

**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*

**IAN C. FETTERS**

*on behalf of*

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

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

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
BESS	Battery Energy Storage Systems
Borger	Borger Energy Associates LLC
Borger LTPPA	230 MW of natural gas generation from the Blackhawk Station in Hutchison County, Texas
FPPCAC	Fuel and Purchased Power Cost Adjustment Clause
kW	Kilowatt
LTPPA	Long-Term Purchase Power Agreements
MW	Megawatt
MWh	Megawatt-hour
NMPRC	New Mexico Public Regulation Commission
O&M	Operations and Maintenance
RPS	Renewable Portfolio Standard
SPS	Southwestern Public Service Company, a New Mexico corporation
SPS Battery Project	36 MW Battery Energy Storage at Cunningham 1
SPS Solar Projects	Plant X Solar Project, Cunningham 1 Solar Project, and Cunningham 2 Solar Project
Total Company	Total SPS (before jurisdictional allocation)
Wildcat	Wildcat Ranch Energy Storage, LLC
Wildcat BESS LTPPA	48 MW battery energy storage system in Cochran County, Texas

**Acronym/Defined Term**

**Meaning**

Xcel Energy

Xcel Energy Inc.

XES

Xcel Energy Services Inc.

## LIST OF ATTACHMENTS

<b><u>Attachment</u></b>	<b><u>Description</u></b>
ICF-1(CONF)	Wildcat BESS PPA Costs ( <i>Filename: ICF-1(CONF).xlsx</i> )
ICF-2(CONF)	Borger PPA Costs ( <i>Filename: ICF-2(CONF).xlsx</i> )

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1                   **I.        WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3   A.     My name is Ian C. Fetters. My business address is 1800 Larimer Street, Denver,  
4           Colorado 80202.

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

6   A.     I am filing testimony on behalf of Southwestern Public Service Company, a New  
7           Mexico corporation (“SPS”), and wholly-owned subsidiary of Xcel Energy Inc.  
8           (“Xcel Energy”).

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

10  A.     I am employed by Xcel Energy Services Inc. (“XES”), the service company  
11           subsidiary of Xcel Energy, as Principal Rate Analyst.

12  **Q.     Please briefly outline your responsibilities as Principal Rate Analyst.**

13  A.     I provide project supervision and technical expertise for jurisdictional cost of  
14           service studies, revenue requirement determinations, and related projects for the  
15           Xcel Energy operating companies, which includes SPS.

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

17  A.     I graduated from Illinois State University in 2010, with a Bachelor of Science  
18           degree in Economics and a minor in Business Administration. In 2012, I graduated  
19           from Illinois State University with a Master of Science degree in Applied

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1 Economics, with a concentration in Electricity, Natural Gas and  
2 Telecommunications.

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

4 A. From August 2012 through February 2016, I worked as a Pricing Analyst for SPS,  
5 developing cost allocation studies and rate design proposals for SPS's Texas and  
6 New Mexico retail jurisdictions. In February 2016, I joined the Revenue  
7 Requirements department of XES as a Senior Rate Analyst, preparing cost of  
8 service studies and regulatory and internal reports for the SPS retail and wholesale  
9 jurisdictions. In February 2019 I was promoted to Principal Rate Analyst, initially  
10 in a specialized role focusing on the development and implementation of new cost  
11 of service models and reports for Public Service Company of Colorado as well as  
12 SPS. I assumed my current duties in October 2021.

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

14 A. Yes. I testified before the New Mexico Public Regulation Commission (  
15 "NMPRC") in SPS's 2013 Renewable Portfolio Standard ("RPS") filing, Case No.  
16 13-00222-UT, as well as SPS's currently pending Grid Modernization Rider filing,  
17 Case No. 22-00178-UT, and currently pending application for a certificate of public  
18 convenience and necessity to construct three solar facilities and a battery energy

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1 storage system, Case No. 23-00252-UT. In addition, I submitted written testimony  
2 in SPS's 2014 and 2015 RPS filings before the NMPRC, Case Nos. 14-00198-UT  
3 and 15-00208-UT, as well as SPS's 2015 base rate case, Case No. 15-00296-UT. I  
4 also submitted written testimony before the Federal Energy Regulatory  
5 Commission in Docket No. ER22-1541-000.



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

2   **Q.    What topics do you address in your testimony?**

3    A.    As explained in more detail by other SPS witnesses, SPS has applied to the NMPRC  
4           for approval of two long-term purchase power agreements (“LTPPAs”) to meet its  
5           capacity needs:

- 6           1.    A 15-year LTPPA with Borger Energy Associates LLC (“Borger”) for 230  
7                MW (“Megawatt”) of natural gas generation from the Blackhawk Station in  
8                Hutchison County, Texas (“Borger LTPPA”); and  
9           2.    A 15-year LTPPA with Wildcat Ranch Energy Storage, LLC (“Wildcat”)  
10           for use of a 48 MW Battery Energy Storage System (“BESS”) in Cochran  
11           County, Texas (“Wildcat BESS LTPPA”).

12           These LTPPAs form part of a “Recommended Portfolio” of new resources which  
13           include three solar projects (“SPS Solar Projects”), one additional BESS (“SPS  
14           Battery Project”), and service life extensions for two of SPS existing thermal plants.  
15           SPS has requested permission to build the SPS Solar Projects and SPS Battery  
16           Project in Case No. 23-00252-UT, which is currently pending in front of the  
17           NMPRC.

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1                   My testimony addresses how SPS proposes to recover the costs of the  
2                   LTPPAs, and an estimate of the rate impact on customers, in satisfaction of NMAC  
3                   551.8(D)(4).

4   **Q.    Are you sponsoring any attachments as part of your direct testimony?**

5   A.    Yes. I am sponsoring attachments ICF-1(CONF) through ICF-2(CONF), which are  
6           included in my List of Attachments.

7   **Q.    Were Attachments ICF-1(CONF) and ICF-2(CONF) prepared by you or**  
8           **under your direct supervision and control?**

9   A.    Yes.

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1                   **IV. COST RECOVERY FOR THE SPS LTPPAS**

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

3    A.    I provide an overview of the process for determining SPS’s Total SPS before  
4           jurisdictional allocation (“Total Company”) annual costs for the LTPPAs. I then  
5           describe the allocation of that Total Company cost to the New Mexico retail  
6           jurisdiction.

7   **Q.    Are the elements of costs for the LTPPAs the same?**

8    A.    Yes. Although I have calculated the forecasted costs for each LTPPA separately,  
9           the inputs used in the calculations are the same. In the following subsections, I  
10          address the major components of the calculations.

11 **Q.    What are the cost elements of the LTPPAs to be recovered?**

12 A.    LTPPAs generally have three types of costs: capacity costs, variable operations and  
13          maintenance (“O&M”) costs, and fuel costs. Capacity costs are recovered through  
14          SPS’s base rates and fuel costs are recovered through SPS’s Fuel and Purchased  
15          Power Cost Adjustment Clause (“FPPCAC”). Variable O&M costs are typically  
16          recovered through SPS’s FPPCAC; however, variable O&M costs associated with  
17          the Borger facility’s existing LTPPA have historically been included in SPS’s base

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1 rates, and SPS is not proposing to change that treatment with the proposed Borger  
2 LTPPA.

3 The Borger LTPPA has all three types of costs: capacity costs, variable O&M costs,  
4 and fuel costs. The Wildcat BESS LTPPA only has capacity costs built into the  
5 contract, and so only capacity costs have been calculated for the Wildcat BESS  
6 LTPPA in my testimony. However, system energy costs will also be incurred in  
7 order to charge the battery; SPS witness Brooke A. Trammell outlines SPS's  
8 request to recover those costs through SPS's FPPCAC.

9 **Q. How did SPS calculate the capacity costs associated with the LTPPAs?**

10 A. SPS calculated the annual capacity costs by multiplying the capacity price per  
11 kilowatt ("kW")-month by the nameplate capacity of each LTPPA and then  
12 multiplying that monthly total by 12 months. The capacity price and nameplate  
13 capacity for each LTPPA were provided by SPS witness John L. Bornhofen.

14 **Q. How did SPS calculate the variable O&M costs associated with the Borger  
15 LTPPA?**

16 A. SPS calculated the variable O&M costs of the Borger LTPPA by multiplying the  
17 variable O&M rate per megawatt-hour ("MWh") by the expected output of the

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1           Borger LTPPA. The variable O&M rate for the Borger LTPPA is detailed by Mr.  
2           Bornhofen. The expected output is a function of the nameplate capacity of the  
3           Borger LTPPA as well as the assumed capacity factor for each year, which is  
4           detailed by Mr. Bornhofen.

5   **Q.   How did SPS calculate the fuel costs associated with the Borger LTPPA?**

6   A.   As discussed in the Direct Testimony of SPS witness Ben R. Elsey, SPS relied on  
7           the EnCompass production cost modeling software to calculate the fuel cost.  
8           Actual fuel costs will fluctuate based on fuel prices incurred during the period in  
9           which the Borger LTPPA is in effect.

10 **Q.   What is the overall levelized cost of capacity and energy for the LTPPAs?**

11 A.   The combined levelized cost of capacity for the two LTPPAs is \$8.44/kW-month.  
12           The levelized cost of energy, including both variable O&M and fuel costs, is  
13           \$31.31/MWh.

14 **Q.   Have you provided an attachment showing the Total Company and New  
15           Mexico costs for the LTPPAs?**

16 A.   Yes. Attachment ICF-1(CONF) provides the Total Company costs, New Mexico  
17           jurisdictional costs, and levelized cost calculations for the Wildcat BESS LTPPA.

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1 Attachment ICF-2(CONF) provides the Total Company costs, New Mexico  
2 jurisdictional costs, and levelized cost calculations for the Borger LTPPA.

3 **Q. How are the costs for the LTPPAs allocated to SPS's New Mexico jurisdiction?**

4 A. Because SPS has entered into the LTPPAs to serve a generation need for its entire  
5 system, it is necessary to allocate the costs associated with the LTPPAs among  
6 SPS's jurisdictions. Capacity costs will be allocated on a production capacity-  
7 related average 12 Coincident Peak production demand allocation factor (a 12CP-  
8 PROD demand allocator), consistent with how capacity costs associated with  
9 system resources are allocated today. Variable O&M and fuel costs will be  
10 allocated with an energy allocator, consistent with how those costs are allocated  
11 today.

12 **Q. How will SPS recover costs associated with the LTPPAs?**

13 A. Capacity costs associated with the LTPPAs will be recovered through base rates.  
14 Variable O&M costs associated with the Borger LTPPA will be recovered through  
15 base rates. Fuel costs associated with the Borger LTPPA will be recovered through  
16 SPS's FPPCAC.

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1 **Q. Are any costs associated with the LTPPAs already included in retail rates?**

2 A. Yes, the Borger facility already has an existing LTPPA whose capacity and variable  
3 O&M costs are included in base rates. The last completed rate case (Case No. 22-  
4 00286-UT) included approximately \$16.5 million (SPS Total Company,  
5 approximately \$6.4 million New Mexico Retail) in the revenue requirement which  
6 are included in retail rates. The incremental costs above those currently included  
7 in base rates are presented in Attachment ICF-2(CONF).

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

9 A. Yes.





**Attachment ICF-1(CONF) is Confidential and will be provided  
under the provisions of the Protective Order**

**Attachment ICF-2(CONF) is Confidential and will be provided  
under the provisions of the Protective Order**



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