

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF SOUTHWESTERN )  
PUBLIC SERVICE COMPANY'S )  
APPLICATION REQUESTING )  
APPROVAL OF TWO LONG TERM )  
PURCHASED POWER AGREEMENTS, ) CASE NO. 23-00384-UT  
)  
SOUTHWESTERN PUBLIC SERVICE )  
COMPANY, )  
)  
APPLICANT. )  
)  
\_\_\_\_\_ )**

**DIRECT TESTIMONY**

*of*

**BROOKE A. TRAMMELL**

*on behalf of*

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

## TABLE OF CONTENTS

GLOSSARY OF ACRONYMS AND DEFINED TERMS.....	iii
LIST OF ATTACHMENTS .....	v
I. WITNESS IDENTIFICATION AND QUALIFICATIONS .....	1
II. ASSIGNMENT AND SUMMARY OF TESTIMONY .....	5
III. LTPPA APPLICATION REQUIREMENTS .....	12
A. INCLUDE EVIDENCE THAT THE UTILITY WILL NOT “BECOME IRREVOCABLY OBLIGATED UNDER AN LTPPA WITHOUT FIRST OBTAINING THE [C]OMMISSION’S WRITTEN APPROVAL OF THE AGREEMENT;” .....	12
B. BE “FILE[D] AT THE [C]OMMISSION WITHIN 30 DAYS AFTER THE EXECUTION OF A LTPPA;” .....	12
C. “[B]E SERVED ON [C]OMMISSION STAFF, THE NEW MEXICO ATTORNEY GENERAL AND PARTIES IN THE ELECTRIC UTILITY’S MOST RECENT GENERAL RATE CASE;” AND.....	12
D. INCLUDE THE SUPPORTING TESTIMONY AND EXHIBITS LISTED IN RULE 551.8(D). .....	12
IV. OVERVIEW OF SPS .....	15
V. SPS’S CAPACITY NEED THROUGH 2027 .....	19
VI. ALL-SOURCE RFP (RULE 551.8(D)(9)– (10)).....	25
V. DESCRIPTION OF THE LTPPAS (RULE 551.8(D)(8), (9)) .....	37
VI. FINANCIAL IMPACT AND COST ALLOCATION (RULE 551.8(D)(4), (7)).....	45
VII. TREATMENT OF OFF-SYSTEM SALES FROM THE WILDCAT BESS .....	50
VIII. SPS REQUESTS OF THE COMMISSION .....	52
VERIFICATION.....	53

## **GLOSSARY OF ACRONYMS AND DEFINED TERMS**

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
All-Source RFP	SPS’s recent all-source, competitive solicitation issued to acquire new capacity resources
BESS	Battery Energy Storage System
Borger	Borger Energy Associates, LLC
Borger Facility	230 MW natural gas cogeneration facility
Borger LTPPA	Long-term Power Purchase Agreement with Borger for 230 MW of energy and capacity from the Borger Facility over a 15-year term
CNP	Capacity Need Period
FERC	Federal Energy Regulatory Commission
FPPCAC	Fuel and Purchased Power Cost Adjustment Clause
IE	Independent Evaluator
LTPPAs	Power Purchase Agreements
MW	Megawatt
NMPRC or Commission	New Mexico Public Regulation Commission
NMSU	New Mexico State University
PNM	Public Service Company of New Mexico
PRM	Planning Reserve Margin
PSCo	Public Service Company of Colorado, a Colorado corporation
Recommended Portfolio	SPS Self-Build Projects, LTPPAs, and generating unit life extensions
RFP	Request for Proposals

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
Rule 550	17.9.550 NMAC
Rule 551	17.9.551 NMAC
Southwest Power Pool	Southwest Power Pool, Inc.
SPS	Southwestern Public Service Company, a New Mexico corporation
TNMP	Texas-New Mexico Power Company
Total Company or total company	Total SPS (before jurisdictional allocation)
Wildcat	Wildcat Ranch Energy Storage, LLC
Wildcat BESS	Battery energy storage system owned by Wildcat
Wildcat BESS LTPPA	LTPPA with Wildcat for 48 MW of energy and capacity from Wildcat BESS over a 15-year term
Xcel Energy	Xcel Energy Inc.

## LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
BAT-1	List of Prior Testimony ( <i>Filename:</i> BAT-1.xlsx)

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1                   **I.       WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3   A.     My name is Brooke A. Trammell. My business address is 790 South Buchanan  
4         Street, 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 electric utility subsidiary of Xcel  
8         Energy Inc. (“Xcel Energy”).

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

10  A.     I am employed by SPS as Regional Vice President, Regulatory and Pricing.

11  **Q.     Please briefly outline your responsibilities as Regional Vice President,  
12         Regulatory and Pricing.**

13  A.     I am responsible for providing leadership, direction, and technical expertise related  
14         to regulatory processes and functions for SPS. I manage and oversee regulatory  
15         staff assigned to ratemaking, planning, policy, and resource transition matters. My  
16         duties include the design and implementation of SPS’s regulatory strategy and  
17         programs, as well as the direction and supervision of SPS’s regulatory activities,  
18         including oversight of rate filings, administration of tariffs, rules and forms,  
19         regulatory case direction and administration, compliance reporting, and compliant

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 responses. I oversee the facilitation of the development of policy topics and  
2 advocacy to be included in regulatory filings, as well as the coordination of overall  
3 preparation of filed testimony, attachments, schedules and workpapers to produce  
4 filings in accordance with applicable rules and procedures in the regulatory  
5 jurisdictions in which SPS operates.

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

7 A. I hold a Master of Business Administration from West Texas A&M University, a  
8 Master of Arts in economics with a specialization in public utility regulation from  
9 New Mexico State University (“NMSU”), and a Bachelor of Science in agricultural  
10 economics and agricultural business from NMSU.

11 I have completed technical education programs facilitated by the Edison  
12 Electric Institute and the American Gas Association focused on regulation,  
13 ratemaking, and utility accounting topics as well as completed executive and  
14 professional educational programs at the University of St. Thomas – Minnesota and  
15 the University of Wisconsin – Madison’s Wisconsin Public Utility Institute.

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

17 A. I have worked within Xcel Energy for over a decade, beginning my career with SPS  
18 in September 2012 as a Case Specialist. From January 2014 to June 2016, I was  
19 Manager, Rate Cases, and was responsible for the strategic oversight of SPS’s

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 regulatory activity in Texas. Beginning in 2016, I joined the SPS operating  
2 company leadership team as the Director of Customer and Community Relations.  
3 In June 2018, I accepted the position of Regional Vice President, Rates &  
4 Regulatory Affairs for Public Service Company of Colorado (“PSCo”), the  
5 operating company subsidiary of Xcel Energy that provides electric, natural gas,  
6 and regulated steam service in Colorado. In June 2022, I returned to SPS in my  
7 current role as Regional Vice President, Regulatory & Pricing.

8 Prior to Xcel Energy, I was employed by PNMR Services Company, a  
9 wholly owned subsidiary of PNM Resources, Inc., the parent holding company of  
10 Public Service Company of New Mexico (“PNM”) and Texas-New Mexico Power  
11 Company (“TNMP”). I held various roles in the then pricing and regulatory  
12 services department including Rates Analyst II, Senior Rates Analyst, and Project  
13 Manager, Federal Regulatory Affairs. In these positions, I provided cost of service,  
14 cost allocation, pricing, and rate design analysis to support general rate cases,  
15 audited rate calculations and filing packages, and managed regulatory filings and  
16 proceedings in the company’s retail jurisdictions before managing PNM’s  
17 regulatory proceedings before the Federal Energy Regulatory Commission  
18 (“FERC”) and leading strategic regulatory and transmission policy initiatives.



Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1   **Q.    Have you testified before any regulatory authorities?**

2    A.    Yes. I have previously testified on behalf of SPS in New Mexico Public Regulation  
3           Commission (“NMPRC” or “Commission”) Case Nos. 22-00178-UT, 22-00286-  
4           UT, Case No. 23-00252-UT, and 23-00271-UT. I have also testified on behalf of  
5           SPS in Public Utility Commission of Texas Docket Nos. 42004, 45560, 44498,  
6           53034, 53529, 54634, 54952, 55255, and 55849. I have also submitted written  
7           testimony in Docket No. 39362 on behalf of TNMP, and on behalf of PSCo, I have  
8           testified in numerous proceedings before the Colorado Public Utilities Commission  
9           regarding a variety of topics related to PSCo’s electric, natural gas, and steam utility  
10          services. A list of the regulatory proceedings in which I have testified is provided  
11          as Attachment BAT-1 to my direct testimony.

1                                    **II.     ASSIGNMENT AND SUMMARY OF TESTIMONY**

2     **Q.     Please describe SPS’s request in this proceeding.**

3     A.     SPS is requesting approval of two long-term purchased power agreements  
4            (“LTPPAs”) from dispatchable resources:

5                    (1)     A LTPPA with Borger Energy Associates LLC (“Borger”) for 230  
6                    megawatts (“MW”) of power from Borger’s natural gas cogeneration  
7                    facility (“Borger Facility”) of a 15-year term (“Borger LTPPA”); and

8                    (2)     A LTPPA with Wildcat Ranch Energy Storage, LLC (“Wildcat”) for  
9                    power from a 48-MW battery energy storage system (“BESS”) facility over  
10                   a 15-year term (“Wildcat BESS LTPPA”).

11            In addition, SPS is requesting authorization to recover the New Mexico retail  
12            jurisdictional share of all variable O&M and energy-related costs associated with  
13            the LTPPAs through SPS’s fuel and purchased power cost adjustment clause  
14            (“FPPCAC”) in accordance with 17.9.550 NMAC (“Rule 550”) and 17.9.551  
15            NMAC (“Rule 551”). SPS will request authorization to recover capacity costs in a  
16            base-rate proceeding.

17                    SPS selected the LTPPAs—alongside three self-build solar projects (“SPS  
18            Solar Projects”) and one self-build battery energy storage system project (“SPS

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 Battery Project”) (collectively, “SPS Self-Build Projects”)—in SPS’s 2022 all-  
2 source, competitive request for proposals (“All-Source RFP”), which SPS issued to  
3 acquire new capacity resources. The LTPPAs combined with the SPS Self-Build  
4 Projects and service-life extensions to two existing SPS generation facilities form  
5 SPS’s “Recommended Portfolio,” which SPS is proposing to meet SPS’s system  
6 capacity needs through 2027.

7 SPS is filing this case under Rule 551, which establishes the requirements  
8 and procedures for the approval of LTPPAs “with a term of five years or more and  
9 for which an electric utility seeks or intends to seek rate recovery from its New  
10 Mexico retail customers.”<sup>1</sup>

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

12 A. The primary purpose of my testimony is to present and support SPS’s request for  
13 approval of two LTPPAs. These two LTPPAs are a critical component of SPS’s  
14 “Recommended Portfolio” selected as a result of its recent All-Source RFP.  
15 Together with the SPS Self-Build Projects, and service-life extensions of two  
16 existing gas generating units previously presented in SPS’s application for a

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<sup>1</sup> 17.9.551.7(E) NMAC.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 Certificate of Public Convenience and Necessity (“CCN”) in NMPRC Case No. 23-  
2 00252-UT.<sup>2</sup> SPS’s Recommended Portfolio addresses an approximate 600  
3 megawatt (“MW”) need on SPS’s system through 2027.

4 My testimony will: (1) provide an overview of SPS; (2) demonstrate SPS’s  
5 overall compliance with Rule 551, specifically addressing section 17.9.551.8(A),  
6 (B), (C), and (D)(6)–(10); (3) discuss recovery of the LTPPA costs; and (4)  
7 introduce the other SPS witnesses supporting the application.

8 **Q. Please describe the LTPPAs.**

9 A. SPS has entered into two PPAs for reliable, dispatchable resources that will provide  
10 SPS with approximately 278 MW of competitively priced, necessary system  
11 capacity with long-term price certainty for customers over the LTPPAs’ respective  
12 15-year terms.

13 The first is a new LTPPA with Borger. Borger owns and operates the Borger  
14 Facility, a 230 MW natural gas cogeneration facility capable of providing both  
15 capacity and energy to the electrical grid while simultaneously delivering steam to

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<sup>2</sup> *In the Matter of Southwestern Public Service Company’s Application Requesting: (1) Issuance of a Certificate and Necessity to Construct and Operate Solar Generation and Battery Storage Projects and Associated Facilities; (2) Authorization of Related Ratemaking Principles Including Accrual of an Allowance for Funds Used During Construction; (3) Authorization to Abandon the Cunningham Unit 2 Generating Facility; and (4) Other Associated Relief, Case No. 23-00252-UT (pending).*

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 the adjacent Phillips Petroleum Refinery Complex in Hutchinson County, Texas,  
2 near the city of Borger. The second is the Wildcat BESS LTPPA with Wildcat for  
3 the 48 MW, four-hour duration Wildcat BESS capable of providing both capacity  
4 and energy to the electrical grid over a 15-year term. The Wildcat BESS project  
5 will be located in Cochran County, Texas on the site of the existing Wildcat wind  
6 facility (“Wildcat Wind”), which has been in operation since 2018. NextEra  
7 Energy Inc. (“NextEra”) is the parent company of Wildcat. While Wildcat BESS  
8 will be located at Wildcat Wind, the existing Wildcat Wind LTPPA is contractually  
9 separate and independent of the Wildcat BESS LTPPA.

10 The Borger LTPPA provides much-needed reliable capacity for SPS’s  
11 customers from an existing and currently operating natural gas cogeneration facility  
12 with a guaranteed heat rate. SPS currently contracts for electricity from the Borger  
13 Facility under an existing LTPPA (“Existing Borger LTPPA”). While there are  
14 updated terms in the new Borger LTPPA, costs under the Existing Borger LTPPA  
15 have been consistently reviewed and approved in prior SPS FPPCAC<sup>3</sup> and base rate  
16 case proceedings<sup>4</sup> in which SPS sought to recover costs under the Borger

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<sup>3</sup> Approved in Case No. 19-00315-UT.

<sup>4</sup> Approved in Case No. 22-00286-UT.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 LTPPA. As a currently operating facility, the Borger LTPPA presents minimal  
2 project deliverability risk and has been effectively negotiated with a counterparty  
3 with which SPS has a longstanding relationship. In addition to the valuable  
4 accredited capacity that the Borger LTPPA provides, inclusion of this project in the  
5 Recommended Portfolio represents avoided incremental large generator  
6 interconnection study processes and avoided new interconnection infrastructure.  
7 Importantly, inclusion of the Borger LTPPA delivers an approximate \$128 million  
8 in customer cost savings compared to a Recommended Portfolio without the new  
9 Borger LTPPA.<sup>5</sup>

10 The Wildcat BESS LTPPA also provides necessary capacity for SPS's  
11 customers, has been negotiated with a counterparty who has delivered LTPPA  
12 battery storage projects in other Xcel Energy operating company jurisdictions, will  
13 be interconnected to SPS's system at the existing point of interconnection of  
14 Wildcat Wind under the Southwest Power Pool's surplus interconnection process,

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<sup>5</sup> SPS witness Ben R. Elsey discusses this modeled sensitivity analysis in more detail in his Direct Testimony.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1           thereby increasing the accredited capacity delivered to SPS's system at that location  
2           and avoiding lengthy large generator interconnection study processes.

3   **Q.   What other witnesses are providing testimony on behalf of SPS in this**  
4   **proceeding?**

5   A.   SPS is presenting the testimony of three other witnesses in support of its  
6       application. Table BAT-1 below identifies the SPS witnesses and summarizes their  
7       testimony topics:

Case No. 23-00384-UT  
 Direct Testimony  
 of  
 Brooke A. Trammell

<b>Table BAT-1: SPS Witnesses</b>	
<b>Witness:</b>	<b>Testimony Topics:</b>
Ben R. Elsey	Discusses SPS’s need for additional generating capacity and the process for selecting the LTPPAs as part of the All-Source RFP. Mr. Elsey provides a brief recap of the RFP timeline, solicitation documents, bid evaluation criteria and process, and the role of the Independent Evaluator (“IE”); discusses the process for selecting the LTPPAs as part of the All-Source RFP as well as their costs and benefits. Mr. Elsey specifically addresses the requirements set forth in Rule 551.8(D)(6), (8)– (10).
John L. Bornhofen	Describes the terms of LTPPAs, the contract negotiation process, the associated facilities and construction timelines, the terms of the LTPPAs, provisions related to non-performance under the LTPPAs, and transmission interconnection costs. Mr. Bornhofen specifically discusses the requirements set forth in Rule 551.8(D)(1)– (3), (5).
Ian C. Fetters	Addresses recovery of the energy and capacity costs SPS will incur under the LTPPAs on a total company basis. Mr. Fetters also discusses allocation of Total Company LTPPA costs to SPS’s New Mexico retail jurisdiction. Mr. Fetters specifically addresses the requirements set forth in Rule 551.8(D)(4).

- 1 **Q. Do you sponsor any attachments with your direct testimony?**
- 2 A. Yes. I sponsor Attachment BAT-1.
- 3 **Q. Was Attachment BAT-1 prepared by you or under your direct supervision and**
- 4 **control?**
- 5 A. Yes.





Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 **Q. Will SPS become irrevocably obligated under the LTPPAs prior to the**  
2 **Commission's approval?**

3 A. No. SPS will not become irrevocably obligated under either LTPPA prior to this  
4 application's approval. As further detailed by Mr. Bornhofen, both the Borger  
5 LTPPA and the Wildcat BESS LTPPA provide that they will not be effective until  
6 regulatory approvals are received.

7 **Q. Did SPS file this application within 30 days of the execution the LTPPAs?**

8 A. Yes. Both the Borger LTPPA and the Wildcat BESS LTPPA were executed on  
9 November 10, 2023. Therefore, both LTPPAs were executed within 30 days of the  
10 date this application was filed.

11 **Q. Do you address any of the explanations, descriptions, and exhibits required by**  
12 **Rule 551.8(D)?**

13 A. Yes. I address the following:

14 (D)(6): "evidence that entering into the LTPPA is consistent with the  
15 provision of safe and reliable electric utility service at the lowest reasonable  
16 cost, considering both short and long-term costs and all other relevant  
17 factors;"

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 (D)(7): “evidence of the LTPPA’s impact on the electric utility’s financial  
2 condition and financial metrics;”

3 (D)(8): “evidence that the LTPPA is consistent with the electric utility’s  
4 most recent commission-accepted integrated resource plan unless material  
5 changes that would warrant a different course of action by the electric utility  
6 have occurred, in which case, the testimony shall include justification for  
7 deviation from the integrated resource plan;”

8 (D)(9): “evidence addressing whether a utility-owned generation resource  
9 could have been constructed as an alternative to the LTPPA with greater  
10 benefit to ratepayers;” and

11 (D)(10): “evidence addressing the methodology and criteria by which the  
12 purchased power agreement was selected.”

13 **Q. Do any other SPS witnesses address the Rule 551.8 requirements?**

14 A. Yes. Mr. Elsey, Mr. Bornhofen, and Mr. Fetters each address Rule 551.8 elements.  
15 Table BAT-1 above depicts which witness or witnesses address each element.

1 **IV. OVERVIEW OF SPS**

2 **Q. Please provide a description of SPS's electric operations.**

3 A. SPS is a New Mexico corporation and wholly owned electric utility subsidiary of  
4 Xcel Energy. SPS's total company service territory encompasses a 52,000-square  
5 mile area in eastern and southeastern New Mexico, the Texas Panhandle, and the  
6 Texas South Plains. SPS's primary business as an electric utility is generating,  
7 transmitting, distributing, and selling electric energy. SPS provides retail electric  
8 services in New Mexico and Texas and serves approximately 403,400 customers  
9 and 96 communities in its two-state system. Of those, SPS serves approximately  
10 126,100 customers and 16 communities in New Mexico.

11 SPS's electric system is composed of approximately 24 power plant  
12 generating units, eleven of which are located in New Mexico. SPS has more than  
13 24,000 miles of overhead and underground transmission and distribution lines and  
14 458 substations in its two-state system, including 7,015 miles of transmission and  
15 distribution lines and 137 substations in New Mexico.

16 SPS is a member of the Southwest Power Pool Regional Transmission  
17 Organization and is synchronously connected to the Eastern Interconnection. SPS  
18 is thus in a different resource position than other New Mexico utilities that are

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 members of the Western Electricity Coordinating Council as well as other Texas  
2 utilities that are members of the Electric Reliability Council of Texas (“ERCOT”).

3 SPS personnel have a demonstrated history of operational excellence,  
4 particularly with regard to electric generation maintenance and operations. Many  
5 units in SPS’s generation fleet have been safely and efficiently maintained and  
6 operated well beyond their original engineered design lives. Over many years, SPS  
7 has reliably integrated high levels of intermittent generation, even exceeding the  
8 New Mexico Renewable Portfolio Standard, while managing a customer base with  
9 significant commercial and industrial loads and growing demands, all while  
10 responding to increasingly dynamic market dispatch signals from the Southwest  
11 Power Pool, which optimizes generation output in real-time market operations  
12 across a 14-state footprint. SPS and its predecessor companies have served the  
13 communities of eastern New Mexico for over 100 years with employees dedicated  
14 to providing the electric power that has contributed to the growth of eastern New  
15 Mexico. SPS’s requests in this proceeding aim to continue this track record of  
16 performance by ensuring capacity needs are met in a timely manner but also with  
17 the most reliable and cost-effective resource portfolio.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 **Q. Please describe SPS's current owned generation fleet.**

2 **A.** SPS's current owned generation fleet includes the following resources:

<b>Table BAT-2: SPS's Current Generation Fleet</b>					
<b>Unit Name</b>	<b>In-Service Date</b>	<b>Currently Approved Service Life</b>	<b>Currently Approved Retirement Date</b>	<b>Expected Retirement Date as of 1984</b>	<b>Fuel Type or Fuel Types</b>
Plant X 1	1952	67	2023	1992	Gas
Plant X 2	1953	66	2023	1994	Gas/Fuel Oil
Plant X 3 (retired)	1955	69	2019	1995	Gas
Cunningham 1	1957	62	2023	1997	Gas
Maddox 3	1963	62	2025		Gas
Plant X 4	1964	63	2027	2004	Gas/Fuel Oil
Nichols 1	1960	62	2028	2000	Gas
Nichols 2	1962	61	2027	2000	Gas
Nichols 3	1968	62	2030	2000	Gas
Maddox 1	1967	61	2028	2007	Gas
Cunningham 2	1965	60	2025	2005	Gas
Jones 1	1971	60	2031	2011	Gas/Fuel Oil
Jones 2	1974	60	2034	2014	Gas/Fuel Oil
Maddox 2	1975	50	2025		Gas
Harrington 1	1976	60	2036	2011	Coal/Gas
Harrington 2	1978	60	2038	2013	Coal/Gas
Harrington 3	1980	60	2040	2015	Coal/Gas
Tolk 1	1982	55	2028	2017	Coal/Gas
Tolk 2	1985	52	2028		Coal/Gas
Cunningham 3	1997	43	2040		Gas

Case No. 23-00384-UT  
 Direct Testimony  
 of  
 Brooke A. Trammell

<b>Table BAT-2: SPS's Current Generation Fleet</b>					
<b>Unit Name</b>	<b>In-Service Date</b>	<b>Currently Approved Service Life</b>	<b>Currently Approved Retirement Date</b>	<b>Expected Retirement Date as of 1984</b>	<b>Fuel Type or Fuel Types</b>
Cunningham 4	1997	43	2040		Gas
Jones 3	2011	45	2056		Gas
Jones 4	2013	45	2058		Gas
Quay County	2013	21	2034		Fuel Oil
Hale	2019	25	2044		Wind
Sagamore	2020	25	2045		Wind

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1                   **V.     SPS’S CAPACITY NEED THROUGH 2027**

2     **Q.     What topic do you discuss in this section of your direct testimony?**

3     A.     In this section of my direct testimony, I describe SPS’s need for additional capacity  
4           through 2027, which is driven by continued customer load growth and the need to  
5           replace capacity from retiring generation and expiring LTPPAs.

6     **Q.     Has SPS’s capacity position changed in a manner to necessitate this filing?**

7     A.     Yes. Over the 2024–2027 period, SPS is projecting a capacity shortfall. There are  
8           three primary drivers that impact SPS’s capacity position between 2024 and 2027: (1)  
9           projected customer load growth, especially in southeastern New Mexico; (2) the  
10          retirement of aging SPS gas steam generating units; and (3) the expiration of existing  
11          LTPPAs. Additionally, the Southwestern Power Pool increased its planning reserve  
12          margin (“PRM”) requirement effective Summer 2023, which further contributed to the  
13          need for this filing. Mr. Elsey discusses the changes in SPS’s capacity position in more  
14          detail.



Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 **Q. What is SPS's firm load obligation through 2027 as of the time SPS evaluated**  
2 **the All-Source RFP?**

3 A. As discussed by Mr. Elsey, at the time SPS evaluated bids submitted in response to  
4 the All-Source RFP, SPS's firm load obligation was expected to increase from  
5 4,332 MW in 2024 to 4,735 MW in 2027.

6 **Q. Which existing SPS gas generating units and purchased power agreements are**  
7 **currently scheduled to retire or expire in 2024 through 2027?**

8 A. In total, SPS has 825 MW of generation, with an accredited capacity totaling 500  
9 MW, that is scheduled to retire or expire between 2024 and 2027. This is in addition  
10 to the retirement of Plant X Unit 3 in 2019, and the retirements of Plant X Units 1  
11 & 2, and Cunningham Unit 1 in 2023.

12 **Q. Please discuss the status of SPS's aging gas units.**

13 A. Several of SPS's units have been operating at or beyond their useful lives. SPS has  
14 made every effort to keep these units functioning for as long as possible, but certain  
15 units have reached a point at which further life extensions are not possible,  
16 including Plant X Unit 1, Plant X Unit 2, and Cunningham Unit 1. First, Plant X  
17 Units 1, 2, and 3 were commissioned in 1952 and 1953. Plant X Unit 3 was retired  
18 in 2022. In its most recent base rate case, Case No. 22-00286-UT, SPS requested

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 that Plant X Units 1 and 2 be retired by the end of 2023. Both units have high heat  
2 rates and have been in forced outage, as it is uneconomic to return them to safe  
3 operation. The Commission approved these retirement dates in its order approving  
4 the settlement in Case No. 22-00286-UT.<sup>9</sup>

5 SPS also proposed in its most recent rate case that Cunningham Unit 1,  
6 which was originally placed in service in 1957, be retired by the end of 2023. Like  
7 Plant X Units 1 and 2, Cunningham Unit 1 is no longer economic to operate because  
8 of its high heat rate and operational condition. Cunningham Unit 1 has equipment  
9 conditions that have caused SPS to place it in forced outage and it is uneconomic  
10 to return to safe operations. The Commission also approved the 2023 retirement

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<sup>9</sup> *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 its Plant X Unit 1, Plant X Unit 2, and Cunningham Unit 1 Generating Stations and Amend the Abandonment Date of Tolk Generating Station; and (3) Other Associated Relief, Case No. 22-00286-UT, Final Order Adopting Certification of Stipulation (Oct. 19, 2023).*

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 date for Cunningham Unit 1 in its order approving the settlement in Case No. 22-  
2 00286-UT.

3 Additionally, in SPS's most recent rate case, extensions of Nichols Units 1  
4 and 2 were proposed and approved.

5 Further, Cunningham Unit 2 and Maddox Unit 2 are currently set to retire  
6 in 2025. In contrast to Plant X Units 1 and 2 and Cunningham 1, these two units  
7 can still provide useful capacity for a period beyond their current retirement dates.  
8 As explained in Case No. 23-00252-UT, SPS intends to extend the lives of these  
9 units as part of SPS's Recommended Portfolio.<sup>10</sup> Cunningham Unit 2 will be  
10 extended through the period until the Cunningham 2 solar facility is brought online  
11 and Maddox Unit 2 will be extended at least through 2028. SPS will adjust

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<sup>10</sup> *In the Matter of Southwestern Public Service Company's Application Requesting: (1) Issuance of a Certificate and Necessity to Construct and Operate Solar Generation and Battery Storage Projects and Associated Facilities; (2) Authorization of Related Ratemaking Principles Including Accrual of an Allowance for Funds Used During Construction; (3) Authorization to Abandon the Cunningham Unit 2 Generating Facility; and (4) Other Associated Relief, Case No. 23-00252-UT (pending).*

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 depreciation expense associated with these unit life extensions in a future base rate  
2 case.

3 **Q. Please describe SPS's LTPPAs that are currently set to expire by 2027.**

4 A. As described in detail in Mr. Elsey's testimony, SPS has four LTPPAs (including  
5 the existing Borger LTPPA) totaling 581 MW of nameplate capacity that are  
6 expiring between 2024 and 2027. The expiration of these agreements is also  
7 contributing to SPS's capacity shortfall through 2027.

8 **Q. Please describe SPS's overall capacity position beginning in 2024.**

9 A. As presented in SPS's CCN application in Case No. 23-00252-UT, at the time of  
10 SPS's RFP issuance, SPS was projecting a capacity need beginning in 2024 and  
11 through 2027. As shown in Table BAT-3 below, at the time that SPS evaluated the  
12 bids submitted in response to the RFP in the spring of 2023, SPS projected an  
13 accredited capacity need of 224 MW in 2026 and 527 MW in 2026 and 2027  
14 respectively.<sup>11</sup> These projections reflect the Southwest Power Pool's increased  
15 PRM of 15%. SPS's capacity need in 2026 and 2027 must be addressed through  
16 additional capacity.

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<sup>11</sup> Accredited capacity refers to the amount of a resource's capacity that may be counted towards serving a utility's planned system peak demand. A resource's accredited capacity may be significantly lower than its nameplate capacity, which refers to the maximum generation capability of a unit.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

<b>Table BAT-3: System Capacity Need (New Mexico Position)</b>					
<b>Line:</b>	<b>Description:</b>	<b>2024:</b>	<b>2025:</b>	<b>2026:</b>	<b>2027:</b>
1	Current Accredited Capacity (MW)	5,418	5,411	5,158	4,918
2	Firm Load Obligation (MW) (Spring 2023 Forecast)	4,332	4,580	4,680	4,735
3	Southwest Power Pool PRM (MW)	650	687	702	710
4	Capacity Need (MW)	4,982	5,267	5,382	5,445
5	<b>PRM Capacity Surplus or (Shortfall)</b>	<b>436</b>	<b>144</b>	<b>(224)</b>	<b>(527)</b>

1 **Q. What do you mean by SPS's New Mexico capacity position?**

2 A. The MW amounts in Table BAT-3 reflect systemwide figures; however, the amount  
3 of SPS's accredited capacity differs between SPS's New Mexico and Texas  
4 jurisdictions due to differences in the approved portfolio of resources in each state.  
5 The Current Accredited Capacity figure in Table BAT-3 includes accredited  
6 capacity from all resources approved by the Commission.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1                                   **VI. ALL-SOURCE RFP (RULE 551.8(D)(9)– (10))**

2   **Q. Please describe the All-Source RFP issued by SPS in November 2022.**

3   A. SPS issued the All-Source RFP on November 28, 2022, seeking firm proposals for  
4       projects that would provide accredited capacity needed between 2024 and 2027  
5       (Capacity Need Period or “CNP”). The RFP was open to all resource types,  
6       including, but not limited to, firm and dispatchable generation, wind, solar, wind  
7       plus storage, solar plus storage, and stand-alone storage. Both existing and new  
8       generating resources were eligible. To ensure that SPS received bids for projects  
9       that would be operational within the CNP, SPS provided options that would replace  
10      existing generation in order to utilize existing interconnection facilities as well as  
11      requested bids for build-transfer projects or LTPPAs for projects not at SPS’s  
12      existing generation sites that had firm commercial operation dates within the CNP.

13                   Prior to the issuance of the All-Source RFP, SPS engaged a third-party IE  
14      to participate in all aspects of the All-Source RFP to ensure that the process was  
15      transparent and fair. The IE reviewed SPS’s separation protocols and monitored  
16      the firewall between the team evaluating the RFP bids and the team that developed  
17      SPS self-build project bids, as well as the bid evaluation process and scoring  
18      process, communications with bidders, and reviewing the modeling process and

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 results. SPS has provided the IE's report as Attachment BRE-1 to the Direct  
2 Testimony of Mr. Elsey.

3 **Q. Please describe the responses received in response to the All-Source RFP.**

4 A. SPS received and considered 78 proposals from five companies that proposed five  
5 technologies: natural gas, hydrogen, solar, wind, and BESS.

6 **Q. How did SPS choose the projects that are part of the Recommended Portfolio?**

7 A. As described in further detail in the direct testimony of Mr. Elsey, SPS evaluated  
8 the proposals received through the RFP process and reviewed by the IE and used  
9 production cost model software (EnCompass) to select the lowest cost portfolio of  
10 resources to meet SPS's capacity needs through 2027. SPS then conducted further  
11 qualitative and quantitative review of the modeling results, including extending  
12 retirement dates of existing generation units and inclusion of battery energy storage,  
13 to create the Recommended Portfolio.

14 **Q. Was the All-Source RFP process a reasonable and prudent way for SPS to  
15 procure generation capacity?**

16 A. Yes. SPS's All-Source RFP process allowed for all potential bidders to submit bids  
17 based on the same information and bids were evaluated on the same criteria. Once  
18 the bids were received, the firewalled SPS bid evaluation team and the third-party

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 IE reviewed and compared the bids and evaluated various portfolios analyzed in  
2 EnCompass. The IE's role was particularly critical given that SPS had an internal  
3 bid development team prepare and submit bids. The IE's unbiased analysis helped  
4 ensure that the right resources were chosen to serve SPS's customers' needs in a  
5 reliable and cost-effective way through a transparent process without undue  
6 preference to SPS's self-build projects.

7 SPS's All-Source RFP process allowed SPS to evaluate a range of  
8 alternatives for meeting its capacity needs with the required parameters. These  
9 alternatives included construction of new generation and long-term LTPPAs, as  
10 well as a range of fuel sources and project locations. As described below and by  
11 Mr. Elsey, SPS's All-Source RFP process was transparent and robust.

12 **Q. Please explain the benefits of the All-Source RFP that SPS conducted.**

13 A. SPS's All-Source RFP, including the use of an IE, established a fair and transparent  
14 process for SPS to identify and analyze potential resources to serve its system  
15 capacity and energy needs. The issuance of RFPs generally, paired with predictable  
16 regulatory processes for review and approval of selected resource portfolios, will  
17 generate interest in resource development in and around SPS's service territory.  
18 Such interest benefits SPS customers by stimulating generation development



Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 activities in the region as SPS's capacity needs change over time. Additionally,  
2 SPS's communities and regional economies stand to benefit as investment, jobs,  
3 and economic activity follow and additional opportunities for SPS's workforce are  
4 created through SPS's generation fleet transition. These factors are especially  
5 important in the context of SPS's 2023 Integrated Resource Plan, which was filed  
6 on October 13, 2023, and includes a modeled need potentially ranging from  
7 approximately 5,000 to 10,000 MWs of additional resources by 2030.<sup>12</sup>

8 **Q. Please describe the nameplate capacity of the resources that are part of the**  
9 **Recommended Portfolio.**

10 A. The nameplate capacity of the resources that make up the Recommended  
11 Portfolio are listed in the following table:

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<sup>12</sup> *In the Matter of Southwestern Public Service Company's 2023 Integrated Resource Plan for New Mexico*, Case No. 23-00073-UT, SPS 2023 Integrated Resource Plan for Period 2024 through 2043 in Compliance with 17.7.3 NMAC (Oct. 13, 2023).

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1

<b>Table BAT-4 Recommended Portfolio</b>				
<b>Resource</b>	<b>Structure</b>	<b>Resource Type</b>	<b>Maximum Capability</b>	<b>Location</b>
Plant X Solar Project	Self-build	Solar	150 MW	Lamb County, Texas
Cunningham 1 Solar Project	Self-build	Solar	72 MW	Lea County, New Mexico
Cunningham 2 Solar Project	Self-build	Solar	196 MW	Lea County, New Mexico
Cunningham 1 Battery Project	Self-build	BESS	36 MW	Lea County, New Mexico
Borger LTPPA	LTPPA	Natural gas	230 MW	Hutchinson County, Texas
Wildcat BESS LTPPA	LTPPA	BESS	48 MW	Cochran County, Texas
Cunningham Unit 2	Service-life extension from 2025 to 2027	Natural gas	183 MW	Lea County, New Mexico
Maddox Unit 2	Service-life extension from 2025 to at least 2028	Natural gas	61 MW	Lea County, New Mexico

2           The four self-build projects (“SPS Self-Build Projects”) and the service-life  
3           extensions are addressed in Case No. 23-00252-UT.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1   **Q.    Please describe how the Recommended Portfolio meets SPS’s capacity needs**  
2       **as identified in the All-Source RFP.**

3    A.    As further discussed in the direct testimony of Mr. Elsey, the Recommended  
4       Portfolio meets the capacity needs identified in the All-Source RFP through the  
5       addition of 418 MWs of new solar generation resources, a 230 MW natural gas  
6       cogeneration facility, 84 MW of dispatchable battery energy storage resources, and  
7       life extensions of two existing gas generation units. SPS expects that the new  
8       resources (both the SPS Self-Build Projects and the LTPPAs) will provide  
9       approximately 224 MW of accredited capacity by Summer 2026 and 581 MW of  
10      accredited capacity by Summer 2027.

11                In addition, the service-life extensions of Cunningham Unit 2 and Maddox  
12      Unit 2 will continue to provide a total of 307 MW of valuable existing capacity on  
13      SPS’s system. Table BAT-5 below outlines SPS’s expected near-term capacity  
14      position as a result of the Recommended Portfolio.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1

<b>Table BAT-5: SPS’s System Capacity Need – Recommended Portfolio (New Mexico Position)</b>					
		<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
1	Current Accredited Capacity (MW)	5,418	5,411	5,158	4,918
2	Firm Load Obligation (MW) Spring 2023 Forecast	4,332	4,580	4,680	4,735
3	Planning Reserve Margin (ME)	650	687	702	710
4	Capacity Need (MW)	4,982	5,267	5,382	5,445
<b>5</b>	<b>Spring 2023 Capacity Position (MW)</b>	<b>436</b>	<b>144</b>	<b>(224)</b>	<b>(527)</b>
6	New Resources – Accredited Capacity (MW)	0	0	224	581
<b>7</b>	<b>Resulting Capacity Position w/out Extensions</b>	<b>436</b>	<b>144</b>	<b>0</b>	<b>54</b>
8	Cunningham 2 & Maddox 2 Extension	0	0	245	62
<b>9</b>	<b>Resulting Capacity Position</b>	<b>436</b>	<b>144</b>	<b>245</b>	<b>116</b>

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If the Recommended Portfolio is approved, SPS will add significant amounts of new renewable generation to its system as well as increase resource and technology diversity. The new solar facilities have relatively high levels of accredited capacity, compared to wind generation, and SPS’s continued, diverse mix of dispatchable resources, including the new battery resources, will reliably support the integration of these clean energy resources onto SPS’s system.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1   **Q.   How does the Recommended Portfolio benefit SPS’s customers?**

2   A.   The Recommended Portfolio offers specific benefits to SPS customers in three  
3       primary forms: reliability, cost savings, and reduced project deliverability risk.  
4       First, the Recommended Portfolio provides reliability benefits because the SPS  
5       Self-Build Projects and the LTPPAs bring necessary additional capacity and energy  
6       resources onto SPS’s system. Using existing interconnection facilities avoids the  
7       need for lengthy large generator interconnection studies at the Southwest Power  
8       Pool, allowing SPS to address its capacity needs in a timelier fashion.

9               Second, the Recommended Portfolio is a cost-effective and efficient  
10       solution combining a variety of technologies (including natural gas, batteries, and  
11       solar) at existing points of interconnection to address SPS’s capacity needs through  
12       2027. The projects in the Recommended Portfolio were identified through a  
13       competitive procurement process that sought all types of resources and  
14       arrangements and was closely monitored by a third-party independent evaluator.  
15       This gave the opportunity for all interested parties to submit projects and be  
16       evaluated on equal footing. Utilization of existing interconnection facilities avoids  
17       the need for additional investment in infrastructure to bring near-term capacity  
18       resources online. Specifically with regard to the SPS Self-Build Projects, avoided

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 interconnection facilities are estimated to save SPS customers \$140 to \$440 million  
2 in avoided investment in new interconnection facilities. The SPS Self-Build  
3 Projects also present \$900 million to \$2 billion in avoided fuel cost savings and  
4 approximately \$500 million in tax benefits, which SPS has proposed to return to  
5 customers. The Borger Facility is an existing natural gas cogeneration facility that  
6 is operating today, providing essential reliable and dispatchable generation. Costs  
7 of SPS's current Borger LTPPA are being recovered through SPS's rates so  
8 incremental costs of the facility are relatively minor. Compared to a Recommended  
9 Portfolio without the new Borger LTPPA, SPS's Recommended Portfolio presents  
10 estimated cost savings of approximately \$128 million. Finally, the Wildcat BESS  
11 LTPPA adds dispatchable battery technology at the point of interconnection of an  
12 existing wind facility, further increasing the accredited capacity at that point of  
13 interconnection on SPS's system.

14 Third, the risk of portfolio deliverability of the LTPPAs is reduced given  
15 that the Borger Facility is in operation today and the expected commercial operation  
16 date of the Wildcat BESS is December 2025 and with a commercial counterparty,  
17 NextEra, who has delivered multiple other BESS LTPPA projects in other Xcel  
18 Energy operating company jurisdictions.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1   **Q.    What role do the LTPPAs play as part of the Recommended Portfolio?**

2    A.    The LTPPAs play a critical role in the overall Recommended Portfolio by providing  
3           additional, reliable, and dispatchable capacity. The LTPPAs enable SPS to serve  
4           the needs of its system along with the capacity provided by the SPS Self-Build  
5           Projects. As described in more detail below, the LTPPA is a new LTPPA  
6           negotiated on substantially similar terms as SPS's existing LTPPA with Borger,  
7           which provides reliable generation in a growing part of SPS's service territory. In  
8           addition, the Borger LTPPA provides power from an existing and operational  
9           resource, which means there is minimal project deliverability risk. The Wildcat  
10          BESS LTPPA provides additional dispatchable power and is strategically located  
11          to serve growing needs on SPS's system. As discussed in the testimony of Mr.  
12          Eley, SPS anticipates that the Wildcat BESS may generate energy arbitrage  
13          revenue and revenue from the sale of ancillary services. Together, the LTPPAs  
14          provide needed reliable power and capacity to SPS's system at economically  
15          advantageous prices.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 **Q. Does SPS have any existing PPAs with battery resources?**

2 A. SPS does not currently have any PPAs with battery resources, but SPS's affiliated  
3 operating companies do. Xcel Energy has gained valuable experience in its  
4 administration of PPAs for its other operating companies that will be beneficial in  
5 managing the Wildcat BESS LTPPA.

6 **Q. Please explain what the impact would be if the Commission decided not to**  
7 **approve the LTPPAs?**

8 A. If the Commission were to reject SPS's request for approval of the LTPPAs, SPS  
9 would be unable to fulfill its capacity needs and obligations, creating reliability,  
10 resource-adequacy, and financial risk for SPS and its customers. As a Load  
11 Responsible Entity in Southwest Power Pool, SPS must have sufficient generation  
12 capacity to meet load obligations as well as the Southwest Power Pool's increased  
13 summer PRM. Without the combined 278 MW of capacity from the LTPPAs, SPS  
14 will be capacity deficient in the very near term. All load-serving entities in the  
15 Southwest Power Pool are facing increased capacity requirements, which makes  
16 the availability of capacity through bi-lateral agreements or even short-term market  
17 purchases increasingly unlikely in the future. If SPS is unable to meet its capacity



Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 requirements, SPS will potentially be subject to financial penalties from the  
2 Southwest Power Pool.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1           **V.     DESCRIPTION OF THE LTPPAS (RULE 551.8(D)(8), (9))**

2     **Q.     Please describe the LTPPAS.**

3     A.     As I previously described, the two LTPPAS have 15-year terms: the first for 230  
4           MW from the Borger Facility, and the second for 48 MW, four-hour battery under  
5           the Wildcat BESS. Both LTPPAS were fully executed on November 10, 2023. The  
6           two LTPPAS will provide SPS with approximately 278 MWs of competitively  
7           priced needed system capacity with long-term price certainty for customers over  
8           their respective terms. Mr. Bornhofen describes both LTPPAS in more detail in his  
9           direct testimony, specifically providing an explanation of the key terms and  
10          conditions as well as the other information required by Rule 551.8(D)(2), (3), and  
11          (5).

12    **Q.     Could an SPS-owned generation resource be constructed as an alternative to**  
13    **the LTPPAS with greater benefits to ratepayers?**

14    A.     No. SPS's All-Source RFP solicited both utility-owned projects (including self-  
15          build and build-transfer projects) and power purchase agreements. SPS evaluated  
16          these RFP submissions and created a portfolio to meet SPS's capacity needs by  
17          selecting the projects with the greatest benefit to rate payers. As discussed by Mr.  
18          Elsley, a sensitivity was conducted on the Recommended Portfolio without the

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1           Borger LTPPA and the result was an increase in cost of approximately \$128  
2           million.

3           **Q.    Are the LTPPAs consistent with SPS’s most recent commission-accepted**  
4           **integrated resource plan (“IRP”)?**

5           A.    Yes. As further explained in the direct testimony of Mr. Elsey, the LTPPAs are  
6           consistent with SPS’s amended 2021 IRP—Case No. 21-00169-UT—and proposed  
7           2023 IRP—Case No. 23-00073-UT. SPS’s Statement of Need filed in its 2023 IRP  
8           assumes Commission approval of the Recommended Portfolio.

9           **A.    Borger LTPPA**

10          **Q.    Please describe the terms of the Borger LTPPA.**

11          A.    The Borger LTPPA provides power from the Borger Facility, which is a  
12          cogeneration facility with two gas fired turbines coupled with a heat-recovery steam  
13          generator. Because the Borger Facility is a cogeneration facility subject to a steam  
14          off-take agreement with the adjacent refinery, it is obligated to deliver steam to the  
15          nearby refinery at all times therefore requiring the unit to maintain a minimum  
16          generation of electricity at all times. The refinery operations require that  
17          approximately 67% of the contracted capacity at the Borger Facility operates on a  
18          continuous basis to provide steam to the refinery, which allows SPS to dispatch the

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 remaining 33% depending on system needs. As described in further detail by Mr.  
2 Bornhofen in his direct testimony, the Borger LTPPA provides that Borger must  
3 maintain a Capacity Availability Factor of at least 85% on a rolling basis throughout  
4 the term and, notably, a guaranteed heat rate. These terms provide assurances that  
5 SPS will have the capacity it needs with efficient operations.

6 **Q. Does SPS have a pre-existing contractual arrangement with Borger?**

7 A. Yes. As further explained by Mr. Bornhofen, SPS and Borger are currently parties  
8 to a LTPPA originally executed in 1997<sup>13</sup> that was scheduled to expire in June of  
9 2024. In March of 2023, SPS and Borger amended that contract to extend the  
10 termination date through December 31, 2026. If the Commission approves the new  
11 Borger LTPPA on or before April 30, 2024, the amendment to the Existing Borger  
12 LTPPA will not be effectuated. Should the Commission approve the new Borger  
13 LTPPA on or after May 1, 2024, the amendment to the Existing Borger LTPPA  
14 will be in effect from June 12, 2024, through the commencement date of the new

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<sup>13</sup> *In the Matter of Application of Southwestern Public Service Company for Approvals and Authorization Necessary to: (I) Enter Into a Contract for the Purchase of Capacity and Energy from the Phillips Cogeneration Project; and (II) Contract with its Affiliated Interest, Quixx Corporation, to Purchase Capacity and Energy from that Project, Case No. 2770, Final Order Approving Recommended Decision (Nov. 17, 1997).*

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 15-year Borger LTPPA which will commence on the first day of the second month  
2 after Commission approval is granted.

3 **Q. Are there any conditional terms within the Borger LTPPA?**

4 A. Yes. There are two conditions precedent within the Borger LTPPA that must be  
5 met before it is effective. First, the Borger LTPPA will not be effective until SPS  
6 receives regulatory approval from the Commission. Second, Borger must  
7 successfully extend its current steam supply contract with the adjacent refinery and  
8 a natural gas supply contract. Borger has until November 30, 2023, to execute the  
9 steam and natural gas supply agreements. These agreements are discussed further  
10 by Mr. Bornhofen.

11 **Q. What benefits does the Borger LTPPA provide?**

12 A. The Borger LTPPA provides SPS with 230 MW of needed capacity to serve SPS's  
13 customers. Because a portion of the Borger LTPPA is dispatchable, it will provide  
14 SPS flexibility in serving its capacity needs and the ability to provide ancillary  
15 services and the revenues associated with those services. In addition, the Borger  
16 LTPPA is with an existing facility, which minimizes deliverability risk.

17 Finally, as further discussed by Mr. Elsey, SPS modeled a portfolio with  
18 and without the Borger LTPPA, and found that the Recommended Portfolio without

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 the Borger LTPPA would include approximately \$128 million in additional costs  
2 compared to the Recommended Portfolio inclusive of the Borger LTPPA.

3 **B. Wildcat BESS LTPPA**

4 **Q. Please describe the terms of the Wildcat BESS LTPPA.**

5 A. The Wildcat BESS LTPPA provides for the purchase of power from a 48 MW,  
6 four-hour BESS for a term of 15 years. SPS will purchase contract capacity at a  
7 fixed price as set out in Attachment JLB-4 (CONF) attached to the direct testimony  
8 of Mr. Bornhofen. The fixed capacity price includes the equivalent of 250 charge  
9 and discharge cycles annually, which equates to 48,000 megawatt-hours (“MWh”)  
10 of injected energy (the “Annual Throughput Limit”) into the SPS system. As  
11 further explained by Mr. Bornhofen, there are charges associated with an  
12 exceedance of the Annual Throughput Limit. In addition, if SPS uses less than the  
13 Annual Throughput Limit in any single year, SPS can bank up to 4,800 MWhs of  
14 unused throughput from that year, and inversely if SPS uses more than the limit in  
15 a year, SPS can borrow up to 4,800 MWhs from a subsequent year.

16 Mr. Bornhofen provides additional details regarding the other provisions of  
17 the Wildcat BESS LTPPA including performance guarantees, security  
18 requirements, and reporting requirements.

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 **Q. Are there any conditions within the Wildcat BESS LTPPA?**

2 A. Yes. In line with SPS's model LTPPA, SPS requires the opportunity to seek  
3 Commission approval, as defined in the contract and listed in the definitions of this  
4 testimony, prior to the effectiveness of the Wildcat BESS LTPPA. Wildcat also has  
5 the opportunity to seek management approval for 60 days after the Wildcat BESS  
6 LTPPA is executed or terminate without penalty.

7 **Q. Where is the Wildcat BESS located?**

8 A. Wildcat BESS is located in Cochran County, Texas on the site of the existing  
9 Wildcat Wind Facility. SPS is currently party to a LTPPA to purchase power from  
10 the Wildcat Wind Facility as well.

11 **Q. How does the location of Wildcat BESS at the Wildcat Wind Facility affect**  
12 **SPS?**

13 A. The Wildcat Wind Facility LTPPA is contractually separate and independent of  
14 the Wildcat BESS LTPPA. As further discussed by Mr. Bornhofen in his direct  
15 testimony, Wildcat will interconnect the Wildcat BESS using surplus  
16 interconnection which was studied by the Southwest Power Pool in May 2023.  
17 Wildcat expects to execute the Surplus Interconnection agreement no later than  
18 November 30, 2023. In addition, Wildcat BESS's proximity to Wildcat Wind offers

Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 the ability to locally solve for congestion during periods of system instability.  
2 Finally, the Wildcat BESS performance obligations are independent of the Wildcat  
3 Wind Facility.

4 **Q. Please explain how SPS plans to operate the Wildcat BESS LTPPA?**

5 A. Although SPS will not own Wildcat BESS, SPS will have operation authority over  
6 the BESS, and will use Wildcat BESS to serve SPS load and to participate in the  
7 Southwest Power Pool market depending on the needs of the system. Under the  
8 terms of the LTPPA, SPS will be responsible for both purchasing power to charge  
9 the BESS but will be entitled to any revenues earned by the battery. SPS will charge  
10 the battery with power purchased from the Southwest Power Pool marketplace.

11 **Q. What benefits does the Wildcat BESS LTPPA provide?**

12 A. The Wildcat BESS LTPPA provides SPS with 48 MW of needed capacity to serve  
13 SPS's customers and meet the increased Southwest Power Pool PRM. Wildcat  
14 BESS will be constructed at an existing generation site using the surplus  
15 interconnection process, minimizing any timing risk associated with  
16 interconnection of new facilities. Because Wildcat BESS LTPPA is dispatchable,  
17 it will provide SPS flexibility in serving its capacity needs and the ability to provide  
18 ancillary services and the revenues associated with those services. In addition, the



Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 Wildcat BESS LTPPA could provide energy arbitrage opportunities, which would  
2 produce revenues that would further offset customers costs.



Case No. 23-00384-UT  
Direct Testimony  
of  
Brooke A. Trammell

1 capacity costs. Thus, the variable O&M charge is energy related and varies in the  
2 same way that fuel charges vary upon the level of generation.

3 **Q. What types of charges will SPS incur under the Wildcat BESS LTPPA?**

4 A. As discussed by Mr. Bornhofen, the Wildcat BESS LTPPA contains a capacity  
5 payment. As I discussed previously, SPS will also incur system energy costs to  
6 charge the Wildcat BESS.

7 **Q. How does SPS propose to recover the Wildcat BESS LTPPA capacity  
8 payment?**

9 A. Similar to the capacity payment under the Borger LTPPA, the Wildcat BESS  
10 LTPPA capacity payment will be considered part of fuel and purchased power costs  
11 included in SPS's base rates.

12 **Q. How will the system energy costs incurred to charge the Wildcat BESS be  
13 recorded?**

14 A. Based on recent changes adopted by FERC to its accounting rules, the system  
15 energy costs incurred to charge the SPS Battery Project must be recorded in a  
16 separate subaccount. FERC established Account 555.1 (Purchased Power for

Case No. 23-00384-UT  
Direct Testimony  
of  
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1 Storage Operations), which includes “energy purchased and stored for resale.”<sup>14</sup>  
2 Therefore, SPS will record any such costs associated with charging the Wildcat  
3 BESS in FERC Account 555.1.

4 **Q. Are expenses recorded in FERC Account 555.1 specifically referenced in**  
5 **Commission Rule 550?**

6 A. No. That FERC Account did not exist at the time Rule 550 was adopted; therefore,  
7 it is not listed as one of the FERC accounts that contain eligible fuel expenses.  
8 However, Section 62-8-7(F) of the PUA authorizes utilities to recover the cost of  
9 fuel, purchased power, and taxes through the FPPCAC.

10 **Q. What is SPS’s requested treatment for the costs it intends to book in FERC**  
11 **Account 555.1 associated with charging the Wildcat BESS?**

12 A. SPS is asking the Commission to authorize SPS to treat the expenses associated  
13 with purchased power used to charge the Wildcat BESS as eligible fuel expense.  
14 The expenses associated with charging the Wildcat BESS justify treatment as  
15 eligible fuel expense because, even though the Wildcat BESS addresses a portion  
16 of SPS’s projected capacity shortfall and will increase the reliability of SPS’s power

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<sup>14</sup> 18 C.F.R. pt. 101.

Case No. 23-00384-UT  
Direct Testimony  
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1 supply in a cost-effective manner, it will also be a tool for SPS to utilize to deliver  
2 further fuel cost savings for customers. The Wildcat BESS will allow SPS to store  
3 low-cost power and deploy that power later to serve SPS customers when power  
4 costs are higher, resulting in lower fuel expenses than would otherwise would have  
5 been incurred. In addition, the purchased power costs associated with charging the  
6 battery are effectively no different than SPS's costs associated with power  
7 purchased in the Southwest Power Pool marketplace to serve load. All of these  
8 reasons support a determination that SPS can recover the purchased power costs  
9 needed to charge the Wildcat BESS and booked to FERC Account 555.1 through  
10 its FPPCAC.

11 **Q. What is the overall levelized cost impact for the LTPPAs?**

12 A. The combined levelized cost of capacity for the two LTPPAs is \$8.44/kW-month.  
13 The levelized cost of energy, including both variable O&M and fuel costs, is  
14 \$31.31/MWh. The levelized cost calculations are further explained by Mr. Fetters.

15 **Q. Will the LTPPAs have an impact SPS's financial condition and financial  
16 metrics?**

17 A. Yes. SPS has examined the impact of imputed debt related to the LTPPAs on its  
18 financial metrics. Standard & Poor's Ratings Services views PPAs as creating fixed

Case No. 23-00384-UT  
Direct Testimony  
of  
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1 debt like financial obligations that represent substitutes for debt financed capital in  
2 generation capacity (i.e., a utility that has entered into a PPA has contracted with a  
3 supplier to make the financial investment on its behalf) and therefore merit  
4 inclusion in a utility's financial metrics as though they are part of a utility's capital  
5 structure. The LTPPAs are expected to add approximately \$290 million of imputed  
6 debt in the calculation of SPS's credit metrics.

7 However, the most material potential financial impact is timely cost  
8 recovery, and to the extent SPS is authorized to recover its non-capacity and energy  
9 related costs through fuel in a timely manner, the impact to SPS's financial  
10 condition and financial metrics resulting from the LTPPAs can be managed with  
11 other credit supporting measures including constructive ratemaking determinations  
12 related to cost of capital.



Case No. 23-00384-UT  
Direct Testimony  
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1 benefit possible. SPS has proposed similar treatment for off-system sales made  
2 from the BESS project proposed in Case No. 23-00252-UT.

3 **Q. Why is it reasonable to deviate from the treatment of off-system sales for SPS's**  
4 **other resources?**

5 A. In light of the strategic differences in operating a BESS, SPS will have to dedicate  
6 attention and resources to gain as much value as possible. Therefore, it is  
7 reasonable for SPS to retain 10% of the margins from off-system sales from the  
8 Wildcat BESS while returning 90% of those margins to customers.



1 **VIII. SPS REQUESTS OF THE COMMISSION**

2 **Q. What are SPS's specific requests of the Commission?**

3 A. SPS specifically requests that the Commission provide the following relief:

- 4 1. Authorize SPS to enter into the Borger LTPPA and the Wildcat BESS  
5 LTPPA;
- 6 2. Authorize SPS to recover through its FPPCAC the New Mexico retail  
7 jurisdictional share of variable O&M and fuel costs under the LTPPAs;
- 8 3. Approve SPS's proposal to allow SPS to retain 10% of the margins from  
9 off-system sales of energy from the Wildcat BESS; and
- 10 4. Grant SPS such other approvals, authorizations, and relief as the  
11 Commission deems necessary and proper to allow SPS to implement and  
12 effectuate the relief in the final order issued in this case.

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

14 A. Yes.

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF SOUTHWESTERN )  
PUBLIC SERVICE COMPANY'S )  
APPLICATION REQUESTING )  
APPROVAL OF TWO LONG TERM )  
PURCHASED POWER AGREEMENTS, )  
SOUTHWESTERN PUBLIC SERVICE )  
COMPANY, )  
APPLICANT )**

**CASE NO. 23-00384-UT**

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**VERIFICATION**

On this day, November 21, 2023, I, Brooke A. Trammell, swear and affirm under penalty of perjury under the law of the State of New Mexico, that my testimony contained in Direct Testimony of Brooke A. Trammell is true and correct.

/s/ Brooke A. Trammell  
**BROOKE A. TRAMMELL**

Southwestern Public Service Company

Prior Cases

No.	Case Description	Regulatory Agency	Company
PUCT Docket No. 55849	<i>Application of Southwestern Public Service Company for Approval Review and Approval of Purchased Power Agreements Pursuant to Public Utility Regulatory Act § 36.205</i>	Public Utility Commission of Texas	SPS
NMPRC Case No. 23-00271-UT	<i>In the Matter of Southwestern Public Service Company's Application for Authorization of Large Customer Renewable*Connect Program and Tariff and Other Associated Relief</i>	New Mexico Public Regulation Commission	SPS
PUCT Docket No. 55255	<i>Application of Southwestern Public Service Company to Amend Its Certificate of Convenience and Necessity to Construct Generation Facilities in Lamb County, Texas and Lea County, New Mexico; for Good-Cause Exceptions; and for Related Relief</i>	Public Utility Commission of Texas	SPS
NMPRC Case No. 23-00252-UT	<i>In the Matter of Southwestern Public Service Company's Application Requesting: (1) Issuance of a Certificate of Public Convenience and Necessity to Construct and Operate Solar Generation and Battery Storage Projects and Associated Facilities; (2) Authorization of Related Ratemaking Principles Including Accrual of an Allowance for Funds Used During Construction; (3) Authorization to Abandon the Cunningham Unit 2 Generating Facility; and (4) Other Associated Relief</i>	New Mexico Public Regulation Commission	SPS
PUCT Docket No. 54952	<i>Application of Southwestern Public Service Company to Revise its Fuel Factor Formula; Interim Approval; and for Related Relief</i>	Public Utility Commission of Texas	SPS
PUCT Docket No. 54634	<i>Application of Southwestern Public Service Company for Authority to Change Rates</i>	Public Utility Commission of Texas	SPS
NMPRC Case No. 22-00286-UT	<i>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 Generation Stations and Amend the Abandonment Date of the Tolk Generating Station; and (3) Other Associated Relief</i>	New Mexico Public Regulation Commission	SPS
PUCT Docket No. 53034	<i>Application of Southwestern Public Service Company to Reconcile Fuel and Purchased Power Costs for the Period July 1, 2018 through June 30, 2021</i>	Public Utility Commission of Texas	SPS
PUCT Docket No. 53529	<i>Application of the City of Lubbock, Acting By and Through Lubbock Power &amp; Light, for Authority to Connect the Remaining Portion of its Load with the Electric Reliability Council of Texas and for Approval of Settlement Agreement</i>	Public Utility Commission of Texas	SPS
NMPRC Case No. 22-00178-UT	<i>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</i>	New Mexico Public Regulation Commission	SPS
CPUC Proceeding No. 22AL-0046G	<i>In the Matter of Advice No. 993 - Gas of Public Service Company of Colorado to Revise its Colorado P.U.C. No. 6 - Gas Tariff to Increase Jurisdictional Base Rate Revenues, Implement New Base Rates for All Gas Rate Schedules, and Make Other Proposed Tariff Changes Effective February 24, 2022</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 21A-0298E	<i>In the Matter of the Application of Public Service Company of Colorado for Certificates of Public Convenience and Necessity for Interconnection Facilities and Network Upgrades Associated with the Colorado Energy Plan Portfolio</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 21A-0472G	<i>In the Matter of the Application of Public Service Company of Colorado for a Certificate of Public Convenience and Necessity for the West Metro Gas Project</i>	Colorado Public Utilities Commission	PSCo

Southwestern Public Service Company

Prior Cases

No.	Case Description	Regulatory Agency	Company
CPUC Proceeding No. 21A-0071G	<i>In the Matter of the Verified Application of Public Service Company of Colorado for Approval to Extend the Company's Pipeline System Integrity Adjustment ("PSIA") Rider for Certain Projects Through 2024, with Subsequent Wind-Down of the Rider</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 21A-0370E	<i>In the Matter of the Application of Public Service Company of Colorado for an Order Approving Expenses Incurred for the Period January 2020 through December 2020 that are Recovered Through the Electric Commodity Adjustment and Approving of the Calculation of 2020 Short Term Sales Margins</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 21AL-0317E	<i>In the Matter of Advice Letter No. 1857 - Electric filed by Public Service Company of Colorado to Revise its Colorado P.U.C. No. 8 - Electric Tariff to Revise Jurisdictional Base Rate Revenues, Implement New Base Rates for All Electric Rate Schedules, and Make Other Proposed Tariff Changes to Become Effective August 2, 2021</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 21A-0279E	<i>In the Matter of the Application of Public Service Company of Colorado for Approval to Amend the Certificate of Public Convenience and Necessity for its Advanced Grid Intelligence and Security (AGIS) Initiative</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 21A-0203ST	<i>In the Matter of The Application of Public Service Company of Colorado for Recovery of Costs Associated with the February 2021 Extreme Weather Event for its Steam Utility</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 21A-0192EG	<i>In the Matter of the Application of Public Service Company of Colorado for Recovery of Costs Associated with the February 2021 Extreme Weather Event for its Electric and Gas Utilities</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 21A-0141E	<i>In the Matter of the Application of Public Service Company of Colorado for Approval of its 2021 Electric Resource Plan and Clean Energy Plan</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 21A-0096E	<i>In the Matter of the Application of Public Service Company of Colorado for a Certificate of Public Convenience and Necessity for Colorado's Power Pathway 345 kV Transmission Project and Associated Findings Regarding Noise and Magnetic Field Reasonableness</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 20AL-0432E	<i>In the Matter of Advice No. 1835 - Electric of Public Service Company of Colorado to Revise its Colorado P.U.C. No. 8 - Electric Tariff to Eliminate the Currently Effective General Rate Schedule Adjustments to Place into Effect Revised Base Rates and Other Phase II Tariff Proposals to Become Effective November 19, 2020</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 20A-0082E	<i>In the Matter of the Application of Public Service Company of Colorado for a Certificate of Public Convenience and Necessity for the High Point Substation Project</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 20A-0327E	<i>In the Matter of the Application of Public Service Company of Colorado for an Order Approving Expenses Incurred for the Period January 2019 through December 2019 that are Recovered through the Electric Commodity Adjustment and Approving of the Calculation of 2019 Short Term Sales Margins</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding Nos. 19A-0728E 20A-0063E (consolidated)	<i>In the Matter of the Application of Public Service Company of Colorado for a Certificate of Public Convenience and Necessity for the Voltage Control Facilities Associated with the Colorado Energy Plan</i>  <i>In the Matter of the Application of Public Service Company of Colorado for a Certificate of Public Convenience and Necessity for the Greenwood to Denver Terminal 230 kV Transmission Project Associated with the Colorado Energy Plan, Associated Findings of Noise and Magnetic Field Reasonableness, and Uprate Projects</i>	Colorado Public Utilities Commission	PSCo

Southwestern Public Service Company

Prior Cases

No.	Case Description	Regulatory Agency	Company
CPUC Proceeding No. 19A-0225E	<i>In the Matter of the Application of Public Service Company of Colorado for Approval of its Community Resiliency Initiative Pursuant to § 40-2-203(4), C.R.S.</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 20AL-0049G	<i>In the Matter of Advice No. 961 - Gas of Public Service Company of Colorado to Revise its Colorado P.U.C. No. 6 - Gas Tariff to Increase Jurisdictional Base Rate Revenues, Implement New Base Rates for All Gas Rate Schedules, and Make Other Proposed Tariff Changes Effective March 7, 2020</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 20A-0300E	<i>In the Matter of the Application of Public Service Company of Colorado for Approval of Wildfire Mitigation Plan and Wildfire Protection Rider</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 19A-0425E	<i>In the Matter of the Application of Public Service Company of Colorado for an Order Approving Expenses Incurred for the Period January 2018 Through December 2018 that are Recovered Through the Electric Commodity Adjustment and Approving the Calculation of 2018 Short Term Sales Margins</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 19AL-0687E	<i>In the Matter of Advice Letter No. 1814 - Electric of Public Service Company of Colorado to Revise its Colorado P.U.C. No. 8 - Electric Tariff to Reflect a Modified Schedule RE-TOU and Related Tariff Changes to be Effective on Thirty-Days' Notice</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 19AL-0309G	<i>In the Matter of Advice No. 949 - Gas Filed by Public Service Company of Colorado to Revise its Colorado P.U.C. No. 6 - Gas Tariff to Reflect Revised Rates and Rate Schedules, Revise its Transportation Tariff, and Make Other Proposed Tariff Changes to be Effective on Thirty-Days' Notice</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 19AL-0268E	<i>In the Matter of Advice No. 1797 - Electric of Public Service Company of Colorado to Revise its Colorado P.U.C. No. 8 - Electric Tariff to Implement Rate Changes Effective on Thirty-days' Notice</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 18A-0905E	<i>In the Matter of the Application of Public Service Company of Colorado for Approval of the 500 MW Cheyenne Ridge Wind Project, a Certificate of Public Convenience and Necessity for the Cheyenne Ridge Wind Farm, and a Certificate of Public Convenience and Necessity for the 345 kV Generation Tie Line and Associated Findings of Notice and Magnetic Field Reasonableness</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 17AL-0363G	<i>In the Matter of Advice Letter No. 912 - Gas Filed by Public Service Company of Colorado to Revise its Colorado P.U.C. No. 6-Gas Tariff to Implement a General Rate Schedule Adjustment and Other Rate Changes Effective on 30-Days Notice</i>	Colorado Public Utilities Commission	PSCo
CPUC Proceeding No. 18M-0401E	<i>In the Matter of the Commission's Consideration of the Revised Stipulation and Settlement Agreement Regarding the Incorporation of the Impacts of the Tax Cut and Jobs Act of 2017 Into the Rates of Public Service Company of Colorado for Electric Service</i>	Colorado Public Utilities Commission	PSCo
PUCT Docket No. 44498	<i>Review of Rate Case Expenses Incurred by Southwestern Public Service Company and Municipalities in Docket No. 43695</i>	Public Utility Commission of Texas	SPS
PUCT Docket No. 45560	<i>Application of Southwestern Public Service Company for Authority to Refund Remaining Gain-on-Sale Amounts Associated with Docket Nos. 41430 and 44671</i>	Public Utility Commission of Texas	SPS
PUCT Docket No. 42004	<i>Application of Southwestern Public Service Company for Authority to Change Rates and Reconcile Fuel and Purchased Power Costs for the Period of July 1, 2012 through June 30, 2013</i>	Public Utility Commission of Texas	SPS

Southwestern Public Service Company

Prior Cases

No.	Case Description	Regulatory Agency	Company
PUCT Docket No. 39362	<i>Texas-New Mexico Power Company Request for Approval to Adjust the Energy Efficiency Cost Recovery Factor (EECRF) and Related Relief</i>	Public Utility Commission of Texas	TNMP
PUCT Docket No. 39362	<i>Texas-New Mexico Power Company Request for Approval to Adjust the Energy Efficiency Cost Recovery Factor (EECRF)</i>	Public Utility Commission of Texas	TNMP
CPUC Proceeding No. 20A-0375E	<i>In the Matter of the Application of Public Service Company of Colorado for Approval of the PPA Termination Agreement with KEPCO Solar of Alamosa, LLC and Authority to Establish a Regulatory Asset and Recover Costs Associated with the PPA Termination Agreement through the Electric Commodity Adjustment</i>	Colorado Public Utilities Commission	PSCo

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF SOUTHWESTERN )  
PUBLIC SERVICE COMPANY’S )  
APPLICATION REQUESTING APPROVAL )  
OF TWO LONG TERM PURCHASED )  
POWER AGREEMENTS, )  
 )  
SOUTHWESTERN PUBLIC SERVICE )  
COMPANY, )  
 )  
 )  
 )  
**APPLICANT.** )**

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**CASE NO. 23-00384-UT**

**CERTIFICATE OF SERVICE**

I certify that a true and correct copy of *Southwestern Public Service Company’s Application and the Direct Testimony of Brooke A. Trammell, Ben R. Elsey, John L. Bornhofen and Ian C. Fetters* was electronically sent to each of the following on this 21<sup>st</sup> day of November 2023:

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