

DOCKET NO. _____

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

DIRECT TESTIMONY
of
DAVID T. HUDSON

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: HudsonRRDirect.doc)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Commission	Public Utility Commission of Texas
IT	information technology
kWh	kilowatt-hours
LP&L	Lubbock Power & Light
MW	megawatt
NESC	National Electric Safety Code
PTC	Production Tax Credits
RFP	Rate Filing Package
SPS	Southwestern Public Service Company, a New Mexico corporation
STEM	Science, Technology, Engineering, and Mathematics
Test Year	April 1, 2018 through March 31, 2019
TCRF	Transmission Cost Recovery Factor
Update Period	April 1, 2019 through June 30, 2019
WTMPA	West Texas Municipal Power Authority
Xcel Energy	Xcel Energy Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
DTH-RR-1	Qualifications and Testimony List (<i>Filename: DTH-RR-1.doc</i>)
DTH-RR-2	Map of SPS Service Territory (<i>Non-native format</i>)
DTH-RR-3	Revenue Changes – Texas Retail Jurisdiction (<i>Filename: DTH-RR-3.xlsx</i>)

**DIRECT TESTIMONY
OF
DAVID T. HUDSON**

I. PURPOSE OF TESTIMONY

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

A. My name is David T. Hudson. I am the President of Southwestern Public Service Company, a New Mexico corporation, (“SPS”), a wholly-owned electric utility subsidiary of Xcel Energy Inc. (“Xcel Energy”). My business address is 790 S. Buchanan St., Amarillo, Texas 79101.

My qualifications and list of prior testimony are provided in Attachment DTH-RR-1.¹

Q. What is the purpose of your testimony in this proceeding?

A. My testimony provides an overview of SPS, its operations, and SPS’s commitment to its customers. I summarize SPS’s Rate Filing Package (“RFP”), including the reasons and need for this filing. I also explain that this rate case is an integral part of SPS’s long-term plan to ensure adequate, reliable, and economical electric services in our service area, to expand the infrastructure necessary to power the regional economy in our service area, and to achieve cost savings for our customers.

¹ Attachment DTH-RR-1 and Attachments DTH-RR-2 and DTH-RR-3, which I discuss later in my testimony, were prepared by me or under my direct supervision and control.

1 **II. COMPANY DESCRIPTION**

2 **Q. Can you provide a general description of SPS's electric operations?**

3 A. Yes. SPS is a New Mexico corporation and wholly-owned electric utility
4 subsidiary of Xcel Energy. SPS's total company service territory encompasses a
5 52,000-square-mile area that encompasses the Panhandle and South Plains areas
6 of Texas, and eastern and southeastern New Mexico. SPS's primary business is
7 generating, transmitting, distributing, and selling electric energy. SPS provides
8 retail electric services in Texas and New Mexico and serves approximately
9 394,000 customers and 93 communities on its two-state system. SPS serves
10 approximately 271,393 customers and 80 communities in Texas. SPS's electric
11 system is comprised of 29 power plant generating units/renewable energy projects
12 and SPS has more than 23,843 miles of overhead and underground electric
13 transmission and distribution power lines in its two-state system. A general map
14 of the SPS service area appears in Attachment DTH-RR-2.

15 **Q. Are there any aspects of SPS's Texas service territory that are unusual?**

16 A. Yes. SPS's Texas service territory is heavily commercial and industrial in nature.
17 Only 17% of SPS's Texas retail energy sales are to the residential customers.
18 80% of our Texas retail sales are to commercial and industrial customers. SPS
19 witness William A. Grant further discusses this and SPS's load and generating
20 resources in his direct testimony.

21 **Q. How does SPS view its role in providing service to its customers?**

22 A. SPS is committed to ensuring that our customers receive the safe, reliable and
23 clean energy services they want and value and providing those services at

1 economical prices. We continually invest in our infrastructure to ensure that we
2 deliver adequate and the most reliable and efficient electric energy to our
3 customers. We monitor our grid 24 hours a day, seven days a week to ensure
4 instantaneous and consistent reliability and stand ready to immediately respond
5 should an event occur on our system. We have line crews and other field
6 personnel operating out of 17 service centers in Texas and New Mexico.

7 **Q. How is SPS ensuring the safe delivery of electric service to its customers?**

8 A. Ensuring the safety of employees and the public is a core value at SPS. All
9 employees, from office workers to field personnel, are routinely trained in how to
10 perform their jobs safely and how to recognize and mitigate unsafe conditions
11 both on and off the job. We have defined rules to live by. We also provide
12 information to the general public, first responders, and those working in the
13 construction field on how to work around electrical facilities.

14 Through the Texas 811 program, we perform underground line locating
15 activities for those working in the public right of way and for customers
16 performing routine work at their homes and businesses. Additionally, we work to
17 educate our customers on how to stay safe around electricity, especially during
18 outage events. We also deliver safety messages to school children by sending
19 field personnel to schools and community events to demonstrate the power of
20 electricity through a specially designed arcing trailer that simulates hazards on
21 power lines.

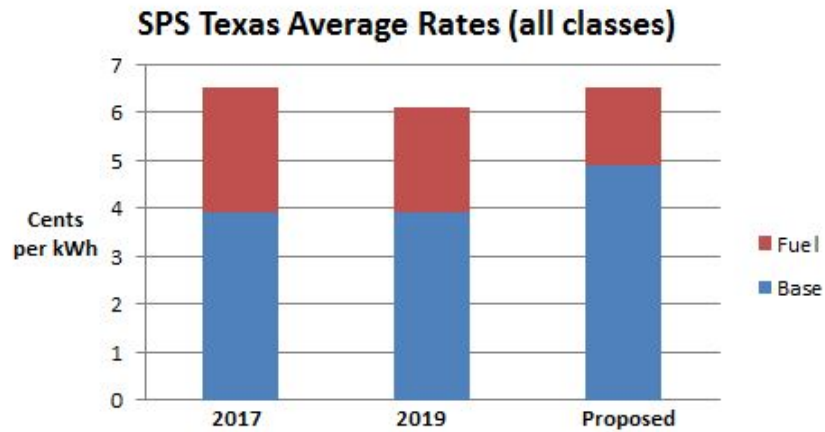
1 **Q. How is SPS ensuring that its customers receive reasonably priced electric**
2 **service?**

3 A. As an initial matter, the importance SPS places on cost-conscious principles and
4 prudent investment management is evidenced by the fact that the Hale Wind
5 facility was placed into service on schedule and under budget. It is also
6 evidenced by SPS's success in ensuring that its overall service is reasonably
7 priced. SPS's current Texas residential price of 9.8 cents per kilowatt-hour
8 ("kWh"), inclusive of fuel, has dropped 3.9% since 2017 (when the price was
9 10.2 cents per kWh). Inclusive of the full request in this case, and the fuel portion
10 of a customer's bill that includes projected fuel cost and Production Tax Credit
11 ("PTC") savings from the Hale Wind Project, SPS's residential electric price
12 would be 11.3 cents per kWh. This represents an increase of 9.7% over the 2017
13 average price, but still 11.7% lower than the national average of 12.8 cents per
14 kWh and 4.25% lower than the Texas average of 11.8 cents per kWh. The
15 proposed Texas retail average price across all customer classes, inclusive of fuel
16 and the projected Hale Wind Project savings, would be 6.6 cents per kWh, just
17 1.5% more than the 2017 SPS Texas average of 6.5 cents per kWh across all
18 classes. This average price is 3.8 cents lower than the national average price of
19 10.4 cents per kWh and 1.9 cents lower than the Texas average of 8.5 cents per
20 kWh.² Please see Charts DTH-1 and DTH-2.

² Source: U.S. Energy Information Administration Electric Power Monthly with Data for April 2019, Table 5.6.B.

1

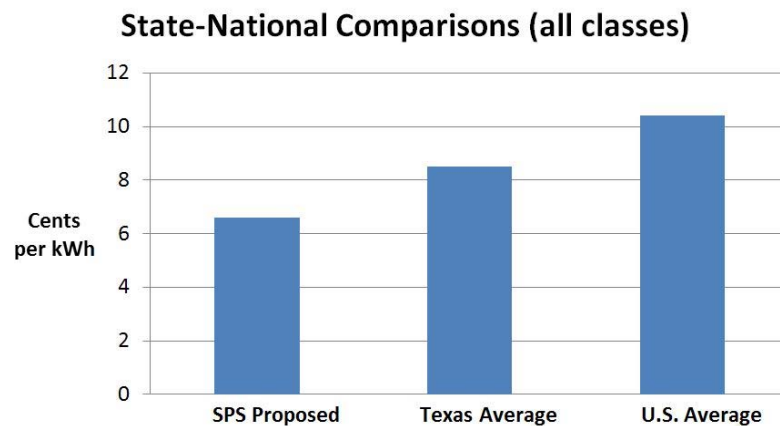
Chart DTH-1



2

3

Chart DTH-2



4

5 **Q. How is SPS enhancing the reliability of its electric service and improving the**
6 **customer experience?**

7 A. We are making our service more reliable in a variety of ways. For example, we
8 are continuing to modernize the lines and facilities that deliver power directly to
9 our Texas customers by converting these facilities to a higher voltage. Notable
10 voltage conversion projects include Wilson and Amarillo, Texas. Converting
11 lower voltage circuits to higher voltages provides more options to quickly restore

1 service by making available electricity from neighboring power sources. These
2 conversions also boost the economic prospects of older neighborhoods by
3 increasing the amount of power available for new and expanding businesses. SPS
4 also continuously evaluates its grid for opportunities to increase performance by
5 improving reliability and capacity. Completion of projects such as the Skunk
6 Creek substation in Lipscomb County and Outpost Ranch substation and feeders
7 in Randall County are examples of our efforts to enhance system performance.

8 SPS has also initiated a program to visually inspect feeder and tap lines
9 across the service area in order to proactively identify issues that could lead to an
10 outage. Sound vegetation management also plays an important role in ensuring
11 system reliability. In order to prevent trees from causing outages, our facilities
12 are on a regular schedule of tree trimming that keeps vegetation safely away from
13 power lines. Our service area experiences harsh winds during much of the year
14 along with icy and windy conditions in the wintertime. And, as part of our
15 infrastructure hardening plan, SPS has adopted wood pole standards that exceed
16 the minimum guidelines in the National Electric Safety Code (“NESC”).
17 Specifically, SPS has moved from NESC Class C construction to a higher and
18 stronger NESC Class B construction for new facilities on our overhead
19 distribution system. To complement this strength increase in its poles, SPS now
20 utilizes fiberglass cross arms as part of our standard overhead construction for
21 increased strength to resist high winds and ice.

22 SPS also continually works to enhance customer satisfaction by offering
23 improved tools that allow our customers to better communicate with us. For
24 example, we offer a “My Account” feature on the company website that allows

1 customers to register for phone or text outage notifications and restoration
2 updates. Additionally, customers can make payments through a secure payment
3 portal and find information on their past energy use. These tools are also
4 available on a free customer app for mobile devices that was launched in 2017.

5 Finally, we have made significant information technology (“IT”) investments due to the need for greater focus on and attention to IT and data
6 solution needs within the company. Our investment evolution tracks that of the
7 broader industry with an upward trend in the technology investments needed to
8 keep pace with the emergence of cybersecurity issues as well as changing
9 customer expectations. These investments assist SPS operations, protect
10 important data, support customer service, and help other areas effectively manage
11 O&M to reasonable levels.

13 **Q. Have SPS’s actions benefitted Texas and its residents?**

14 A. Yes. As I mentioned earlier in my testimony, SPS has invested more than \$523
15 million in new investment on a Texas retail basis (\$1.7 billion total company)
16 over a 24-month period since the last base rate case. Included in this investment
17 is the \$712 million Hale Wind facility, which was recently placed into service on
18 schedule in June 2019, and under budget. This new 478 megawatt (“MW”) renewable resource is delivering on its promise to provide value to customers in
19 the form of low-cost, carbon-free energy that not only conserves the region’s
20 precious groundwater, but also powers economic growth and creates jobs. SPS
21 witness Mark Lytal describes the Hale Wind facility in more detail in his direct
22 testimony.
23

1 **Q. Please describe the overall support that SPS provides to its Texas**
2 **communities.**

3 A. The infrastructure investments SPS makes generate immediate, well-paying jobs
4 in the state and often long-term employment at SPS's facilities as well as
5 increased tax revenues for local and State tax jurisdictions. We work with our
6 communities to provide a more attractive environment for not only our existing
7 residents but also potential residents of this state. Specifically, by being an active
8 partner and listening to our customers, we are able to attract businesses to our
9 jurisdiction, which in turn brings more jobs, health, and vitality to all our
10 communities.

11 **Q. Are there any third-party indications that SPS is doing a good job of serving**
12 **its Texas customers and communities?**

13 A. Yes. SPS has achieved a strong record of success in recent years on many of the
14 issues that are important to our customers, including rapid restoration after storm
15 events, the rapidly growing petrochemical economy in Texas, and support for the
16 renewable energy projects that provide much-needed revenues for our local
17 communities.

18 Listed below are some of the honors that Xcel Energy has received in the
19 past few years.

20 **2017**

- 21 • Named No. 1 utility wind provider in the United States by the
22 American Wind Energy Association (12th year in a row).
- 23 • Launched first-of-its-kind partnership with the Federal Aviation
24 Administration to research the safe operation of drone technology to
25 inspect critical infrastructure.

- 1 • Xcel Energy earned Edison Electric Institute’s “Emergency Recovery
2 Award” for restoration efforts after Winter Storm Jupiter.
- 3 • MSCI, a global provider of equity, fixed income, hedge fund market
4 indexes and multi-asset portfolio analysis tools, gave Xcel Energy an
5 AA rating for environmental, social and governance (ESG) standards.
- 6 **2018**
- 7 • Xcel Energy’s commitment to the community and dedication to hiring
8 and retaining military veterans were cited by MilitaryHire.com in its
9 naming of Xcel Energy as a 2018 Top Veteran Employer.
- 10 • Xcel Energy was honored for the fifth consecutive year as “Best of the
11 Best Top Veteran-Friendly” by US Veteran’s Magazine.
- 12 • Xcel Energy was recognized on the Forbes Global 2000 list of World’s
13 Best Employers for the second year in a row.
- 14 • Xcel Energy was recognized by Fortune Magazine as one of the
15 World’s Most Admired Companies for the fourth consecutive year.
- 16 **2019**
- 17 • Xcel Energy was selected among the nation’s top corporations for
18 LGBTQ equality by earning a perfect score on the Human Rights
19 Campaign’s 2019 Corporate Reliability Index.
- 20
- 21 • For the fifth consecutive year, Fortune Magazine ranked Xcel Energy
22 on its list of World’s Most Admired Companies.
- 23
- 24 • A University of Denver analysis confirmed Xcel Energy’s carbon
25 reduction vision is consistent with temperature goals of the Paris
26 climate agreement.
- 27
- 28 • For the sixth straight year, Xcel Energy is named to the 2019 Military
29 Times Best for Vets Employers.
- 30
- 31 **Q. Please describe how SPS engages at the local level in its service areas.**
- 32 **A.** SPS has a strong record of supporting local charities and non-profit organizations
- 33 to improve the quality of life for citizens in our service area. Xcel Energy and
- 34 SPS support employee volunteer service on non-profit boards, and Xcel Energy
- 35 offers a variety of ways for employees to direct the corporate philanthropy efforts.

1 For example, SPS has been working and continues to work with the United Way
2 agencies, Family Support Services of Amarillo, Cal Farley's Boys Ranch, and
3 many other non-profit organizations. We are particularly focused on supporting
4 Science, Technology, Engineering, and Mathematics ("STEM") programs, which
5 address a critical need for our communities. In support of this effort, Xcel Energy
6 and its employees volunteer and direct resources to STEM non-profit
7 organizations such as West Texas A&M University Foundation, Don Harrington
8 Discovery Center, and Women in Science Endeavors, to name a few. SPS also
9 leads longstanding annual camps, such as the Future Farmers of America electric
10 camp and the 4H camp. These annual camps provide students with hands-on
11 experience in electrical safety and engineering fundamentals.

12 Additionally, SPS supports Chamber of Commerce activities through
13 event contributions as well as local economic development corporation efforts to
14 attract and develop new business and industry that will strengthen and diversify
15 the economic base in Texas. SPS also provides company matching for employee
16 giving to organizations of their choice throughout the year; paid time off for
17 volunteering; and company donations for volunteer time through our Dollars for
18 Doing and Volunteer Energy programs. These programs allow Xcel Energy
19 contributions to make the most meaningful impact in the communities we serve.
20 Finally, SPS is very active in the local and regional economic development
21 entities in its service area, including the High Ground of Texas.

1 **Q. How does a rate review like this one impact SPS’s efforts to enhance the**
2 **customer experience, provide safe, reliable, and affordable electric service,**
3 **and lead the clean energy transition?**

4 A. We want to be responsive to the needs and desires of our customers by
5 continually evolving and improving the customer experience, without losing sight
6 of our core competency – safely delivering reliable and affordable electricity
7 supply to customers. To achieve these goals, constructive rate case outcomes are
8 essential. This filing presents the opportunity to establish a solid foundation that
9 will enable SPS to continue to meet the expectations of our customers, respond to
10 growth and support economic development within the state of Texas.

1 **III. OVERVIEW OF THE COMPANY’S RATE CASE FILING**

2 **Q. Please describe SPS’s filing in this case.**

3 A. SPS’s filing has been prepared consistent with the requirements of the applicable
4 statutes and the Public Utility Commission of Texas’ (“Commission”) RFP
5 Instructions for Investor-Owned Generating Utilities. SPS’s filing is based on a
6 Test Year ended March 31, 2019, along with the Update Period April 1, 2019
7 through June 30, 2019.

8 SPS’s Rate Filing Package includes the sworn direct testimony of 37
9 internal and external witnesses (some of whom cover multiple subjects), direct
10 testimony work papers, revised tariffs, required schedules, and schedule work
11 papers. The filing reflects the considerable efforts of many company employees
12 and additional external resources, and it provides an accurate and transparent view
13 of our business. The witnesses submitting direct testimony in support of SPS’s
14 RFP and the topics they address are described in Mr. Grant’s direct testimony.

15 **Q. When were SPS’s current base rates established and in what docket**
16 **number?**

17 A. SPS’s current base rates were established in 2017 in Docket No. 45524.³

18 **Q. What does SPS hope to accomplish in this case?**

19 A. This filing will allow SPS to begin recovering the more than \$408 million⁴ on a
20 Texas retail basis (\$791.3 million total company) in capital improvements that

³ *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 45524, Order (Jan. 26, 2017). SPS subsequently filed another base rate case to change rates, but reached a settlement agreement with stakeholders that provided for no change to SPS’s net revenues by maintaining the base rates set in Docket No. 45524 and the TCRF approved in Docket No. 46877. *See Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 47527, Order (Dec. 10, 2018).

⁴ Capital additions are derived by allocating each functional class.

have been made in our service area between July 1, 2017 and March 31, 2019. In addition, SPS forecasts that it will place in service approximately \$531 million on a Texas retail basis (\$951.4 million total company) of additional capital investment during the three-month period from April 1, 2019 through June 30, 2019. Of this total, the major investment made by SPS that is now in service is the \$712 million Hale Wind facility (\$417 million allocated to Texas) that was approved in Docket No. 46936.⁵ This amounts to more than \$940 million in new investment on a Texas retail basis (\$1.7 billion total company) that has been spent over a 24-month period to support economic expansion in SPS's service territory and the shared priority of Texas and SPS for affordable electricity.

Table DTH-1

	Additions to Plant-in-Service (Total Company)	Additions to Plant-in-Service (TX Retail)
July 1, 2017 through March 31, 2019	\$791,273,460	\$408,872,371
April 1, 2019 through June 30, 2019	951,404,443	531,549,068
Total	\$1,742,677,903	\$940,421,439

In addition, since the conclusion of Docket No. 47527, which was SPS's last base rate case, the wholesale full-requirements contract with West Texas Municipal Power Authority ("WTMPA") expired on May 31, 2019, and the Lubbock Power & Light ("LP&L") partial-requirements contract of 170 MW started June 1, 2019. This represents a reduction of 349 MW in wholesale sales in

⁵ *Application of Southwestern Public Service Company for Approval of Transaction with ESI Energy, Inc. and Invenergy Wind Development North America LLC, to Amend a Certificate of Convenience and Necessity for Wind Generation Projects and Associated Facilities in Hale County, Texas and Roosevelt County, New Mexico, and for Related Approvals, Docket No. 46936, Order (May 25, 2018).*

1 accordance with prior fuel reconciliation and rate case settlements. This has freed
2 up existing generation capacity, enabling our Texas retail customers to save
3 money on the fuel portion of their bills and use the available capacity for Texas
4 and New Mexico retail loads. The 170 MW wholesale partial-requirements
5 power sale to LP&L is included in the jurisdictional allocators in this rate case.
6 SPS is also making a two-year transitional paper capacity sale to LP&L until it
7 converts a major portion of its system into the ERCOT grid in 2021. This power
8 sale is based on incremental energy costs and the margins from the sale are being
9 credited to eligible fuel and purchased power costs. So this sale is not reflected in
10 either the jurisdictional allocators or base rate revenue credits in this base rate
11 case.

12 Moving forward, the filing will allow SPS to address its current revenue
13 requirement deficiency so SPS may continue investing in adequate, safe, and
14 reliable infrastructure now and in the future.

15 **Q. What is the total non-fuel cost SPS incurs to provide service to its customers**
16 **in Texas?**

17 A. As described and supported in its RFP, SPS's total cost of service based on a Test
18 Year ended March 31, 2019 including estimates through the Update Period ended
19 June 30, 2019, as adjusted for known and measurable changes, is approximately
20 \$695.1 million, excluding fuel and purchased power costs adjustment clause
21 revenues. This includes a proposed cost of equity of 10.35%, a capital structure
22 of 54.65% equity and 45.35% debt, and a proposed overall weighted average cost
23 of capital of 7.62% for the Updated Test Year.⁶ As demonstrated by SPS witness

⁶ Please refer to the Direct Testimony of Ann E. Bulkley regarding the proposed cost of equity and to the Direct Testimony of Sarah W. Soong regarding the capital structure.

1 Arthur P. Freitas' direct testimony, SPS has prepared the filing using actual Test
2 Year books and records, including estimates for the Update Period, adjusted for
3 known and measurable changes, and using traditional and widely accepted
4 ratemaking principles.

5 **Q. Please describe the rate increase SPS is requesting in this case.**

6 A. SPS is asking to increase its base and miscellaneous tariff revenues by \$141.3
7 million on a Texas retail basis. However, given the no-fuel cost wind resource
8 along with the crediting of the PTCs through eligible fuel expense, the fixed fuel
9 factor recently dropped, and the impact on jurisdictional revenues is a reduction
10 of \$84.6 million in customer charges. Attachment DTH-3 is a summary of the
11 proposed increase on a Texas retail jurisdictional basis, shown on a base revenue
12 and total jurisdictional revenue basis. The net increase in jurisdictional revenues
13 is \$56.7 million, or 6.5%. Mr. Grant discusses in detail the specifics of SPS's rate
14 request.

15 **Q. What effect would SPS's proposed increase have on residential customers?**

16 A. Under the rate request proposed in this proceeding, a typical Residential Service
17 customer using 900 kWh of energy per month would see a total bill increase of
18 \$14.98 per month, or 15.2%, compared to the rates in effect during the Test Year.

19 **Q. As part of its Application, is SPS also requesting to implement temporary**
20 **rates?**

21 A. Yes. SPS is requesting that its current rates become temporary rates on the 35th
22 day following the filing of its Application. Mr. Grant discusses the details of this
23 request in his direct testimony, as well as the facts supporting this request.

1 **Q. What factors have contributed to the need for SPS to seek an increase in**
2 **rates?**

3 A. There are four main cost drivers: (1) investment and operating costs for the new
4 Hale Wind facility, (2) other investments in infrastructure that were required to
5 support our service area, promote economic development, and to maintain and
6 improve our operations; (3) the further reduction in wholesale power sales and
7 purchased power costs; and (4) the new depreciation study SPS is presenting in
8 this case, including the requested shorter operating lives of Tolk Generating
9 Station assets. I'll discuss each of these cost drivers in the next section of my
10 testimony.

1 **IV. FACTORS DRIVING THE NEED FOR A CHANGE IN RATES**

2 **Q. You have testified that SPS must recover and earn a return on recent capital**
3 **investments is a primary factor driving the requested rate increase. Why has**
4 **SPS made these investments?**

5 A. SPS prides itself on working with stakeholders and the Commission so that SPS
6 can continue to provide reliable, affordable, and clean electricity for our Texas
7 customers' benefit and the benefit of the state as a whole.

8 In the service of that goal, we have incurred capital expenditures on the
9 following: (1) replacement, improvement, and expansion of the SPS generation,
10 transmission, and distribution systems for increased adequacy, reliability, and the
11 growing customer base in SPS's service area; (2) increased North American
12 Electric Reliability Corporation reliability standards; and (3) increasing and
13 mandatory environmental standards. In short, SPS is making substantial
14 investments in its system to meet its Texas and New Mexico customer needs.

15 **Q. Are these new capital investments that SPS has placed into service currently**
16 **benefiting Texas retail customers?**

17 A. Yes. These capital investments make it possible for SPS to maintain and improve
18 reliability, and some of the new investment allows SPS to import lower-cost
19 power from elsewhere in the Southwest Power Pool, Inc. footprint. These
20 investments also ensure our generation fleet meets customer demand in an
21 economical and environmentally compliant manner. Our customers further
22 benefit from reliable service, and the new investment helps keep fuel costs lower
23 than they otherwise would be. In addition, our capital investment has been crucial
24 to the strength of the economy in SPS's service area by helping to foster growth

1 in the oil and gas industries and by expanding the areas available for crop
2 irrigation, among other benefits. SPS's investment in the economic success of its
3 service area will continue to generate benefits for many years to come by
4 providing the necessary electrical infrastructure to support better jobs and a higher
5 standard of living in SPS's service area. Besides providing economical energy
6 supply for our customers, the new Hale Wind facility will use no water to produce
7 electricity and will have zero emissions.

8 **Q. How much does SPS expect to spend in future years on necessary capital**
9 **investment?**

10 A. As shown in Table SWS-RR-2 included in the direct testimony of SPS witness
11 Sarah Soong, SPS plans to invest \$3.5 billion (total company) during the five-year
12 period from 2019-2023.

13 **Q. How can the Commission support SPS's ability to attract the capital**
14 **investment that is necessary for continued safety and reliability and**
15 **supportive of economic growth?**

16 A. The Commission's decisions with respect to return on equity and capital structure
17 will have the biggest impact on the ability of SPS to meet its investment goals in
18 the future. In order to balance the interests of our customers and investors, SPS is
19 requesting a capital structure comprised of 54.65% equity and 45.35% debt and a
20 cost of equity of 10.35%. Ms. Soong and SPS witness Ann Bulkley support the
21 reasonableness of this request and explain that ratings agencies are keenly aware
22 of the challenges that utilities face when funding large capital investment projects,
23 as well as other aspects of the utility business that impact cash flows. Supportive

1 decisions on return on equity and capital structure from regulators are viewed
2 positively by the ratings agencies, which, in turn, provide the ratings by which
3 utilities ultimately finance necessary capital investment. To put it differently,
4 better ratings result in better financing opportunities and terms for utilities, which
5 ultimately benefit customers through lower debt costs.

6 **Q. Will a constructive regulatory result in this case benefit customers?**

7 A. Absolutely. SPS is committed to providing the energy that our region needs to
8 remain strong and vibrant. Our regional economy cannot grow without a reliable
9 and robust electric grid, and the construction of that grid is a large part of what is
10 driving the need for this rate case. We want to help the communities and
11 businesses in our service area grow, including the farms and ranches that are very
12 important to our local economy. But, the expansion of our facilities costs money
13 and requires that we recover our current costs and earn a reasonable return on our
14 investment. This is all the more important because, as discussed by Ms. Soong,
15 SPS experienced a downgrade in its credit rating in the fourth quarter of 2018.
16 This deterioration in SPS's credit rating was partially due to the credit rating
17 agencies' perception that SPS operates within challenging regulatory
18 jurisdictions. This case represents an opportunity for SPS and the Commission to
19 demonstrate the constructive regulatory relationship that SPS has in Texas and to
20 begin to change investor opinion. This, in turn, will help ensure that SPS can
21 reasonably access the capital required to make necessary investments in SPS's
22 generation resources and transmission and distribution systems and that this
23 infrastructure remains safe, resilient, and reliable.

1 **Q. Is SPS’s ability to finance these planned capital expenditures impacted by its**
2 **financial performance?**

3 A. Yes, if SPS does not maintain its credit quality and ratings, it will be downgraded
4 and have to go to more expensive forms of financing to raise the capital funds to
5 build its expanding infrastructure. The lessened credit quality not only raises the
6 cost to consumers but also slows down the capital acquisition process. This
7 ultimately slows down expanded services to customers and ultimately the overall
8 region.

9 **Q. Does SPS's customer mix have a direct impact on its capital requirements?**

10 A. Yes. Unlike many utilities, and as I stated earlier, SPS serves a very large amount
11 of commercial and industrial retail load. In fact, approximately 80% of Texas
12 retail sales are to industrial and commercial customers, and at least 43% of SPS's
13 Texas retail jurisdictional sales are to oil and natural gas businesses. These
14 customers rightfully expect timely, expanded, and reliable electric service from
15 SPS. As I discuss above, SPS's ability to respond to the needs of these customers
16 is in the State's best interest. Table DTH-RR-4 illustrates SPS's customer sales
17 mix during the Test Year.

Table DTH-RR-4

Retail Class	MWh Sales	Percent
Total Residential	2,417,841	17.21%
Small General Service	284,851	2.03%
Secondary General	2,088,748	14.87%
Primary General	2,185,943	15.56%
Large General Service-Transmission	6,651,881	47.34%

1 **Q. You also mentioned that reductions in SPS’s wholesale power sales since its**
2 **last rate case are also a primary driver of the requested rate increase. Please**
3 **explain why this is the case.**

4 A. Consistent with the Commission’s orders and agreements reached with
5 stakeholders in Docket Nos. 32766 and 37901,⁷ SPS reduced the amount of
6 wholesale power it sold to WTMPA on June 1, 2019. Thus, the generating
7 facilities that were being used to serve WTMPA’s load are now available to serve
8 SPS’s retail load, which reduces the fuel costs borne by retail customers and
9 provides available capacity for SPS’s Texas and New Mexico retail load to grow
10 into. However, because the costs associated with SPS’s generating facilities are
11 allocated based on customers’ demands for power, it is necessary to reallocate the
12 base rate investment and associated costs of the generating facilities from
13 wholesale customers to retail customers.

14 **Q. Please explain SPS’s depreciation request.**

15 A. It is important that SPS’s depreciation rates provide for the adequate and timely
16 recovery of investment over its useful life because SPS makes planning decisions
17 and runs its plants on this basis. In Docket No. 47527, the depreciation rates for
18 the Tolk Generating Station, Units 1 and 2, were revised as a result of settlement
19 to reflect a shorter useful life.⁸ As a result, the assets at Tolk currently have a

⁷ See *Application of Southwestern Public Service Company for Authority to Change Rates; Reconciliation of its Fuel Costs for 2004 and 2005; Authority to Revise the Semi-Annual Formulae Originally Approved in Docket No. 27751 Used to Adjust its Fuel Factors; and Related Relief*, Docket No. 32766, Order (July 27, 2007); *Southwestern Public Service Company’s: (1) Report of Sale of Assets; (2) Request for a Finding that the Sale of Assets is in the Public Interest; (3) Request for Authority to Discontinue Retail Electric Service in its Dually Certificated Service Area within the City of Lubbock and Adjacent Areas; and (4) Request for Findings Regarding Wholesale Power Sales*, Docket No. 37901, Order (Aug. 5, 2010).

⁸ *Application of Southwestern Public Service Company to Change Rates*, Docket No. 47527, Order at FoF No. 51 (Dec. 10, 2018).

1 Texas-calculated depreciation retirement date of 2037, which represent service
2 lives of over 50 years. As part of the Stipulation reached in Docket No. 47527,
3 SPS also agreed to update its economic life analysis for the Tolk Generating
4 Station and to include that analysis in its next base rate case.⁹ Consistent with this
5 commitment, SPS, as part of its rate filing, is providing a new depreciation study
6 that supports its need to increase depreciation expense and shorten the service
7 lives of several of its generating units, including the Tolk Generating Station units
8 that are fueled by coal. With respect to the Tolk Generating Station, SPS is
9 proposing to change the service lives of these assets to have them retire at
10 December 31, 2032. SPS is also proposing to adopt a 25-year useful life for the
11 Hale Wind facility. SPS witnesses Bennie F. Weeks and Mark Lytal supports the
12 service lives for SPS's depreciation request in their direct testimony, including the
13 strategist analysis for the Tolk Generating Station. SPS witnesses Dane A.
14 Watson and Mark P. Moeller discuss the effect of the proposed service lives on
15 depreciation rates and depreciation expense.

16 **Q. With regard to the Tolk Generating Station, how does the regulatory**
17 **treatment of this facility impact SPS's costs and its ability to achieve**
18 **recovery of and on this investment?**

19 A. As Mr. Lytal explains in his testimony, SPS and other stakeholders in the Lamb
20 County, Texas region of the Ogallala Aquifer have seen a dramatic reduction in
21 the ground water aquifer level in recent years. That reduction affects SPS because
22 the Tolk Generating Station is in Lamb County and, as a steam generating coal-
23 fired power plant, Tolk requires a significant amount of water to operate and cool

⁹ *Id.* at FoF No. 50.

1 the used steam back into a liquid form so that it can be pumped back to the top of
2 the boiler. Because of the lack of groundwater available at reasonable prices, it
3 will be cost-prohibitive to continue operating the Tolk Generating Station past
4 2032. Therefore, SPS is proposing in this case to change the service lives of
5 SPS's Tolk Generating Station Units 1 and 2 to 2032.¹⁰ SPS is also proposing to
6 increase the depreciation expense for those assets to ensure that portions of the
7 facility are completely depreciated by 2032. Our projections are that there will no
8 longer be sufficient ground water supplies to cool the steam cycles at these two
9 coal generating units beyond 2032.

10 **Q. What initiatives is SPS pursuing to conserve the limited available**
11 **groundwater?**

12 A. As discussed by Mr. Lytal and SPS witness Jarred J. Cooley, for major portions of
13 the off-peak months SPS will decouple the generator from the steam turbine and it
14 will be used as a synchronous condenser to support the frequency and voltage on
15 the SPS's transmission network. Therefore, in the months in which the units
16 operate in synchronous condenser mode, ground water will not be used to cool
17 any steam generation. Furthermore, after 2032, at the latest, SPS will only run the
18 units in synchronous condenser mode.

19 **Q. What action is SPS asking the Commission to take in this case with regard to**
20 **the Tolk Generating Station?**

21 A. SPS is requesting that the Commission shorten the service lives of SPS's Tolk
22 Generating Station Units 1 and 2 to 2032. SPS is also requesting that the

¹⁰ It should be noted that future environmental regulations may even further reduce the life span of the plant. The Tolk units will, however, be used for voltage stability purposes through 2055. In its depreciation study, SPS has identified the existing assets at Tolk that will remain to support operation of the synchronous condensers, and SPS is proposing a depreciable life for those assets ending in 2055.

1 Commission reflect the 2032 retirement date when setting the Tolk Generating
2 Station depreciation rates to be paid for by Texas retail customers. Ms. Weeks
3 and Messrs. Lytal, Moeller, Watson, and Grant further discuss and support SPS's
4 request regarding Tolk in their direct testimonies.

5 **Q. Please explain how purchased power costs are impacting SPS's cost of**
6 **service.**

7 A. SPS has completely removed the 400 MW of Oneta purchased power costs from
8 its cost of service because the two 200 MW purchased power contracts expired
9 before this case was filed.¹¹ This has the effect of reducing SPS's base revenue
10 requirement and, therefore, base rates, from what it would have otherwise been
11 without this change.

12 **Q. Will issues such as declining groundwater levels, regulatory compliance, and**
13 **further economic growth continue to impact SPS's cost of service beyond this**
14 **case?**

15 A. Yes. For example, we expect groundwater in the regional Ogallala Aquifer to
16 continue to decline and this will have an ongoing impact on the regional
17 agriculture industry and availability of cooling water at SPS's Tolk Generating
18 Station. SPS must also comply with environmental regulations and this
19 necessarily means that SPS may be required to upgrade or change its generating
20 facility operations at facilities such as SPS's Harrington Station coal plant just
21 outside of Amarillo, Texas. In addition, SPS expects to see continued robust sales
22 growth in New Mexico, and particularly in Lea County and Eddy County where

¹¹ Oneta is currently owned by LS Power Equity Advisors, LLC.

1 the Permian Basin is experiencing phenomenal sales growth much like the
2 western ERCOT region of West Texas just south of New Mexico. This will
3 require even more transmission and distribution infrastructure as well as
4 accelerate the need for additional energy supply resources.

5 **Q. What significance do these continuing challenges have on this case?**

6 A. These issues illustrate why a balanced and constructive regulatory outcome is so
7 important in this case. As Ms. Soong explains in her direct testimony, this case
8 comes soon after a credit downgrade of SPS that was tied closely to concerns with
9 the regulatory environment. This fact, coupled with SPS's need to raise large
10 amounts of outside capital (both equity and debt) to support investment necessary
11 to serve the economic expansion in SPS's service territory and enable
12 customer-benefitting clean-energy initiatives makes it vitally important that the
13 Commission approve rate relief in this case that will ensure SPS's generation
14 resources and transmission and distribution system can respond to long-term
15 growth requirements and provide its customers with safe, clean, reliable, and
16 reasonably priced energy services.

1 **V. CONCLUSION**

2 **Q. Do you have any closing remarks?**

3 A. Yes. A constructive rate outcome in this case is essential to establishing a solid
4 foundation that will allow SPS to continue to meet the expectations of our
5 customers, support and expand the infrastructure necessary to power the regional
6 economy in our service area, and to achieve cost savings for our customers.

7 SPS's filing demonstrates that existing rates do not accurately reflect its
8 current cost of service given substantial changes in investment, sales levels,
9 reduced purchased power costs, and reduced wholesale sales from system
10 resources. Since its last base rate case, SPS has prudently invested more than
11 \$523 million in new investment on a Texas retail basis (\$1.7 billion total
12 company) over a 24-month period. Included in this investment is the \$712
13 million Hale Wind facility, which was placed into service on schedule and under
14 budget. While we are thrilled that this project is helping SPS deliver on its
15 promise of providing affordable and reliable energy to our customers, it is critical
16 to recognize that the continued expansion of our facilities costs money and
17 requires that we recover our current costs and earn a reasonable return on our
18 investment.

19 The rates requested in this filing reflect SPS's current cost of providing
20 safe, resilient, and reliable electric service. The proposed rates also fairly balance
21 the interests of SPS's customers and investors. SPS's rate request reflects the
22 actual expected service lives of its plant assets, including the shortened services
23 lives of the Tolk Generating Units 1 and 2, and provides for the required recovery
24 of that investment over those service lives. SPS's requested rates also reflect a

1 capital structure and cost of equity that will help to avoid further deterioration of
2 SPS's credit rating. The outcome on these and other issues will be instrumental in
3 determining whether SPS can reasonably access the capital required to make
4 necessary investments in SPS's generation resources and transmission and
5 distribution systems and that this infrastructure remains safe, resilient, and
6 reliable. For these reasons as well as those set forth in the testimonies of SPS's
7 other witnesses, I request that the Commission approve the rate relief SPS has
8 requested in this case.

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

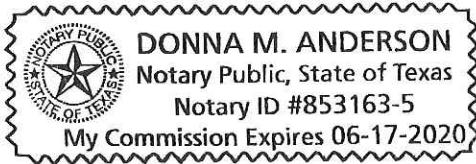
10 A. Yes.

AFFIDAVIT

STATE OF TEXAS)
)
COUNTY OF POTTER)

DAVID T. HUDSON, 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.



David T. Hudson
DAVID T. HUDSON

Subscribed and sworn to before me this 6 day of August, 2019 by DAVID T. HUDSON.

Donna M Anderson
Notary Public, State of Texas

My Commission Expires: 6/17/2020

QUALIFICATIONS AND PRIOR TESTIMONY OF DAVID T. HUDSON

My name is David T. Hudson. 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”). I am employed by SPS as President. My duties as President of SPS include overall responsibility for the operations of SPS, including customer and community relations, quality of service, communications, legislative relations, media relations, regulatory administration, and financial performance.

I graduated Cum Laude from Texas Tech University in December 1983, receiving a Bachelor of Science degree in Industrial Engineering. In May 1990, I graduated from West Texas State University (now known as West Texas A&M University), receiving a Master of Business Administration degree.

Since graduating from Texas Tech University in 1983, I have been doing cost-of-service, rate, and regulatory work for SPS, New Century Services, Inc., and Xcel Energy Services Inc., the service company subsidiary of Xcel Energy. I have served in numerous capacities within those companies, including:

- Rate Engineer;
- Supervisory Rate Engineer;
- Senior Engineer of Rate Research;
- Manager of Rate and Economic Research;
- Director, Regulatory and Pricing Administration;
- Director, Electric Business Support for Delivery Services;
- Director, Regulatory Administration;
- Director, Strategic Planning;

- Director, Customer and Community Relations;
- Interim Regional Vice President of Rates and Regulation; and
- President of SPS.

Among other duties in those positions, I have been responsible for the design and implementation of SPS's regulatory strategy and programs, including oversight of rate case applications before the New Mexico Public Regulation Commission ("Commission"), Public Utility Commission of Texas ("PUCT"), and the Federal Energy Regulatory Commission ("FERC"). In addition to my rate and regulatory work, I have served in strategic planning and customer and community relations positions for SPS.

In addition to my formal education and my experience at SPS, I have completed the advanced rate design course of the Edison Electric Institute. I have also attended the Public Utility Conference sponsored by New Mexico State University's Center for Management and Professional Development. I am also a licensed professional engineer in Texas, and I am a member of the Texas Society of Professional Engineers and the Institute of Electrical and Electronic Engineers.

I have filed testimony with the Commission in various cases, including base rate cases, Docket Nos. 11520, 32766, 35763, 38147, 42004, 45524 and 47527. My testimony in those base rate cases encompassed a wide variety of topics, including regulatory policy and rate design. I have testified in other types of Commission cases as well, such as Certificate of Convenience and Necessity, Fuel Reconciliations and business combination cases. I have also filed testimony before the NMPRC in numerous SPS proceedings. In addition, I have been a witness in cases before the Oklahoma Corporation Commission, the Kansas Corporation Commission, the Wyoming Public Service Commission, and FERC. The following is a listing of the cases in which I have testified.

PUBLIC UTILITY COMMISSION OF TEXAS

1. Docket No. 6063, Standard Avoided Cost Filing of SPS Pursuant to P.U.C. SUBST. R. 23.66(h)(3).
2. Docket No. 7288, Standard Avoided Cost Filing of SPS Pursuant to P.U.C. SUBST. R. 23.66(h)(3).
3. Docket No. 7934, Standard Avoided Cost Filing of SPS Pursuant to P.U.C. SUBST. R. 23.66(h)(3).
4. Docket No. 8484, Application of Southwestern Public Service Company to Amend Tariff Concerning J. M. Huber Corp.
5. Docket No. 9229, Standard Avoided Cost Filing of SPS Pursuant to P.U.C. SUBST. R. 23.66(h)(3).
6. Docket No. 10836, Standard Avoided Cost Filing of SPS Pursuant to P.U.C. SUBST. R. 23.66(h)(3).
7. Docket No. 11248, Application of Southwestern Public Service Company and Cap Rock Electric Cooperative, Inc. for Certificate of Convenience and Necessity to Construct Transmission Facilities.
8. Docket No. 11520, Petition of the General Counsel for an Inquiry into the Reasonableness of Rates and Services of Southwestern Public Service Company.
9. Docket No. 12592, Application of Cap Rock Electric Cooperative, Inc., to Amend CCN for Proposed Transmission Line and Substation within Midland, Glasscock, Reagan, Upton, Howard, and Mitchell Counties.
10. Docket No. 12700, Application of El Paso Electric Company and Central and Southwest Corporation for Approval to Merge.
11. Docket No. 13827, Application of Southwestern Public Service Company for Approval of Notices of Intent for a 203 MW Phillips Cogeneration Project and a 103 MW Combustion Turbine Project.
12. Docket No. 14980, Application of Southwestern Public Service Company Regarding Proposed Business Combination With Public Service Company of Colorado.
13. City of Spearman, TX, Ordinance No. 676, City of Spearman, Texas PURA Section 2.211 Complaint Against Southwestern Public Service Company.
14. Docket No. 16738, Application of Southwestern Public Service Company to Amend Certificated Service Area Boundaries to Provide for Dual Certification in Hockley and Cochran Counties, Texas.
15. Docket No. 17525, Application of Southwestern Public Service Company for Certificate of Qualifying Facility Purchased Power Contract Under Section 2.209 of PURA 95.
16. Docket No. 19512, Petition of Southwestern Public Service Company for: (1) Reconciliation of its Fuel and Purchased Power Costs for 1995 through 1997; (2) Findings of Special Circumstances.

17. Docket No. 20395, Application of Southwestern Public Service Company for Approval of Preliminary Integrated Resource Plan and for Good-Cause Exception.
18. Docket No. 21190, Application of Southwestern Public Service Company Regarding Proposed Merger Between New Century Energies and Northern States Power Company.
19. Docket Nos. 21952 and 21990, Application of Southwestern Public Service Company for Approval of its Proposed Business Separation Plan Pursuant to PURA § 39.051(e).
20. Docket No. 22351, Application of Southwestern Public Service Company for Approval of Unbundled Cost of Service Rate Pursuant to PURA § 39.201 and Public Utility Commission Substantive Rule § 25.344.
21. Docket No. 23345, Application of Southwestern Public Service Company for Approval of Its Transition to Competition Plan and Related Relief.
22. Docket No. 23718, Application of Southwestern Public Service Company for Authority to: (1) Revise its Fixed Voltage Level Fuel Factors; (2) Surcharge its Historical Fuel Under-Recoveries; (3) Surcharge its Estimated Fuel Under-Recoveries; and (4) Related Good-Cause Waivers.
23. Docket No. 25088, Application of Southwestern Public Service Company to Recover Transition to Competition Costs Pursuant to Section 39-409 of PURA.
24. No. 24229, Remand of Docket No. 14454, Petition of Lamb County Electric Cooperative, Inc. for a Cease and Desist Order Against Southwestern Public Service Company and Petition of Bailey County Electric Cooperative Association for a Cease and Desist Order Against Southwestern Public Service Company.
25. Docket No. 27052, Application Of Southwestern Public Service Company To Transfer Functional Control Of Electric Transmission Facilities To TRANSLink Transmission Company, LLC, and for Related Relief.
26. Docket No. 26186, Application of Southwestern Public Service Company for: (1) Reconciliation of its Fuel and Purchased Power Costs for 2000 and 2001; and (2) Related Relief.
27. Docket No. 27751, Application of Southwestern Public Service Company for: (1) Authority to Revise its Fuel Factors; (2) Authority to Institute Quarterly Adjustments to its Fuel Factors; (3) Authority to Surcharge its Fuel Cost Under-Recoveries; and (4) Related Good Cause Exceptions.
28. Docket No. 29801, Application of Southwestern Public Service Company for: (1) Reconciliation of its Fuel Costs for 2002 and 2003; (2) A Finding of Special Circumstances; and (3) Related Relief.
29. Docket No. 32766, Application Of Southwestern Public Service Company For: (1) Authority to Change Rates; (2) Reconciliation of Its Fuel Costs for 2004 and 2005; (3) Authority to Revise the Semi-Annual Formulae Approved in Docket No. 27751 Used to Adjust Its Fuel Factors; And (4) Related Relief.
30. Docket No. 34442, Complaint of JD Wind 1, LLC, JD Wind 2, LLC, JD Wind 3, LLC, JD Wind 4, LLC, JD Wind 5, LLC, JD Wind 6, LLC, Against Southwestern Public Service Company.

31. Docket No. 35763, Application of Southwestern Public Service Company for Authority to Change Rates, to Reconcile Fuel and Purchased Power Costs for 2006 and 2007, and to Provide a Credit for Fuel Cost Savings.
32. Docket No. 37901, Southwestern Public Service Company's: (1) Report of Sale of Assets; (2) Request For a Finding that the Sale of Assets is in the Public Interest; (3) Request for Authority to Discontinue Retail Electric Service in its Dually Certificated Service Area Within the City of Lubbock and Adjacent Areas; and (4) Request for Findings Regarding Wholesale Power Sales Agreements.
33. Docket No. 38147, Application of Southwestern Public Service Company for Authority to Change Rates and to Reconcile Fuel and Purchased Power Costs for 2008 and 2009.
34. Docket No. 42004, Application of SPS for Authority to Change Rates and to Reconcile Fuel and Purchased Power Costs for the Period July 1, 2012 through June 30, 2013.
35. Docket No. 45524, Application of Southwestern Public Service Company for Authority to Change Rates.
36. Docket No. 46936, Application of Southwestern Public Service Company for Approval of Transactions with ESI Energy, LLC and Invenergy Wind Development North America LLC, to Amend a Certificate of Convenience and Necessity for Wind Generation Projects and Associated Facilities in Hale County, Texas and Roosevelt County, New Mexico, and Related Approvals
37. Docket No. 47527, Application of Southwestern Public Service Company For Authority To Change Rates.

NEW MEXICO PUBLIC REGULATION COMMISSION

1. Case No. 2113, Application for New Rates Pursuant to Second Revised General Order No. 37.
2. Case No. 2205, Southwestern Public Service Company - General Order No. 37 Compliance Filing and Application for a Variance in the Requirements of Section 5.1 of General Order No. 37.
3. Case No. 2512, In the Matter of the Consideration and Determination Concerning Whether it is Appropriate to Implement the Standards Set Out in Section 712 of the Energy Policy Act of 1992.
4. Case No. 2575, Application of El Paso Electric Company and Central and Southwest Corporation to Merge and Related Approvals.
5. Case No. 2651, In the Matter of Staff's Petition for an Order Requiring Southwestern Public Service Company to Show Cause Why Its "System Purchase Option and Rate Guarantee" is Not In Violation of the Public Utility Act.
6. Case No. 2678, In the Matter of the Application of Southwestern Public Service Company for Approvals and Authorizations to (i) Merge with Public Service Company of Colorado and to Form a Holding Company, (ii) Divest its Non-Utility Subsidiaries, (iii) Issue Securities to the Holding Company, (iv) Amend its General Diversification Plan, and (v) Obtain All Other Approvals and Authorizations Necessary to Effectuate the Merger, Reorganization and Related Transactions.

7. Case No. 2717, In the Matter of Southwestern Public Service Company's Application for Approval of a Certificate of Public Convenience and Necessity to Construct and Operate a 100 MW Class Combustion Turbine Unit at its Cunningham Station Near Hobbs, New Mexico, and Avoided Capacity Cost Filings Under NMPUC Rule 570.18.
8. Case No. 2770, In the Matter of Southwestern Public Service Company's Request for Approvals and Authorizations Necessary to (i) Enter into a Contract for the Purchase of Capacity and Energy from the Phillips Cogeneration Project; and (ii) Contract with its Affiliated Interest, Quixx Corporation, to the Purchase Capacity and Energy from the Phillips Project.
9. Case No. 2771, In the Matter of Southwestern Public Service Company's Advice Notice No. 179 for Proposed Renewable Energy, Photovoltaic Pumping Systems, and Interruptible Irrigation Rates.
10. Case No. 2798, In the Matter of the Commission's Investigation of the Rates for Southwestern Public Service Company.
11. Case No. 3116, In The Matter of the Application of Southwestern Public Service Company for Approvals and Authorizations of the Merger Between New Century Energies, Inc., Southwestern's Parent/Holding Company, Into Northern States Power Company/Xcel Energy Inc., Approval of Southwestern's Second Amended General Diversification Plan that Reflects the Merger; and All Other Approvals and Authorizations Required to Effectuate and Implement the Merger.
12. Case No. 3220, Application of Southwestern Public Service Company for approval of Competitive Transition Plan in Accordance with the New Mexico Electric Industry Restructuring Act.
13. Case No. 3709, Application of Southwestern Public Service Company for approval of Continued Use of its Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC") using a Monthly Adjustment Factor Pursuant to NMPRC Rule 550, Authorization to Implement the Proposed Monthly Adjustment Factor on an Interim Basis, Granting a Variance from Rule 550.9(a), and Approval of the Reconciliation of its Collections Under the FPPCAC for the Period October 1999 through September 2001.
14. Case No. 3849, In the Matter of Southwestern Public Service Company's Application for NMPRC Approval of and Authorization for Translink Transmission Company, LLC to Operate and Control Southwestern's New Mexico Certificated Transmission Facilities in Accordance With the Proposed Private Power Operating Agreement Between Southwestern Public Service Company and Translink Transmission Company, LLC.
15. Case No. 04-00060-UT, In the Matter of Southwestern Public Service Company's Application for an Order Approving and Authorizing (1) Southwestern's Participation in the Xcel Energy Utility Money Pool, (2) Southwestern's Class II Transactions Related to its Participation in the Utility Money Pool, and (3) Required Amendments to Southwestern Public Service Company's General Diversification Plan.
16. Case No. 03-00371-UT, In the Matter of Staff's Petition for an Order to Show Cause, for Implementation of Temporary Billing Measures and for an Investigation into Southwestern Public Service Company's Estimated Billings Practice.
17. Case No. 04-00253-UT, In the Matter of the Commission's Determination of the Reasonable Cost Threshold for Renewable Energy.

18. Case No. 04-00334-UT, In the Matter of Southwestern Public Service Company's 2003 Annual Portfolio Report and 2004 Annual Portfolio Procurement Plan Pursuant to the Renewable Energy Act (Laws 2004, Ch 65).
19. Case No. 05-00271-UT, Petition of Southwestern Public Service Company for Approval of Renewable Energy Cost Recovery Methodology in Accordance with Renewable Energy Act, (Laws 2004, Ch 65).
20. Case No. 05-00341-UT, In The Matter Of Southwestern Public Service Company's Application For Approval Of (1) Continued Use Of Its Fuel And Purchased Power Cost Adjustment Clause ("FPPCAC") Using A Monthly Adjustment Factor Pursuant To NMPRC Rule 550, (2) The Existing Variance From Rule 550.14(A), And (3) The Report Regarding Collections Under The Previous Annual FPPCAC In Effect During The Period October 2001 Through January 2002, And Collections Under The Existing Monthly FPPCAC For The Period February 2002 Through May 2005.
21. Case No. 05-00354-UT, Southwestern Public Service Company's Annual Renewable Energy Portfolio Report And Petition Of Southwestern Public Service Company For Approval Of Its Annual Renewable Energy Portfolio Procurement Plan.
22. Case No. 06-00432-UT, In the Matter of Lea Power Partners. LLC's Application for the Location of the Hobbs Generation Station in the SW ¼ of Section 24, Township 18s Range 36E Pursuant to the Public Utility Act, NMSA 62-9-3.
23. Case No. 07-00084-UT, In the Matter of Southwestern Public Service Company's Application for Issuance of a Certificate of Convenience and Necessity Authorizing Southwestern Public Service Company to Construct and Operate 115 and 230 kV Transmission Lines and Substation Facilities that will be Associated with Lea Power Partners, LLC's Hobbs Generating Station in Lea County, New Mexico, and for Approval of the Location of the Proposed 230 kV Transmission Line.
24. Case No. 07-00319-UT, In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Electric Rates Pursuant to Advice Notice Nos. 208 and 209 and All Associated Approvals.
25. Case No. 07-00390-UT, In the Matter of an Investigation Into the Prudence of Southwestern Public Service Company's Participation in the Southwest Power Pool Regional Transmission Organization.
26. Case No. 08-00331-UT, In the Matter of the Joint Application of Southwestern Public Service Company and Golden Spread Electric Cooperative, Inc., For Approval of Their Replacement Power Sales Agreement in Accordance With the Final Orders in Case Nos 04-00426-UT and 05-00341-UT.
27. Case No. 08-00354-UT, In the Matter of the Application of Southwestern Public Service Company For Revision of its Retail Electric Rates Pursuant to Advice Notice Nos. 217, 218, and 219 and Request For Expedited Interim Relief Authorizing Recovery of Capacity Related Costs Associated With the New Hobbs Generating Station.
28. Case No. 10-00170-UT, In the Matter of Southwestern Public Service Company's Application For: (1) Issuance of a Certificate of Convenience and Necessity For an Additional Combustion Turbine at Jones Station in Lubbock County, Texas; and (2) Approval of a Contract for the Purchase of Capacity and Energy from Calpine Energy Services, L.P. From 2012 through 2018 in Accordance With Case No. 08-00354-UT.

29. Case No. 17-00044-UT, In the Matter of Southwestern Public Service Company's Application Requesting: (1) Issuance of a Certificate of Convenience and Necessity Authorizing Construction and Operation of Wind Generation and Associated Facilities, and Related Ratemaking Principles Including an Allowance for Funds Used During Construction for the Wind Generation and Associated Facilities; and (2) Approval of a Purchased Power Agreement to Obtain Wind-Generated Energy.
30. Case No. 17-00255-UT, In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Rates Under Advice Notice No. 272.
31. Case No. 19-00170-UT, In the Matter of Southwestern Public Service Company's Application for (1) Revision of its Retail Rates Under Advice Notice No. 282; (2) Authorization and Approval to Shorten the Service Life of and Abandon its Tolk Generating Station Units; and (3) Other Related Relief.

PUBLIC UTILITIES COMMISSION OF COLORADO

1. Docket No. 95A-531EG, Application of Public Service Company of Colorado Regarding Proposed Business Combination with Southwestern Public Service Company.
2. Docket No. 00A-600E, Application of Public Service Company of Colorado for a 345 KV CCN (Tie Line).

FEDERAL ENERGY REGULATORY COMMISSION

1. Docket No. EL89-50-000, Golden Spread Electric Cooperative, Inc. Rate Investigation.
2. Docket No. ER85-477-010, Southwestern Public Service Company (On Remand).
3. Docket Nos. EC94-7-000 and ER94-898-000, El Paso Electric Company and Central and Southwest Services, Inc., November 11, 1994.
4. Docket No. ER95-1138-000, Southwestern Public Service Company Application for Open Access Transmission Service Tariffs.
5. Docket No. EL95-24-000, Golden Spread Electric Cooperative, Inc. v. Southwestern Public Service Company.
6. Docket No. EC96-2-000, Public Service Company of Colorado and Southwestern Public Service Company, November 9, 1995.
7. Docket No. ER96-1551-000, Public Service Company of New Mexico.
8. Docket No. OA96-200-000, El Paso Electric Company Open Access Transmission Tariff.
9. Docket No. ER00-536-000, Southwestern Public Service Company Rate Application.
10. Docket No. ER04-1174-000, Southwestern Public Service Company and Public Service Company of Colorado Rate Application.

11. Docket No. ER01-205-007, Xcel Energy Services Updated Market-Based Rate Application.
12. Docket No. EL05-19-002, Golden Spread Electric Cooperative, Inc. v. Southwestern Public Service Company.
13. Docket No. ER06-274-000, Southwestern Public Service Company.
14. Docket No. ER08-313-000, Southwestern Public Service Company.
15. Docket No. ER08-749-000, Southwestern Public Service Company.

KANSAS CORPORATION COMMISSION

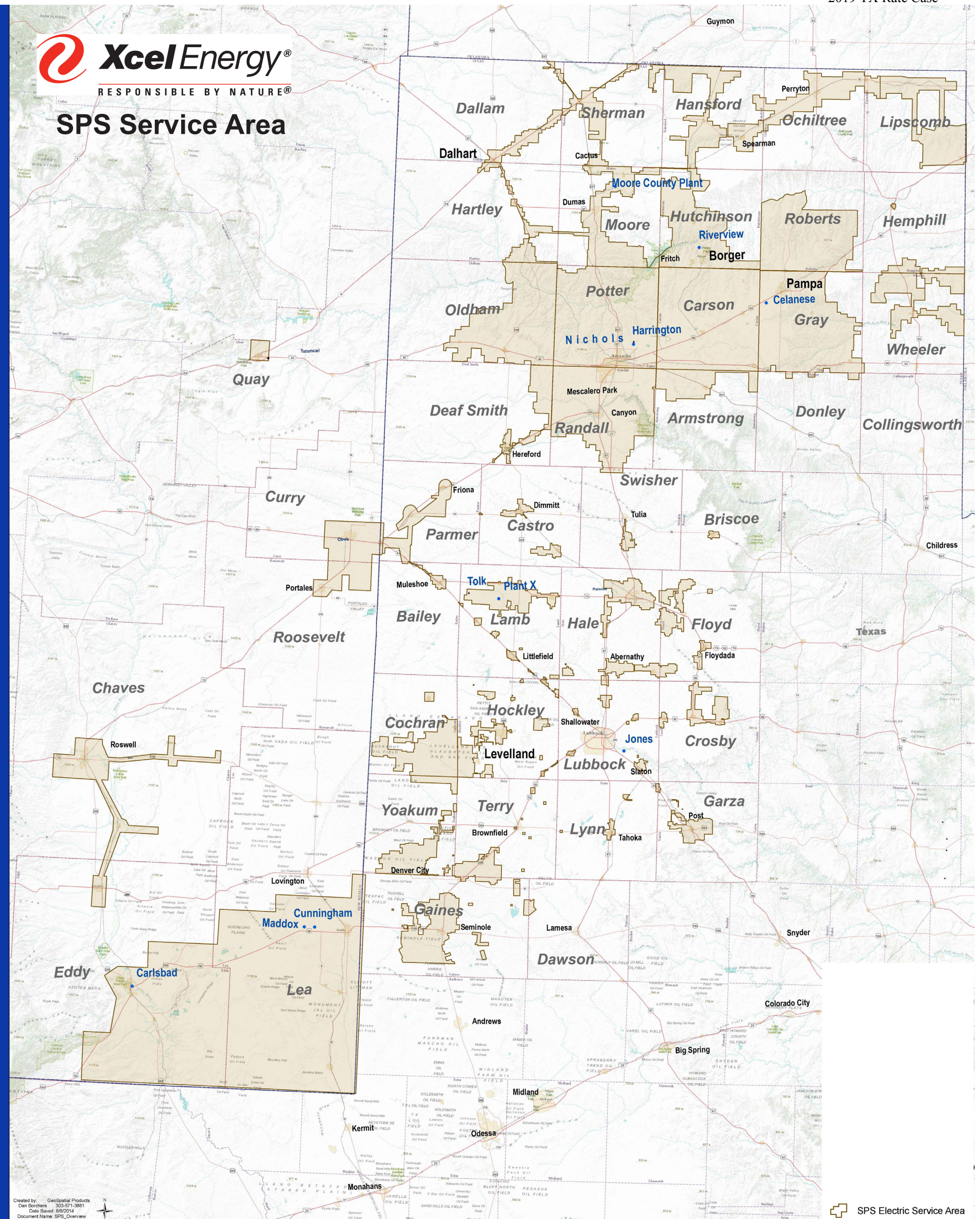
1. Docket No. 99-SWPE-764-MIS, In the Matter of the Application of Southwestern Public Service Company for a Siting Permit for the construction of a 345 kV Transmission Line in Hamilton, Kearny, Finney, Grant, and Stevens Counties, Kansas.

WYOMING PUBLIC SERVICE COMMISSION

1. Docket Nos. 30005-GA-95-39 and 20003-EA-95-40, Application of Cheyenne Light, Fuel and Power Company (SPS/PSCo Merger).

OKLAHOMA CORPORATION COMMISSION

1. Cause No. PUD990000037, Application of Southwestern Public Service Company for a Certificate Authorizing it to Create Liens on its Properties in the State of Oklahoma to Secure up to \$105,000,000 Principal Amount of its First Mortgage Bonds.
2. Cause No. PUD 9900000621, Application of Ernest G. Johnson, Director of the Public Utility Division of the Oklahoma Corporation Commission to review the Impact of the Merger of the New Century Energy, Inc., with and into Northern States Power Company, On Oklahoma Jurisdictional Customers of Southwestern Public Service Company, a wholly owned Subsidiary of New Century Energy, Inc.
3. Cause No. PUD 200000031, Application of Southwestern Public Service Company for Approval of Merger Savings Credit Rider to Retail Tariffs.



XCEL ENERGY INC. SERVICE AREA BOUNDARIES
Southwestern Public Service

Southwestern Public Service Company

Summary of Texas Retail Rate Increase Request

Line No.	Description	(1) Current Revenue	(2) Rate Case Request	(3) Proposed Revenues	(4) Net Revenue Increase	(5) Net Percent Increase
1	Base Rate and TCRF Revenues	\$ 553,798,751	\$ 141,284,640	\$ 695,083,391	\$ 141,284,640	25.5%
2						
3	EECRF Revenue	5,028,342	-	5,028,342	-	
4						
5	Rate Case Expense Rider Revenue	1,068,463	-	1,068,463		
6						
7	Net Non-Fuel Revenue	\$ 559,895,556		\$ 701,180,196	\$ 141,284,640	25.2%
8						
9	Fuel and Purchased Energy Revenue	311,133,201		226,506,812	(84,626,389)	-27.2%
10						
11	Total Texas Retail Revenue	<u>\$ 871,028,757</u>		<u>\$ 927,687,008</u>	<u>\$ 56,658,251</u>	<u>6.5%</u>