

**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
JEFFREY C. KLEIN**

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: KleinRRUpdate.docx; Total Pages: 15)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Capacity-related costs or capacity-related PPA costs	Capacity costs and other components of cost such as variable O&M costs, start costs, and dispatchability payments
MWh	Megawatt Hours
Non-fuel related costs	Components of PPA costs such as variable O&M charges, start costs, and dispatchability payments
PPA	Purchased power agreement
Rate Year	Twelve months starting September 1, 2019
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

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
JCK-RR-U2	Summary of PPA Costs (Filename: JCK-RR-U2.xls)
JCK-RR-U4	Workpapers of Jeffrey C. Klein (Filename: JCK-RR-U4.xls)

**UPDATE TESTIMONY
OF
JEFFREY C. KLEIN**

1 **I. WITNESS IDENTIFICATION**

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

3 A. My name is Jeffrey C. Klein. 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. as Manager, Structured Purchases.

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 Jeffrey C. Klein who filed direct testimony on behalf of SPS in**
11 **this docket?**

12 A. Yes.

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A. As explained in my direct testimony, SPS is using an Updated Test Year in this case. The Updated Test Year is the period from July 1, 2018 through June 30, 2019. Because of the timing of the filing of this case, my direct testimony included estimates for capacity and other non-fuel related costs (collectively, “capacity-related costs” or “capacity-related PPA costs”) incurred under SPS’s long-term purchased power agreements (“PPAs”) for the period from April 1, 2019 through June 30, 2019 (“Update Period”). My assignment in this update testimony is to replace those estimated capacity-related costs with actual costs. The result of this update is that the Updated Test Year now consists of only actual information for the capacity-related costs incurred under SPS’s PPAs, and no estimates.

Regarding the capacity-related costs that I support, my update testimony includes Attachments JCK-RR-U2 and JCK-RR-U4, which replace the estimated costs that I provided in my direct testimony for the Updated Test Year with actual costs.

A. Yes. RFP Schedules H-U12.4a and H-U12.4c, concerning PPA megawatt hours (“MWh”) and fixed PPA costs respectively, are updated in this filing.

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

- 1 • SPS reasonably incurred \$110,102,448 (total SPS before jurisdictional
2 allocations, “Total Company” or “total company”) in capacity-related PPA
3 costs during the Updated Test Year, and \$122,728,608 in the Test Year
4 (April 1, 2018 through March 31, 2019).
- 5 • Due to contractually authorized price changes, PPA terminations, and a
6 change in tested capacity, there are known and measurable changes that need
7 to be made to the Updated Test Year data through pro forma adjustments.
- 8 • Capacity-related PPA costs will decrease in 2020 by \$34,171,043 (total
9 company) from the amount incurred in the Updated Test Year. The total
10 amount SPS seeks to recover through base rates for capacity-related costs
11 incurred under PPAs for the Rate Year (12 months starting September 1,
12 2019) is \$75,931,405 (total company).
- 13 • Incurring these costs under contracts reviewed or approved, or both, under
14 prior base rate cases and fuel reconciliations is reasonable and necessary to
15 provide SPS’s customers with reliable electric service.

16 **Q. Were Attachments JCK-RR-U2 and JCK-RR-U4 prepared by you or under**
17 **your direct supervision and control?**

18 A. Yes.

19 **Q. Are RFP Schedules H-U12.4a and H-U12.4c true and correct copies of those**
20 **documents?**

21 A. Yes. My staff and I have reviewed these schedules and I believe them to be accurate.

22 **Q. Do you incorporate RFP Schedules H-U12-4a and H-U12.4c into this testimony?**

23 A. Yes.

1 **III. LONG-TERM PURCHASED POWER CONTRACTS**

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

3 A. In the “Long-term Purchased Power Contracts” Section in my direct testimony, I
4 stated the costs that were incurred by SPS during the Test Year and Updated Test
5 Year, the amount of pro formas SPS is proposing, and the amount for which SPS is
6 seeking recovery of costs. Although the amount incurred in the Test Year has not
7 changed, other numbers have changed due to the replacement of estimates with
8 actuals. This section of my update testimony presents the same information
9 regarding the Updated Test Year with actual costs instead of estimated costs, and
10 includes a table comparing the total amounts that have been updated.

11 **Q. What costs associated with these PPAs does SPS propose to include in its**
12 **Updated Test Year cost of service in this proceeding?**

13 A. Attachment JCK-RR-U2 lists the various charges incurred under PPAs in the Test
14 Year and Updated Test Year and identifies the charges for which SPS is seeking
15 recovery through base rates. SPS proposes to include in its cost of service the Rate
16 Year Costs (12 months starting September 1, 2019), consisting of the Updated Test
17 Year capacity-related costs with pro forma adjustments. In general, the capacity-
18 related costs are those for capacity or demand and non-fuel items, such as variable
19 operation and maintenance charges, dispatchability payments or turbine
20 start/scheduling charges. The Test Year capacity-related costs for all PPAs totaled
21 \$122,728,608 (total company). The Updated Test Year capacity-related costs for all
22 PPAs totaled \$110,102,448 (total company), before considering pro forma
23 adjustments. After considering pro forma adjustments resulting in a reduction of
24 \$34,171,043 (total company), the adjusted Updated Test Year capacity-related costs,

1 or Rate Year costs, for which SPS is requesting recovery are \$75,931,405 (total
2 company).

3 **Q. What estimated amounts that you presented in your direct testimony have you**
4 **updated to actual amounts in this update filing?**

5 A. I have updated the estimated costs and MWh for May and June 2019 to reflect the
6 actual costs and MWh for those months.

7 **Q. What is the net change in the amount of requested Rate Year capacity-related**
8 **costs you described in your direct testimony to the amount you sponsor in this**
9 **update filing?**

10 A. The net change from my direct testimony to this update filing, including
11 consideration of pro forma adjustments, is a \$1,453,714 (total company) decrease,
12 which brings the total requested Updated Test Year capacity-related costs, or Rate
13 Year costs, to \$75,931,405 (total company).

1 **Q. Please summarize the estimated and actual totals for the long-term PPA**
2 **Updated Test Year Costs, Pro Forma Adjustments, and Rate Year Costs.**

3 **A. The following table summarizes the capacity-related costs SPS is requesting for the**
4 **Updated Test Year cost of service.**

5 **Table JCK-RR-U1**

	Updated Test Year (7/1/18- 6/30/19)	Pro Forma Adjustment	Rate Year Costs (Updated Test Year with Pro Forma Adjustment) 9/1/19-8/31/20
Totals Shown in Attachment JCK-RR-2 with Estimates for the Update Period	\$112,564,791	\$35,179,672	\$77,385,119
Totals Shown in Attachment JCK-RR-U2 with Actuals for the Update Period	\$110,102,448	\$34,171,043	\$75,931,405

1 **IV. REASONABLENESS OF SPS'S CAPACITY-RELATED COSTS**

2 **Q. Are the actual Rate Year Costs (Updated Test Year capacity-related PPA costs**
3 **with pro-forma adjustments) SPS is requesting in this case reasonable and**
4 **necessary?**

5 A. Yes. As explained in my direct testimony, all costs were incurred under PPAs
6 reviewed and/or approved under prior base rate cases and fuel reconciliations. SPS's
7 purchases were cost effective and made consistent with the terms of the PPAs.
8 Therefore, the costs are reasonable and necessary to provide SPS's customers with
9 reliable electric service. Additionally, adjusting these costs for known and
10 measurable changes is appropriate for the reasons explained in my direct testimony
11 and produces a request for cost recovery of the amounts that are expected to be
12 incurred under the PPAs for the Rate Year, and on an ongoing basis.

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

14 A. Yes.

AFFIDAVIT

STATE OF COLORADO)
)
COUNTY OF DENVER)

JEFFREY C. KLEIN, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachments and am familiar with their 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.



JEFFREY C. KLEIN

Subscribed and sworn to before me this 10th day of September, 2019 by
JEFFREY C. KLEIN.



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
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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.

A handwritten signature in blue ink, consisting of stylized initials, is written over a horizontal line.

Southwestern Public Service Company**Summary of PPA Costs**

Line No.	Contracts	Test Year Costs (4/1/18-3/31/19)	Updated Test Year Costs (7/1/18- 6/30/19)	Updated Test Year Pro Forma Adjustments	Rate Year Costs (Updated Test Year with Pro Forma Adjustments) 9/1/19-8/31/20
1	Borger Energy				
2	Capacity Payment	\$ 22,760,702	\$ 22,257,208	\$ (10,414,308)	\$ 11,842,900
3	Variable O&M Payment	\$ 3,713,375	\$ 3,649,480	\$ 86,383	\$ 3,735,863
4	Oneta I (12-18)				
5	Capacity Payment	\$ 12,628,100	\$ 8,742,540	\$ (8,742,540)	\$ -
6	Variable O&M Payment	1,223,397	751,285	(751,285)	-
7	Scheduling/Start Up Fee	\$ 1,838,959	\$ 1,080,463	\$ (1,080,463)	\$ -
8	Oneta II (14-19)				
9	Capacity Payment	\$ 17,074,810	\$ 12,914,610	\$ (12,914,610)	\$ -
10	Variable O&M Payment	879,871	376,659	(376,659)	-
11	Scheduling/Start Up Fee	\$ 1,255,604	\$ 565,595	\$ (565,595)	\$ -
12	City of Lubbock--Cooke				
13	Capacity Payment	\$ 185,922	\$ 14,202	\$ (14,202)	\$ -
14	Variable O&M Payment	\$ 26,233	\$ 11,972	\$ (11,972)	\$ -
15	Lea Power Partners				
16	Capacity Payment	\$ 49,239,717	\$ 49,186,904	\$ 421,691	\$ 49,608,595
17	Dispatchability Payment	1,800,293	1,789,412	14,797	1,804,208
18	Variable O&M	9,896,132	8,562,402	192,047	8,754,449
19	Turbine Starts Payment			\$ -	\$ -
20	Sid Richardson				
21	Capacity Payment	\$ 152,133	\$ 147,905	\$ (14,327)	\$ 133,578
22	Variable O&M Charge	53,360.71	51,811.89	-	51,811.89
23	Total	\$ 122,728,608	\$ 110,102,448	\$ (34,171,043)	\$ 75,931,405

Southwestern Public Service Company

Work papers of Jeffrey C. Klein

	Contracts	Updated Test Year Costs (7/1/18- 6/30/19)	Updated Test Year MWh (7/1/18- 6/30/19)	Pro Forma Adjustments	Calculated Rate Year Costs 9/1/19-8/31/20	Rate Year Calculation Notes
Borger Energy						
						Capacity Payment and Fixed O&M Rate = \$4,290/kW-month effective June 12, 2019 and \$4,404/kW-month effective June 12, 2020 in accordance with contract and 2020 budget. (Note: Capacity Payment Rate decreased from \$6.924/kW-month to \$2.70/kW-month effective 6/12/2019 as specified in Schedule F-1 of the PPA) Capacity Payment Factor = 1.0 in accordance with 2020 budget. Capacity = 228,715 kW as determined by June 2019 capacity test.
	Capacity Payment	\$ 22,257,208		\$ (10,414,308)	\$ 11,842,900	Variable O&M Rate = 2.505/MWh on June 12, 2019 and \$2.58 effective June 12, 2020 in accordance with 2020 budget.
	Variable O&M Payment	\$ 3,649,480	1,481,629	\$ 86,383	\$ 3,735,863	
Oneta I (12-18)						
	Capacity Payment	\$ 8,742,540		\$ (8,742,540)	\$ -	PPA ended 12/31/18.
	Variable O&M Payment	751,285		(751,285)	-	PPA ended 12/31/18.
	Scheduling/Start Up Fee	\$ 1,080,463		\$ (1,080,463)	\$ -	PPA ended 12/31/18.
Oneta II (14-19)						
	Capacity Payment	\$ 12,914,610		\$ (12,914,610)	\$ -	PPA ended 5/31/2019.
	Variable O&M Payment	376,659		(376,659)	-	PPA ended 5/31/2019.
	Scheduling/Start Up Fee	\$ 565,595		\$ (565,595)	\$ -	PPA ended 5/31/2019.
City of Lubbock--Cooke						
	Capacity Payment	\$ 14,202		\$ (14,202)	\$ -	PPA ended 6/30/2019; Units out of service since 8/18.
	Variable O&M Payment	\$ 11,972		\$ (11,972)	\$ -	PPA ended 6/30/2019; Units out of service since 8/18.

Southwestern Public Service Company

Work papers of Jeffrey C. Klein

	Contracts	Updated Test Year Costs (7/1/18- 6/30/19)	Updated Test Year MWh (7/1/18- 6/30/19)	Pro Forma Adjustments	Calculated Rate Year Costs 9/1/19-8/31/20	Rate Year Calculation Notes
Lea Power Partners						
	Capacity Payment	\$ 49,186,904		\$ 421,691	\$ 49,608,595	Capacity payment rate is \$7.21/kW-month per contract. Capacity Availability Factor = 0.9493 in accordance with 2020 budget.
	Dispatchability Payment	1,789,412		14,797	1,804,208	Dispatchability rate=\$.25/kW-month per contract. Dispatch Availability Rate = 9957 in accordance with 2020 budget.
	Variable O&M	8,562,402	3,711,265	192,047	8,754,449	Variable O&M payment rate of \$2.25 in effect 5/1/19 and \$2.30 in effect 5/1/20 in accordance with 2020 budget. Updated Test Year includes heat rate adjustment of \$342,248. Rate year includes same heat rate adjustment amount.
	Turbine Starts Payment			\$ -	\$ -	First 25 successful starts each calendar year are \$0. No paid starts during Updated Test Year. No paid starts assumed during Rate Year.
Sid Richardson						
	Capacity Payment	\$ 147,905		\$ (14,327)	\$ 133,578	Capacity payment rates in accordance with contract. Average monthly billing net capacity of 2,715 kW (based on 2018 monthly average) in accordance with contract and 2020 budget. Capacity charge is fixed at \$4.10/kW-month.
	Variable O&M Charge	\$ 51,812	26,221	\$ -	\$ 51,812	Variable O&M payment rate is fixed in accordance with the contract.
Total		\$ 110,102,448		\$ (34,171,043)	\$ 75,931,405	