

DOCKET NO. _____

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

DIRECT TESTIMONY
of
JEFFREY C. KLEIN

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: KleinRRDirect.doc)

Table of Contents

GLOSSARY OF ACRONYMS AND DEFINED TERMS.....	2
LIST OF ATTACHMENTS	4
I. WITNESS IDENTIFICATION AND QUALIFICATIONS	5
II. ASSIGNMENT AND SUMMARY OF TESTIMONY AND RECOMMENDATIONS.....	9
III. LONG-TERM POWER PURCHASE AGREEMENT ADMINISTRATION.....	14
IV. LONG-TERM POWER PURCHASE AGREEMENTS	16
V. REASONABLENESS AND NECESSITY OF SPS'S CAPACITY- RELATED COSTS.....	19
AFFIDAVIT	21

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
BEA	Borger Energy Associates, L.P.
Capacity-related costs	Capacity costs and other components of cost such as variable operation and maintenance (“O&M”) charges, start charges, and dispatchability payments
Commission	Public Utility Commission of Texas
LPP	Lea Power Partners, LLC
MW	megawatt
Non-fuel related costs	Components of PPA costs such as variable operation and maintenance (“O&M”) charges, start charges, and dispatchability payments
Operating Companies	Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS
O&M	operation and maintenance
PPA	power purchase agreement
Purchased Power	Purchased Power Group
Rate Year	Twelve month period starting April 1, 2021
SPS	Southwestern Public Service Company, a New Mexico corporation
Test Year	October 1, 2019 through September 30, 2020
Tokai	Tokai Carbon CB Ltd.
Total Company or total company	Total SPS (before jurisdictional allocations)
Update Period	October 1, 2020 through December 31, 2020
Updated Test Year	January 1, 2020 through December 31, 2020

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
JCK-RR-1	Summary of SPS PPAs (Filename: JCK-RR-1.docx)
JCK-RR-2	Summary of PPA Costs (Filename: JCK-RR-2.xls)
JCK-RR-3	Timeline of PPAs for which Recovery is Requested (Filename: JCK-RR-3.xls)
JCK-RR-4	Workpapers of Jeffrey C. Klein (Filename: JCK-RR-4.xls)

**DIRECT TESTIMONY
OF
JEFFREY C. KLEIN**

1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

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

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

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

12 **Q. Please briefly outline your responsibilities as Manager, Structured**
13 **Purchases.**

14 A. I am responsible for managing and coordinating the negotiation and
15 administration of long-term (a term of one year or longer) nonrenewable capacity
16 and associated energy power purchase agreements (“PPA”) and associated legal
17 documents, across all four of the Xcel Energy Operating Companies.

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

19 A. I received a Bachelor of Arts degree in Political Science from California State
20 University, Northridge in May 1978. I also received a Juris Doctor degree from
21 Southwestern University School of Law in May 1981.

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

2 A. I began my professional career with Rockwell International's Energy Systems
3 Group in Canoga Park, California in 1982 as a Legal Contract Analyst and was
4 responsible for verifying that material procurements and subcontracts were in
5 compliance with company and legal standards. I transferred to the Rockwell
6 Hanford Operations division in Richland, Washington in 1984 and continued to
7 work as a Legal Contract Analyst. In 1985, I accepted employment in the
8 contracts department with Perceptronics Inc. in Woodland Hills, California where
9 I negotiated and managed government, commercial, and international defense
10 related contracts and subcontracts. I subsequently became Director, Contracts and
11 Legal Affairs for Perceptronics.

12 In 1993, I accepted employment with Nevada Power Company, the
13 regulated electric utility that primarily serves Las Vegas, Nevada. Initially, I
14 managed the negotiation and administration of transmission and multi-party
15 electric generation contracts. I subsequently became Director of Resource
16 Procurement and was responsible for the negotiation and administration of all
17 long-term purchased power and fuel supply agreements.

18 In 2004, I accepted a position as Manager, Structured Purchases with
19 XES. I currently manage a total of three Purchased Power Analysts. The
20 Purchased Power Group ("Purchased Power"), where I am one of two managers,
21 is responsible for negotiating and managing Xcel Energy's PPAs consisting of
22 8,988 megawatts ("MW") from renewable energy generation and storage
23 resources and 4,788 MW from thermal and biomass generation facilities

1 (structured purchases) as of October 1, 2020. Purchased Power currently manages
2 13,776 MW of electric generation resources from 237 PPAs across Xcel
3 Energy's Operating Companies. My team negotiates and administers the
4 structured PPAs.

5 **Q. Have you attended or taken any special courses or seminars relating to**
6 **public utilities?**

7 A. Yes. Over my career, I have taken numerous courses and seminars related
8 specifically to the public utility industry, purchased power contracts and
9 negotiations, utility accounting, the Southwest Power Pool Inc.'s Integrated
10 Marketplace and its predecessor the Energy Imbalance Service Market, Western
11 Electricity Coordinating Council and North American Electric Reliability
12 Corporation reliability issues, and Midcontinent Independent System Operator
13 market and reliability matters.

14 **Q. Are you a member of any professional organizations?**

15 A. Yes. I am a member of the State Bar of California and the National Contract
16 Management Association.

17 **Q. Have you testified or filed testimony before any regulatory authorities?**

18 A. Yes. I filed testimony before the Public Utility Commission of Texas
19 ("Commission") in Docket Nos. 42004, 43695, 45524, 47527, and 49831, SPS's
20 last five base rate cases, in support of SPS's PPAs and the capacity-related costs
21 incurred under those PPAs. I have filed testimony before the Commission in
22 Docket Nos. 42004, 46025, and 48973, SPS's last three fuel reconciliations, in
23 support of energy and energy-related purchased power costs, and testified before

1 the State Office of Administrative Hearings in Docket No. 48973. I have also
2 testified before the Public Utilities Commission of Nevada to support resource
3 plans and PPA approvals. I have testified before the Colorado Public Utilities
4 Commission in Docket No. 11A-869E and filed testimony in Docket No. 07A-
5 447E on the issues of PPA negotiation and standard PPA contracts in support of
6 resource plans. In addition, I have testified on SPS's behalf before the New
7 Mexico Public Regulation Commission in Case No. 12-00323-UT, and filed
8 testimony in Case Nos. 10-00170-UT and 12-00235-UT, in support of PPA
9 approvals, and filed testimony in Case Nos. 14-00348-UT and 19-00315-UT
10 addressing long-term purchased power costs in SPS's most recent fuel
11 continuation cases.

II. ASSIGNMENT AND SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. What is your assignment in this proceeding?

A. I support SPS's request to recover certain long-term PPA costs. There are two major components of purchased power costs: capacity costs and energy costs. Some of SPS's PPAs also include other components of cost such as variable operation and maintenance ("O&M") costs, start costs, and dispatchability payments ("other non-fuel related costs"). For SPS's Texas retail jurisdiction, capacity and other non-fuel related costs (collectively, "capacity-related costs") are recovered in base rates. In my testimony, I support recovery of capacity-related costs incurred under PPAs to be recovered through base rates. This testimony presents historical cost information for the Test Year of October 1, 2019 to September 30, 2020 ("Test Year") as well as cost information for the Updated Test Year of January 1, 2020 through December 31, 2020 ("Updated Test Year"). SPS is requesting recovery of capacity-related costs for the Rate Year, which is the twelve months starting April 1, 2021 ("Rate Year"), as determined by the costs incurred during the Updated Test Year, adjusted for known and measurable changes.

Specifically in my testimony, I will address the following:

- SPS's administration of PPAs result in costs incurred that are reasonable, necessary, and prudent; and
- the specific capacity-related costs incurred under PPAs that SPS seeks to recover in base rates, and the reasonableness and necessity of the costs.

Finally, I sponsor or co-sponsor the following Rate Filing Package Schedules and the portions of the Executive Summary that contain information

1 from these schedules or regarding long-term PPAs: H-12.4a, H-12.4c, I-1.4, I-2,
2 I-3, I-4, I-9, I-10(V)(CD), I-11, I-15, I-21, and Q-8.6.

3 **Q. Will you update your testimony for actual costs incurred in the three months**
4 **following the Test Year, October 2020 through December 2020?**

5 A. Yes. This testimony presents historical cost information for the Test Year, as well
6 as cost information for the Updated Test Year, which includes the period of
7 October 1, 2020 through December 31, 2020, referred to as the “Update Period.”
8 For the Update Period, SPS has used actual information to the extent available,
9 along with forecasted information. As discussed by SPS witness William A.
10 Grant, SPS will file an update 45 days after SPS files this application. The update
11 will include actual costs incurred to replace the estimates provided in the
12 application for the Update Period.

13 **Q. Please summarize the key points, recommendations, and conclusions in your**
14 **testimony.**

15 A. *Long-term Power Purchase Agreement Administration*

- 16 • SPS administers its PPAs which result in costs incurred that are
17 reasonable, necessary, and prudent.
- 18 • SPS conducts a monthly invoice verification process to verify the
19 accuracy of each invoice which includes reviewing the monthly
20 performance of the supplier’s generating facility.

21 *Long-term Power Purchase Agreements and Costs*

- 22 • All capacity-related costs that SPS incurred during the Test Year
23 and Updated Test Year were incurred under PPAs reviewed in
24 previous base rate cases and fuel reconciliations, and approved
25 pursuant to the settlement in Docket No. 46025. SPS’s purchases
26 were made consistent with these PPAs; therefore, it was reasonable
27 to make these capacity purchases.

- 1 • SPS reasonably incurred \$73,756,437 (total SPS before
2 jurisdictional allocations, “Total Company” or “total company”) in
3 capacity-related PPA costs during the Updated Test Year and
4 \$72,085,512 in the Test Year.
- 5 • Due to contractually authorized price changes, the termination of
6 the Tokai Carbon CB Ltd. (“Tokai”) PPA (formerly Sid
7 Richardson PPA) in July 2021, and a change in tested capacity,
8 there are known and measurable changes that need to be made to
9 the Updated Test Year data through pro forma adjustments.
- 10 • Capacity-related PPA costs will increase during the Rate Year by
11 \$3,320,080 (total company) from the amount incurred in the
12 Updated Test Year. The total amount SPS seeks to recover
13 through base rates for capacity-related costs incurred under PPAs
14 for the Rate Year is \$77,076,517 (total company). Incurring these
15 costs under contracts reviewed and/or approved under prior base
16 rate cases and fuel reconciliations is reasonable and necessary to
17 provide SPS’s customers with reliable electric service.

18 **Q. Please describe the information in the H-12.4 series schedules that you**
19 **sponsor or co-sponsor.**

20 A. I co-sponsor Schedules H-12.4a and c, which summarize Purchased Power Data.
21 SPS witness Bryan R. Davis co-sponsors these schedules. I sponsor the data
22 within the schedules that report the companies with which SPS has long-term
23 PPAs, and the net megawatt-hour (H-12.4a) and fixed costs (H-12.4c) that
24 resulted from each of the agreements. The data is given by month and totaled for
25 the Updated Test Year.

26 **Q. Please describe the information in the I series schedules that you sponsor or**
27 **co-sponsor.**

28 A. I co-sponsor Schedule I-1.4 which addresses non-recurring fuel and purchased
29 power expenses. SPS had no such expenses during the Test Year or Updated Test
30 Year. SPS witness H. Craig Romer also co-sponsors the schedule. I sponsor the
31 schedule as it relates to long-term purchased power expenses.

1 I co-sponsor Schedule I-2 which addresses fuel and purchased power
2 procurement practices, and Schedule I-3 which describes the fuel and purchased
3 power committees. Mr. Romer also co-sponsors these schedules. SPS witnesses
4 Mr. Grant and Bennie F. Weeks also co-sponsor Schedule I-2. Together, these
5 schedules discuss the process for assessing, reviewing, and engaging in
6 transactions regarding fuel and purchased power procurement. I sponsor these
7 schedules as they relate to long-term purchased power.

8 I co-sponsor Schedules I-4 and I-15 with Mr. Romer. Schedule I-4
9 pertains to fuel and fuel-related contracts and presents summaries of such
10 contracts. The workpapers to this schedule contain the contracts. Schedule I-15
11 pertains to a list of fuel or purchased-power related contracts under which costs
12 were incurred. SPS has not filed a fuel reconciliation with its current base rate
13 case. Consequently, the schedules and workpapers present only the contracts with
14 capacity-related costs because those are the contracts that have costs that impact
15 base rates. I sponsor the long-term purchased power portion of these schedules
16 and workpapers.

17 I co-sponsor Schedule I-9, which presents employee organizational charts,
18 and Schedule I-10, which presents employee ethics documents. Mr. Romer, Ms.
19 Weeks, and Mr. Grant also co-sponsor these schedules. I sponsor the purchased
20 power portion of the organization chart and the employee ethics documents as
21 they pertain to these employees.

22 I co-sponsor Schedule I-11, which pertains to the methods, assumptions,
23 and sources of information used to determine reasonably predictable fuel and

1 purchased power costs. Mr. Grant also co-sponsors this schedule. I sponsor the
2 portion of the schedule that pertains to long-term purchased power.

3 I co-sponsor Schedule I-21, which discusses activities intended to reduce
4 fuel, fuel-related, or purchased power energy costs. Mr. Grant and Mr. Romer
5 also co-sponsor this schedule. I sponsor the portion of this schedule regarding
6 long-term purchased power costs.

7 **Q. Please describe the information in Schedule Q-8.6.**

8 A. I sponsor Schedule Q-8.6, which relates to contract prices for firm and non-firm
9 purchases and sales of power and energy. The schedule refers to the workpapers
10 for Schedule I-4 (described above) for the relevant information.

11 **Q. Were Attachments JCK-RR-1 through JCK-RR-4 prepared by you or under
12 your direct supervision and control?**

13 A. Yes.

14 **Q. Were the portions of the Rate Filing Package schedules and the portions of
15 the Executive Summary you sponsor or co-sponsor prepared by you or under
16 your supervision and control?**

17 A. Yes.

18 **Q. Do you incorporate the portions of SPS's Rate Filing Package schedules and
19 the portions of the Executive Summary sponsored or co-sponsored by you
20 into this testimony?**

21 A. Yes.

1 **III. LONG-TERM POWER PURCHASE AGREEMENT ADMINISTRATION**

2 **Q. What are SPS's objectives in administering its long-term PPAs?**

3 A. SPS prudently administers its long-term PPAs to ensure adherence to contract
4 obligations, maximize operational performance, and minimize SPS financial and
5 performance risks.

6 **Q. Please explain how SPS prudently administers the PPAs to ensure that the**
7 **costs incurred under PPAs are reasonable, necessary, and prudent?**

8 A. SPS prudently administers the PPAs to ensure compliance by each party to the
9 terms and conditions of each PPA. SPS monitors performance requirements
10 under the PPAs through the review of daily supplier internal operational data as
11 applicable and supplier monthly production reports. SPS closely manages its
12 pay-for-performance provisions, such as adjustments to capacity payments for
13 availability, heat rate adjustments to energy payments, and price adjustments for
14 successful starts.

15 SPS also uses a notification system to track and confirm the fulfillment of
16 periodic requirements under the PPAs such as price adjustments, renewal of
17 insurance coverage, performance testing, maintaining required security, and the
18 submittal of maintenance schedules. Through both Purchased Power and the
19 Commercial Accounting Group, SPS ensures the accuracy of each PPA invoice
20 and makes adjustments as necessary to conform to the pricing and performance
21 terms of the PPA.

- 1 **Q. Please describe how SPS verifies the accuracy of each long-term PPA invoice.**
- 2 A. Through coordination between Purchased Power and Commercial Accounting
- 3 Services personnel, SPS has implemented monthly invoice verification
- 4 procedures to:
- 5 • compare invoiced deliveries with the SPS revenue-meter readings or
- 6 scheduled quantities, as applicable for each PPA;
- 7 • confirm that the invoice pricing complies with the applicable
- 8 provisions of the PPA;
- 9 • review and compare the operational records of the supplier and SPS
- 10 that affect billing and performance under the PPA; and
- 11 • check that the invoice calculations are mathematically correct.

1 **IV. LONG-TERM POWER PURCHASE AGREEMENTS**

2 **Q. Have you provided attachments that summarize the PPAs under which SPS**
3 **incurred capacity-related costs for which SPS is requesting recovery, and**
4 **identify the related costs incurred under each PPA?**

5 A. Yes. Attachment JCK-RR-1 provides a summary of the long-term PPAs under
6 which SPS incurred capacity-related costs for which it requests recovery.
7 Attachment JCK-RR-2 provides the capacity-related costs incurred during the
8 Test Year and Updated Test Year under each of the contracts. Attachment
9 JCK-RR-3 identifies the start and end dates of the PPAs for which SPS is
10 requesting recovery of costs through base rates.

11 As shown in those attachments, SPS is seeking to recover costs associated
12 with multiple PPAs. Included in the costs are known and measurable adjustments
13 to the Updated Test Year to reflect costs that will begin or end before the start of
14 the Rate Year. In this case, those known and measurable adjustments increase
15 the costs requested for the PPAs (see Attachment JCK-RR-4).

16 All of the PPAs under which capacity-related costs were incurred have
17 been reviewed by the Commission in previous SPS rate cases and their
18 capacity-related costs were approved by the Commission in SPS's last fully
19 litigated rate case, Docket No. 43695.¹ Further, the PPAs were approved pursuant
20 to the settlement in Docket No. 46025.²

¹ *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695, Order on Rehearing at 34, FoF 142-143 (Feb. 23, 2016).

² *Application of Southwestern Public Service Company for Authority to Reconcile Fuel and Purchased Power Costs*, Docket No. 46025, Final Order at 4 (FoF 23), 9 (Ordering ¶ 2), and Attachment A (Mar. 30, 2017).

1 **Q. What costs associated with these contracts does SPS propose to include in**
2 **base rates in this proceeding?**

3 A. Attachment JCK-RR-2 lists the various charges incurred under PPAs in the Test
4 Year and Updated Test Year and identifies the charges for which SPS is seeking
5 recovery through base rates. SPS proposes to include in its cost of service the
6 Rate Year Costs, consisting of the Updated Test Year capacity-related costs with
7 pro forma adjustments. In general, the capacity-related costs are those for
8 capacity or demand and non-fuel items, such as dispatchability payments, variable
9 O&M charges or turbine start/scheduling charges. The Test Year capacity-related
10 costs for all contracts totaled \$72,085,512 (total company). The Updated Test
11 Year capacity-related costs for all contracts totaled \$73,756,437 (total company),
12 before considering pro forma adjustments. After considering pro forma
13 adjustments, the adjusted Updated Test Year capacity-related costs for which SPS
14 is requesting recovery for the Rate Year are \$77,076,517 (total company).

15 **Q. Has SPS recovered capacity-related costs as defined above through base**
16 **rates previously?**

17 A. Yes. I am not a regulatory expert, but my understanding is that some
18 capacity-related costs have been recovered through base rates for many years.
19 Variable O&M charges and other non-fuel PPA charges were first included in
20 SPS's base rates adopted in Docket No. 35763 based on the Unanimous

1 Stipulation entered into by parties in Docket No. 32766.³ The continuation of this
2 practice was proposed in Docket Nos. 38147, 40824, 42004, 43695, 45524 46025,
3 47527, 48973, and 49831.⁴ This practice is consistent with 16 TAC
4 § 25.236(a)(6), which prohibits the recovery of demand or capacity costs in fuel
5 costs absent special circumstances. In Docket No. 43695, SPS's last litigated rate
6 case, the Commission approved the capacity-related PPA costs proposed under
7 this practice, which SPS proposes to continue in this rate case.

³ *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*, Docket No. 35763, Order at 4-5, FoF 18b (Jun. 2, 2009); and *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 Originally Approved in Docket No. 27751 Used to Adjust its Fuel Factors; and (4) Related Relief*, Docket No. 32766, Unanimous Stipulation at 8 (Mar. 27, 2007).

⁴ *Application of Southwestern Public Service Company for Authority to Change Rates and to Reconcile Fuel and Purchased Power Costs for 2008 and 2009*, Docket No. 38147, Final Order (Mar. 25, 2011); *Application of Southwestern Public Service Company for Authority to Change Rates and to Reconcile Fuel and Purchased Power Costs for the Period January 1, 2010 through June 30, 2012*, Docket No. 40824, Final Order (Jun. 19, 2013); *Application of Southwestern Public Service Company for Authority to Change Rates and to Reconcile Fuel and Purchased Power Costs for the Period July 1, 2012 through June 30, 2013*, Docket No. 42004, Final Order (Dec. 19, 2014); Docket No. 43695, Final Order (Dec. 18, 2015); *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 45524 (Jan. 26, 2017); Docket No. 46025, Final Order (Mar. 30, 2017); *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 47527, Final Order (Dec. 10, 2018); *Application of Southwestern Public Service Company for Authority to Reconcile Fuel and Purchased Power Costs*, Docket No. 48973, Final Order (Dec. 18, 2019); and *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 49831, Final Order (Aug. 27, 2020).

1
2
3
4
5
6
7
8
9
0
1
2
3
4
5
6
7
8
9
0

A. Yes. These costs were incurred under contracts reviewed in previous base rate cases and fuel reconciliations and approved by settlement in Docket No. 46025.⁵ Additionally, the Lea Power Partners, LLC (“LPP”) PPA, representing approximately 79.5% of the requested Rate Year costs, was the result of a competitive solicitation. The Borger Energy Associates, L.P. (“BEA”) contract, representing approximately 20% of the requested Rate Year costs, was also certificated by the Commission in 1997.⁶ SPS’s purchases were made in accordance with the contractual terms of the PPAs that have been previously approved and deemed prudent by the Commission, and the purchases were made for the benefit of SPS’s Texas customers, therefore the capacity-related costs incurred by SPS were reasonable and necessary to continue to provide reliable electric service to SPS’s Texas retail customers.

A. Yes. I have made several adjustments. The pro forma adjustments are identified for each contract in the “Updated Test Year Pro Forma Adjustments” column of Attachment JCK-RR-2.

⁶ *Application of Southwestern Public Service Company for Certification of Qualifying Facility Purchased Power Contract Under Section 2.209 of PURA 1995*, Docket No. 17525 (Oct. 30, 1997).

1 PPA contract provisions for BEA, LPP, and Tokai specify price terms for
2 capacity-related costs and variable O&M charges or dispatchability payments that
3 change from the Updated Test Year to the Rate Year, or that allow for capacity
4 testing to change the contracted capacity. The pro forma adjustments for these
5 contracts account for these contract provisions, as well as the termination of the
6 Tokai PPA during the Rate Year on July 31, 2021.⁷ Please refer to Attachment
7 JCK-RR-2 and Attachment JCK-RR-4 for the adjustments by contract.

8 SPS witness Stephanie N. Niemi has reflected these pro forma adjustments
9 in the cost of service study she presents.

10 **Q. What is the net change due to all these pro forma adjustments?**

11 A. The net change is an increase of \$3,320,080 (total company), which brings the
12 total of adjusted Updated Test Year capacity-related costs to \$77,076,517 for the
13 Rate Year (total company).

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

15 A. Yes.

⁷ SPS provided notice to Tokai regarding the termination of the PPA in accordance with Section 4.02 of the PPA on December 17, 2020.

AFFIDAVIT

STATE OF COLORADO)
)
COUNTY OF DOUGLAS)

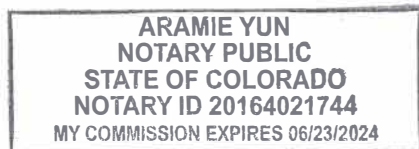
JEFFREY C. KLEIN, first being sworn on his oath, states:


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



JEFFREY C. KLEIN

Subscribed and sworn to before me this 26th day of January, 2021 by JEFFREY C. KLEIN.





Notary Public, State of Colorado
My Commission Expires: 06/23/2024

Summary of Southwestern Public Service Company Power Purchase Agreements

Power Purchase Agreements Presented, Described, and Supported in Previous Rate Cases and Fuel Reconciliation Proceedings, and Approved in Docket No. 46025¹

- 1) Borger Energy Associates, L.P., dated May 23, 1997. This Qualifying Facility (“QF”) contract terminates June 11, 2024, subject to SPS’s option to extend the term for ten years prior to June 11, 2021. The capacity level under this contract is 223.37 MW as determined from the 2020 annual capacity test.
- 2) Lea Power Partners, LLC, dated October 20, 2006; First Amendment dated April 4, 2007; Second Amendment dated May 30, 2007; Third Amendment dated September 23, 2008; Fourth Amendment dated August 2010; and Fifth Amendment dated June 10, 2014. The 25-year contract terminates on September 15, 2033. The specified capacity level under this contract is 604 MW.
- 3) Tokai Carbon CB Ltd. (formerly Sid Richardson Carbon, Ltd.), dated July 30, 2001; First Amendment dated July 17, 2007; and Second Amendment dated February 19, 2015. This QF contract terminates on July 31, 2021. Up to 25 MW of capacity can be provided under this contract.

¹ *Application of Southwestern Public Service Company for Authority to Reconcile Fuel and Purchased Power Costs*, Docket No. 46025, Final Order at 4 (FoF 23), 9 (Ordering ¶ 2), and Attachment A (Mar. 30, 2017); Please refer to Schedule I-4 for additional detail.

Southwestern Public Service Company

Summary of PPA Costs

Line No.	Contracts	Test Year Costs (10/1/19-9/30/20)	Updated Test Year Costs (01/1/20-12/31/20)	Updated Test Year Pro Forma Adjustments	Rate Year Costs (Updated Test Year with Pro Forma Adjustments) 4/1/21-3/31/22
1	Borger Energy				
2	Capacity Payment	\$ 11,764,568	\$ 11,752,067	\$ 176,598	\$ 11,928,665
3	Variable O&M Payment	\$ 3,656,620	\$ 3,727,972	\$ 96,365	\$ 3,824,337
4	Lea Power Partners				
5	Capacity Payment	\$ 45,239,162	\$ 46,559,710	\$ 2,855,864	\$ 49,415,574
6	Dispatchability Payment	1,586,863	1,610,876	78,089	1,688,965
7	Variable O&M	9,611,853	9,881,486	198,524	10,080,010
8	Turbine Starts Payment	\$ 79,520	\$ 94,430	\$ 1,900	\$ 96,330
9	Tokai Carbon (formerly Sid Richardson)				
10	Capacity Payment	\$ 108,268	\$ 95,665	\$ (64,440)	\$ 31,226
11	Variable O&M Charge	\$ 38,658	\$ 34,230	\$ (22,820)	\$ 11,410
12	Total	\$ 72,085,512	\$ 73,756,437	\$ 3,320,080	\$ 77,076,517

Please refer to Schedule I-4 and WP I-4 for specific terms.

Southwestern Public Service Company

**Timeline of PPAs
For Which Recovery is Requested**

Power Purchase Agreements

Line No.	Contract	Start Date*	End Date
1	Borger Energy Associates, L.P.	June 12, 1999	June 11, 2024**
2	Lea Power Partners, LLC	Sept. 16, 2008	Sept. 15, 2033
3	Tokai Carbon CB Ltd. (formerly Sid Richardson Carbon, Ltd.)	Aug. 1, 2001	July 31, 2021

*The Start Date is the date purchases began under the contract.

** Please refer to Attachment JCK-RR-1 for information on extension option.

Southwestern Public Service Company

Work papers of Jeffrey C. Klein

JCK-RR-4									
	Actual 10 month Test Year Costs (1/1/20-10/31/20)	Estimated 2 month Test Year Costs (11/1/20- 12/31/20)	Total 10 month actual Plus 2 month estimated Test Year Costs (1/1/20-12/31/20)	Actual 10 Month Test Year MWh (1/1/20- 10/31/20)	Estimated 2 month Test Year MWh (11/1/20- 12/31/20)	Total 10 month actual plus 2 month estimated Test Year MWh (1/1/20- 12/31/20)	Pro Forma Adjustment	Calculated Rate Year Costs 4/1/21- 3/31/2022	Rate Year Calculation Notes
Borger Energy									
Capacity Payme	\$ 9,798,026	\$ 1,954,041	\$ 11,752,067				\$ 176,598	\$ 11,928,665	Capacity Payment and Fixed O&M Rate = \$4.374/kW-month effective June 12, 2020 and \$4.469/kW-month effective June 12, 2021 in accordance with PPA and 2021 Fixed O&M rate forecast. Capacity Payment Factor = 1.0 based on 12 month billing average through 10/2020. Capacity =223,370 kW as determined by September 2020 capacity test.
Variable O&M Payment	\$ 3,101,415	\$ 626,558	\$ 3,727,972	1,226,621	245,324	1,471,945	\$ 96,365	\$ 3,824,337	Variable O&M Rate = \$2.554/MWh effective June 12, 2020 and \$2.609/MWh effective June 12, 2021 in accordance with 2021 variable O&M rate forecast.
Lea Power Partners									
Capacity Payment	\$ 38,323,781	\$ 8,235,929	\$ 46,559,710				\$ 2,855,864	\$ 49,415,574	Capacity payment rate is \$7.207/kW-month per PPA. Capacity Availability Factor (CAF) = 0.946 based on 12 month billing average through 10/2020. PPA billing capacity =604,000 kW.
Dispatchability Payment	1,329,382	281,494	1,610,876				\$ 78,089	\$ 1,688,965	Dispatchability rate=\$2.5/kW-month per contract. Dispatch Availability Factor (DAF) of .9321 based on 12 month billing average through 10/2020. PPA billing capacity = 604,000 kW.
Variable O&M	8,231,538	1,649,948	9,881,486	3,278,607	655,721	3,934,329	\$ 198,524	\$ 10,080,010	Variable O&M payment rate of \$2.30 in effect 5/1/20 and \$2.35 in effect 5/1/21 per the PPA. Updated Test Year includes 10 month booked heat rate adjustment (HRA) of \$708,942. Rate year includes same heat rate adjustment amount.
Turbine Starts Payment	\$ 84,490	\$ 9,940	\$ 94,430				\$ 1,900	\$ 96,330	First 25 successful starts in a calendar year are at no cost. Turbine Start Payment: \$4,970/start-5/1/2020-4/30/2021; \$5,070/start-5/1/2021-4/30/2022. 17 paid starts during June 2020-Oct 2020 period. 2 additional starts estimated for Nov 2020-Dec 2020 period. Rate Year reflects same number of paid starts at \$5,070/start.

Southwestern Public Service Company

Work papers of Jeffrey C. Klein

	Contracts	Actual 10 month Test Year Costs (1/1/20-10/31/20)	Estimated 2 month Test Year Costs (11/1/20- 12/31/20)	Total 10 month actual Plus 2 month estimated Test Year Costs (1/1/20-12/31/20)	Actual 10 Month Test Year MWh (1/1/20- 10/31/20)	Estimated 2 month Test Year MWh (11/1/20- 12/31/20)	Total 10 month actual plus 2 month estimated Test Year MWh (1/1/20- 12/31/20)	Pro Forma Adjustment	Calculated Rate Year Costs 4/1/21- 3/31/2022	Rate Year Calculation Notes
Tokai Carbon CB Ltd (Formerly Sid Richardson)										
	Capacity Payment	\$ 80,053	\$ 15,613	\$ 95,665				\$ (64,440)	\$ 31,226	Capacity charge is fixed at \$4.10/kW-month per the PPA. Rate year calculation based on 12 month average monthly billing net capacity = 1,904 kW based on 12 month billing average through 10/2020. Net capacity billing average lower due to effects of pandemic. Calculation based on 4 months billing as PPA terminates 7/31/2021.
	Variable O&M Charge	\$ 28,525	\$ 5,705	\$ 34,230	14,263	2,853	17,115	\$ (22,820)	\$ 11,410	Variable O&M payment rate is fixed in accordance with the PPA at \$2.00/MWh. Pro-rata MWh included in calculation for 4 months as PPA terminates 7/31/2021.
Total		\$ 60,977,210	\$ 12,779,227	\$ 73,756,437				\$ 3,320,080	\$ 77,076,517	