

SOAH DOCKET NO. 473-19-6677
DOCKET NO. 49831

APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE
PUBLIC SERVICE COMPANY FOR § OF
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS

UPDATE TESTIMONY
of
H. CRAIG ROMER

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
CPI	Consumer Price Index
RFP	Rate Filing Package
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	April 1, 2018 through March 31, 2019
Total Company or total company	Total SPS (before jurisdictional allocations)
Update Period	April 1, 2019 through June 30, 2019
Updated Test Year	July 1, 2018 through June 30, 2019

**UPDATE TESTIMONY
OF
H. CRAIG ROMER**

1 **I. WITNESS IDENTIFICATION**

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

3 A. My name is H. Craig Romer. My business address is 1800 Larimer Street, Suite
4 1000, Denver, Colorado 80202.

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

6 A. I am employed by Xcel Energy Services Inc. Fuel Supply Operations.

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

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

10 **Q. Are you the same H. Craig Romer who filed direct testimony on behalf of SPS**
11 **in this docket?**

12 A. Yes.

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

3 **Q. What is the purpose of your update testimony?**

4 A. As explained in my direct testimony, SPS is using an Updated Test Year in this case.
5 The Updated Test Year is the period from July 1, 2018 through June 30, 2019.
6 Because of the timing of the filing of this case, certain costs incurred by SPS related
7 to coal acquisition for the period from April 1, 2019 through June 30, 2019 (“Update
8 Period”) as presented in SPS’s direct testimony were estimated. My assignment in
9 this update testimony is to replace those estimated costs with actual costs. The result
10 of this update is that the Updated Test Year now consists of only actual information
11 for the costs, and no estimates.

12 **Q. Please summarize your update testimony and recommendations.**

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

- 14 • SPS’s coal and coal-related costs that were not included in eligible fuel costs
15 in the Updated Test Year totaled \$34,700,956 and in the Test Year (April 1,
16 2018 through March 31, 2019) totaled \$36,790,937 (total SPS before
17 jurisdictional allocations, or “Total Company” or “total company”). SPS
18 proposes one pro forma adjustment to the Updated Test Year costs, resulting
19 in a net increase of \$31,160 (total company) to reflect a contractual increase
20 in SPS’s margin payment to TUCO. The pro forma adjustment results in an
21 Updated Test Year cost of \$34,732,116. These costs are included in SPS’s
22 cost of service presented by SPS witness Arthur P. Freitas in the Revenue
23 Requirement phase.
- 24 • SPS’s Updated Test Year and Test Year coal costs were prudently incurred
25 and were reasonable and necessary for SPS to have usable coal to burn at its
26 Tolk and Harrington Stations.

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

29 A. Yes. RFP Schedule I-U17.1, Coal Costs, is updated in this filing.

1 **Q. Was Schedule I-U17.1 prepared by you or under your direct supervision and**
2 **control?**

3 A. Yes.

4 **Q. Do you incorporate Schedule I-U17.1 into this testimony?**

5 A. Yes.

1 **III. COAL COSTS INCLUDED IN SPS’S COST OF SERVICE**

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

3 A. In the “Coal Costs Included in SPS’s Cost of Service” Section in my direct
4 testimony, I stated the costs that were incurred by SPS during the Test Year and
5 Updated Test Year, the amount of the pro forma adjustment SPS is proposing, and
6 the amount for which SPS is seeking recovery of costs. Although the amount
7 incurred in the Test Year has not changed, the costs included in the Updated Test
8 Year have changed when estimates are replaced with actuals. This section of my
9 update testimony presents the same information concerning the Updated Test Year,
10 with actual costs instead of estimated costs, and includes a table comparing the
11 amounts that have been updated.

12 **Q. What cost did SPS incur for coal, other than mine cost, transportation cost, and
13 coal losses, during the Test Year and Updated Test Year?**

14 A. The total cost incurred for coal, other than mine cost, transportation cost, and coal
15 losses, in the Updated Test Year was \$34,700,956 (total company). Additionally, the
16 amount for the Test Year, as reflected in SPS’s General Ledger, was \$36,790,937
17 (total company).

18 **Q. Do the base rate Updated Test Year costs include any non-recurring or unusual
19 items that are not representative of costs to be incurred in the future for these
20 activities?**

21 A. No.

22 **Q. How have these recurring costs been included in this rate request?**

23 A. These recurring costs included in the Updated Test Year are included in the cost of
24 service study presented by Mr. Freitas.

1 **Q. Have you made any pro adjustments to these costs?**

2 A. Yes. I have made one pro forma adjustment, which is also included in the cost of
3 service. The pro forma adjustment was made to reflect the fact that SPS's margin
4 payment to TUCO increases annually (effective January 1st) by the *lesser* 2.5% or the
5 percent increase in the Consumer Price Index ("CPI"), applied to the operating
6 expenses component. As shown in the table below, this is the same pro forma
7 adjustment that was presented in my direct testimony, but is now being applied to the
8 actual costs for the Updated Test Year.

9 **Q. How was the pro forma adjustment determined?**

10 A. The pro forma adjustment was determined by calculating 1.9% (the increase in CPI)
11 of the operating expenses component of the margin payment in 2018, which reflects
12 the amount of the contractual increase.

13 This pro forma adjustment results in a net increase of \$31,160 (total
14 company), yielding a total base rate coal cost of \$34,732,116 (total company) for the
15 Updated Test Year. Notably, this reflects a smaller margin increase than would have
16 been incurred under the previous coal supply agreements, which was the *greater* of
17 2.5% or the percentage increase in CPI.

- 1 Q. Please summarize the estimated and actual totals for Updated Test Year Costs,
2 the pro forma adjustment, and coal costs for which recovery is requested.

	Updated Test Year (7/1/18-6/30/19)	Pro Forma Adjustments (no change)	Requested Cost Recovery
Totals with Estimates	\$34,484,506	\$31,160	\$34,515,666
Totals with Actuals	\$34,700,956	\$31,160	\$34,732,116

1 **IV. REASONABLENESS OF SPS'S BASE RATE COAL COSTS**

2 **Q. Were SPS's coal costs during the Updated Test Year and Test Year prudently**
3 **incurred, reasonable, and necessary?**

4 A. Yes. For the reasons discussed above and in my direct testimony, SPS's Updated
5 Test Year and Test Year coal costs were prudently incurred and were reasonable and
6 necessary for SPS to have usable coal to burn at its Tolk and Harrington Stations.

7 **Q. Does this concluded your pre-filed update testimony?**

8 A. Yes.

AFFIDAVIT

STATE OF COLORADO)
)
COUNTY OF DENVER)


H. CRAIG ROMER, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I have read the testimony 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.



H. CRAIG ROMER

Subscribed and sworn to before me this 10th day of September, 2019 by H. CRAIG ROMER.



Notary Public, State of Colorado
My Commission Expires: 10/13/20

CASSANDRA KUTCHES
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20164039269
MY COMMISSION EXPIRES OCTOBER 13, 2020

CERTIFICATE OF SERVICE

I certify that on the 20th day of September 2019, a true and correct copy of the foregoing update testimony was served on all parties of record by electronic service and by either hand delivery, Federal Express, regular first class mail, certified mail, or facsimile transmission.