

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY’S APPLICATION)
REQUESTING APPROVAL TO)
RETIRE AND ABANDON ITS PLANT)
X GENERATING STATION UNIT 1,)
PLANT X GENERATING STATION) CASE NO. 18-00_____ -UT
UNIT 2, AND CUNNINGHAM)
GENERATING STATION UNIT 1,)
AND DETERMINATION OF)
RELATED RATEMAKING)
PRINCIPLES AND TREATMENT.)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
APPLICANT.)

SOUTHWESTERN PUBLIC SERVICE COMPANY’S
APPLICATION FOR RETIREMENT AND ABANDONMENT OF
PLANT X GENERATING STATION UNIT 1, PLANT X GENERATING
STATION UNIT 2, AND CUNNINGHAM GENERATION STATION
UNIT 1, AND DETERMINATION OF RELATED RATEMAKING
PRINCIPLES AND TREATMENT

In accordance with NMSA 1978 § 62-9-5, Southwestern Public Service Company (“SPS”) applies to the New Mexico Public Regulation Commission (“Commission”) for an order:

- (a) authorizing SPS to retire and abandon the use of Plant X Generating Station Unit 1 (“Plant X 1”) and Cunningham Generating Station Unit 1 (“Cunningham 1”) as of December 31, 2019, and to retire and abandon the use of Plant X Generating Station Unit 2 (“Plant X 2”) as of December 31, 2020;
- (b) authorizing SPS to record and recover the remaining, unrecovered net plant balance and estimated dismantling costs of each unit at the time of retirement and to include that amount in the base rates established in SPS’s next base rate case;

- (c) authorizing SPS to record in a deferred account the difference between actual and estimated decommissioning and dismantling costs for each of the three units after completion of actual dismantling activities; and
- (d) authorizing SPS to recover the deferred balance from customers if actual decommissioning and dismantling costs exceed estimated decommissioning and dismantling costs, or to return the deferred balance to customers if estimated decommissioning and dismantling costs exceed actual decommissioning and dismantling costs.

SPS further requests that the Commission grant all other approvals, authorizations, and relief that may be required for SPS to retire and abandon Plant X 1, Plant X 2, and Cunningham 1 and to recover the associated costs.

I. BACKGROUND

1. SPS is a New Mexico corporation principally engaged in generating, transmitting, distributing, and selling electrical energy to the public in portions of New Mexico and Texas. SPS is a public utility as defined in the Public Utility Act, which provides electric service to the public within New Mexico pursuant to the rules, regulations, and tariffs on file with and approved by the Commission.

2. SPS's principal office in New Mexico is located at 111 E. Fifth Street, Roswell, New Mexico 88201. SPS's principal corporate office is located at 790 South Buchanan St., Amarillo, Texas 79101.

3. SPS is a wholly-owned subsidiary of Xcel Energy Inc. ("Xcel Energy"), which is a holding company under the Federal Energy Regulatory Commission ("FERC") regulations adopted under the Public Utility Holding Company Act of 2005.¹ Xcel Energy is also the parent

¹ 18 C.F.R. Part 366.

company of three other rate-regulated utility operating companies,² a regulated natural gas pipeline company, three transmission-only operating companies regulated by the FERC, and a non-profit service company³ that was established under the authority of the Securities and Exchange Commission, but that is now under the supervision of the FERC, and other legal entities.

4. The following corporate representatives and attorneys of SPS should receive all notices, pleadings, discovery requests and responses, and all other documents related to this case:

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² Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; and Public Service Company of Colorado, a Colorado corporation.

³ Xcel Energy Services Inc.

⁴ SPS will file a motion seeking leave for Mr. DuBois to appear *pro hac vice*.

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5. SPS requests that the following SPS representatives be included on the official service list to receive email service of all notices, pleadings, discovery requests and responses, and all other documents related to this case:

Mario Contreras, Manager Rate Cases: mario.a.contreras@xcelenergy.com;

Evan Evans, Director Regulatory and Pricing Analysis: evan.d.evans@xcelenergy.com;

Ruth Sakya, Manager Regulatory Administration: ruth.m.sakya@xcelenergy.com.

II. BACKGROUND REGARDING PLANT X 1, PLANT X 2, AND CUNNINGHAM 1

6. Plant X 1 is a General Electric Model B1 steam turbine that was installed in 1952. Plant X 2 is a General Electric Model C1 steam turbine that was installed in 1953. Cunningham 1 is a General Electric steam turbine that was installed in 1957.

7. Plant X 1 has the ability to generate 41 megawatts (“MW”) in the summer and 41 MW in the winter. Plant X 2 has the ability to generate 90 MW in the summer and 90 MW in the winter. Cunningham 1 has the ability to generate 71 MW in the summer and 71 MW in the winter.

8. Plant X 1, Plant X 2, and Cunningham 1 are near the end of their useful lives.

9. The capacity from Plant X 1, Plant X 2, and Cunningham 1 is not needed to reliably serve SPS’s customers.

10. The present and future public convenience and necessity do not require the service or use of the Plant X 1, Plant X 2, or Cunningham 1 facilities.

11. The end of the current Commission-approved service life is 2019 for both Plant X 1 and Plant X 2. The end of the current Commission-approved service life for Cunningham 1 is 2022. However, significant capital expenditures estimated to cost in excess of \$13 million (or approximately \$2.9 million for the New Mexico retail jurisdiction)⁵ will be needed to allow Cunningham 1 to operate until 2022. Additionally, significant operating and maintenance (“O&M”) costs for a major overhaul outage could be required. SPS also estimates capital and O&M expenditures of \$10.5 million (or approximately \$2.3 million for the New Mexico retail jurisdiction) would be required to continue operating Plant X 1 and Plant X 2 until 2022. SPS does not believe incurring these capital and O&M costs for these plants would be an economically prudent use of capital.

12. At their expected retirement dates, Plant X 1, Plant X 2, and Cunningham 1 will have combined unrecovered amounts for investment and dismantling costs of approximately \$2.7 million (or \$592,000 on a New Mexico retail basis). SPS requests that the Commission allow SPS to record and recover the remaining, unrecovered net plant balance and estimated dismantling costs of each unit at the time of retirement and to include that amount in the base rates established in SPS’s next base rate case. SPS further requests that it be allowed to record in a deferred account the difference between actual and estimated decommissioning costs for each of the three units after completion of actual dismantling activities. Finally, SPS requests that the

⁵ The New Mexico retail amounts are based on the 12 Coincident Peak-Production jurisdictional allocator approved in Case No. 17-00255-UT.

Commission authorize SPS to recover the deferred balance from customers if the actual decommissioning and dismantling costs exceed the estimated costs, or to credit customers with the excess if the estimated decommissioning and dismantling costs exceed the actual costs.

13. Authorizing full recovery of the undepreciated investment in Plant X 1, Plant X 2, and Cunningham 1 is just and reasonable and consistent with Commission policy. As the Commission has previously found, authorizing recovery of undepreciated investment of an abandoned plant “does not violate the regulatory principle of ‘used and useful.’”⁶ The Commission’s “ultimate requirement” in selecting a ratemaking method is that the “end result is just and reasonable and fairly balances the interest of investors and ratepayers.”⁷ In this case, authorizing full recovery fairly balances the interest of investors and customers because: (1) the investments in the plants at issue were prudently incurred; and (2) it is reasonable to abandon the plants. Moreover, because permitting full recovery in this case will allow investors to recoup their remaining investment in the plant while producing savings for customers, it is reasonable “to conclude that full recovery serves the interests of investors *and* ratepayers.”⁸

⁶ *In the Matter of the Application of Public Service Company of New Mexico for Approval to Abandon San Juan Generating Station Units 2 and 3, Issuance of Certificates of Public Convenience and Necessity for Replacement Power Resources, Issuance of Accounting Orders and Determination of Related Ratemaking Principles and Treatment*, Case No. 13-00390-UT, Certification of Stipulation at 112 (Apr. 8, 2015).

⁷ *Id.* at 113.

⁸ *In the Matter of the Application of Public Service Company of New Mexico for Approval to Abandon San Juan Generating Station Units 2 and 3, Issuance of Certificates of Public Convenience and Necessity for Replacement Power Resources, Issuance of Accounting Orders and Determination of Related Ratemaking Principles and Treatment*, Case No. 13-00390-UT, Final Order at 21-22 (Dec. 16, 2015)(citing *Town of Norwood, Mass. v. FERC*, 80 F.3d 526, 531 (D.C. Cir. 1996)).

III. NOTICE

14. On the same day SPS files this Application, it will serve a copy of this Application and the supporting testimony on the Commission's Utility Division Staff, the New Mexico Attorney General, and the parties in SPS's last base rate case, Case No. 17-00255-UT.

15. A copy of the proposed notice, except for the case number and the specific dates for the procedural schedule, is attached to this Application as Exhibit A. SPS proposes to publish notice one time in a newspaper of general circulation in each of the counties in which SPS operates.

IV. MISCELLANEOUS MATTERS

16. In support of SPS's Application, SPS is concurrently filing the direct testimony of the following witnesses:

- (a) Randy J. Larson, whose testimony provides: (1) the background of Plant X 1, Plant X 2, and Cunningham 1, including an explanation that the units are near the end of their useful lives; (2) the decommissioning and dismantling activities to be undertaken if SPS's Application is approved; (3) support for SPS's requested recovery; and (4) an introduction of SPS's other witness in the case.
- (b) Melissa L. Ostrom, whose testimony discusses: (1) the total plant investment in Plant X 1, Plant X 2, and Cunningham 1, the estimated costs to decommission and dismantle those units, and the accumulated reserve collected through September 30, 2018 for each unit; (2) the expected accumulated reserve as of the requested retirement date for each unit; and

(3) SPS's request to recover the unrecovered net plant investment and the costs incurred to decommission and dismantle Cunningham 1, Plant X 1, and Plant X 2.

17. SPS respectfully requests that the Commission issue a final order in this case no later than April 15, 2019. SPS is planning to file a base rate case in New Mexico in summer 2019, and as part of that rate case SPS will present a new depreciation study. If Plant X 1 and Cunningham 1 remain in service beyond the end of 2019, they will need to be included in the depreciation study. However, if these facilities are to be retired at the end of 2019, they will not be included in the depreciation study, and the Commission will not need to establish depreciation rates for them.

V. REQUESTED RELIEF

For the reasons set forth in this Application and SPS's testimony, SPS requests that the Commission issue an order:

- (a) authorizing SPS to retire and abandon the use of Plant X 1 and Cunningham 1 as of December 31, 2019, and to retire and abandon the use of Plant X 2 as of December 31, 2020;
- (b) authorizing SPS to record and recover the remaining, unrecovered net plant balance and estimated dismantling costs of each unit at the time of retirement and to include that amount in the base rates established in SPS's next base rate case;
- (c) authorizing SPS to record in a deferred account the difference between actual and estimated decommissioning and dismantling costs for each of the three units after completion of actual dismantling activities; and
- (d) authorizing SPS to recover the deferred balance from customers if actual decommissioning and dismantling costs exceed estimated decommissioning and dismantling costs, or to return the deferred balance to customers if estimated decommissioning and dismantling costs exceed actual decommissioning and dismantling costs.

SPS also requests that the Commission grant all other approvals, authorizations, and relief that may be required for SPS to retire and abandon Plant X 1, Plant X 2, and Cunningham 1 and to recover the requested amounts. Finally, SPS respectfully requests that the Commission issue a final order in this case no later than April 15, 2019.

Respectfully submitted,

HINKLE SHANOR LLP

A handwritten signature in blue ink, appearing to read "Jeffrey Fornaciari", is written over a horizontal line.

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Company

EXHIBIT A

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY’S)
APPLICATION REQUESTING)
APPROVAL TO RETIRE AND)
ABANDON ITS PLANT X)
GENERATING STATION UNIT 1,) CASE NO. 18-00 _____-UT
PLANT X GENERATING STATION)
UNIT 2, AND CUNNINGHAM)
GENERATING STATION UNIT 1, AND)
DETERMINATION OF RELATED)
RATEMAKING PRINCIPLES AND)
TREATMENT.)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
APPLICANT.)
_____)**

NOTICE

NOTICE is hereby given that:

1. In accordance with § 62-9-5 of the Public Utility Act, on October 26, 2018, Southwestern Public Service Company (“SPS”) filed an Application and supporting direct testimony with the New Mexico Public Regulation Commission (“Commission”) requesting that the Commission enter an order: (a) authorizing SPS to retire and abandon the use of Plant X Generating Station Unit 1 (“Plant X 1”) and Cunningham Generating Station Unit 1 (“Cunningham 1”) as of December 31, 2019 and Plant X Generating Station Unit 2 (“Plant X 2”) as of December 31, 2020; (b) authorizing SPS to record and recover the remaining, unrecovered net plant balance and estimated dismantling costs of each unit at the time of retirement and to include that amount in the

base rates established in SPS's next base rate case; (c) authorizing SPS to record in a deferred account the difference between actual and estimated decommissioning and dismantling costs for each of the three units after completion of actual dismantling activities; (d) authorizing SPS to recover the deferred balance from customers if actual decommissioning and dismantling costs exceed estimated decommissioning and dismantling costs, or to return the deferred balance to customers if estimated decommissioning and dismantling costs exceed actual decommissioning and dismantling costs; and (e) granting all other approvals, authorizations, and relief that may be required for SPS to retire and abandon Plant X 1, Plant X 2, and Cunningham 1 and to recover the associated costs.

2. SPS's Application states that: (a) Plant X 1, Plant X 2, and Cunningham 1 are near the end of their useful lives; and (b) the present and future public convenience and necessity do not require the service or use of Plant X 1, Plant X 2, or Cunningham 1 facilities. SPS's Application requests that the Commission issue a final order by April 15, 2019.

3. The Commission has assigned Case No. 18-_____-UT to this Application, and all correspondence, pleadings, comments, and other communications shall refer to that case number.

4. The procedural schedule established in this case is as follows:

(A) Any interested person may intervene in this case by filing a motion for leave to intervene pursuant to 17.1.2.26.1 and 17.1.2.26.2 NMAC on or before _____, 2018;

(B) The Utility Division Staff and any Intervenors shall file direct testimony on or before _____, 2019;

(C) Any rebuttal testimony shall be filed on or before _____, 2019; and

(D) A public hearing will be held on _____, 2019, at _____ m. at the Commission's offices in the P.E.R.A. Building, 1120 Paseo de Peralta, Santa Fe, New Mexico, to hear and receive evidence, arguments, and any other appropriate matters pertaining to the case.

5. SPS's Application together with supporting pre-filed direct testimony and any exhibits and related papers, may be examined by any interested person at the offices of SPS or the Commission at the following addresses or by calling 1-800-895-4999 during normal business hours. All inquiries or written comments concerning this matter should refer to Case No. 18-_____-UT.

Southwestern Public Service Company
111 East Fifth Street
Post Office Box 1937
Roswell, New Mexico 88201
Mike McLeod

Southwestern Public Service Company
790 South Buchanan St., 7th Floor
Amarillo, Texas 79101
Jeff Comer, Regulatory Case Specialist

New Mexico Public Regulation Commission
PERA Building – 1120 Paseo de Peralta
Santa Fe, New Mexico 87501

6. Any interested person may appear at the time and place of hearing and make a written or oral comment, pursuant to 17.1.2.26.6 NMAC without becoming an intervenor. Such comments will not be considered as evidence in this case.

7. The procedural dates and requirements provided herein are as provided in the Procedural Order issued in this case and are subject to further order of the Commission or Hearing Examiner. Any interested person should contact the Commission for confirmation of the hearing date, time, and place since hearings are occasionally rescheduled.

8. Anyone filing pleadings, documents, or testimony shall serve copies thereof on all parties of record and the Utility Division Staff and the Hearing Examiner by (a) first class mail or hand-delivery and (b) by e-mail as provided by the Procedural Order. Copies served on the Hearing Examiner shall include an electronic version of the filing in Word format. All filings shall be e-mailed on the date they are filed with the Commission. Any person whose testimony has been pre-filed will attend the hearing and submit to examination under oath.

9. The Commission's Rules of Procedure (1.2.2 NMAC) shall apply to this case except as modified by Order of the Commission or Hearing Examiner. A copy of the rules may be obtained from the Offices of the Commission or at www.nmprc.state.nm.us/nmcc/.

10. All documents mailed to the Commission and its personnel shall be mailed to: New Mexico Public Regulation Commission, P.E.R.A. Building, P.O. Box 1269, Santa Fe, New Mexico 87504-1269. The following physical address of the Commission shall be used only for special or hand-deliveries: 1120 Paseo de Peralta, Santa Fe, New Mexico 87501.

11. ANY PERSON WITH A DISABILITY REQUIRING SPECIAL ASSISTANCE IN ORDER TO PARTICIPATE IN THIS CASE SHOULD CONTACT THE COMMISSION AT LEAST 24 HOURS PRIOR TO THE COMMENCEMENT OF THE HEARING.

ISSUED at Santa Fe, New Mexico, this _____ day of _____, 2018.

NEW MEXICO PUBLIC REGULATION COMMISSION

Hearing Examiner