DOCKET NO. _____

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

DIRECT TESTIMONY
of
EVAN D. EVANS

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(*Filename:* EvansRRDirect.doc)

Table of Contents

GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym/Defined Term	Meaning
AEP	American Electric Power Company
AMP	Average Monthly Payment
CCOSS	Class Cost of Service Study
Commission	Public Utility Commission of Texas
CSW	Central and South West Corporation
DCRF	Distribution Cost Recovery Factor
EPE	El Paso Electric Company
FERC	Federal Energy Regulatory Commission
Guernsey	C.H. Guernsey & Company
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt-hour
LGS-T	Large General Service – Transmission
NMPRC	New Mexico Public Regulation Commission
OPUC	Office of Public Utility Counsel
PCRF	Purchased Power Capacity Cost Recovery Factor
QF	Qualifying Facility
REC	Renewable Energy Credit
RFP	Rate Filing Package
ROR	Rates of Return
RS	Residential Service
RSH	Residential Service with Electric Space Heating

Acronym/Defined Term	Meaning
SAS-4	Service Agreement Summary-4
SAS-8	Service Agreement Summary-8
SPP	Southwest Power Pool
SPS	Southwestern Public Service Company, a New Mexico corporation
TCRF	Transmission Cost Recovery Factor
Test Year	April 1, 2018 through March 31, 2019
TOU	Time of Use
Update Period	April 1, 2019 through June 30, 2019
Updated Test Year	July 1, 2018 through June 30, 2019
Xcel Energy	Xcel Energy Inc.

LIST OF ATTACHMENTS

Attachment	Description
EDE-RD-1	Proposed Class Revenue Distribution (*Filename:* EDE-RD-1.xls)
EDE-RD-2	Texas Residential Time of Use Marketing Plan (*Filename:* EDE-RD-2.docx)
EDE-RD-3	Communication Plan for Residential Space Heating Customers (*Filename:* EDE-RD-3.docx)
EDE-RD-4	Proposed Residential Service Rate Design (*Filename:* EDE-RD-4.xls)
EDE-RD-5	Alternative Residential Service Rate Design (*Filename:* EDE-RD-6.xls)
EDE-RD-6(CD)	Workpapers of Evan D. Evans (*Filename:* EDE-RD-6.xlsx)

DIRECT TESTIMONY
OF
EVAN D. EVANS

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

Q. Please state your name, business address, and job title.

A. My name is Evan D. Evans. My business address is 790 South Buchanan Street, Amarillo, Texas 79101.

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

A. I am filing testimony on behalf of Southwestern Public Service Company, a New Mexico corporation ("SPS") and wholly-owned electric utility subsidiary of Xcel Energy Inc. ("Xcel Energy").

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

A. I am employed by SPS as Director – Regulatory and Pricing Analysis.

Q. Please briefly outline your responsibilities as Director – Regulatory and Pricing Analysis.

A. My responsibilities include:

- developing and implementing SPS's regulatory program to support Xcel Energy's corporate objectives and to ensure SPS fulfills all legal and regulatory requirements of the Public Utility Commission of Texas ("Commission"), the New Mexico Public Regulation Commission ("NMPRC"), and the Federal Energy Regulatory Commission ("FERC");
- directing the development and execution of all regulatory case filings before both state commissions and the FERC;
- directing regulatory activities that establish and maintain state and federal commission relationships and overseeing the administration of regulatory rules and procedures; and
- providing regulatory support for SPS's participation in the Southwest Power Pool ("SPP").

Q. Please summarize your educational and professional background.

A. I graduated from Texas Tech University with a Bachelor of Business Administration degree in Finance in May 1980.

Upon graduation, I was employed as a Rate Analyst at West Texas Utilities Company, a wholly owned subsidiary of Central and South West Corporation ("CSW"), which was acquired by American Electric Power Company ("AEP") in June 2000. During my 20-year career with CSW and AEP, I held a variety of professional analytical, consultant, and management positions in the rates, regulatory services, load research, and marketing and business development areas.

In October 2000, I joined C.H. Guernsey & Company ("Guernsey"), which is an employee-owned, professional consulting firm offering engineering, architectural, economic, and construction management services to utilities, industries, and government agencies throughout the United States and internationally. While employed with Guernsey, I managed the firm's Dallas regional office and served as a consultant to electric utility industry clients in a variety of areas, including regulatory compliance, integrated resource planning, electric utility cost of service issues, rate studies, financial analysis, economic feasibility analysis, retail electric choice, and wholesale power supply contract negotiations.

In September 2006, I left Guernsey and accepted the position of Director-Regulatory Services with El Paso Electric Company ("EPE"). I was promoted to Assistant Vice President-Regulatory Services and Rates in July 2008. While at EPE, I established the company's Regulatory Case Management and Energy Efficiency & Utilization departments. My responsibilities included direction of the company's

Energy Efficiency & Utilization, Economic & Rate Research, Regulatory Case Management, and Regulatory Accounting departments and their associated missions.

On January 1, 2014, I began my employment with Xcel Energy as Regional Vice President – Rates and Regulatory Affairs for SPS. On March 16, 2017, I became Director – Regulatory and Pricing Analysis for SPS.

Q. Have you testified before any regulatory authorities?

A. Yes. I have testified in multiple cases or dockets and on a variety of subjects before the Commission, the NMPRC, the Georgia Public Service Commission, and the Oklahoma Corporation Commission. I have also submitted testimony before the FERC.

II. ASSIGNMENT, INTRODUCTION OF SPS WITNESSES IN THE RATE DESIGN PHASE, AND SUMMARY OF TESTIMONY

Q. What are your assignments in this proceeding?

A. I am SPS's cost allocation and rate design overview and policy witness. In addition, I support SPS's proposed rate design and sponsor the proposed rate tariffs. Specifically, I will:

(1) introduce the other SPS witnesses in the Rate Design phase of this case;

(2) set out the specific relief that SPS is requesting of the Commission regarding the issues in the Rate Design phase of this case;

(3) describe the Rate Filing Package ("RFP") Schedules that I sponsor or co-sponsor;

(4) describe SPS's proposed distribution of the revenue requirement among the rate classes, and present the proof of revenue for the proposed rates;

(5) explain how SPS has designed the rates necessary to recover the revenue requirement; and

(6) describe the proposed revisions to SPS's Texas retail rule and rate tariffs.

Q. Please summarize your testimony.

A. Using the class cost of service study ("CCOSS") developed by SPS witness Richard M. Luth, I developed the proposed base revenue increases among the Texas retail customer classes, and I have designed rates in such a way as to bring each class to its full cost of service. The fundamental principles utilized in the proposed rate design are based on cost causation. My testimony demonstrates that SPS's proposed sales revenue requirement has been developed in order to move each class significantly toward the calculated cost of providing service to that class. In addition, the individual rates are designed so the rates for each class will adequately recover the proposed revenue requirement by customer class and the rates will

provide rational price signals to customers. I recommend the Commission approve the proposed rate design.

In addition, I present certain tariff revisions that are necessary to implement new policies or to simplify the administration of the tariffs. I also discuss certain tariffs that SPS is proposing to materially modify or eliminate. I recommend the Commission approve the proposed tariff revisions.

Q. Are you the only SPS witness on cost allocation and rate design in this proceeding?

A. No, two additional SPS witnesses testify on cost allocation and rate design issues.

Richard M. Luth:

(1) explains how SPS derived the jurisdictional allocators that are used to allocate costs among SPS's three jurisdictions: Texas retail, New Mexico retail, and wholesale, which is regulated by FERC;

(2) describes the adjustments SPS made to Updated Test Year customer billing data, including the use of year-end customer counts;[1]

(3) explains the calculation of, and adjustments to, SPS's present revenues;

(4) describes the CCOSS and explains how it is developed and used to allocate costs among the customer classes, including the steps undertaken as part of that study to functionalize, classify, and allocate costs; and

(5) provides the baselines for the Transmission Cost Recovery Factor ("TCRF"), Distribution Cost Recovery Factor ("DCRF"), and Purchased Power Capacity Cost Recovery Factor ("PCRF").

Jannell E. Marks:

(1) describes SPS's load research function and the load research information that serves as the primary basis for the development of Updated Test Year

[1] The Test Year in this case is the period from April 1, 2018 through March 31, 2019. Under Public Utility Regulatory Act § 36.112, SPS has opted to update the Test Year. The Update Period is the three-month period from April 1, 2019 through June 30, 2019. The Updated Test Year, which is the period being used to set rates in this proceeding, is the period from July 1, 2018 through June 30, 2019.

demand allocation factors; and

(2) discusses the weather normalization of kilowatt-hour ("kWh") sales and system peaks.

Q. What relief is SPS requesting of the Commission regarding the issues in the Rate Design phase of this case?

A. SPS asks the Commission to grant the following relief regarding the Rate Design phase:

(1) SPS requests the Commission approve SPS's proposed cost allocation and calculation of present revenues;

(2) SPS requests the Commission approve SPS's proposed revenue distribution and rate design;

(3) SPS requests the Commission approve the proposed changes to the rule and rate tariffs;

(4) SPS requests the Commission approve the proposed baselines for SPS's TCRF, DCRF, and PCRF; and

(5) SPS requests the Commission approve the final proposed tariffs as set out in Schedule Q-8.8.

Q. Will your testimony and certain schedules you sponsor be updated?

A. Yes. As explained by SPS witness William A. Grant, SPS is using an Updated Test Year in this case to determine its revenue requirement. Specifically, in determining its proposed revenue requirement, SPS replaced the first three months of the Test Year (April 2018 – June 2018) with the three months of the "Update Period" (April 2019 – June 2019). This election necessarily requires that certain costs provided in SPS's Application will be based on estimated or forecasted data.

SPS will file an update 45 days after filing its Application that will replace the Update Period estimates with actual numbers. As discussed in Mr. Luth's direct testimony, he relied on estimated or forecasted Updated Test Year data for certain

calculations in the CCOSS in order to match the period used to allocate costs with the period in which the costs were incurred. When SPS files its update, Mr. Luth will update the calculations that affect jurisdictional allocation, customer class cost allocation, and present revenue to reflect the actual billing determinants for the Update Period. Based on those updated calculations, I will update SPS's proposed revenue distribution and rate design.

Q. Were Attachments EDE-RR-1 through EDE-RR-6(CD) prepared by you or under your direct supervision or control?

A. Yes.

Q. Were the RFP schedules and portions of the Executive Summary that you sponsor or co-sponsor prepared by you or under your direct supervision or control?

A. Yes.

Q. Do you incorporate the RFP schedules and portions of the Executive Summary that you sponsor or co-sponsor into this testimony?

A. Yes.

III. RATE FILING PACKAGE SCHEDULES

Q. Please identify the RFP schedules that you sponsor or co-sponsor.

A. Table EDE-RD-1 contains the schedules that I sponsor or co-sponsor. I also sponsor the portions of the Executive Summary to which these schedules correspond.

Table EDE-RD-1

Schedule Q *Rate Design*	1, 1.1, 3, 4.1, 4.2, 6, 7, 8.8, and 8.9

Q. Please list the RFP schedules that you will update as part of SPS's September 2017 update filing.

A. As part of SPS's update filing, I will update the following schedules to replace forecasted or estimated data for the Update Period with actual data:

- Schedule Q – 1, 7, 8.8, and 8.9.

Q. In Table EDE-RD-1, you listed a number of Q schedules that you sponsor. Please explain the general purpose of Q schedules.

A. The Q schedules are related to rate design or pricing. I sponsor some of the Q schedules, and other witnesses sponsor some of them.

Q. What do Schedules Q-1 and Q-1.1 contain?

A. Both schedules contain revenue summaries in tabular form by class and for the entire system. Schedule Q-1 relies on forecasted data for the Update Period. Mr. Luth co-sponsors Schedules Q-1 and Q-1.1. For each of these schedules, I provide the rate information necessary to calculate and prepare the revenue summaries.

Q. What does Schedule Q-3 address?

A. Schedule Q-3 contains information regarding proposed changes in miscellaneous charges, including a description of the charge, the current charge amount, the proposed charge amount, and the justification for the proposed change. In this case, the only changes in miscellaneous charges that SPS is proposing are changes to reconnect charges.

Q. Do you also sponsor the Q-4 schedules?

A. Yes. Schedule Q-4.1 contains the present and proposed classes and designations. With this filing, SPS proposes to eliminate the Residential Service with Electric Space Heating ("RSH") rider so that residential customers are grouped into one customer class. The elimination of the RSH rider was part of the Unopposed Stipulation in Docket No. 45524.[2] Schedule Q-4.2 contains the rationale for any changes in class structures or rate design.

Q. What is Schedule Q-6?

A. Schedule Q-6 requires a justification for consumption level-based rates, such as inclining or declining block rates.

Q. What is Schedule Q-7?

A. Schedule Q-7 is the proof of revenue statement showing the expected adjusted billing units, the proposed rates, and the resulting base rate revenues. The proof of revenue is broken out by class. This schedule relies on forecasted data for the Update Period.

[2] *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 45524, Unopposed Stipulation at 8-9 (Dec. 7, 2016), and Final Order at Finding of Fact No. 42, and Ordering Paragraph No. 1 (Jan. 26, 2017).

I co-sponsor this schedule with Mr. Luth. I support the calculation of revenues at proposed rates.

Q. What does Schedule Q-8 address?

A. Schedule Q-8 contains several sub-schedules that summarize rate design. Schedule Q-8.8 contains a complete set of SPS's proposed changes to its rate schedules. And finally, Schedule Q-8.9 contains a bill comparison between present and proposed rates for the residential and small commercial classes.

IV. REVENUE INCREASE DISTRIBUTION

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

A. I describe SPS's proposed methodology for distributing the proposed revenue increases among the customer classes and an alternative revenue requirement distribution that reflects moderation.

Q. What principles have you relied upon in deciding how to distribute the proposed revenue increases among the customer classes?

A. In Docket No. 43695, SPS's last fully litigated base rate case, the Commission declined to adopt any gradualism adjustment.[3] In addition, the Commission acknowledged that one of its primary responsibilities in setting rates was ensuring those rates were, to the greatest extent reasonable, consistent with cost causation.[4] As a result, the rate increases for customer classes were distributed in a manner designed to move each class to equalized rates of return ("ROR"). Therefore, in this rate case, SPS has distributed its revenue increases among its customer classes such that each class is assigned the sales revenue requirement that results from the CCOSS.

Q. Do you have an attachment showing the base rate increases by class?

A. Yes. Attachment EDE-RD-1 shows the proposed base rate increases required for each class to produce the same, Texas average ROR, also referred to as equalized RORs. This approach is consistent with the Commission's Order for SPS in Docket No. 43695.

[3] *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695, Order on Rehearing at 10 (Feb. 23, 2016).

Q. Have you calculated the impacts the proposed base rate increases will have on total bills by class?

A. Yes. Attachment EDE-RD-1 also shows the impact the proposed base rate increases and the projected fuel costs savings for each class will have on total revenues by class. This attachment reveals that although the Large General Service – Transmission ("LGS-T") class has the highest proposed base rate increase at 38.56% and the Primary General Service class has a proposed base rate increase of 23.52%, the total increase in proposed revenues for these two classes of 4.43% and 1.99% is considerably lower than the Texas average percentage total revenues increase of 6.51%. This reflects the fact that fuel costs comprise a larger percentage of the LGST and Primary General Service customers' bills and, therefore, they benefit from the projected large fuel cost reduction more than other classes.

Q. What factors can typically lead to significant variations in required increases by class between rate cases?

A. The RORs produced by classes will vary to some extent between rate cases due to a variety of other factors. Those factors include:

- differences in the composition of costs between test years;
- variances in the hour and day of summer monthly system peaks;
- variations in the composition of customers within classes;
- variations in load and energy growth or decline levels between classes:
- economic factors;
- non-normalized weather differences;

[4] *Id*.

- energy efficiency and technology advancements implemented by customers; and
- unusual events or circumstances that are not normalized and that affect the test year.

V. RATE DESIGN OVERVIEW

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

A. I explain how I designed the rates for each customer class.

Q. What do you mean when you refer to "rate design"?

A. I am referring to the way in which the revenue requirement amount recoverable from a particular class is allocated among demand charges, energy charges, and service availability charges. Collectively, the charges should be sufficient to recover the full amount of the revenue requirement allocated to that class.

Q. Are rates designed for all customer classes in the same way?

A. No. The rate design for a particular class is partly dependent on the resources available to measure how the customer uses electricity. Residential customers, for example, do not have demand meters, so they do not pay demand charges. Instead, all of their costs are recovered through customer charges and energy charges. Similarly, it is not feasible to install a demand or energy meter on each street light, so rates for street lights are based on a per-light charge.

Q. How are customer-related charges recovered?

A. Customer-related costs are billed through a monthly service availability charge that does not vary with monthly differences and that applies to each customer in a customer class. The service availability charge generally recovers costs associated with making service available to a customer, such as meters, meter reading, service connections to the customer from the distribution system, and billing. The charge also covers the fixed costs and operation and maintenance expenses associated with

the facilities installed specifically to serve an individual customer such as meters and service lines.

Q. What costs are recovered through the demand charge element of base rates?

A. The demand charge is designed to recover the fixed capacity portion of the production, transmission, distribution substation, primary distribution, and secondary distribution systems.

Q. How are demand-related costs recovered from customers?

A. Production, transmission, and distribution demand-related costs are billed to the customer classes through a kW ("kilowatt") demand charge, if applicable, or through a kWh charge for customer classes that do not have demand metering and kW demand charges. Billing for demand-related costs varies with differences in monthly kW demand or differences in monthly kWh if a kW demand charge is not billed.

Q. How are energy-related costs billed?

A. Energy-related costs are billed through a kWh charge.

Q. Are the kW or the kWh rates seasonally differentiated?

A. Yes. A seasonal differential is applied to kW demand charges during the summer months of June through September for those customer classes with meters that measure each customer's demand. If the rate does not have a kW demand charge, the kWh rate is seasonally differentiated for the capacity cost share of the rate. KWh rates also have a non-fuel energy cost component that does not vary by season.

Q. Why are the kW or kWh rates seasonally differentiated?

A. A seasonal differential provides a price signal to customers that it is more costly to provide the facilities necessary for service during peak summer months. A higher level of production, transmission, and distribution capacity is necessary to provide

service at higher summer levels, resulting in higher costs than if loads on the system were level in all months.

VI. TIME OF USE RATES

Q. What topics do you address in this section of your testimony?

A. I discuss the experimental Time of Use ("TOU") rate options the Commission approved in Docket No. 43695 and discuss SPS's proposal to make the TOU rate options to be permanent rate options. I also, describe SPS's proposed plan for marketing the TOU rate option to SPS's Texas residential customer, in compliance with the final order in Docket No. 47527. Finally, I discuss that SPS is proposing a single RS rate that eliminates the RSH rider, explain SPS's plan to communicate to current RSH rider customers how the Residential TOU rate option could be a beneficial option for those customers.

Q. What approval did SPS receive in Docket No. 43695 to offer experimental TOU rate options?

A. SPS received Commission authorization to offer experimental TOU rate options to customers in the RS, Small General Service, Secondary General Service, Primary General Service, Small Municipal and School Service, Large Municipal Service, and Large School Service classes. In addition, caps were established on the number of participants for each of the TOU rate offerings.

In SPS's filing in Docket No. 43695, SPS requested authorization to offer the TOU rates to limited numbers of customers as experimental rate options in order to better evaluate the interest in time-differentiated rates, while enabling SPS to ensure that it has sufficient TOU metering equipment and adequate billing processes and systems before offering the options to an unlimited number of customers.

SPS proposed to limit the availability as an experimental option in order to determine whether adjustments in the rates and time intervals would be necessary. Limiting the number of participants enabled SPS to evaluate the structure and responses by customers without affecting a large number of customers.

Q. Please discuss SPS's request to make the TOU rate offerings permanent.

A. SPS is confident it has sufficient TOU metering equipment and has established adequate bill process and systems to administer the TOU rate option for all customers who are interested in pursuing these time-differentiated rates. In addition, SPS believes the structure of the rate and the on-peak and off-peak period definitions are appropriate. Furthermore, in making the TOU rate options permanent, it will remove a potential hesitancy some customers might have to pursue the rate option due to the fact that it was not a permanent rate option.

Q. What plans has SPS developed to communicate to customers about the availability of the TOU rate options?

A. To promote awareness and enrollment in the Time of Use rate option among SPS's Texas residential customers, SPS intends to pursue a multi-faceted approach to communicate to residential customers the attributes and potential benefits of the TOU rider option. This rate will encourage shifting of energy away from the peak hours of 1 – 7 p.m. on summer weekdays. The multi-faceted approach will include information printed on customers' bills, a social media campaign, printed educational handouts, a targeted e-mail campaign, a direct mail campaign, and distribution of new mover kits.

The Texas Residential Time of Use Marketing Plan is contained in Attachment EDE-2, which was provided to the Commission Staff on July 1, 2019, in compliance with the Ordering Paragraph No. 22 in the Final Order for Docket No. 47527. The estimated cost of implementing this marketing plan is $163,598.

Q. Previously in this testimony, you mentioned that SPS is proposing a single RS rate that eliminates the RSH rider. How does the availability of SPS's TOU rates affect customers who are now taking service under the RSH rider?

A. SPS's 2016 base rate case, Docket No. 45524, was resolved in accordance with an Unopposed Stipulation that was approved by the Commission.[5] In that stipulation, SPS agreed to work cooperatively with Staff and the Office of Public Utility Counsel ("OPUC") to develop a plan to: (i) inform RSH customers the RSH option is ending and to communicate to RSH customers the value of the Residential TOU rider; and (ii) market the Residential TOU rider in general.[6] SPS further agreed to implement these plans prior to the conclusion of this base rate case. In Docket No. 47527, Finding of Fact No. 92 stated:

> "92. SPS agreed that, in the application for its next base-rate case, it will propose eliminating the residential space-heating rider and designing a new rate design for the residential class that will moderate the effect of eliminating the rider on residential space-heating customers."

Q. Has SPS developed a plan to inform RSH customers the RSH option is ending?

A. Yes. Attachment EDE-3 contains SPS's Communication Plan for Residential Space Heating Customers. This document was provided to the Commission Staff on July 1,

[5] Docket No. 45524, Final Order at Ordering Paragraph No. 1 (approving SPS application to change rates consistent with unopposed stipulation).

2019, pursuant to Ordering Paragraph No. 21 in the Final Order for Docket No. 47527 that stated:

> 21. SPS must develop a plan to inform residential space-heating customers that the residential space-heating option is ending and to communicate to those customers the value of the residential time-of-use rider. SPS must provide Commission Staff with a copy of that plan no later than July 1, 2019.

Q. Please describe SPS's Communication Plan for Residential Space Heating Customers.

A. SPS is proposing a multi-faceted approach to inform RSH customers about the future of the rider and to communicate to those customers the potential benefits of the Residential TOU rider option. Attributes of SPS's proposed communication efforts include:

- In the month after the new rates from this rate case are approved in this rate case, SPS will send a direct mail postcard notice to every current RSH customer to inform them the RSH rider is being terminated and to make them aware of the availability of the Residential TOU option;
- At the same time, SPS will also use social media outlets to inform customers the RSH rider is being terminated and to educate them on the Residential TOU option;
- These communication efforts will be coordinated with the proposed multi-faceted Texas Residential TOU Marketing Plan that is also being supplied in compliance with the final order in Docket No. 47527; and,
- The Texas Residential Time of Use Marketing Plan will highlight the attributes and benefits of the Residential TOU option through a broad spectrum of marketing and communication outlets.

The cost of the direct mail postcard notice to every current RSH customer in this Communication Plan is estimated to be $14,327.

[6] Docket No. 45524, Final Order at Finding of Fact No. 42(c).

VII. PROPOSED CHANGES TO RATES

A. Residential Service, Residential Service with Electric Space Heating Rider, and Residential Service TOU Rider

Q. Please summarize the changes to RS and the RS with Electric Space Heating rider.

A. As I mentioned in the immediately preceding section of my testimony, SPS has already started working with Staff and OPUC to develop a RS rate design that eliminates the RSH rider and that moderates the effect on RSH customers of eliminating the RSH option.

To that end, in this filing SPS is proposing to eliminate the RSH rider. In order to moderate the effect on current RSH customers, SPS is proposing to modify the design of the RS rate during the winter months to have a two-block energy rate structure with the second block priced at a lower rate than the first block and to increase the seasonal differential between the summer energy charge and the energy charge for the first winter block by 48%. The first block will be applicable to all kWh consumption for an RS customer in a month up to 899 kWh. The proposed rate for consumption in the first block is $0.090369 per kWh. The second block will be applicable to all kWh consumption in a month 900 kWh and above. The proposed rate for all kWh consumption 900 kWh and above is $0.067399 per kWh, or $0.022970 per kWh less than the charge for energy consumption in the first block.

Overall, base rate revenue from residential customers under the proposed rates will increase $50.7 million, or 25.7%. Under SPS's proposal, the service availability charge will increase $1.00 per month, or 10.0%, to $11.00 per month. The summer energy charge will increase $0.026896 per kWh, or 34.2%, to

$0.105468 per kWh. For basic RS, the winter energy charge will increase $0.022016 per kWh, or 32.2%, to $0.090369 per kWh for the first block. For the second block, the energy charge will decrease $0.000954 per kWh, or 1.4%, from the first block to $0.067399 per kWh.

The development of the proposed RS rate is shown on Attachment EDE-RD-4.

Q. Please explain the reason for the proposed winter rate structure for the RS rate.

A. The proposed winter rate structure was designed to mitigate the impact of the elimination of the RSH rate on current RSH customers. The amount of kWh in the first block was set at 900 kWh a month, a level that approximates the average monthly usage for current RSH customers during the months of May and November, the months with the lowest average consumption per customer for the current RSH rider. Because these months have few heating degree hours, it establishes a base for which consumption above the level in those months can be reasonably assumed to be principally heating load for RSH customers. Therefore, establishing the second declining block for all consumption 900 kWh and above targets the electric space heating consumption.

It should also be noted that 900 kWh is higher than the average monthly consumption for current RS customers in every winter month except January. Consequently, establishing the second block at 900 kWh will limit the level at which most non-RSH customers would notice the price structure change and limit the potential that RS customers would be encouraged to use energy inefficiently.

Q. Does SPS intend for the proposed winter declining block rate structure to be permanent?

A. Not necessarily. This structure was designed to mitigate the rate impact on RSH customers of eliminating the RSH rider in this case. It would be prudent to evaluate the impact the final rate change approved in this case will have on customers and determine in future rate cases whether the declining block structure for the winter energy charge is cost justified and whether it should continue, be modified, or eliminated.

Q. With the $1.00 increase, will the service availability charge recover the full customer component cost of service?

A. No. However, with a $1.00 increase, the service availability charge will recover approximately 90% of the customer component costs for Residential Service customers. The remaining customer component costs for residential customers will be recovered under the energy charges.

Q. Does the proposed rate design somewhat mitigate the effect that eliminating the RSH rider will have on current RSH customers?

A. Yes. The combination of the winter declining block rate structure, the significantly increased price differential between the summer energy charge and the first energy block in the winter mitigates the impacts on current RSH customers to a limited extent. However, as can be seen in Attachment EDE-RD-4, RSH customers will experience larger base rate and total bill increases than current RS customers.

Q. Have you identified any alternative RS rate structures that would better mitigate the effects on current RSH customers?

A. Yes. SPS developed an alternative rate structure that would mitigate the impacts on current RSH customers significantly more than the proposed structure, which is shown in Attachment EDE-RD-5. This alternative rate design is designed to:

- temporarily maintain a separate RSH rider that would have the same summer and winter energy charges as the standard RS rate;
- not contain a declining block rate structure;
- provide RSH customers with a credit applied to their energy consumption during the winter months; and
- set the winter credit initially at 67% of the current difference between the RS and the RSH winter energy charges.

Q. What do you mean by the statement that the alternative rate design would temporarily maintain a separate RSH rider?

A. First, the RSH rider would remain closed. Therefore, no new customers could take advantage of the RSH rider. In addition, the RSH rider credit could be reduced and, ultimately, eliminated in future rate cases.

Q. Please summarize the changes to the Residential Service Experimental TOU rider.

A. The Residential Service Experimental TOU rider was developed in conjunction with the standard RS rate. As a result, consistent with RS, the monthly service availability charge was increased by $1.00, plus an additional $0.50 to recover additional TOU metering costs. The base energy charge, which is applicable to energy usage in all hours, was increased by the total energy cost increase, 31.3%, of the standard RS rate. The on-peak energy adder was increased by the same

percentage as the summer standard RS rate, 34.2%. This approach was utilized in order to maintain the same relationship between the TOU rate and the standard RS rate and to maintain the same relative difference between the base energy charge and the on-peak energy adder within the TOU rate.

B. Small General Service

Q. Please summarize the changes to Small General Service.

A. The base rate structure of Small General Service will not change, in that applicable charges include a service availability charge and an energy charge that increases during the months of June through September compared to other months. This approach is consistent with the rate design used in the rate case that set SPS's current base rates, Docket No. 45524, and approved by the Commission in SPS's last fully litigated base rate case, Docket No. 43695.

SPS is also proposing an Optional Unmetered Service Rider to Small General Service. This option will be available for instances when metering of energy would be impractical because of the low monthly level of usage and when a customer's load and usage has little variation between months and kWh usage can be reasonably estimated by SPS. The seasonal energy charge will be equal to the seasonal energy charges under the standard service rate. However, the monthly service availability charge will be decreased to reflect the fact there is no meter investment or associated metering and meter reading costs.

Overall, base rate revenue from Small General Service will increase by approximately $3.1 million, or 14.6%. Under SPS's proposal, the service availability charge will increase $2.25 per month, or 20.0%, to $13.50 per month. The summer

energy charge will increase $0.010902 per kWh, or 17.3%, to $0.074040 per kWh. The winter energy charge will increase $0.008218 per kWh, or 15.4%, to $0.061700 per kWh.

The proposed service availability charge for Optional Unmetered Service will be $6.50 per month, which is $7.00 lower than the charge under the standard rate. The proposed summer and winter energy charges will be the same as those in the standard Small General Service Rate.

Q. Please summarize the changes to the Small General Service Experimental TOU rider.

A. The Small General Service Experimental TOU rider was developed in conjunction with the standard Small General Service rate. As a result, the monthly service availability charge was increased by the same amount as the standard Small General Service rate, $2.25 per month. Also, both the base energy charge, which is applicable to energy usage in all hours, was adjusted by approximately the same percentage, 15.4%, as the winter energy charge under the standard Small General Service rate. The on-peak energy adder was increased by the same percentage as the summer energy charge under the standard Small General Service rate, 17.3%. This approach was utilized in order to maintain the same relationship between the TOU rate and the standard Small General Service rate and to maintain a comparable relationship between the base energy charge and the on-peak energy adder as was in the current TOU rate.

C. Secondary General Service

Q. Please summarize the changes to Secondary General Service.

A. The base rate structure of Secondary General Service will not change, in that applicable charges include a service availability charge, a year-round energy charge, and a demand charge that increases during the months of June through September compared to other months. This approach is consistent with the rate design used in Docket No. 45524 and approved by the Commission in SPS's last fully litigated base rate case, Docket No. 43695.

Overall, base rate revenue from Secondary General Service will increase $17.8 million, or 16.2%. Under SPS's proposal, the service availability charge will increase $1.50 per month, or 5.9%, to $27.10 per month. The energy charge will increase $0.004701 per kWh, or 60.4%, to $0.012484 per kWh. The summer demand charge will increase $2.22 per kW, or 14.7%, to $17.34 per kW. The winter demand charge will increase $1.39 per kW, or 10.6%, to $14.45 per kW.

Q. Please summarize the changes to the Secondary General Service Experimental TOU rider.

A. The Secondary General Service Experimental TOU rider was developed in conjunction with the standard Secondary General Service rate. As a result, the monthly service availability charge was increased by the same amount as the standard Secondary General Service rate. Also, the base energy charge, which is applicable to energy usage in all hours, was increased by the same percentage as the proposed increase for the energy charge under the standard Secondary General Service rate, 60.4%. The on-peak energy adder was increased by 14.7%,

approximately the same percentage increase as the summer demand charge for the standard tariff. The TOU demand charge was increased by approximately the average of the seasonal demand charges under the standard rate. This approach was utilized in order to maintain a relatively consistent relationship between the TOU rate and the standard Secondary General Service rate and to maintain relatively the same difference between the base energy charge and the on-peak energy adder within the TOU rate.

D. Primary General Service

Q. Please summarize the changes to Primary General Service.

A. The base rate structure of Primary General Service will not change, in that applicable charges include a service availability charge, a year-round energy charge, and a demand charge that increases during the months of June through September compared to other months. This approach is consistent with the rate design used in Docket No. 45524 and approved by the Commission in SPS's last fully litigated base rate case, Docket No. 43695.

Overall, base rate revenue from Primary General Service will increase $15.8 million, or 23.5%. Under SPS's proposal, the service availability charge will decrease $12.00 per month, or 20.5%, to a cost of service-based level of $46.50 per month. The energy charge will increase by $0.003002 per kWh, or 50.4%, to $0.008962 per kWh. The summer demand charge will increase $3.06 per kW, or 24.0%, to $15.82 per kW. The winter demand charge will increase $2.20 per kW, or 20.0%, to $13.18 per kW.

Q. Please summarize the changes to the Primary General Service Experimental TOU rider.

A. The Primary General Service Experimental TOU rider was developed in conjunction with the standard Primary General Service rate. The monthly service availability charge was decreased by $11.00 per month in order to establish a charge that is $2.00 per month more than the standard Primary General Service rate. This $2.00 differential is the same monthly differential employed in the other TOU rates with demand charges. Also, the base energy charge, which is applicable to energy usage in all hours, was increased by the same percentage as the proposed decrease for the energy charge under the standard rate, 50.4%. The on-peak energy adder was increased by 24.0%, the same percentage increase as the summer demand charge for the standard tariff. The TOU demand charge was increased by approximately the average of the seasonal demand charges under the standard rate. This approach was utilized in order to maintain a consistent relationship between the TOU rate and the standard Primary General Service rate and to maintain a consistent relative difference between the base energy charge and the on-peak energy adder within the TOU rate.

Q. Please summarize the changes to Service Agreement Summary-4.

A. The base rate structure of Service Agreement Summary-4 ("SAS-4") will not change, in that applicable charges are billed through a two-step energy charge, and a kW-based power factor charge. This approach is consistent with the rate design used in Docket No. 45524 and approved by the Commission in SPS's last fully litigated base rate case, Docket No. 43695.

Overall, base rate revenue from SAS-4 will increase by approximately $750,000 per year, or 28.0%. Under SPS's proposal, the first block of the energy charge for the first 3.5 million kWh per month will increase $0.007160 per kWh, or 28.1%, to $0.032670 per kWh. The second block of the energy charge for kWh in excess of 3.5 million kWh per month will increase $0.005555 per kWh, or 28.0%, to $0.025393 per kWh.

E. Large General Service – Transmission

Q. Please summarize the changes to LGS-T charges.

A. The base rate structure of LGS-T will not change, in that applicable charges include a service availability charge, a year-round energy charge, and a demand charge that increases during the months of June through September compared to other months. In addition, a different energy charge and demand charge will apply depending upon whether the LGS-T customer takes service at 69 kilovolts ("kV") or 115 kV and above. The proposed LGS-T rate is designed as a single rate with the demand and energy charges for service 69 kV and 115 kV and above differentiated by the applicable demand and energy loss factors. This is a change from prior cases. This approach was implemented pursuant to the Unanimous Stipulation approved by the Commission in Docket No. 45524.

Overall, base rate revenue from LGS-T will increase $50.5 million, or 38.6%. The proposed service availability charge will increase $3,132.95 per month, or 441.3%, to a cost of service-based level of $3,842.95 per month.

The energy charge for 69 kV service will increase $0.004531 per kWh, or 100.6%, to $0.009036 per kWh. The energy charge for 115 kV and higher service will increase $0.004739 per kWh, or 110.9%, to $0.009012 per kWh.

The Renewable Energy Credit ("REC") Opt-out credit for 69 kV service will be $0.000107 per kWh lower, or 56.0%, at a cost-based $0.000084 per kWh. The REC Opt-out credit for 115 kV service will be $0.000107 per kWh lower, or 56.1%, at a cost-based $0.000083 per kWh.

The increment to the energy charge for 69 kV service that is charged franchise fees is increased by $0.005831 per kWh, or 100.6%, to $0.011629 per kWh. The increment to the energy charge for 115 kV and above service that is charged franchise fees is increased by $0.006173 per kWh, or 110.9%, to $0.011739 per kWh.

The summer demand charge for 69 kV service will increase $0.63 per kW, or 5.4%, to $12.31 per kW. The winter demand charge for 69 kV service will increase $2.11 per kW, or 26.0%, to $10.24 per kW. The summer demand charge for 115 kV and above service will increase $1.07 per kW, or 9.6%, to $12.23 per kW. The winter demand charge for 115 kV and above service will increase $2.38 per kW, or 30.5%, to $10.19 per kW.

Q. Please discuss the reason for the proposed change in the development of the LGS-T rate.

A. Section XIII of the Unanimous Stipulation approved in Docket No. 45524 states:

> SPS will treat LGST as a single class in its next rate case, including for cost allocation and revenue distribution purposes. SPS will

> propose a single set of rates for the LGST class, except that SPS will propose cost-based credit rates for energy and demand charges applicable to higher voltage customers within the LGST class to reflect the lower line losses and other identifiable cost differences associated with serving those higher voltage customers.[7]

Therefore, in this filing, SPS designed the LGS-T rate as a single rate and differentiated the demand and energy charges to reflect the difference in line losses between service at 69 kV and service at 115 kV and above. Because SPS was not able to identify any other cost differences associated with serving customers at the 69 kV and 115 kV and above voltage levels, no additional cost differences were incorporated.

F. Schools and Municipals

Q. Please summarize the changes to Small Municipal and School Service.

A. The base rate structure of Small Municipal and School Service will not change, in that applicable charges include a service availability charge and an energy charge that increases during the months of June through September compared to other months. This approach is consistent with the rate design used in Docket No. 45524 and approved by the Commission in SPS's last fully litigated base rate case, Docket No. 43695.

SPS is also proposing an Optional Unmetered Service Rider to Small Municipal and School Service. This option will be available for instances when metering of energy would be impractical because of the low monthly level of usage and when a customer's load and usage has little variation between months and kWh usage can be reasonably estimated by SPS. The seasonal energy charge will be equal

[7] Docket No. 45524, Unanimous Stipulation at 10, § XIII.

to the seasonal energy charges under the standard service rate. However, the monthly service availability charge will be decreased to reflect the fact there is no meter investment or associated metering and meter reading costs.

Overall, base rate revenue from the Small Municipal and School Service class will increase approximately $29,700, or 2.0%. Under SPS's proposal, the service availability charge will increase $1.30 per month, or 9.8%, to $14.50 per month. The proposed service availability charge for Optional Unmetered Service will be $6.80 per month, which is $7.70 lower than the proposed charge under the standard rate. The summer energy charge will increase $0.010530 per kWh, or 23.3%, to $0.055666 per month. The winter energy charge will increase $0.007491 per kWh, or 19.3%, to $0.046388 per month.

Q. Please summarize the changes to the Small Municipal and School Service Experimental TOU rider.

A. The Small Municipal and School Service Experimental TOU rider was developed in conjunction with the standard Small Municipal and School Service rate. As a result, the monthly service availability charge was increased by the same amount, $1.30 per month, as the standard Small Municipal and School Service rate. Also, the base energy charge, which is applicable to energy usage in all hours, was increased by approximately the same percentage as the average of the energy charges under the standard rate. The on-peak adder was increased by the same percentage, 23.3%, as the summer energy charge under the standard rate. This approach was utilized in order to maintain a comparable relationship between the TOU rate and the standard Small Municipal and School Service rate and to maintain a comparable relative

difference between the base energy charge and the on-peak energy adder within the TOU rate.

Q. Please summarize the changes to Large Municipal Service.

A. The base rate structure of Large Municipal Service will not change, in that applicable charges include a service availability charge, a year-round energy charge, and a demand charge that increases during the months of June through September compared to other months. This approach is consistent with the rate design used in Docket No. 45524 and approved by the Commission in SPS's last fully litigated base rate case, Docket No. 43695.

Overall, base rate revenue from the Large Municipal Service class will increase $1.5 million, or 19.7%. Under SPS's proposal, the service availability charge will increase $1.91 per month, or 7.4%, to a cost of service-based level of $27.81 per month. The energy charge at primary voltage will increase $0.004152 per kWh, or 54.8%, to $0.011725 per kWh. At secondary voltage, the energy charge will increase $0.004228 per kWh, or 55.0%, to $0.011920 per kWh. The summer demand charge at primary voltage will increase $0.66 per kW, or 6.2%, to $11.39 per kW. At secondary voltage, the summer demand charge will increase $1.74 per kW, or 16.0%, to $12.61 per kW. The winter demand charge at primary voltage will increase $0.69 per kW, or 7.8%, to $9.49 per kW. At secondary voltage, the winter demand charge will increase $1.61 per kW, or 18.1%, to $10.51 per kW.

Q. Please summarize the changes to the Large Municipal Service Experimental TOU rider.

A. The Large Municipal Service Experimental TOU rider was developed in conjunction with the standard Large Municipal Service rate. As a result, the monthly service

availability charge was increased by approximately $2.00, consistent with the standard Large Municipal Service rate. An additional $1.00 was added for recovery of additional metering costs. The base energy charges for primary and secondary voltages, which are applicable to energy usage in all hours, and the on-peak energy adder were adjusted by approximately the same percentages and the respective energy charges under the standard rates. The on-peak energy adders by voltage level were increased by the same percentage as the summer demand charges by voltage level under the standard rate. The demand charges by voltage level were increased by approximately the average increase to the summer and winter demand charges under the standard rate by voltage level. This approach was utilized in order to maintain a consistent relationship between the TOU rate and the standard Large Municipal Service rate and a consistent relative difference between the base energy charge and the on-peak energy adder within the TOU rate.

Q. Please summarize the changes to Large School Service.

A. The base rate structure of Large School Service will not change, in that applicable charges include a service availability charge, a year-round energy charge, and a demand charge that increases during the months of June through September compared to other months. This approach is consistent with the rate design used in Docket No. 45524 and approved by the Commission in SPS's last fully litigated base rate case, Docket No. 43695.

Overall, base rate revenue from Large School Service will decrease $31,000, or 0.3%. Under SPS's proposal, the service availability charge at primary voltage will increase $4.49 per month, or 14.3%, to a cost of service-based level of $35.79 per month. The service availability charge at secondary voltage will increase $3.49

per month, or 11.2%, to a cost of service-based level of $34.79 per month. The energy charge at primary voltage will increase $0.004964 per kWh, or 55.2%, to $0.013954 per kWh. At secondary voltage, the energy charge will increase $0.004618 per kWh, or 48.2%, to $0.014195 per kWh. The summer demand charge at primary voltage will increase $0.39 per kW, or 3.3%, to $12.36 per kW. At secondary voltage, the summer demand charge will decrease $1.08 per kW, or 7.9%, to $12.58 per kW. The winter demand charge at primary voltage will increase $0.45 per kW, or 4.6%, to $10.30 per kW. At secondary voltage, the winter demand charge will decrease $0.73 per kW, or 6.5%, to $10.48 per kW.

Q. Please summarize the changes to the Large School Service Experimental TOU rider.

A. The Large School Service Experimental TOU rider was developed in conjunction with the standard Large School Service rate. As a result, the monthly service availability charge was increased by the same amount as the standard Large School Service rate. An additional $1.00 per month was added for recovery of additional metering costs. The base energy charges for primary and secondary voltages, which are applicable to energy usage in all hours, and the on-peak energy adder were adjusted by approximately the same percentages and the respective energy charges under the standard rates. The on-peak energy adders by voltage level were increased by the same percentage as the summer demand charges by voltage level under the standard rate. The demand charges by voltage level were increased by approximately the average increase to the summer and winter demand charges under the standard rate by voltage level. This approach was utilized in order to maintain a

consistent relationship between the TOU rate and the standard Large School Service rate and a consistent relative difference between the base energy charge and the on-peak energy adder within the TOU rate.

G. Guard and Flood Lighting and Municipal and State Street Lighting

Q. Please summarize the changes to Guard and Flood Lighting.

A. The basic rate structure of Guard and Flood Lighting will not change, in that the applicable charge is a set monthly charge that varies according to light type and installation. This approach is consistent with the rate design used in Docket No. 45524 and approved by the Commission in SPS's last fully litigated base rate case, Docket No. 43695.

Overall, base rate revenue from Guard and Flood Lighting will increase approximately $970,000, or 24.4%. SPS proposes that monthly rates be increased 24.4% to recover costs allocated to Guard and Flood Lighting.

Q. Please summarize the changes to Municipal and State Street Lighting.

A. The basic rate structure of Municipal and State Street Lighting will not change, in that applicable charges include a set monthly charge that varies according to light type and installation. This approach is consistent with the rate design used in SPS's last base rate case, Docket No. 45524, and approved by the Commission in SPS's last fully litigated base rate case, Docket No. 43695.

Overall, base rate revenue from Municipal and State Street Lighting will increase by approximately $992,000, or 25.1%. SPS proposes that monthly rates be increased 25.1% to recover costs allocated to Municipal and State Street Lighting.

VIII. TARIFFS

Q. What topic do you address in this portion of your testimony?

A. I address the proposed changes to SPS's rate tariffs. SPS's proposed rule and rate tariffs are contained in the RFP at Schedule Q-8.8.

A. Rate Tariffs

Q. What are rate tariffs?

A. Rate tariffs specify the terms and conditions under which SPS will provide service, including the rates at which it will provide service.

Q. Does SPS propose changes to its rate tariffs in this proceeding?

A. Yes. As described above, SPS is proposing: (1) changes to its rate tariffs to reflect changes in rates as a result of increased costs and changes in customer class cost allocations; (2) to modify the Average Monthly Payment ("AMP") provision of the Residential Service tariff; (3) Optional Unmetered Service Riders to its Small General Service and Small Municipal and School Service rates; and (4) to eliminate the cap on the number of RSH customers that may participate in the TOU rate plans.

In addition, SPS proposes to eliminate the Transmission Qualifying Facility ("QF") Non-Firm Standby Service tariff and to modify the Experimental TOU rider for Large Municipal Service (Electric Tariff Sheet No. IV-175) and Large School Service (Electric Tariff Sheet No. IV-182) to exclude the "Rule of 80". Finally, SPS proposes changes to the following rate tariffs:

- Electric Tariff Sheet No. IV-86 – Energy Purchase from a QF of Aggregate Generating Capacity of 100 kW or Less;
- Electric Tariff Sheet No. IV-56 – Service Agreement Summary for Bishop Hills Property Owners and Amarillo College;

- Electric Tariff Sheet No. IV-99 – Service Agreement Summary for Orion Engineered Carbons;
- Electric Tariff Sheet No. IV-177 – Interruptible Credit Option;
- Electric Tariff Sheet No. IV-183 – Transmission QF Non-Firm Standby Service;
- Electric Tariff Sheet No. IV-193 – Peak Day Partner; and
- Electric Tariff Sheet No. IV-194 – Interruptible Credit Option (Summer Only).

Q. Please discuss SPS's proposed modification to the Average Monthly Payment provision of the Residential Service rate.

A. As discussed by SPS witness Michelle Edwards, SPS is requesting authorization to change the AMP program to enable a quarterly review of customers' AMP amounts, and a bill amount adjustment if needed, rather than the annual review and true up that is currently required by the tariff.

Q. Please explain why SPS is proposing to exclude the Rule of 80 for the Experimental TOU riders for Large Municipal Service (Electric Tariff Sheet No. IV-175) and Large School Service (Electric Tariff Sheet No. IV-182).

A. This modification of these tariffs is to clarify the "Rule of 80" provision of the definition of billing demand does not apply to the Alternative Experimental Time of Use Riders to the Large Municipal Service or the Large School Service rates. It was not SPS's intent for the "Rule of 80" to apply to the Time of Use options when it was developed and proposed in Docket No. 43695. The Time of Use options for each of these rates contain a demand charge that is lower than the seasonal demand charges under the standard rate by 17% to 32% for Large Municipal Service and by 14% to 36% for Large School Service. In addition, the Time of Use option was designed

with an economic incentive to encourage customers to reduce their demand and consumption during on-peak periods.

Q. What change is SPS proposing to Electric Tariff Sheet No. IV-56 – Service Agreement Summary Bishop Hills Property Owners and Amarillo College?

A. SPS is proposing to eliminate the applicability of this tariff to Bishop Hills Property Owners. This Service Agreement Summary was developed for Bishop Hills Property Owners, but Bishop Hills has become a general law city. Therefore, the street lights served under this tariff will be transferred to Municipal and State Street Lighting Service.

Q. What change is SPS proposing to Electric Tariff Sheet No. IV-86?

A. Electric Tariff Sheet No. IV-86 applies to customers taking service under SPS's Electric Service to a QF of Aggregate Generating Capacity of 100 kW or less (Sheet IV-77), with installed aggregate generating capacity of 100 kW or less. Currently, this rate schedule provides four metering options. S PS proposes to eliminate Option (4), which provides for net metering in a manner that is not permitted under 16 Tex. Admin. Code § 25.242.

Q. Please explain SPS's proposal for Electric Tariff Sheet No. IV-99 - Service Agreement Summary-8 ("SAS-8").

A. SPS proposes to terminate Electric Tariff Sheet No. IV-99 – SAS-8. This tariff was developed three decades ago. Under the original service agreements for this Service Agreement Summary, SPS supplied service to this customer at a reduced rate and this customer provided SPS with an economic generation resource option that benefitted SPS's other customers. However, the energy supplied by this customer no

longer provides substantial economic benefits compared to SPP market purchases or SPS's other generation resource options. Pursuant to Commission approval, this tariff will be immediately terminated and the customer's service will be transferred to the Primary General Service tariff.

Q. What change is SPS proposing to Electric Tariff Sheet No. IV-177 – Interruptible Credit Option?

A. SPS is proposing to eliminate Electric Tariff Sheet No. IV-177 – Interruptible Credit Option. This program has only had one participant taking service under this option and their load served under this option has diminished significantly and is only a small fraction of its original size. SPS has sufficient capacity and no longer has a need for interruptible resources. Elimination of this tariff will reduce the revenue requirement borne by all other customers because they will not be required to pay for interruptible capacity that is not needed. Furthermore, it is not cost-effective to maintain this program and the associated information systems for a single participant.

Q. What change is SPS proposing to Electric Tariff Sheet No. IV-183 – Transmission QF Non-Firm Standby Service?

A. SPS is proposing to eliminate this tariff because it is unnecessary. The tariff was developed in a rate case settlement several years ago and no customer has ever taken service or requested service under it.

Q. What change is SPS proposing to Electric Tariff Sheet No. IV-193 – Peak Day Partner?

A. SPS is proposing to eliminate Electric Tariff Sheet No. IV-193 – Peak Day Partner. This program has not had strong participation since its inception; no customers are served under this tariff, and no customers have taken service under this tariff recently. Furthermore, it would not be cost-effective to maintain this program and the associated information systems for a single or very few participants.

Q. What change is SPS proposing to Electric Tariff Sheet No. IV-194 – Interruptible Credit Option (Summer Only)?

A. SPS is proposing to eliminate Electric Tariff Sheet No. IV-194 – Interruptible Credit Option (Summer Only). There are no customers participating in this program and there have not been any participants for several years, if there ever were any participants. SPS has sufficient capacity and does not have a need for interruptible resources at this time.

B. Rule Tariffs

Q. What are rule tariffs?

A. The Rules, Regulations and Conditions of Service are commonly referred to as rule tariffs. Rule tariffs contain SPS's policies on services such as application for service, customer installation, customer deposits, service disconnection, billing adjustments, metering, and extension of service.

Q. Is SPS proposing any changes or additions to its rule tariffs?

A. Yes. SPS is proposing to amend Rule Tariff No. V-17, Extension to Customers, to propose:

- to change the policy so that customers will be responsible for providing the necessary rights-of-way and easements required for the line extensions to serve them;

- SPS will perform any required ditching and backfilling to complete the extension with an option given to the customer requesting the extension; and

- to delete the provision that requires irrigation customers to pay all costs associated with extensions to serve these customers.

Q. Why is SPS proposing the change to make the customers responsible for providing the rights-of-way and easements required for the line extensions to serve them?

A. This change is being proposed in order to remove the language from this Rule Tariff that conflicts with SPS's Rule No. 9, Right-of-Way, regarding right-of-way and easement costs. The provision in Rule No. 9 requires the customers to provide valid rights-of-way and easements.

SPS believes that customers will usually have a better relationship with their neighbors, from whom they may need rights-of-way, and will be in a better position to negotiate lower costs. In contrast, when SPS is required to negotiate for the rights-of-way, SPS is essentially negotiating with the customer's money.

Q. What change does SPS propose to Rule Tariff No. V-17 related to ditching and backfilling?

A. With respect to underground extensions of service, SPS proposes to reserve the right, or have the first option, to perform any required ditching and backfilling to complete the extension at the customer's expense. If SPS is unable or unwilling to, the customer shall do it at its own expense in accordance with SPS's specifications.

Q. How is SPS performing any required ditching and backfilling differently than what is authorized currently under Rule Tariff No. V-17?

A. Currently, customers have the option of performing the ditching and backfilling in accordance with SPS's specifications.

Q. Has SPS experienced difficulties with customers performing the ditching and backfilling for underground extensions of service?

A. Yes. Often the ditching and backfilling is not performed to SPS's specifications, which require either SPS or the customer to undertake additional work. The additional work, in turn, leads to delays in completing the extensions. The proposed tariff revision will remove this potential cause for delay and allow extensions to be completed on a timely basis.

SPS witness Casey S. Meeks provides further support for this tariff change in his direct testimony in the revenue requirements phase.

Q. What change does SPS propose to Rule Tariff No. V-17 related to the provision for irrigation customers?

A. SPS is proposing to eliminate paragraph B of the General Policy section of Rule Tariff No. V-17. Therefore, the recovery of costs for line extension to irrigation customers will be treated the same as the line extensions for other customers in the rate classes under which irrigation customers are served.

IX. CONCLUSION

Q. Please summarize your recommendations in this testimony.

A. I recommend the Commission approve:

- SPS's proposed revenue distribution and rate design;
- the proposed changes to the rule and rate tariffs; and
- the final proposed tariffs as set out in Schedule Q-8.8.

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

A. Yes.

AFFIDAVIT

STATE OF TEXAS)
)
COUNTY OF POTTER)

EVAN D. EVANS, first being sworn on his oath, states:

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

DONNA M. ANDERSON
Notary Public, State of Texas
Notary ID #853163-5
My Commission Expires 06-17-2020

Evan D. Evans
EVAN D. EVANS

Subscribed and sworn to before me this 2nd day of August, 2019 by EVAN D. EVANS

Donna M Anderson
Notary Public, State of Texas

My Commission Expires: 6/17/2020

SOUTHWESTERN PUBLIC SERVICE COMPANY
2019 TEXAS RATE CASE - REVENUE DISTRIBUTION

Customer Class	Total Base Revenues	Total Present Revenues	Base Rate Increase	% Base Rate Increase	Proposed Base Rate Revenues	Fuel Savings	Total Proposed Revenues with New Fuel	% Increase on Total Revenues
Residential Service	$197,684,429	$256,539,256	$ 50,744,885	25.67%	$248,429,314	$15,188,627	$292,095,514	**13.86%**
Small General Service	21,159,415	27,866,185	3,087,618	14.59%	24,247,033	1,790,523	29,163,280	**4.65%**
Secondary General Service	109,487,476	159,421,789	17,763,112	16.22%	127,250,588	13,122,217	164,062,684	**2.91%**
Primary General Service	67,147,285	116,927,334	15,789,951	23.52%	82,937,236	13,458,419	119,258,866	**1.99%**
Large General Service Transmissio	130,907,681	271,861,829	50,476,179	38.56%	181,383,860	38,427,222	283,910,786	**4.43%**
Small School and Municipal Servic	1,489,743	2,091,460	29,718	1.99%	1,519,461	129,860	1,991,319	**-4.79%**
Large Municipal Service	7,435,631	11,584,380	1,462,407	19.67%	8,898,038	1,116,486	11,930,300	**2.99%**
Large School Service	10,558,413	14,405,297	(31,306)	-0.30%	10,527,107	1,031,230	13,342,762	**-7.38%**
Street Lighting	3,951,561	4,731,137	991,783	25.10%	4,943,344	211,422	5,511,498	**16.49%**
Area Lighting	3,977,117	4,531,625	970,248	24.40%	4,947,365	150,384	5,351,490	**18.09%**
Total Texas Retail	**$553,798,751**	**$869,960,294**	**$141,284,595**	**25.51%**	**$695,083,346**	**$84,626,389**	**$926,618,500**	**6.51%**

Southwestern Public Service Company
Proposed Texas Residential Time of Use Marketing Plan
July 1, 2019

Background

In 2016, SPS launched a voluntary, experimental Time of Use residential rate pilot program for customers in Texas. The experimental Time of Use rate option was limited to 100 customers to test its feasibility and benefits to customers. Building upon the foundation of the pilot program, SPS is proposing the voluntary Time of Use rate to become permanent and be available to all SPS residential customers in Texas. This proposed marketing plan will be initiated after the end of the upcoming Texas rate case, in the summer of 2020.

Objective

To drive SPS's Texas customer awareness and enrollment in the Time of Use rate option. This rate will encourage shifting of energy away from the peak hours of 1 – 7 p.m. on summer weekdays.

Goal

The goal for this pilot is to achieve 4,000 enrollments (approximately 2% of the 200,000 residential customers in SPS's Texas service territory). A majority of the new enrollments will come from residential customers with electric space heating, due to the proposed termination of the Residential Space Heating optional rate.

Audience

- Residential customers in SPS's Texas service territory

Considerations

Overall Program

- Begin to educate the audience prior to rate rollout to the service territory can improve awareness before the enrollment period.
- Begin to market and enroll in the fall to allow customers to accumulate savings during the winter months in anticipation of higher bills in the summer months.

Communications Assumptions

- Estimates are for a 6-month period (August 2020 – January 2021) based on the assumption that it is more attractive to customers to enroll during the non-summer months, when prices are lower and efforts would be stacked accordingly.
- Residential customer communication to drive awareness will be handled both by marketing communications and consumer outreach.
- Communications success in helping drive enrollments is dependent on the successful operational set-up of the enrollment/management process which drives overall customer experience.
- The budget anticipated is directional and for estimating purposes. Final budgets will be determined when the pilot has been approved in the regulatory process.

- The proposed 2% response rate is an aggressive goal and additional budget may be required once more details are provided to revise this plan to meet the goal.

Messages/Strategy

- Marketing to electric space heating customers may be an effective message due to the likely winter savings.
- Establishing testimonials for use in marketing materials, from current pilot participants, will build trust for new customers.
- A message of choice and control has resonated with current participants and may be effective.

Proposed Tactics

Recommendations are based on the successful tactics used in Billing and Payment and Public Service of Colorado's Time of Use program promotions to generate awareness and drive participation. It is expected that of the 4,000 new customer enrollment goal, 75% of enrollments will come from conversion channels such as email, and the remaining 25% will come from awareness channels such as onserts and social media.

Bill Onsert: Include program-specific messages to all SPS Texas customers who are not enrolled in the program.

- Frequency: One onsert each month, starting in August 2020 and continuing for 6 months
- Estimated Cost: $8,000 per month, $48,000 total for 6 months
- Impressions: 200,000 unique customers

Social Media: Paid Facebook posts for program specific awareness message to all Xcel Energy – Texas customers.

- Frequency: Monthly, starting in August 2020 and continuing for 6 months
- Estimated Cost: $1,333 per month, $7,998 for 6 months

Collateral: Educational only collateral for customers within the territory, providing rate overview, benefits, and URL for website.

- Frequency: One print job, in August 2020
- Estimated Cost: $600

Email: Use targeted persona emails for a large customer outreach campaign; targeted one-click enrollment campaigns.

- Frequency: Monthly, starting in August 2020
- Estimated Cost: $0
- Response Rate: 23% open rate, 2-3% click-through rate

Direct Mail: Physical postcard mailing sent to 200,000 residential customers providing rate overview, benefits, and instructions to enroll.

- Frequency: One in September and one in February, with the assumption that holiday months will have lower engagement
- Estimated Cost: $52,000 per mailing, $104,000 total

New Mover Kits: Include Time of Use collateral with the New Mover Kit that is sent to new customers when they start service with Xcel Energy.

- Frequency: Printed and sent monthly, starting the month following rate rollout
- Estimated Cost: $ 3,000 for 12,000 kits

Summary of Proposed Marketing Costs

Proposed Marketing Tactic	***Estimated Total Costs***
Bill Onsert	$48,000
Social Media	$7,998
Collateral	$600
Email	$0
Direct Mail	$104,000
New Mover Kits	$3,000
TOTAL	$163,598

Southwestern Public Service Company
Proposed Communication Plan for Residential Space Heating Customers
July 1, 2019

SPS is proposing a multi-faceted approach to inform Residential Service customers taking service under the Electric Space Heating (RSH) Rider about the future of the rider and to communicate to those customers the potential benefits of the Residential Time of Use (TOU) rider option. Attributes of SPS's proposed communication efforts include:

- In the month after the new rates from this rate case are approved in its 2019 Texas rate case, SPS will send a direct mail postcard notice to every current RSH customer to inform them that the RSH rider is being terminated and to make them aware of the availability of the Residential TOU option;
- The total cost of the direct mail postcard notice to every current RSH customer is estimated to be $14,327;
- At the same time, SPS will also use social media outlets to inform customers the RSH rider is being terminated and to educate them on the Residential TOU option;
- These communication efforts will be coordinated with the proposed multi-faceted Texas Residential Time of Use Marketing Plan that is also being supplied in compliance with the final order in Docket No. 47527; and,
- The Texas Residential Time of Use Marketing Plan will highlight the attributes and benefits of the Residential TOU option through a broad spectrum of marketing and communication outlets.

SOUTHWESTERN PUBLIC SERVICE COMPANY
Proposed Residential Rate Design

Description	Present Rates Rate	Billing Units	Unit Definition	Component Revenue	Adjustment %	Proposed Rates Rate	Billing Units	Component Revenue
Residential Service								
Service Availability Charge	$ 10.00	2,127,984	Bill	$21,279,840		$ 11.00	2,127,984	$23,407,824
Summer Energy Charge	$ 0.078572	775,094,515	kWh	$60,900,726	34.2310%	$ 0.105468	775,094,515	$81,747,668
Winter Energy Charge Block 1	$ 0.068353	816,132,726	kWh ≤ 900	$55,785,120	32.2093%	$ 0.090369	816,132,726	$73,753,098
Winter Energy Charge Block 2	$ 0.068353	337,248,742	kWh > 900	$23,051,963	-1.3957%	$ 0.067399	337,248,742	$22,730,228
Total Base Revenue				$161,017,650				$201,638,818
Residential Service with Electric Space Heating								
Service Availability Charge	$ 10.00	336,036	Bill	$3,360,360		$ 11.00	336,036	$3,696,396
Summer Energy Charge	$ 0.078572	165,743,188	kWh	$13,022,774	34.2310%	$ 0.105468	165,743,188	$17,480,603
Winter Energy Charge Block 1	$ 0.048582	164,590,448	kWh ≤ 900	$7,996,133	86.0133%	$ 0.090369	164,590,448	$14,873,874
Winter Energy Charge Block 2	$ 0.048582	158,389,238	kWh > 900	$7,694,866	38.7325%	$ 0.067399	158,389,238	$10,675,276
Total Base Revenue				$32,074,133				$46,726,149
Residential Service Time of Use								
Service Availability Charge	$ 10.50	504	Bill	$5,292		$ 12.00	504	$6,048
Off-Peak Energy Charge	$ 0.058183	641,722	kWh	$37,337	31.3498%	$ 0.076423	641,722	$49,042
On-Peak Energy Adder	$ 0.124929	55,201	On-Peak kWh	$6,896	34.2310%	$ 0.167694	55,201	$9,257
Total Base Revenue				$49,526				$64,347
Total Residential Service				$193,141,308				$248,429,314
$ Increase								$55,288,006
Target $ Increase								$55,288,239
Difference from Target							>>>	-$234

Price Differentials	Current	Proposed	Change
Summer - Winter Energy Block 1	$0.010219	$0.015099	$0.004880
Winter Energy Block 1 to Block 2	$0.000000	$0.022970	$0.022970

Description	Average kWh	Impact at 25% of Average	Impact at 50% of Average	Impact at 75% of Average	Impact at 100% of Average	Impact at 150% of Average	Impact at 200% of Average	Impact at 300% of Average
Base Rate Impacts by Usage Level								
Residential Service - Summer	1183	26.94%	29.94%	31.19%	31.88%	32.61%	32.99%	33.39%
Residential Service - Winter	822	22.97%	26.38%	27.95%	28.85%	21.72%	16.41%	10.81%
Residential Space Heating - Summer	1581	28.33%	30.87%	31.88%	32.43%	33.00%	33.29%	33.60%
Residential Space Heating - Winter	1466	58.68%	69.35%	66.76%	60.62%	53.95%	50.39%	46.68%
Total Bill Impacts by Usage Level								
Residential Service - Summer	1183	15.86%	16.67%	16.99%	17.17%	17.35%	17.44%	17.54%
Residential Service - Winter	822	13.13%	13.77%	14.05%	14.20%	8.30%	4.11%	-0.26%
Residential Space Heating - Summer	1581	16.24%	16.91%	17.17%	17.30%	17.45%	17.52%	17.59%
Residential Space Heating - Winter	1466	35.71%	39.68%	36.29%	31.27%	25.96%	23.18%	20.33%

SOUTHWESTERN PUBLIC SERVICE COMPANY
Alternative Residential Rate Design

Description	Present Rates Rate	Billing Units	Unit Definition	Component Revenue	Adjustment %	Proposed Rates Rate	Billing Units	Component Revenue
Residential Service								
Service Availability Charge	$ 10.00	2,127,984	Bill	$21,279,840	**10.0000%**	$ 11.00	2,127,984	$23,407,824
Summer Energy Charge	$ 0.078572	775,094,515	kWh	$60,900,726	28.9865%	$ 0.101347	775,094,515	$78,553,504
Winter Energy Charge	$ 0.068353	1,153,381,468	kWh < 900	$78,837,083	28.9863%	$ 0.088166	1,153,381,468	$101,689,030
Total Base Revenue				$161,017,650				$203,650,358
Residential Service with Electric Space Heating								
Service Availability Charge	$ 10.00	336,036	Bill	$3,360,360	**10.0000%**	$ 11.00	336,036	$3,696,396
Summer Energy Charge	$ 0.078572	165,743,188	kWh	$13,022,774	28.9865%	$ 0.101347	165,743,188	$16,797,575
Winter Energy Charge	$ 0.048582	322,979,686	kWh < 900	$15,690,999	81.4787%	$ 0.088166	322,979,686	$28,475,827
Winter Energy Credit	$ -	322,979,686	kWh ≥ 900	$0		**$ (0.013181)**	322,979,686	-$4,257,088
Total Base Revenue				$32,074,133				$44,712,710
Residential Service Time of Use								
Service Availability Charge	$ 10.50	504	Bill	$5,292	**14.2857%**	$ 12.00	504	$6,048
Off-Peak Energy Charge	$ 0.058183	641,722	kWh	$37,337	31.3486%	$ 0.076423	641,722	$49,042
On-Peak Energy Adder	$ 0.124929	55,201	On-Peak kWh	$6,896	31.3486%	$ 0.164093	55,201	$9,058
Total Base Revenue				$49,526				$64,148
Total Residential Service				$193,141,308				$248,427,217
$ Increase								$55,285,909
Target $ Increase								$55,288,239
Difference from Target								-$2,330

Price Differentials	Current	Proposed	Change
Summer - Winter Energy Charge	$0.010219	$0.013181	$0.002962
RS to RSH Price Differential/Credit	-$0.019771	-$0.013181	$0.006590

Description	Average kWh	Impact at 25% of Average	Impact at 50% of Average	Impact at 75% of Average	Impact at 100% of Average	Impact at 150% of Average	Impact at 200% of Average	Impact at 300% of Average
Base Rate Impacts by Usage Level								
Residential Service - Summer	1183	23.27%	25.62%	26.60%	27.14%	27.72%	28.02%	28.33%
Residential Service - Winter	822	21.09%	24.00%	25.34%	26.12%	26.97%	27.43%	27.92%
Residential Space Heating - Summe	1581	24.36%	26.35%	27.15%	27.57%	28.02%	28.25%	28.49%
Residential Space Heating - Winter	1466	38.40%	44.62%	47.35%	48.89%	50.55%	51.44%	52.37%
Total Bill Impacts by Usage Level								
Residential Service - Summer	1183	13.46%	13.94%	14.13%	14.24%	14.35%	14.40%	14.46%
Residential Service - Winter	822	13.27%	13.89%	14.15%	14.29%	14.45%	14.53%	14.62%
Residential Space Heating - Summe	1581	13.69%	14.09%	14.24%	14.32%	14.40%	14.45%	14.49%
Residential Space Heating - Winter	1466	21.48%	23.27%	24.00%	24.40%	24.81%	25.03%	25.26%

Southwestern Public Service Company

Workpapers of Evan D. Evans

2019 TX Rate Case

**APPLICATION OF
SOUTHWESTERN PUBLIC SERVICE COMPANY
FOR AUTHORITY TO CHANGE RATES**

EDE-RD-6(CD)