

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY'S)
APPLICATION FOR: (1))
AUTHORIZATION TO ENTER INTO A)
TWO-YEAR EXTENSION OF THE)
CURRENT PURCHASED POWER)
AGREEMENT FOR THE PURCHASE OF)
NON-FIRM ENERGY FOR WINDSOURCE;) CASE NO. 17 - _____-UT
(2) AUTHORIZATION TO IMPLEMENT A)
COST-BASED RATE METHODOLOGY)
FOR CALCULATING AN ANNUAL)
WINDSOURCE RATE; AND (3) FLOW)
THROUGH ALL WINDSOURCE COSTS)
AND REVENUES THROUGH ITS FUEL)
AND PURCHASED POWER COST)
ADJUSTMENT CLAUSE,)
)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
)
APPLICANT.)
_____)

APPLICATION

In accordance with the Renewable Energy Act (NMSA 1978, §§ 62-16-1 to 62-16-10-“REA”), the New Mexico Public Utility Act (NMSA 1978, §§ 62-3-1 *et seq.*), the New Mexico Public Regulation Commission’s (“Commission or NMPRC”) Rule 572 (17.9.572 NMAC – “Rule”), and prior Commission Orders, Southwestern Public Service Company’s (“SPS”) requests the Commission grant the following relief:

- (1) authorize SPS to enter into a two-year extension to the existing purchased power agreement (“PPA”) for non-firm wind energy from the Llano Estacado Wind Ranch in Texico, New Mexico (“Texico PPA”) for SPS’s voluntary renewable energy Windsource program;
- (2) authorize SPS to charge a cost-based Windsource Rate Rider rate to subscribing customers;

- (3) authorize SPS to flow through all renewable energy costs and revenues associated with Windsource through its fuel and purchased power cost adjustment clause (“FPPCAC”), not to exceed 2.5 percent of eligible fuel costs;
- (4) issue its order approving SPS’s Application within 9 months from the date of this filing to comply with the regulatory approval provisions under the Texico PPA; and
- (5) grant all other approvals, authorizations, waivers, or variances that the Commission determines are necessary for SPS to implement and effectuate the relief granted in this case.

In support of this Application, SPS states the following:

I. Jurisdiction and Affected Parties

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 S. Buchanan, Amarillo, Texas 79101.

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

¹ 18 C.F.R. Part 366.

company that owns several electric and natural gas utility operating companies, a regulated natural gas pipeline company, and three electric transmission companies.²

II. Authorized Representatives and Service of Documents

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 Xcel Energy is the parent company of four wholly-owned electric utility 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. Xcel Energy's natural gas pipeline subsidiary is WestGas InterState, Inc. Through its subsidiary, Xcel Energy Transmission Holding Company, LLC, Xcel Energy also has three transmission-only operating companies: Xcel Energy Southwest Transmission Company, LLC; Xcel Energy Transmission Development Company, LLC; and Xcel Energy West Transmission Company, LLC, all of which are either currently regulated by the FERC or expected to be regulated by FERC.

III. Background

5. Section 62-16-7 of the REA provides that the Commission may require utilities offer a voluntary program for purchasing additional renewable energy under a separate Commission-approved rate. As required by Rule 572.18, SPS offers its New Mexico retail customers the opportunity to purchase additional renewable energy via a Renewable Energy Rate Rider, Windsource.

6. The current Windsource rate was originally approved by the Commission in Case No. 2771³ and was first implemented in 1998.

7. Windsource customers currently have the option to purchase 100 kilowatt-hour (“kWh”) blocks of renewable energy or purchase energy for 100 percent of their usage. Customers currently pay a premium of \$3.00 per block (\$0.03 per Windsource kWh), in addition to base rates, and are relieved of paying the rate under SPS’s FPPCAC for the kWh they purchase through Windsource.

8. SPS currently purchases 1.98 megawatts (“MW”) of wind energy through the Texico PPA to supply the Windsource program. However, the current Texico PPA terminates on December 14, 2018.

9. In 2016, 817 residential and 86 non-residential customers participated in the Windsource program.

³ *In the Matter of Southwestern Public Service Company's Advice Notice No. 179 for Proposed Renewable Energy, Photovoltaic Pumping Systems, and Interruptible Irrigation Rates; Case No. 2771; Final Order Approving Recommended Decision and Certification of Stipulation (Mar. 16, 1998).*

10. SPS is currently working on potential modifications to its Windsorce program, which may include the use of alternative renewable energy supply resources in an effort to increase participation.

11. SPS needs an extension of the Texico PPA to allow the Windsorce program to continue while it is developing its potential program modifications.

IV. Authorization for SPS to extend the Texico PPA

12. On August 14, 2017, SPS and Texico executed an extension to the Texico PPA, subject to Commission authorization, which includes in material part the following changes in comparison to the currently-approved Texico PPA:

- (A) an extension of the Texico PPA for two years; and
- (B) the price for December 15, 2018 through December 14, 2019 is \$0.04829/kWh. The price for December 15, 2019 through December 14, 2020 is \$0.04829/kWh plus an inflation factor.

13. The pricing under the extension is lower than the existing Texico PPA. In particular, the pricing for 2017 under the current Texico PPA is \$60.07 per MWh. The price for the first year of the extension is \$48.29 per MWh, or \$11.87 per MWh lower than the pricing for 2017.

14. The extension of the Texico PPA is conditioned upon SPS receiving Commission approval within 9 months of the filing of this application. Accordingly, SPS respectfully requests a decision by the Commission within a reasonable time to meet this condition.

V. New Proposed Windsource Rate Rider method

15. SPS proposes a cost-based rate to recover the purchased renewable energy costs of the extension of the Texico PPA and is requesting in this filing, approval of the methodology for calculating an annual Windsource rate.

16. Under the methodology, Windsource participants will pay the FPPCAC plus a premium for their participation in this voluntary wind program. This premium will reflect the cost of the extended Texico PPA, as well as a fuel credit valued at a rolling estimate of the FPPCAC.

17. The initial premium will be calculated based on comparing the prior calendar year average FPPCAC rate (on a \$/MWh basis) to the Texico PPA rate (on a \$/MWh basis). On a quarterly basis, SPS will compare the actual FPPCAC rate to the actual Texico rate and make a bill adjustment (credit or charge).

18. The average monthly bill for the average residential customer taking 300 kWh under the Windsource program, which includes the standard energy charge and FPPCAC on those kWh, would be \$6.91, or 8.4 percent. For the average Small General Service customer taking 700 kWh under the Windsource program, the average monthly bill related to the Windsource program would be \$16.12, or 16.8 percent.

19. Once approved, SPS will file an advice notice and revised tariff to reflect the approved methodology for calculating the Windsource rate.

the New Mexico Attorney General, and all other parties in SPS's pending renewable portfolio standard case (*i.e.*, Case No. 17-00161-UT).

24. SPS is attaching the Proposed Notice to Customers, which will be published in newspapers of general circulation in SPS's service area and mailed to all currently subscribed Windsource customers (Exhibit A).

25. Following the Commission approval of the Texico PPA extension and methodology for calculating an annual Windsource rate, SPS will make a compliance filing of the revised Renewable Energy Rate Rider based on the approved methodology and provide notice of the Windsource rate to all then currently subscribed Windsource customers.

WHEREFORE, SPS respectfully requests that the Commission timely enter a final order granting the following relief:

- (1) authorize SPS to enter into a two-year extension to the existing purchased power agreement for non-firm wind energy from the Llano Estacado Wind Ranch in Texico, New Mexico for SPS's voluntary renewable energy Windsource program;
- (2) authorize SPS to charge a cost-based Windsource Rate Rider rate to subscribing customers;
- (3) authorize SPS to flow through all renewable energy costs and revenues associated with Windsource through its FPPCAC, not to exceed 2.5 percent of eligible fuel costs;
- (4) issue its order approving SPS's Application within 9 months from the date of this filing to comply with the regulatory approval provisions under the Texico PPA; and
- (5) grant all other approvals, authorizations, waivers, or variances that the Commission determines are necessary for SPS to implement and effectuate the relief granted in this case.

Respectfully submitted,

By: 

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EXHIBIT A

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN)
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APPLICATION FOR: (1))
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AGREEMENT FOR THE PURCHASE OF)
NON-FIRM ENERGY FOR)
WINDSOURCE; (2) AUTHORIZATION)
TO IMPLEMENT A COST-BASED RATE)
METHODOLOGY FOR CALCULATING)
AN ANNUAL WINDSOURCE RATE; AND)
(3) FLOW THROUGH ALL)
WINDSOURCE COSTS AND REVENUES)
THROUGH ITS FUEL AND PURCHASED)
POWER COST ADJUSTMENT CLAUSE,)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
APPLICANT.)

CASE NO. 17 - _____-UT

PROPOSED NOTICE TO CUSTOMERS

NOTICE IS HEREBY GIVEN that:

Southwestern Public Service Company (“SPS”) filed its Application with the New Mexico Public Regulation Commission (“Commission”) on November 29, 2017, requesting that the Commission grant the following relief:

- (A) authorize SPS to enter into a two-year extension to the existing purchased power agreement (“PPA”) for non-firm wind energy from the Llano Estacado Wind Ranch in Texico, New Mexico (“Texico PPA”) for SPS’s Windsource program;

- (B) authorize SPS to charge a cost-based Windsource Rate Rider rate to subscribing customers;
- (C) authorize SPS to flow through all renewable energy costs and revenues associated with Windsource through its fuel and purchased power cost adjustment clause (“FPPCAC”), not to exceed 2.5 percent of eligible fuel costs;
- (D) issue an order approving SPS’s Application within 9 months from the date of this filing to comply with the regulatory approval provisions under Section 4 of the Texico PPA; and
- (E) grant to SPS all other approvals, authorizations, waivers, or variances that the Commission determines are necessary to implement and effectuate the relief granted in this case.

1. Section 62-16-7 of the Renewable Energy Act (NMSA 1978, §§ 62-16-1 to 62-16-10) provides the Commission may require utilities offer a voluntary program for purchasing additional renewable energy under a separate Commission-approved rate. As required by Commission Rule 572.18, SPS offers its New Mexico retail customers the opportunity to purchase additional renewable energy via a Renewable Energy Rate Rider, Windsource.

2. Since the inception of Windsource, SPS has purchased wind energy from the Llano Estacado Wind Ranch in Texico, New Mexico. SPS currently purchases 1.98 megawatts of wind energy through the Texico PPA to supply Windsource. However, the current Texico PPA terminates on December 14, 2018.

3. On August 14, 2017, SPS and Texico Wind, LP executed a two-year extension to the Texico PPA. The pricing under the extension is lower than the existing Texico PPA. In particular, the pricing for 2017 under the current Texico PPA is \$60.07 per megawatt-hour (“MWh”). The price for the first year of the extension is \$48.29 per MWh, or \$11.87 per MWh lower than the pricing for 2017.

4. SPS seeks approval of the extension of the Texico PPA that will allow SPS to maintain program continuity while SPS develops a new solar program for the Commission's review. Section 4 of the Texico PPA requires that SPS receive regulatory approval of its Application within 9 months, and, therefore, SPS is requesting the Commission issue an order approving SPS's Application no later than August 29, 2018.

5. SPS's also proposes to develop a cost-based rate to ensure subscribing customers receive accurate price signals regarding incremental renewable energy purchases.

6. Under the new cost-based rate, the average monthly bill for the average residential customer taking 300 kWh under the Windsorce program, which includes the standard energy charge and FPPCAC on those kWh, would be \$6.91, or 8.4 percent. For the average Small General Service customer taking 700 kWh under the Windsorce program, the average monthly bill related to the Windsorce program would be \$16.12, or 16.8 percent.

7. SPS proposes to continue to flow through its FPPCAC the costs and revenues associated with the Windsorce PPAs to correct any imbalances between Windsorce costs and revenues, so long as the Windsorce costs and revenues remain below 2.5 percent of SPS's overall fuel and purchased power costs.

8. Further information regarding this case may be obtained by contacting SPS or the Commission at the addresses and telephone numbers provided below. All inquiries or written comments concerning this matter should refer to Case No. 17-_____-UT.

9. A public hearing on the Application will be held beginning on _____, 2018, and continuing thereafter if necessary, at the offices of the Commission, PERA Building, 1120

Paseo de Peralta, Santa Fe, New Mexico, to hear and receive testimony, exhibits, arguments, and any other appropriate matters pertaining to the Application.

10. By no later than _____, 2018, any person who desires to become a party to this case must file a motion for leave to intervene, pursuant to 1.2.2.23.A and 1.2.2.23.B NMAC.

11. By no later than _____, 2018, the Utility Division Staff shall, and any Intervenors may, file direct testimony.

12. Any desired rebuttal testimony shall be filed on or before _____, 2018.

13. SPS's Application, together with supporting pre-filed direct testimony, and any exhibits and related papers, may be examined by any interested person online at the SPS website <http://www.xcelenergy.com./regulatory>, or the Commission's website Case Lookup E-Docket <http://www.nmprc.state.nm.us/>, or in person at the offices of SPS or the Commission at the following addresses, and all inquiries or written comments should refer to Case No. 17-_____-UT:

Mike McLeod
Southwestern Public Service Company
111 East Fifth Street
Post Office Box 1937
Roswell, New Mexico 88201
Telephone: 575-625-5499 or 1-800-895-4999

Records Management Bureau
New Mexico Public Regulation Commission
PERA Building – 1120 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone: 505-827-6968

14. Any interested person may appear at the time and place of hearing and make written or oral comment pursuant to 1.2.2.23.F NMAC without becoming an Intervenor. Interested persons may also send written comments, which shall reference Case No. 17-_____-UT, to the Commission at the address set out above. All such comments will not be considered as evidence in this case.

15. 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.

16. Any interested person should contact the Commission at 505-827-6956 for confirmation of the hearing date, time and place since hearings are occasionally rescheduled.

17. Anyone filing pleadings or testimony will serve copies thereof on all parties of record and the Utility Division Staff by first class mail or hand-deliver and by e-mail as provided by the Procedural Order. Any person whose testimony has been pre-filed will attend the hearing and submit to examination under oath.

18. All documents mailed to the Commission and its personnel shall be mailed to: P.O. Box 1269, Santa Fe, New Mexico, 87504. The physical address of the Commission shall be used only for special or hand deliveries. Copies of all filings shall be served on all parties of record and Staff as specified in the most recent Certificate of Service issued in this case.

19. The Commission's Rules of Procedure found at 1.2.2 NMAC will apply to this case unless modified by order of the Commission or Hearing Examiner. A copy of such Rules may be obtained from the offices of the Commission and are available online at the official NMAC website <http://www.nmcpr.state.nm.us/nmac/>.

20. 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 December 2017.

NEW MEXICO PUBLIC REGULATION COMMISSION
