and
7 necessity and public interest because they optimize utility investment in
8 infrastructure that would facilitate economic development through the
9 construction, development and extension of each utilities' facilities that would
10 provide reasonable and proper service to customers without unnecessary
11 duplication and economic waste (*See* Section 62-9-3(1)(B), 1978 NMSA).
12 Further, establishing exclusive service areas promotes regulatory efficiency and
13 collaboration between utilities by avoiding potential conflicts and minimizing
14 disputes regarding new loads and expansion of existing loads in the other utility's
15 service area. *See* Section 62-9-6 of the PUA.

16 **Q. How does the Boundary Agreement promote administrative efficiencies?**

17 A. The Boundary Agreement simplifies the regulatory process by avoiding boundary
18 and/or service disputes between CVEC and SPS, thus eliminating delay in the

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1 planning and construction of new or expanded facilities to meet customer needs.
2 Separate and distinct service areas will also lower costs and decrease the time
3 necessary for installing new or expanded service by eliminating the need for each
4 utility to investigate the location of the nearest facility and determine which utility
5 should be serving the new or additional service request. Finally, the Boundary
6 Agreement promotes certainty for both SPS and CVEC, as well as each utility's
7 customers, by allowing each utility to effectively, and more efficiently,
8 communicate the utility's service area rights and obligations with their respective
9 customers. The rules and criteria agreed to by CVEC and SPS (as set forth under
10 the terms and conditions of the Boundary Agreement) establish a process to
11 address new and expanded service requests, whether located in CVEC's or SPS's
12 proposed service areas.

13 **Q. If the Commission approves the Boundary Agreement, will additional**
14 **Certificates of Public Convenience and Necessity be required for SPS and**
15 **CVEC to provide service in each designated service area?**

16 A. No. Both SPS and CVEC currently have the requisite authority to provide service
17 in the areas specified in the Boundary Agreement. However, if for any reason,
18 the Commission determines that SPS or CVEC needs additional authority to serve

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1 the areas established in the Boundary Agreement, SPS and CVEC request that the
2 Commission grant such additional authority in this case.

3 **Q. Does the Boundary Agreement address the rates charged by SPS and CVEC,**
4 **or the service standards established under Chapter 8 of the PUA?**

5 A. No. The Boundary Agreement is intended to provide clarity for customers as to
6 which utility is responsible for service in a given area. The Boundary Agreement
7 does not address rates charged by each utility or the service standards established
8 by the Commission.

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

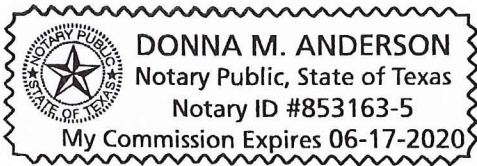
10 A. Yes.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF POTTER)

BRYAN P. KAUFFMAN, first being sworn on his oath, states:

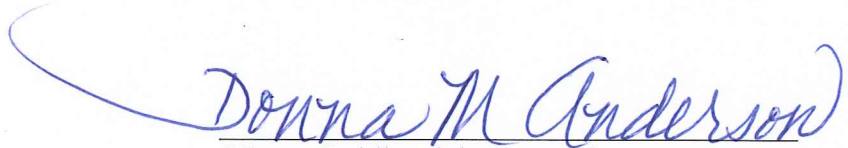
I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachment and am familiar with their contents. Based upon my personal knowledge, the facts stated in the direct testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.





BRYAN P. KAUFFMAN

SUBSCRIBED AND SWORN TO before me this 18 day of July 2019 by
BRYAN P. KAUFFMAN.



Notary Public of the State of Texas
My Commission Expires: 6/17/2020

BOUNDARY AND SERVICE AREA AGREEMENT

INTRODUCTION

This Boundary and Service Area Agreement (“Boundary Agreement” or “Agreement”) memorializes the agreements between Southwestern Public Service Company (“SPS”) and Central Valley Electric Cooperative (“CVEC”) that: (1) establish new exclusive service areas for SPS and CVEC, which are identified, depicted and described in Exhibits A and B; (2) authorize SPS and CVEC to serve existing and expanded customer loads in their exclusive service areas; (3) authorize SPS and CVEC to continue to maintain and operate their existing facilities that extend into the other utility’s newly established service area as specifically identified and depicted in Exhibit A, which will be subject to the requirements and limitations established in this Agreement; (4) identify the location of distribution lines within each utility’s newly established service area that extend into the other utility’s service area as depicted on Exhibit A; and (5) establish requirements to be followed by SPS and CVEC in addressing customer requests for new or expanded service (i.e., accounts/meters) from their respective facilities identified in Exhibit A.

RECITALS

A. SPS and CVEC are public utilities subject to rate and service regulations by the New Mexico Public Regulation Commission (“NMPRC” or “Commission”) pursuant to the New Mexico Public Utility Act, NMSA 1978, Sections 62-3-1 et seq.

B. SPS and CVEC provide electric service within the areas identified on Exhibits A and B of this Boundary Agreement, pursuant to certificates of public convenience and necessity for their utility plant or facilities issued by the NMPRC.

C. To avoid potential disputes regarding each party's right and obligation to serve customers within the service areas covered by Exhibits A and B of this Boundary Agreement, SPS and CVEC have negotiated the voluntary service agreement reflected herein, in accordance with the provisions of NMSA 1978, Section 62-9-7 (which authorizes the Commission to approve/oversee and regulate voluntary service agreements between public utilities).

D. This Boundary Agreement will facilitate SPS's and CVEC's development of utility plants and facilities in the subject areas without unnecessary service duplication and economic waste. It will assist SPS and CVEC in providing reasonable and proper service in their respective service areas and will avoid potential delays in providing service and the cost of administrative proceedings to address potential disagreements about the appropriate service provider.

Based on these matters, SPS and CVEC agree as follows:

TERMS AND CONDITIONS

1. Within their respective designated service areas identified and described in Exhibits A and B, SPS and CVEC will each have the exclusive right to provide electric service to all existing and future customers who require such service. Further, SPS and CVEC will each be authorized to continue to provide electric service to existing customer accounts/meters/loads located in the other utility's newly established service area through either utility-owned or customer-owned facilities existing on the date of this Boundary Agreement and thereafter. In this regard, however, SPS and CVEC agree that the level of electric service to be provided by the non-service area utility to the existing customer accounts/meters/loads may not be upgraded, expanded, or modified (i.e., beyond the addition of secondary meters upon facilities existing on the date of this Boundary Agreement to serve load for existing customers).

2. When a current customer requests new or expanded service from the non-service area utility, the utility receiving the request for service will perform a study of its existing facilities to determine whether the requested new or expanded service can be provided by the non-service area utility from existing facilities without requiring upgrades to its facilities (such as increasing primary meter size, conductor size, installation of voltage regulators or capacitor). If the study determines that any upgrades would be required for the non-service area utility to provide the requested service, then the non-service area utility cannot serve the new or additional load unless there is a written agreement between SPS and CVEC that authorizes such service in accordance with paragraph 4 below. SPS and CVEC affirm that if the existing facilities being evaluated in the study by the non-service area utility also serves customer load within its exclusive service area, these facilities may be upgraded without limitation for the purpose of providing service to new and expanded loads being developed within its exclusive service area. However, those upgraded facilities may not be used to serve any new or expanded loads that are located outside of the utility's exclusive service area.

3. In relation to customer requests for either SPS or CVEC to provide new or expanded service in the other utility's exclusive service area that would require the non-service area utility to upgrade its facilities, the non-service area utility will advise the customer that the requested new or expanded service must be provided by the authorized service area utility.

4. If the authorized service area utility determines it is not able to provide the requested service in its exclusive service area, then SPS and CVEC may agree in writing to allow the non-service area utility to serve the new or expanded load, subject to the terms and conditions of the parties' written agreement. If such an agreement is executed by the utilities, SPS and CVEC will jointly file the appropriate documentation with the NMPRC that requests

Commission acceptance or approval of the agreement as the basis for the non-service area utility providing the requested service.

5. In the event a new customer submits a request to either SPS or CVEC for a point of service at the primary voltage level that would be located within one mile of the SPS/CVEC boundary line established by this Agreement, the utility receiving the request will provide written notice to the customer, as well as the other utility, advising the customer of the existence of each utility's exclusive service area established in the Boundary Agreement.

6. If a customer offers to sell its customer-owned line/facility in the area covered by the Boundary Agreement to either SPS or CVEC that is located in the exclusive service area of the other utility, then the non-service area utility that receives the offer cannot acquire the line/facility without obtaining written authorization of the proposed acquisition from the service area utility. If such authorization is granted to the non-service area utility, and the acquisition is consummated, then SPS and CVEC shall update Exhibit A to the Boundary Agreement to incorporate the new facilities acquired by the utility and the updated exhibit shall be filed with the NMPRC.

7. SPS and CVEC desire to memorialize and briefly describe the pre-Boundary Agreement resolution of: (a) a service dispute related to an area referred to as the Steeler lease that is depicted as Line Nos. 10 and 11 on Exhibit A ; and (b) an agreement regarding the line depicted as Line No. 5 on Exhibit A. The Steeler lease matter involved SPS's inadvertent extension of a distribution line into an area where CVEC was already providing service to its customers in Sections 25 and 36 T20S, R27E. The Line No. 5 matter involved a customer owned line served by a primary meter in Section 34, T19S, R29E that extends through a good portion of CVEC territory. For both of these matters, SPS and CVEC agree that SPS will limit

the use of its distribution lines in these areas to serve its existing customer account(s)/meter(s) and SPS will not use the lines to serve any new or expanded loads or accounts located on the CVEC side of what is the newly established boundary line under the Boundary Agreement. SPS and CVEC further agree that SPS will be allowed to use Line Nos. 10 and 11 to provide service to new or existing customers who are located on the SPS side of the boundary, but such service will be subject to SPS providing prior notification to CVEC and the Commission in accordance with applicable Commission rules and regulations. SPS and CVEC further agree that Line No. 5 will not be used to serve any additional load on either side of the boundary line.

8. SPS and CVEC will jointly file an application with the Commission requesting approval of this Boundary Agreement in accordance with NMSA 1978, Section 62-9-7. After this Boundary Agreement has been approved by the Commission, both SPS and CVEC will cause written notice to be given to their existing customer(s) that have customer owned-lines/facilities that extend from either SPS's or CVEC's service area into the other utility's service area. The notice will advise the customer(s): (a) of the existence of this Boundary Agreement and Commission approval of the agreement that establishes SPS's and CVEC's exclusive service areas; (b) that the customer owns lines/facilities that extend from one utility's exclusive service area into the other utility's exclusive service area, and any extension or upgrade of those lines/facilities may impede the authorized service area utility's ability to serve customer load within its exclusive service area, pose a safety hazard and/or create a conflict with the authorized service area utility that may give rise to a dispute; (c) that the customer should coordinate with the authorized service area utility regarding any new or expanded customer-owned lines/facilities that would extend into that utility's service area; and (d) that under the Boundary Agreement, the Commission has jurisdiction and authority over SPS's and CVEC's

newly established service areas, as well as over service arrangements within the utilities' exclusive service areas and proposed new service that extends from a utility's service area into the other utility's service area.

9. This Boundary Agreement also incorporates all other requirements of the New Mexico Public Utility Act (NMSA 1978, Sections 62-3-1, et seq.) and the Commission's applicable rules and regulations.

Dated: June 20, 2019.

SOUTHWESTERN PUBLIC SERVICE
COMPANY

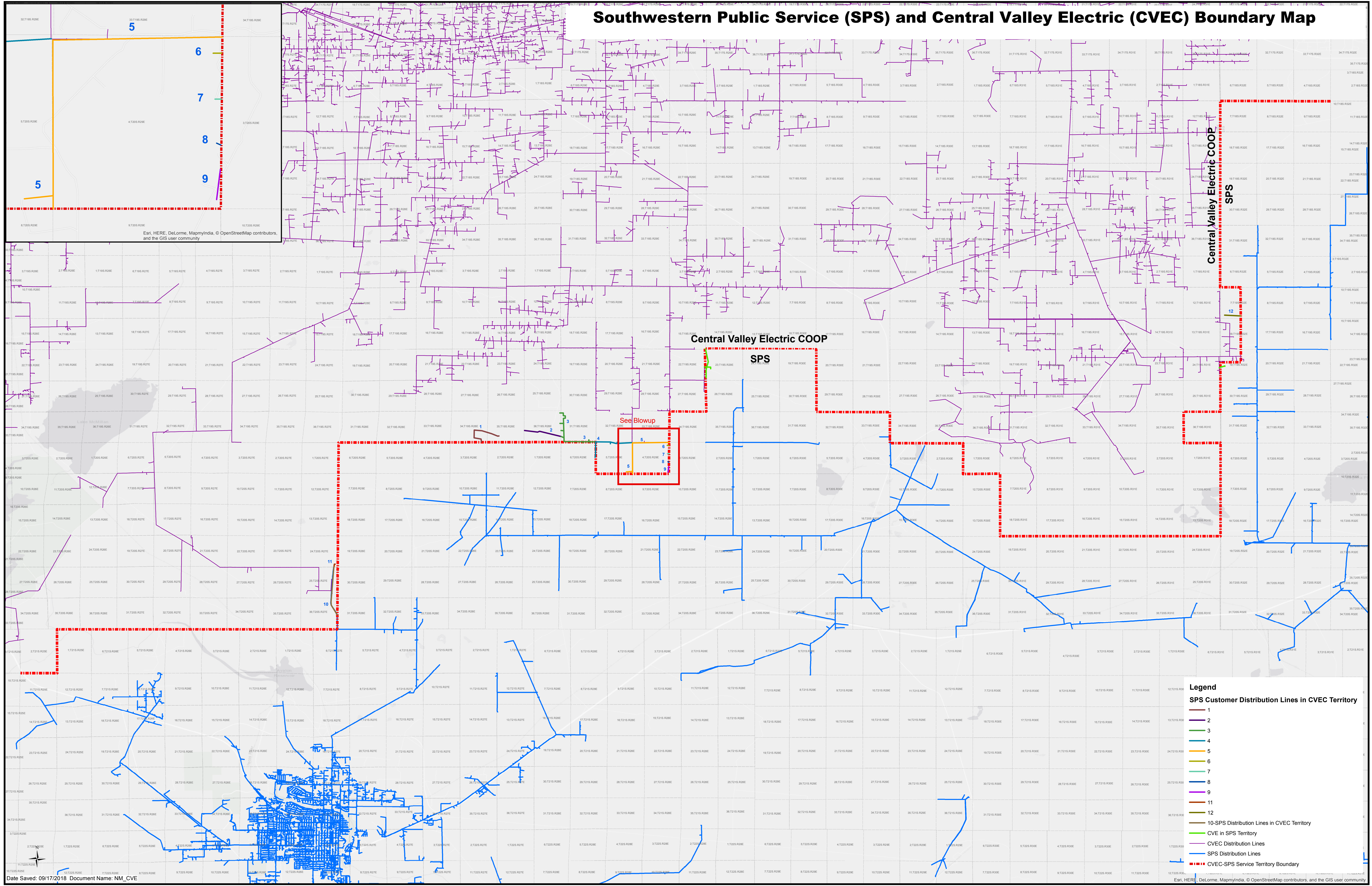
By: David T. Hudson
Title: President, Xcel Energy--New Mexico, Texas

CENTRAL VALLEY ELECTRIC
COOPERATIVE

By: [Signature]
Title: EXECUTIVE V.P. & GM

Exhibit "A"

Southwestern Public Service (SPS) and Central Valley Electric (CVEC) Boundary Map



Legend

SPS Customer Distribution Lines in CVEC Territory

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12

10-SPS Distribution Lines in CVEC Territory

- 10-SPS Distribution Lines in CVEC Territory

CVE in SPS Territory

- CVE Distribution Lines
- SPS Distribution Lines

CVEC-SPS Service Territory Boundary

- CVEC-SPS Service Territory Boundary

Exhibit "B"

Description of the proposed boundary line between Central Valley Electric Cooperative and Southwestern Public Service Company starting north of Carlsbad, New Mexico and extending east to three miles east of the Eddy/Lea County line.

Beginning at the Northwest corner of Section 11, T21S, R25E, thence East along the north line of Section 11 to the Northeast corner of Section 11, T21S, R25E, thence North along the west line of Section 1, T21S, R25E to the Northwest corner of Section 1, T21S, R25E, thence East along the south line of Sections 35 and 36, T20S, R26E and along the south line of Sections 31, 32, 33, 34, 35 and 36, T20S, R27E to the Southeast corner of Section 36, T20S, R27E, thence North along the east line of Sections 36, 25, 24, 13, 12 and 1, T20S, R27E to the Northeast corner of Section 1, T20S, R27E, thence East along the north line of Sections 6, 5, 4, 3, 2 and 1, T20S, R28E and the north line of Section 6, T20S, R29E to the Northwest corner of Section 5, T20S, R29E, thence South along the west line of Section 5 to the Southwest corner of Section 5, T20S, R29E, thence East along the south line of Sections 5 and 4 to the Southeast corner of Section 4, T20S, R29E, thence North along the west line of Section 3, T20S, R29E and west line of Section 34, T19S, R29E to the Northwest corner of Section 34, T19S, R29E, thence East along the north line of Section 34, T19S, R29E to the Northeast corner of Section 34, T19S, R29E, thence North along the west line of Sections 26 and 23, T19S, R29E to the Northwest corner of Section 23, T19S, R29E, thence East along the north line of Sections 23 and 24, T19S, R29E and north line of Section 19, T19S, R30E to the Northeast corner of Section 19, T19S, R30E, thence South along the east line of Sections 19 and 30, T19S, R30E to the Southeast corner of Section 30, T19S, R30E, thence East along the north line of Sections 32 and 33, T19S, R30E to the Northwest corner of Section 34, T19S, R30E, thence South along the west line of Section 34, T19S, R30E, to the Southwest corner of Section 34, T19S, R30E, thence East along the south line of Sections 34 and 35, T19S, R30E, to the Northwest corner of Section 1, T20S, R30E, thence South along the west line of Section 1, T20S, R30E, to the Southwest corner of

Section 1, T20S, R30E, thence East along the south line of Section 1, T20S, R30E to the Southeast corner of Section 1, T20S, R30E, thence South along the west line of Sections 7 and 18, T20S, R31E to the Southwest corner of Section 18, T20S, R31E, thence East along the South line of Sections 18, 17, 16, 15, 14 and 13, T20S, R31E to the Southwest corner of Section 18, T20S, R32E, thence North along the west line of Sections 18, 7 and 6, T20S, R32E, to the Southeast corner of Section 36, T19S, R31E, thence West along the south line of Section 36 to the Southwest corner of Section 36, T19S, R31E, thence North along the west line of Section 36 to the Northwest corner of Section 36, T19S, R31E, thence East along the north line of Section 36 to the Southwest corner of Section 30, T19S, R32E, thence North along the west line of Sections 30 and 19, T19S, R32E, to the intersection of the south edge of Lusk Rd (Co. Rd 248) and the west line of Section 19, T19S, R32E (Lat = $N32^{\circ}38'52.10463''$, Long = $W103^{\circ}48'51.17611''$, WGS-84), thence East along the south edge of Lusk Rd passing through the following points (Lat = $N32^{\circ}38'52.29390''$, Long = $W103^{\circ}48'46.69366''$, WGS-84) (Lat = $N32^{\circ}38'52.22493''$, Long = $W103^{\circ}48'40.68611''$, WGS-84) (Lat = $N32^{\circ}38'52.08261''$, Long = $W103^{\circ}48'33.53743''$, WGS-84) (Lat = $N32^{\circ}38'52.17591''$, Long = $W103^{\circ}48'28.77279''$, WGS-84) to the West line of the NE1/4 of Section 19, T19S, R32E (Lat = $N32^{\circ}38'51.74746''$, Long = $103^{\circ}48'19.95746''$, WGS-84), thence North along the west line of the NE1/4 of Section 19, T19S, R32E and continuing North along the west line of the E1/2 of Section 18, T19S, R32E and North along the west line of the E1/2 of Section 7, T19S, R32E to the Northwest corner of the E1/2 of Section 7, T19S, R32E, thence West along the north line of Section 7, T19S, R32E, to the Northwest corner of Section 7, T19S, R32E, thence North along the west line of Section 6, T19S, R32E, and west line of Sections 31, 30, 19, 18, and 7 T18S, R32E, to the Northwest corner of Section 7, T18S, R32E, thence East along the north line of Sections 7, 8, and 9, T18S, R32E, to the Northeast corner of Section 9, T18S, R32E, being the Point of Ending.

Exhibit "B"

Description of the proposed boundary line between Central Valley Electric Cooperative and Southwestern Public Service Company starting north of Carlsbad, New Mexico and extending east to three miles east of the Eddy/Lea County line.

Beginning at the Northwest corner of Section 11, T21S, R25E, thence East along the north line of Section 11 to the Northeast corner of Section 11, T21S, R25E, thence North along the west line of Section 1, T21S, R25E to the Northwest corner of Section 1, T21S, R25E, thence East along the south line of Sections 35 and 36, T20S, R26E and along the south line of Sections 31, 32, 33, 34, 35 and 36, T20S, R27E to the Southeast corner of Section 36, T20S, R27E, thence North along the east line of Sections 36, 25, 24, 13, 12 and 1, T20S, R27E to the Northeast corner of Section 1, T20S, R27E, thence East along the north line of Sections 6, 5, 4, 3, 2 and 1, T20S, R28E and the north line of Section 6, T20S, R29E to the Northwest corner of Section 5, T20S, R29E, thence South along the west line of Section 5 to the Southwest corner of Section 5, T20S, R29E, thence East along the south line of Sections 5 and 4 to the Southeast corner of Section 4, T20S, R29E, thence North along the west line of Section 3, T20S, R29E and west line of Section 34, T19S, R29E to the Northwest corner of Section 34, T19S, R29E, thence East along the north line of Section 34, T19S, R29E to the Northeast corner of Section 34, T19S, R29E, thence North along the west line of Sections 26 and 23, T19S, R29E to the Northwest corner of Section 23, T19S, R29E, thence East along the north line of Sections 23 and 24, T19S, R29E and north line of Section 19, T19S, R30E to the Northeast corner of Section 19, T19S, R30E, thence South along the east line of Sections 19 and 30, T19S, R30E to the Southeast corner of Section 30, T19S, R30E, thence East along the north line of Sections 32 and 33, T19S, R30E to the Northwest corner of Section 34, T19S, R30E, thence South along the west line of Section 34, T19S, R30E, to the Southwest corner of Section 34, T19S, R30E, thence East along the south line of Sections 34 and 35, T19S, R30E, to the Northwest corner of Section 1, T20S, R30E, thence South along the west line of Section 1, T20S, R30E, to the Southwest corner of

Section 1, T20S, R30E, thence East along the south line of Section 1, T20S, R30E to the Southeast corner of Section 1, T20S, R30E, thence South along the west line of Sections 7 and 18, T20S, R31E to the Southwest corner of Section 18, T20S, R31E, thence East along the South line of Sections 18, 17, 16, 15, 14 and 13, T20S, R31E to the Southwest corner of Section 18, T20S, R32E, thence North along the west line of Sections 18, 7 and 6, T20S, R32E, to the Southeast corner of Section 36, T19S, R31E, thence West along the south line of Section 36 to the Southwest corner of Section 36, T19S, R31E, thence North along the west line of Section 36 to the Northwest corner of Section 36, T19S, R31E, thence East along the north line of Section 36 to the Southwest corner of Section 30, T19S, R32E, thence North along the west line of Sections 30 and 19, T19S, R32E, to the intersection of the south edge of Lusk Rd (Co. Rd 248) and the west line of Section 19, T19S, R32E (Lat = $N32^{\circ}38'52.10463''$, Long = $W103^{\circ}48'51.17611''$, WGS-84), thence East along the south edge of Lusk Rd passing through the following points (Lat = $N32^{\circ}38'52.29390''$, Long = $W103^{\circ}48'46.69366''$, WGS-84) (Lat = $N32^{\circ}38'52.22493''$, Long = $W103^{\circ}48'40.68611''$, WGS-84) (Lat = $N32^{\circ}38'52.08261''$, Long = $W103^{\circ}48'33.53743''$, WGS-84) (Lat = $N32^{\circ}38'52.17591''$, Long = $W103^{\circ}48'28.77279''$, WGS-84) to the West line of the NE1/4 of Section 19, T19S, R32E (Lat = $N32^{\circ}38'51.74746''$, Long = $103^{\circ}48'19.95746''$, WGS-84), thence North along the west line of the NE1/4 of Section 19, T19S, R32E and continuing North along the west line of the E1/2 of Section 18, T19S, R32E and North along the west line of the E1/2 of Section 7, T19S, R32E to the Northwest corner of the E1/2 of Section 7, T19S, R32E, thence West along the north line of Section 7, T19S, R32E, to the Northwest corner of Section 7, T19S, R32E, thence North along the west line of Section 6, T19S, R32E, and west line of Sections 31, 30, 19, 18, and 7 T18S, R32E, to the Northwest corner of Section 7, T18S, R32E, thence East along the north line of Sections 7, 8, and 9, T18S, R32E, to the Northeast corner of Section 9, T18S, R32E, being the Point of Ending.