

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF SOUTHWESTERN )  
PUBLIC SERVICE COMPANY'S )  
APPLICATION REQUESTING )  
APPROVAL TO RETIRE AND )  
ABANDON ITS CARLSBAD ) CASE NO. 17-00\_\_\_\_\_-UT  
GENERATING STATION, )  
)  
SOUTHWESTERN PUBLIC SERVICE )  
COMPANY, )  
)  
APPLICANT. )  
\_\_\_\_\_ )**

**DIRECT TESTIMONY**

*of*

**CHRISTOPHER W. LARSON**

*on behalf of*

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

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## **GLOSSARY OF ACRONYMS AND DEFINED TERMS**

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
CGS	Carlsbad Generating Station
Commission	New Mexico Public Regulation Commission
FERC	Federal Energy Regulatory Commission
SPS	Southwestern Public Service Company, a New Mexico corporation
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

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of  
Christopher W. Larson

1           **I.    WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3   A.    My name is Christopher W. Larson. My business address is 1800 Larimer Street,  
4        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”), a wholly-owned subsidiary  
11        of Xcel Energy, as Senior Accounting Analyst, Capital Asset Accounting. XES is  
12        the service company for the Xcel Energy holding company system, and provides  
13        services to the subsidiaries of Xcel Energy.

14  **Q.    Please briefly outline your responsibilities.**

15  A.    The Capital Asset Accounting department, where I am a Senior Accounting  
16        Analyst, is responsible for all aspects of the fixed asset accounting for Xcel  
17        Energy Inc. and its subsidiaries, including SPS. As a Senior Accounting Analyst  
18        in the Capital Asset Accounting department, I am responsible for various duties

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1 relating to the depreciation of plant assets and amortization of regulatory assets  
2 related to unrecovered plant, and related reporting and regulatory requirements for  
3 Xcel Energy Inc. and its subsidiaries, including SPS.

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

5 A. I graduated from the University of Wisconsin-La Crosse with a Bachelor of  
6 Science degree in Accounting in 1983.

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

8 A. I spent the first 31 years of my professional career with the Public Service  
9 Commission of Wisconsin as a Public Utility Auditor. Since April of 2015, I  
10 have been employed as a Senior Accountant in Xcel Energy's Capital Asset  
11 Accounting department. I am a licensed Certified Public Accountant.

12 **Q. Have you filed testimony before any regulatory authority?**

13 A. I have not testified before the New Mexico Public Regulation Commission  
14 ("Commission"), but I have previously testified before the Public Service  
15 Commission of Wisconsin on numerous occasions and on similar topics, in the  
16 course of my previous position.

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

3    **Q.     What is your assignment in this proceeding?**

4    **A.     My testimony will discuss the following topics:**

- 5                    • the remaining unrecovered plant balance for the Carlsbad Generating
- 6                        Station (“CGS”);
- 7                    • the amounts recovered for decommissioning and the potential shortfall
- 8                        based on decommissioning study estimates; and
- 9                    • SPS’s plan to address the unrecovered investment and costs incurred to
- 10                        decommission and dismantle the CGS in excess of the cost of removal
- 11                        reserve in its next applicable rate case.

12    **Q.     Please summarize the conclusions and recommendations in your testimony.**

13    **A.     The CGS has an unrecovered investment of \$879,505 (or \$170,466 New Mexico**  
14                    **Retail)<sup>1</sup> as of February 28, 2017. The dismantling cost estimates that are**  
15                    **currently incorporated in approved depreciation rates include estimated costs to**  
16                    **decommission and dismantle the CGS of \$459,653 (or \$89,090 New Mexico**  
17                    **retail).<sup>1</sup> Through February 28, 2017, SPS has recovered \$340,469 (or \$65,990**  
18                    **New Mexico retail)<sup>1</sup> in dismantling costs, which is \$119,184 (or \$23,100 New**  
19                    **Mexico retail)<sup>1</sup> less than the estimated costs. Overall, the total unrecovered**

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<sup>1</sup> New Mexico retail amounts are approximations based on the 12 Coincident Peak-Production jurisdictional allocator as of June 30, 2016.

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1 amount for the CGS is approximately \$998,689 (or \$193,566 New Mexico  
2 retail).<sup>1</sup> SPS will seek recovery of the unrecovered investment and costs to  
3 decommission and dismantle the CGS in the next applicable SPS base rate case.

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1                    **III. REMAINING NET PLANT BALANCE**

2 **Q. What are the plant and accumulated depreciation balances on SPS’s books**  
3 **as of February 28, 2017?**

4 A. The book balances are reflected in Table CWL-1. The accumulated depreciation  
5 balance is based on the depreciation rates approved by the Commission in Case  
6 No. 12-00350-UT.<sup>2</sup>

7    **Table CWL-1**

	<u>February 28, 2017</u>	
	Total Company	New Mexico retail <sup>3</sup>
CGS Plant Balance	\$ 3,157,071	\$ 611,904
Accumulated Depreciation (Life)	<u>2,277,566</u>	<u>441,438</u>
Unrecovered Investment	\$ 879,505	\$ 170,466
 Cost of Removal Reserve	 \$ 340,469	 \$ 65,990

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<sup>2</sup> *In the Matter of Southwestern Public Service Company’s Application for Revision of its Retail Rates Under Advice Notice No. 245, Case No. 12-00350-UT, Final Order Partially Adopting Recommended Decision (Mar. 24, 2014).*

<sup>3</sup> New Mexico retail amounts are approximations based on the 12 Coincident Peak-Production jurisdictional allocator as of June 30, 2016.



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1 **Q. Please explain the difference between the two lines in Table CWL-1**  
2 **“Accumulated Depreciation (Life)” and “Cost of Removal Reserve.”**

3 A. Depreciation rates are established to recover the original cost of investments over  
4 their estimated useful life, as well as to recover eventual dismantling costs over  
5 the useful life. This practice ensures that those customers who benefit from the  
6 use of the asset while it is in service pay for the investment including dismantling  
7 costs. The line entitled “Accumulated Depreciation (Life)” represents the amount  
8 that SPS has recovered by depreciating the original investment in the CGS and the  
9 line entitled “Cost of Removal Reserve” represents the amount that SPS has  
10 recovered to be used for dismantling the assets at CGS. For rate case presentation  
11 purposes, the amounts for both the “Accumulated Depreciation (Life)” and “Cost  
12 of Removal Reserve” are shown together as “Accumulated Depreciation.”

13 **Q. Has SPS fully recovered the original investment of the CGS?**

14 A. No. As indicated in Table CWL-1, as of February 28, 2017, SPS’s unrecovered  
15 investment is approximately \$0.9 million (or \$0.2 million New Mexico retail).

16 **Q. Has SPS fully recovered costs expected for dismantling the plant?**

17 A. No. I will discuss that portion in the next section of my testimony.

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1                   **IV.    UNRECOVERED DECOMMISSIONING COSTS**

2   **Q.    Please explain why you believe SPS has not fully recovered dismantling costs**  
3   **for the CGS.**

4   A.    As shown in Table CWL-1, through February 28, 2017, SPS has recovered  
5         \$340,469 (or \$65,990 New Mexico retail) in dismantling costs. SPS believes that  
6         dismantling costs will exceed this amount based on past dismantling studies filed  
7         with the Commission.

8   **Q.    Please discuss past dismantling studies filed with the Commission.**

9   A.    The most recent case in which depreciation rates were approved was Case No.  
10         12-00350-UT. In that case, SPS witness Francis W. Seymore (TLG Services,  
11         Inc.) presented a dismantling study that included an estimate of \$459,653 (or  
12         \$89,090 New Mexico retail) for dismantling the CGS. This dismantling estimate  
13         is incorporated into the net salvage percentages used in the currently-approved  
14         depreciation rates. More recently, in Case No. 15-00296-UT,<sup>4</sup> Mr. Seymore  
15         presented an updated dismantling study that included an estimate of \$495,039 (or  
16         \$95,949 New Mexico retail) for dismantling the CGS. As explained by SPS

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<sup>4</sup> *In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Rates Under Advice Notice No. 256, Case No. 15-00296-UT, Final Order Adopting Certification of Stipulation with Modification (Aug. 10, 2016).*

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1 witness, Mr. Alan J. Davidson, SPS plans to issue a request for proposal for  
2 dismantling activities and, as a result, the costs will be better known once the  
3 process is complete.

4 **Q. Are you suggesting that SPS recover the exact dollar amount presented in a**  
5 **dismantling study?**

6 A. No. I am suggesting that such a study should be used as a guideline for SPS's  
7 recovery until the actual dismantling occurs and costs are finalized. At that time,  
8 if there is reserve in excess of the actual costs of removal, SPS would propose  
9 transferring this reserve to the remaining production accounts. In addition, as  
10 noted above, SPS plans to seek recovery of any remaining costs in its next base  
11 rate case.

12 **Q. What is the proposed unrecovered cost of removal based on the studies that**  
13 **have been completed?**

14 A. Using the dismantling cost estimates that are currently incorporated in approved  
15 depreciation rates, the unrecovered cost of removal is estimated to be \$119,184  
16 (or \$23,100 New Mexico retail), which is equal to the dismantling estimate of  
17 \$459,653 (or \$89,090 New Mexico retail) (from Case No. 12-00350-UT) less the  
18 current cost of removal reserve of \$340,469 (or \$65,990 New Mexico retail).

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1           **V.    RECOVERY OF ANY UNRECOVERED INVESTMENT AND**  
2                                   **UNRECOVERED DISMANTLING COSTS**

3           **Q.    In this filing, is SPS requesting recovery of any unrecovered investment and**  
4                                   **unrecovered dismantling costs relating to the CGS?**

5           A.    No.

6           **Q.    When will SPS address recovery of any unrecovered investment and**  
7                                   **unrecovered dismantling costs?**

8           A.    SPS will address recovery of such costs in its next applicable base rate case.

9           **Q.    What do you mean by next applicable base rate case?**

10          A.    SPS will not address the recovery of any unrecovered investment and unrecovered  
11                                   dismantling costs for the CGS until after the activities are completed or near  
12                                   completion. It is possible that SPS will file its next rate case before the CGS has  
13                                   been decommissioned and dismantled. The next *applicable* base rate case will be  
14                                   after the CGS has been decommissioned and dismantled or the work is near  
15                                   completion.

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

17          A.    Yes.

VERIFICATION


STATE OF COLORADO            )  
  ) ss.  
COUNTY OF DENVER            )

CHRISTOPHER W. LARSON, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I have read the direct testimony and am familiar with its 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.

  
CHRISTOPHER W. LARSON

SUBSCRIBED AND SWORN TO before me this 21<sup>st</sup> day of April, 2017.

  
Notary Public of the State of Colorado  
My Commission Expires: November 15, 2019

BUFFARD  
Notary Public  
State of Colorado  
Notary ID 20074042712  
My Commission Expires Nov 15, 2019

MIA L BUFFARD  
Notary Public  
State of Colorado  
Notary ID 20074042712  
My Commission Expires Nov 15, 2019