

DOCKET NO. 51802

**APPLICATION OF SOUTHWESTERN § PUBLIC UTILITY COMMISSION
PUBLIC SERVICE COMPANY FOR §
AUTHORITY TO CHANGE RATES § OF TEXAS**

UPDATE TESTIMONY

of

JEFFREY C. KLEIN

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: KleinRRUpdate.doc; Total Pages: 15)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Capacity-related costs or capacity-related PPA costs	Capacity costs and other components of cost such as variable O&M costs, start costs, and dispatchability payments
MWh	Megawatt Hours
Non-fuel related costs	Components of PPA costs such as variable O&M charges, start costs, and dispatchability payments
PPA	Power Purchase Agreement
Rate Year	Twelve months starting April 1, 2021
RFP	Rate Filing Package
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	October 1, 2019 through September 30, 2020
Total Company or total company	Total SPS (before jurisdictional allocations)
Update Period	October 1, 2020 through December 31, 2020
Updated Test Year	January 1, 2020 through December 31, 2020

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
JCK-RR-U2	Summary of PPA Costs (Filename: JCK-RR-U2.xls)
JCK-RR-U4	Workpapers of Jeffrey C. Klein (Filename: JCK-RR-U4.xls)

**UPDATE TESTIMONY
OF
JEFFREY C. KLEIN**

I. WITNESS IDENTIFICATION

1

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

3 A. My name is Jeffrey C. Klein. My business address is 1800 Larimer Street, Suite
4 1000, Denver, Colorado 80202.

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

6 A. I am employed by Xcel Energy Services Inc. as Manager, Structured Purchases.

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

8 A. I am filing testimony on behalf of Southwestern Public Service Company, a New
9 Mexico corporation (“SPS”).

10 **Q. Are you the same Jeffrey C. Klein who filed direct testimony on behalf of SPS**
11 **in this docket?**

12 A. Yes.

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A. As explained in my direct testimony, SPS is using an Updated Test Year in this case. The Updated Test Year is the period from January 1, 2020 through December 31, 2020. Because of the timing of the filing of this case, my direct testimony included estimates for capacity and other non-fuel related costs (collectively, “capacity-related costs” or “capacity-related PPA costs”) incurred under SPS’s long-term power purchase agreements (“PPAs”) for the period from October 1, 2020 through December 31, 2020 (“Update Period”). My assignment in this update testimony is to replace those estimated capacity-related costs with actual costs. The result of this update is that the Updated Test Year now consists of only actual information for the capacity-related costs incurred under SPS’s PPAs, and no estimates.

Q. Are any of the Rate Filing Package (“RFP”) schedules that you sponsor or co-sponsor updated in this filing?

Q. Please summarize your update testimony and recommendations.

A. For the reasons discussed in my direct and update testimony:

- 1 • SPS reasonably incurred \$73,500,175 (total SPS before jurisdictional
2 allocations, “Total Company” or “total company”) in capacity-related PPA
3 costs during the Updated Test Year, and \$72,085,512 in the Test Year
4 (October 1, 2019 through September 30, 2020).
- 5 • Due to contractually authorized price changes, PPA terminations, and a
6 change in tested capacity, there are known and measurable changes that
7 need to be made to the Updated Test Year data through pro forma
8 adjustments.
- 9 • Capacity-related PPA costs will increase in 2021 by \$3,481,334 (total
10 company) from the amount incurred in the Updated Test Year. The total
11 amount SPS seeks to recover through base rates for capacity-related costs
12 incurred under PPAs for the Rate Year (12 months starting April 1, 2021)
13 is \$76,981,509 (total company).
- 14 • Incurring these costs under the PPAs reviewed or approved, or both, under
15 prior base rate cases and fuel reconciliations is reasonable and necessary to
16 provide SPS’s customers with reliable electric service.

17 **Q. Were Attachments JCK-RR-U2 and JCK-RR-U4 prepared by you or under**
18 **your direct supervision and control?**

19 A. Yes.

20 **Q. Are RFP Schedules H-U12.4a and H-U12.4c true and correct copies of those**
21 **documents?**

22 A. Yes. My staff and I have reviewed these schedules and I believe them to be
23 accurate.

24 **Q. Do you incorporate RFP Schedules H-U12-4a and H-U12.4c into this**
25 **testimony?**

26 A. Yes.

1 **III. LONG-TERM POWER PURCHASE AGREEMENTS**

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

3 A. In the “Long-term Power Purchase Agreements ” Section in my direct testimony, I
4 stated the costs that were incurred by SPS during the Test Year and Updated Test
5 Year, the amount of pro formas SPS is proposing, and the amount for which SPS is
6 seeking recovery of costs. Although the amount incurred in the Test Year has not
7 changed, other numbers have changed due to the replacement of estimates with
8 actuals. This section of my update testimony presents the same information
9 regarding the Updated Test Year with actual costs instead of estimated costs, and
10 includes a table comparing the total amounts that have been updated.

11 **Q. What costs associated with these PPAs does SPS propose to include in its**
12 **Updated Test Year cost of service in this proceeding?**

13 A. Attachment JCK-RR-U2 lists the various charges incurred under PPAs in the Test
14 Year and Updated Test Year and identifies the charges for which SPS is seeking
15 recovery through base rates. SPS proposes to include in its cost of service the Rate
16 Year Costs (12 months starting April 1, 2021), consisting of the Updated Test Year
17 capacity-related costs with pro forma adjustments. In general, the capacity-related
18 costs are those for capacity or demand and non-fuel items, such as variable
19 operation and maintenance charges, dispatchability payments or turbine
20 start/scheduling charges. The Test Year capacity-related costs for all PPAs totaled
21 \$73,756,437 (total company). The Updated Test Year capacity-related costs for all
22 PPAs totaled \$73,500,175 (total company), before considering pro forma
23 adjustments. After considering pro forma adjustments resulting in an increase of
24 \$3,481,334 (total company), the adjusted Updated Test Year capacity-related costs,

or Rate Year costs, for which SPS is requesting recovery are \$76,981,509 (total company).

Q. What estimated amounts that you presented in your direct testimony have you updated to actual amounts in this update filing?

A. I have updated the estimated costs and MWh for November and December 2020 to reflect the actual costs and MWh for those months.

Q. What is the net change in the amount of requested Rate Year capacity-related costs you described in your direct testimony to the amount you sponsor in this update filing?

A. The net change from my direct testimony to this update filing, including consideration of pro forma adjustments, is a \$95,008 (total company) decrease, which brings the total requested Updated Test Year capacity-related costs, or Rate Year costs, to \$76,981,509 (total company).

Q. Please summarize the estimated and actual totals for the long-term PPA Updated Test Year Costs, Pro Forma Adjustments, and Rate Year Costs.

A. The following table summarizes the capacity-related costs SPS is requesting for the Updated Test Year cost of service.

Table JCK-RR-U1

	Updated Test Year (1/1/20-12/31/20)	Pro Forma Adjustment	Rate Year Costs (Updated Test Year with Pro Forma Adjustment) 4/1/21-3/31/22
Totals Shown in Attachment JCK-RR-2 with Estimates for the Update Period	\$73,756,437	\$3,320,080	\$77,076,517
Totals Shown in Attachment JCK-RR-U2 with Actuals for the Update Period	\$73,500,175	\$3,481,334	\$76,981,509

1 **IV. REASONABLENESS OF SPS'S CAPACITY-RELATED COSTS**

2 **Q. Are the actual Rate Year Costs (Updated Test Year capacity-related PPA costs**
3 **with pro-forma adjustments) SPS is requesting in this case reasonable and**
4 **necessary?**

5 A. Yes. As explained in my direct testimony, all costs were incurred under PPAs
6 reviewed and/or approved under prior base rate cases and fuel reconciliations.
7 SPS's purchases were cost effective and made consistent with the terms of the
8 PPAs. Therefore, the costs are reasonable and necessary to provide SPS's
9 customers with reliable electric service. Additionally, adjusting these costs for
10 known and measurable changes is appropriate for the reasons explained in my
11 direct testimony and produces a request for cost recovery of the amounts that are
12 expected to be incurred under the PPAs for the Rate Year, and on an ongoing basis.

13 **Q. Does this conclude your pre-filed update testimony?**

14 A. Yes.

AFFIDAVIT

STATE OF COLORADO)
)
COUNTY OF DOUGLAS)

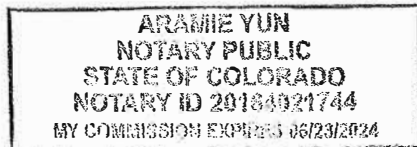
JEFFREY C. KLEIN, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachments and am familiar with their contents. Based upon my personal knowledge, the facts stated in the 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.



JEFFREY C. KLEIN

Subscribed and sworn to before me this 18 day of March 2021 by JEFFREY C. KLEIN.





Notary Public, State of Colorado

My Commission Expires: 06/23/2024

CERTIFICATE OF SERVICE

I certify that on the 25th day of March 2021, notice of the filing of the foregoing update testimony with the PUCT was served on all parties of record by electronic service and was posted to SPS's file sharing platform.

/s/ Jeremiah W. Cunningham

Southwestern Public Service Company

Summary of PPA Costs

Line No.	Contracts	Actual Updated Test Year Costs (1/1/20-12/31/20)	Updated Test Year Pro Forma Adjustment	Calculated Rate Year Costs 4/1/21-3/31/2022
Borger Energy				
1	Capacity Payment	\$ 11,752,067	\$ 118,500	\$ 11,870,567
2	Variable O&M Payment	\$ 3,746,711	\$ 78,876	\$ 3,825,587
Lea Power Partners				
3	Capacity Payment	\$ 46,584,047	\$ 3,050,919	\$ 49,634,966
4	Dispatchability Payment	1,611,840	82,924	1,694,764
5	Variable O&M	9,527,097	233,004	9,760,101
6	Turbine Starts Payment	\$ 154,070	\$ -	\$ 154,070
Tokai Carbon CB Ltd (Formerly Sid Richardson)				
7	Capacity Payment	\$ 91,641	\$ (61,088)	\$ 30,553
8	Variable O&M Charge	\$ 32,702	\$ (21,801)	\$ 10,901
9	Total	\$ 73,500,175	\$ 3,481,334	\$ 76,981,509

Southwestern Public Service Company

Work papers of Jeffrey C. Klein

	Contracts	Actual Updated Test Year Costs (1/1/20-12/31/20)	Actual Updated Test Year MWh (1/1/20- 12/31/20)	Pro Forma Adjustment	Calculated Rate Year Costs 4/1/21- 3/31/2022	Rate Year Calculation Notes
Borger Energy						
	Capacity Payment	\$ 11,752,067		\$ 118,500	\$ 11,870,567	Capacity Payment and Fixed O&M Rate = \$4.374/kW-month effective June 12, 2020 and \$4.442/kW-month effective June 12, 2021 in accordance with PPA and 2021 Fixed O&M rate forecast. Capacity Payment Factor =1.0 based on 12 month billing average through 10/2020. Capacity =223,370 kW as determined by September 2020 capacity test.
	Variable O&M Payment	\$ 3,746,711	1,479,282	\$ 78,876	\$ 3,825,587	Variable O&M Rate = \$2.554/MWh effective June 12, 2020 and \$2.594/MWh effective June 12, 2021 in accordance with 2021 variable O&M rate forecast.

Southwestern Public Service Company

Work papers of Jeffrey C. Klein

	Contracts	Actual Updated Test Year Costs (1/1/20-12/31/20)	Actual Updated Test Year MWh (1/1/20- 12/31/20)	Pro Forma Adjustment	Calculated Rate Year Costs 4/1/21- 3/31/2022	Rate Year Calculation Notes
Lea Power Partners						
	Capacity Payment	\$ 46,584,047		\$ 3,050,919	\$ 49,634,966	Capacity payment rate is \$7.207/kW-month per PPA. Capacity Availability Factor (CAF) = 0.9502 based on 12 month rolling average through 12/2020. 12 month rolling average CAF lower during much of Updated Test Year due to outage in 2019. PPA billing capacity =604,000 kW.
	Dispatchability Payment	\$ 1,611,840		\$ 82,924	\$ 1,694,764	Dispatchability rate=\$.25/kW-month per contract. Dispatch Availability Factor (DAF) of .9353 based on 12 month rolling average through 12/2020. PPA billing capacity = 604,000 kW.
	Variable O&M	\$ 9,527,097	3,795,312	\$ 233,004	\$ 9,760,101	Variable O&M payment rate of \$.2.30 in effect 5/1/20 and \$.2.35 in effect 5/1/21 per the PPA. Updated Test Year includes 12 month booked heat rate adjustment (HRA) of \$856,932. Rate year includes same heat rate adjustment amount.
	Turbine Starts Payment	\$ 154,070		\$ -	\$ 154,070	Same turbine starts payment included in Rate Year.

Southwestern Public Service Company

Work papers of Jeffrey C. Klein

	Contracts	Actual Updated Test Year Costs (1/1/20-12/31/20)	Actual Updated Test Year MWh (1/1/20- 12/31/20)	Pro Forma Adjustment	Calculated Rate Year Costs 4/1/21- 3/31/2022	Rate Year Calculation Notes
	Tokai Carbon CB Ltd (Formerly Sid Richardson)					
	Capacity Payment	\$ 91,641		\$ (61,088)	\$ 30,553	Capacity charge is fixed at \$4.10/kW-month per the PPA. Rate year calculation based on 12 month average monthly billing net capacity = 1,863 kW based on 12 month billing average through 12/2020. Net capacity billing average lower due to effects of pandemic. Calculation based on 4 months billing as PPA terminates 7/31/2021.
	Variable O&M Charge	\$ 32,702	16,351	\$ (21,801)	\$ 10,901	Variable O&M payment rate is fixed in accordance with the PPA at \$2.00/MWh. Pro-rata MWh included in calculation for 4 months as PPA terminates 7/31/2021.
Total		\$ 73,500,175		\$ 3,481,334	\$ 76,981,509	