BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN PUBLIC SERVICE COMPANY'S APPLICATION FOR APPROVALS ASSOCIATED WITH THE ASSET PURCHASE AGREEMENT BETWEEN SPS AND SHARYLAND DISTRIBUTION & TRANSMISSION SERVICES, L.L.C., AND THE REGULATORY ACCOUNTING TREATMENT OF THE GAIN ON SALE **SOUTHWESTERN PUBLIC SERVICE COMPANY,** **APPLICANT.**	**CASE NO. 13-00140-UT**

DIRECT TESTIMONY

of

JEFFREY S. SAVAGE

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

April 29, 2013

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym/Defined Term	Meaning
APA	Asset Purchase Agreement By and Between Southwestern Public Service Company and Sharyland Distribution & Transmission Services L.L.C., Dated as of March 29, 2013
CFO	Chief Financial Officer
Commission	New Mexico Public Regulation Commission
EEI	Edison Electric Institute
FERC	Federal Energy Regulatory Commission
PUCT	Public Utility Commission of Texas
Sharyland	Sharyland Distribution & Transmission Services, L.L.C. and Sharyland Utilities, L.P.
SPS	Southwestern Public Service Company, a New Mexico corporation
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Jeffrey S. Savage. My business address is 414 Nicollet Mall, Minneapolis, Minnesota 55401.

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

A. I am filing testimony on behalf of Southwestern Public Service Company, a New Mexico Corporation ("SPS"). SPS is an electric utility operating company and wholly owned subsidiary of Xcel Energy Inc. ("Xcel Energy"). Xcel Energy is a registered holding company that owns several electric and natural gas utility operating companies and a regulated natural gas pipeline company.[1]

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

A. I am employed by Xcel Energy, and my current position is Vice President and Controller of SPS and Xcel Energy.

Q. Please briefly outline your responsibilities as Vice President and Controller.

A. I am responsible for overall management and direction of a number of accounting operations for Xcel Energy and its subsidiaries, including managing the functional accounting areas of commercial accounting, regulatory accounting, transmission accounting, retail revenue accounting, capital asset accounting, corporate

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[1] Xcel Energy is the parent company of the following four wholly owned 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.

accounting, benefits accounting, technical accounting and financial reporting. I work closely with the Chief Financial Officer ("CFO") and other management within the CFO organization to establish, recommend, administer, and manage accounting and tax policies and procedures for Xcel Energy and its subsidiaries.

Q. Please describe your educational background.

A. I graduated from Colorado State University in 1994 with a Bachelor of Science degree in business administration with majors in accounting and finance.

Q. Please describe your professional experience.

A. I began my career with Xcel Energy Services Inc. ("XES") in 2007 as the Director, Financial Reporting and Technical Accounting. In 2009, I was promoted to the position of Senior Director, Financial Reporting, Corporate and Technical Accounting. In 2011, I was promoted to my current position of Vice President and Controller of SPS and Xcel Energy.

Prior to joining XES, I held financial reporting, technical accounting, financial consolidation, Sarbanes-Oxley and internal audit positions at The Mosaic Company and Regis Corporation. I also spent six years as an audit manager at PricewaterhouseCoopers.

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

A. Yes. I have annually attended seminars held by major public accounting firms, the Edison Electric Institute ("EEI") and the American Gas Association.

Q. Do you hold a professional license?

A. Yes. I am a Certified Public Accountant with an inactive license in Minnesota. From 1998 to 2008, I held an active license in Minnesota.

Q. Are you a member of any professional organizations?

A. Yes, I am a member of the EEI Technical Accounting Standards Committee and the EEI Accounting Executive Advisory Committee.

Q. Have you filed testimony before any regulatory authorities?

A. Yes. I have filed testimony with the Colorado Public Utilities Commission.

II. ASSIGNMENT AND SUMMARY OF RECOMMENDATIONS

Q. What topics do you address in your direct testimony?

A. I explain the following topics:

1. the net book value of the assets to be sold under the March 29, 2013 Asset Purchase Agreement ("APA") between SPS and Sharyland Distribution & Transmission Services, L.L.C.;[2]
2. the accounting for the residual assets that are not being sold to reflect the reduction of the net plant balances to zero and to retire and remove certain assets;
3. the development of an unblended balance of accumulated depreciation for the New Mexico jurisdiction;
4. the calculation of the estimated net gain on the transactions prior to any sharing between SPS and its New Mexico retail customers, and
5. the calculation for the allocation of the estimated net gain to the New Mexico jurisdiction and the related accounting entries that will occur on SPS's books to record the transactions associated with the sale and deferral of the portion of the net gain to be shared with New Mexico retail customers.

Q. Please summarize the recommendations in your testimony.

[2] I will refer to Sharyland Distribution & Transmission Services, L.L.C. and Sharyland Utilities L.P., collectively as "Sharyland."

A. I recommend the New Mexico Public Regulation Commission ("Commission") approve: (1) the calculation of the net gain as presented in Attachment JSS-2, subject to update; and (2) the accounting entries to be recorded on SPS's books at closing of the transaction as presented on Attachment JSS-3.

III. NET BOOK VALUE OF ASSETS TO BE SOLD OR AFFECTED BY THE SALE TRANSACTION

Q. What topic do you discuss in this section of your testimony?

A. I discuss the net book value of assets impacted by the transactions that will be recognized at the close of the sale under the APA.

Q. What property is SPS selling to Sharyland under the APA?

A. As explained in more detail in the testimonies of SPS witnesses Alice K. Jackson and John S. Fulton, SPS is selling segments of two transmission lines, one of which is referred to as the "Grassland-Borden Line" and the other as the "Hobbs-Midland Line." SPS is also selling both the Borden Substation and the Midland Substation. A map identifying the facilities being sold is attached to Mr. Fulton's testimony as Attachment JSF-2.

The property to be sold consists of specified poles, lines, conductors, arms, braces, insulators, structures, facilities or improvements, fixtures, equipment and other items of tangible personal property comprising the applicable segments of the Grassland-Borden Line and the Hobbs-Midland Line. The property sold also encompasses specified transformers, switches, structures, facilities or improvements, fixtures, equipment and other items of tangible personal property comprising the Borden Substation and Midland Substation.

The specific properties are listed in APA Disclosure Schedule 2.1(b), which is Attachment AKJ-1 to the direct testimony of Ms. Jackson.[3]

Q. In which accounts is the property recorded?

A. This property is recorded in the following Federal Energy Regulatory Commission ("FERC") accounts

- Account 101 - Utility Plant in Service,
- Account 106 - Plant in Service not yet classified,
- Account 107 - Construction Work in Progress, and
- Account 108 - Accumulated Depreciation.

Q. How has cost of the property been determined?

A. The cost of the property, plant, and equipment to be sold under the APA includes existing plant balances and expected 2013 construction expenditures that will exist on SPS's books at the date of close. Attachment JSS-1 presents a summary roll-forward of the net plant that is to be sold under the APA, as well as remaining segments of the Grassland-Borden Line and the Hobbs-Midland Line that are proposed to be reduced to zero net book value. This summary was prepared starting from actual plant account balances at December 31, 2012 and updated for actuals through March 31, 2013 (the most recent information available at the time SPS filed this report), planned construction and cost of removal expenditures, closings to plant in service, and changes to accumulated depreciation for

[3] Excluded property is listed in Disclosure Schedule 2.2.

depreciation expense for the twelve months ending December 31, 2013. The projected values include $0.6 million of forecasted 2013 additions to plant in-service. Section IV of my testimony discusses the unblended accumulated depreciation related to the New Mexico retail jurisdiction.

Q. Does the projected net book value take into account jurisdictionally approved depreciation rates?

A. Yes. The accumulated depreciation for financial reporting is a blend of the individual jurisdictional sets of books, each calculated using jurisdictionally approved depreciation rates. Likewise, the net gain for each jurisdiction is calculated using the jurisdictional accumulated depreciation. This calculation is explained later in my testimony.

Q. What is the projected net book value of the assets to be sold as of the approximate date of sale?

A. At a total company level, the forecasted net plant balance of approximately $8.4 million as of December 31, 2013 reflects SPS's best estimate of the plant account balances to be sold, assuming a closing date on or before December 31, 2013. This estimate will be adjusted for actual capital expenditures (planned and unplanned), plant additions, estimated removal costs, and depreciation expense prior to closing. All actual plant account balances included in the sale will be removed from SPS's books at closing.

Q. Will the changes in ownership and projected use of the property to be sold affect any other SPS assets?

A. Yes. As discussed in Mr. Fulton's direct testimony, there are two proposed plant transactions that will occur simultaneously with the closing of the sale of assets. The transactions relate to the remaining segments on the Grassland-Borden Line and the Hobbs-Midland Line not included in the sale transaction, but included in SPS's calculation of the net gain on sale before regulatory accounting adjustments.

Q. Please describe the proposed plant transaction for the remaining segment of the Grassland-Borden Line.

A. The Grassland-Borden remaining line segment is the portion from SPS's Grassland Substation to Structure 62. SPS proposes that the projected December 31, 2013 net book value for that segment be reduced from $0.9 million to zero at the close of the sale transaction, and the disposal and removal costs of several transmission spans be netted against the gain on sale for the reasons explained in Mr. Fulton's direct testimony.

Q. Please describe the proposed plant transaction for the remaining segment of the Hobbs-Midland line.

A. As Mr. Fulton explains in his direct testimony, after the close of the sale, SPS will retire and remove the remaining Hobbs-Midland Line segment in Andrews County from Structure 350 up to and including Structure 197. The projected

December 31, 2013 net book value of this segment is $2.3 million and the expected removal costs are estimated to be approximately $3.5 million. SPS proposes to net against the gain on sale these disposal and removal costs and the reduction of the net book value to zero.

IV. DEVELOPING AN UNBLENDED BALANCE OF ACCUMULATED DEPRECIATION

Q. Is there a relationship between the depreciation rates approved in each of SPS's three rate jurisdictions and the depreciation rate used for financial reporting purposes?

A. Yes. The depreciation expense is calculated by multiplying the depreciation rate by the original cost of the asset. The depreciation rate is a result of the useful life and the net salvage rate for the asset with the depreciation rate set by the individual jurisdictions. The financial depreciation expense as shown on SPS's books and records is a "blend" of all the jurisdictional depreciation rates weighted by the jurisdictional allocators for the same applicable period. When all the jurisdictions use the same depreciation rate, the blended financial depreciation rate will be the same as the jurisdictional rates. However, when there is a different depreciation rate for each jurisdiction, the blended financial depreciation rate is a weighted average. Depreciation rates are typically in effect for multiple years; however, the jurisdictional allocators have been updated each year since 2007. Thus, this financial blended depreciation rate may change from one year to the next as the jurisdictional allocators shift.

Q. Please explain how SPS has assigned the depreciation reserve for the asset sale based on the Commission-approved depreciation rates.

A. Each of SPS's three rate jurisdictions (New Mexico, Texas, and FERC) sets its own depreciation rates. For most assets, the three jurisdictions do not set the same depreciation rate. Thus, SPS has to apply two or sometimes three different depreciation rates to each asset to maintain a running jurisdictional depreciation reserve, at a total company level. SPS maintains a financial depreciation reserve as well, which uses the blended depreciation rates discussed above. For this transaction, SPS started with the financial depreciation reserve and calculated an adjustment to it that results in the New Mexico jurisdictional depreciation reserve, at total company level.

I refer to my adjustment as unblending the depreciation reserve, in the sense that I have taken the financial depreciation reserve (*i.e.*, the depreciation reserve shown on SPS's financial books), which reflects a blend of the depreciation rates from SPS's three jurisdictions, and have adjusted the financial total company reserve balance to be a total company depreciation reserve as if the New Mexico retail jurisdiction were SPS's only operating jurisdiction.

Q. Do the total company jurisdictional depreciation reserve adjustments for all three jurisdictions multiplied by the current jurisdictional allocators equal the financial reserve?

A. No, not based on a simplistic calculation. There is a slight divergence for all the periods because: (1) the jurisdictional allocators have changed over time, and (2) the jurisdictional depreciation reserve adjustment was based on average plant balances multiplied by the jurisdictional depreciation rates for all periods since the rates diverged. To address this issue, SPS has adjusted the way the jurisdictional reserve is calculated to ensure that 100% of the financial reserve has been assigned to all jurisdictions. Reserve balances by jurisdiction are totaled and compared to the "blended" financial reserve. Any difference between the financial set of books and the sum of the jurisdictional set of books is allocated to the jurisdictions according to the current jurisdictional split.

Q. Is this a new approach to determining the depreciation reserve?

A. No. The Commission approved the unblending of SPS's accumulated depreciation in Case No. 07-00319-UT and SPS has used the approach in Case Nos. 08-00354-UT, 10-00395-UT, and Case No. 12-00350-UT, SPS's current base rate case. Additionally, other than a refinement to the calculation presented in Public Utility Commission of Texas ("PUCT") Docket No. 40824, SPS used this approach to determine its proposed accumulated depreciation in its past four PUCT base rate cases: Docket Nos. 32766,[4] 35763,[5] 38147, [6] and 40824.[7] In addition, the FERC has directed SPS to use this approach in wholesale rate cases.

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[4] *Application of Southwestern Public Service Company for Authority to Change Rates; Reconciliation of its Fuel Costs for 2004 and 2005; Authority to Revise the Semi Annual Formulae Originally Approved in Docket No. 27751 Used to Adjust its Fuel Factors; and Related Relief,* Docket No. 32766 (Jul. 27, 2007).

[5] *Application of Southwestern Public Service Company for Authority to Change Rate, to Reconcile Fuel and Purchased Power Costs for 2006 and 2007 and to Provide a Credit for Fuel Cost Savings,* Docket No. 35763 (June 2, 2009).

[6] *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 (Mar. 25, 2011).

V. CALCULATION OF THE ESTIMATED NET GAIN AND REGULATORY SHARING

Q. What topic do you discuss in this section of your testimony?

A. I explain the calculation of SPS's estimated net gain on the transactions associated with the sale, and the calculation for sharing the net gain with SPS's New Mexico retail customers. In her direct testimony, Ms. Jackson explains the basis for determining and implementing the sharing of the net gain.

I also provide the accounting entries to be recorded on SPS's books at closing of the transaction, inclusive of tax impacts.

Q. Have you prepared any attachments to explain the calculation of the net gain?

A. Yes, I have prepared Attachment JSS-2, which presents the calculation of the estimated net gain.

Q. Please explain the calculation of the estimated net gain on the transactions as shown on Attachment JSS-2.

A. The estimated pre-tax gain of $21.1 million (total company, in the New Mexico Estimate) shown in Attachment JSS-2 is prior to any regulatory accounting adjustments for ratepayer sharing. The calculation of the pre-tax gain is essentially:

- cash proceeds of $37.0 million,

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[7] *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, 201*, Docket No. 40824 (filed Nov. 15, 2012).

- less the net book value of the assets sold of $8.1 million,
- less estimated removal costs of $3.5 million,
- less the net book value of the remaining transmission line segments being retired or written down of $2.9 million,
- less estimated costs to move certain autotransformers of $0.7 million,
- less other costs of the sale transaction of $0.7 million.

The initial net gain will be determined in the period in which the closing occurs, currently estimated to take place on or before December 31, 2013. After the closing of the sale transaction, the regulatory gain sharing calculation will be updated based on the actual costs of removal, after such costs are incurred and removal activities are complete. This update will also include the disposal and salvage of certain autotransformers if SPS cannot find a beneficial use for the equipment in its system. This equipment is discussed further in Mr. Fulton's direct testimony, and the overall update process is described further in Ms. Jackson's direct testimony.

Q. Please explain the calculation of the net cash proceeds amount shown on Attachment JSS-2.

A. The total cash proceeds to be received from Sharyland are projected to be $37.0 million. The APA provides for certain purchase price adjustments, including certain unplanned capital expenditures in force majeure type of circumstances. However, no such adjustments have been forecasted at this time.

Q. Please explain the transaction costs related to the APA shown on Attachment JSS-2.

A. SPS expects to incur additional transaction-related costs as part of the sale. Such expenses need to be considered in determining the pre-tax net gain on the sale.

The first item relates to SPS's need to move autotransformers from the Midland and Borden Substations (those stations are being sold) to one of SPS's storage facilities. This expense is estimated to be $0.7 million as presented in Attachment JSF-3 of Mr. Fulton's testimony.

The second item is the outside legal and regulatory costs. Ms. Jackson has prepared and sponsored this projected cost of approximately $0.35 million as presented in Attachment AKJ-2.

The third item relates to SPS's indemnifications under the APA. SPS plans to defer a portion of the net gain equal to 1% of the sale price, or approximately $0.37 million, to cover any pre-divestiture liabilities as dictated by the indemnification provisions in the APA. The proposed treatment of this deferral in the regulatory sharing calculation is described further in Ms. Jackson's direct testimony.

Q. Please explain the calculation of the income tax expenses to be recorded related to the sale, and the resulting estimated after-tax net gain before regulatory sharing.

A. Given that the taxable net gain on the sale will exceed the book net gain, SPS will be recording current income taxes totaling approximately $11.0 million (based on a federal and state composite tax rate of 36.47% and existing differences between book and tax depreciation of $9.7 million). As part of the income tax calculation, SPS will reverse all plant-related deferred income taxes that have been recorded resulting from the cumulative differences between book and tax depreciation totaling approximately $3.4 million. After offsetting current tax expense by the deferred taxes, the total income tax expense on this net gain is approximately $7.6 million. The total income tax expense is subtracted from the $20.4 million pre-tax net gain in determining the estimated after-tax net gain on the sale. The estimated after-tax net gain on the sale is approximately $12.8 million. Subsequent to the closing of the sale transaction, the current and deferred tax expenses will be updated based on the actual costs of removal, after such costs are incurred and removal activities are complete. The tax impacts of any disposal and salvage of the remaining autotransformer equipment will also be considered in the updated calculation. This update process is described in detail in Ms. Jackson's direct testimony.

Q. Please discuss the calculation for sharing the net pre-tax gain with SPS's New Mexico retail customers shown on Attachment JSS-2.

A. As shown on Attachment JSS-2, in the column entitled "New Mexico Estimate," the $21.1 million net pre-tax gain for the total company is assigned to the New

Mexico retail jurisdiction at the jurisdictional allocation factor of 15.46% to equal a New Mexico retail jurisdiction net gain of $3.3 million ($21.1 million multiplied by 15.46%). The net pre-tax gain is proposed to be shared with customers in proportion to the life-to-date depreciation assigned to the jurisdiction relative to the assets sold, disposed or written down to zero as of the closing of the sale. At December 31, 2013, as presented in Attachment JSS-1, the relevant New Mexico retail jurisdiction is expected to be 44.96% percent depreciated. As such, a regulatory liability will be recorded for $1.46 million to defer the net gain to be shared with New Mexico customers ($3.255 million multiplied by 44.96%).

Additionally, SPS will share an estimated $4.15 million of the net pre-tax gain on the transaction with Texas customers based on a similar calculation for that jurisdiction. Therefore, the total regulatory liability recorded by SPS to reflect regulatory sharing is $5.6 million (New Mexico and Texas combined). Based on a federal and state composite tax rate of 36.47%, SPS will record a deferred tax asset on the total deferred net gain of $2.0 million ($5.6 million multiplied by 36.47%).

Q. Have you prepared an attachment that sets out the accounting entries on SPS's books to be recorded at closing of the transaction, inclusive of tax impacts?

A. Yes. My Attachment JSS-3 shows the accounting entries associated with this sale, including recording the net gain on the sale and deferring the portion of the net gain to be shared with customers. The first entry in Attachment JSS-3 records the pre-tax accounting entries for the gain on sale of the assets by reducing the net book value of the assets to zero and recording liabilities previously discussed. The second entry records the income tax impact of the transaction. The final entry records the obligation to share the gain with the New Mexico and Texas retail customers based on calculations provided in Attachment JSS-2.

VI. <u>CONCLUSION</u>

Q. Were Attachments JSS-1 through JSS-3 prepared by you or under your direct supervision and control?

A. Yes.

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

A. Yes.

AFFIDAVIT

STATE OF COLORADO)
)
DENVER COUNTY)

Jeffrey S. Savage, 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 S. Savage

Sworn to and subscribed before me today, April ______, 2013, by **Jeffrey S. Savage**.

____

Notary Public, State of Colorado

My Commission Expires:______________

VERIFICATION

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

Jeffrey S, Savage, first being sworn on her 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 direct 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 S. SAVAGE

SUBSCRIBED AND SWORN TO before me this 22ND day of April 2013.

VIRGINIA J SAILOR
NOTARY PUBLIC - MINNESOTA
MY COMMISSION EXPIRES 1/31/16

Virginia J Sailor
Notary Public of the State of Minnesota
My Commission Expires: 1/31/16

Southwestern Public Service
Estimated Net Plant
Debit (Credit) Amounts
Total Company

Assets Sold	Actual Balance Dec. 31, 2012	CapEx (1)	RWIP (2)	Closings (3)	Depreciation (4)	Estimated Balance Dec. 31, 2013
350.1 Land	$ 31,304	$ -	$ -	$ -	$ -	$ 31,304
350.2 Land Rights	1,588,873	-	-	-	-	1,588,873
352 Structures and Improvements	408,193	-	-	-	-	408,193
353 Station Equipment	2,299,400	-	-	290,329	-	2,589,729
355 Poles and Fixtures	5,193,988	-	-	201,153	-	5,395,140
356 Overhead Conductors and Devices	3,980,292	-	-	153,986	-	4,134,278
Total A/C 101 and 106 Plant In-Service	13,502,049	-		645,468	-	14,147,517
A/C 107 Construction Work in Progress (CWIP)	303,175	342,293	-	(645,468)	-	-
A/C 108 Accumulated Depreciation	(5,546,976)	-	127,085	-	(282,850)	(5,702,742)
Total Net Plant	$ 8,258,247	$ 342,293	$ 127,085	$ -	$ (282,850)	$ 8,444,775

Assets Written Down to Zero Net Book Value	Actual Balance Dec. 31, 2012	CapEx (1)	RWIP (2)	Closings (3)	Depreciation (4)	Estimated Balance Dec. 31, 2013
350.1 Land	$ -	$ -	$ -	$ -	$ -	$ -
350.2 Land Rights	884,147	-	-	-	-	884,147
352 Structures and Improvements	50,588	-	-	-	-	50,588
353 Station Equipment	- -	-	-	-	-	-
355 Poles and Fixtures	2,667,529	-	-	-	-	2,667,529
356 Overhead Conductors and Devices	2,218,100	-	-	-	-	2,218,100
Total A/C 101 and 106 Plant In-Service	5,820,364	-	-	-	-	5,820,364
A/C 107 Construction Work in Progress (CWIP)	-	-	-	-	-	-
A/C 108 Accumulated Depreciation	(2,509,014)	-	-	-	(125,309)	(2,634,324)
Total Net Plant	$ 3,311,350	$ -	$ -	$ -	$ (125,309)	$ 3,186,040

Forecast amounts for the period January 1, 2013 through December 31, 2013
(1) Actual capital expenditures incurred
(2) Retirement or cost of removal expenditures (RWIP)
(3) Closings from CWIP to Plant In-Service
(4) Depreciation expense for twelve months

Southwestern Public Service
Estimated Net Plant
Debit (Credit) Amounts
FERC Jurisdiction

Attachment JSS-1

Assets Sold	Actual Balance Dec. 31, 2012	CapEx (1)	RWIP (2)	Closings (3)	Depreciation (4)	Estimated Balance Dec. 31, 2013
350.1 Land	$ 31,304	$ -	$ -	$ -	$ -	$ 31,304
350.2 Land Rights	1,588,873	-	-	-	-	1,588,873
352 Structures and Improvements	408,193	-	-	-	-	408,193
353 Station Equipment	2,299,400	-	-	290,329	-	2,589,729
355 Poles and Fixtures	5,193,988	-	-	201,153	-	5,395,140
356 Overhead Conductors and Devices	3,980,292	-	-	153,986	-	4,134,278
Total A/C 101 and 106 Plant In-Service	13,502,049	-	-	645,468	-	14,147,517
A/C 107 Construction Work in Progress (CWIP)	303,175	342,293	-	(645,468)	-	-
A/C 108 Accumulated Depreciation	(4,997,283)	-	127,085	-	(229,844)	(5,100,043)
Total Net Plant	$ 8,807,940	$ 342,293	$ 127,085	$ -	$ (229,844)	$ 9,047,474

Assets Written Down to Zero Net Book Value	Actual Balance Dec. 31, 2012	CapEx (1)	RWIP (2)	Closings (3)	Depreciation (4)	Estimated Balance Dec. 31, 2013
350.1 Land	$ -	$ -	$ -	$ -	$ -	$ -
350.2 Land Rights	884,147	-	-	-	-	884,147
352 Structures and Improvements	50,588	-	-	-	-	50,588
353 Station Equipment	-	-	-	-	-	-
355 Poles and Fixtures	2,667,529	-	-	-	-	2,667,529
356 Overhead Conductors and Devices	2,218,100	-	-	-	-	2,218,100
Total A/C 101 and 106 Plant In-Service	5,820,364	-	-	-	-	5,820,364
A/C 107 Construction Work in Progress (CWIP)	-	-	-	-	-	-
A/C 108 Accumulated Depreciation	(2,260,131)	-	-	-	(97,596)	(2,357,728)
Total Net Plant	$ 3,560,232	$ -	$ -	$ -	$ (97,596)	$ 3,462,636

Forecast amounts for the period January 1, 2013 through December 31, 2013
(1) Actual capital expenditures incurred
(2) Retirement or cost of removal expenditures (RWIP)
(3) Closings from CWIP to Plant In-Service
(4) Depreciation expense for twelve months

Southwestern Public Service
Estimated Net Plant
Debit (Credit) Amounts
Texas Jurisdiction

Assets Sold	Actual Balance Dec. 31, 2012	CapEx (1)	RWIP (2)	Closings (3)	Depreciation (4)	Estimated Balance Dec. 31, 2013
350.1 Land	$ 31,304	$ -	$ -	$ -	$ -	$ 31,304
350.2 Land Rights	1,588,873	-	-	-	-	1,588,873
352 Structures and Improvements	408,193	-	-	-	-	408,193
353 Station Equipment	2,299,400	-	-	290,329	-	2,589,729
355 Poles and Fixtures	5,193,988	-	-	201,153	-	5,395,140
356 Overhead Conductors and Devices	3,980,292	-	-	153,986	-	4,134,278
Total A/C 101 and 106 Plant In-Service	13,502,049	-	-	645,468	-	14,147,517
A/C 107 Construction Work in Progress (CWIP)	303,175	342,293	-	(645,468)	-	-
A/C 108 Accumulated Depreciation	(5,935,284)	-	127,085	-	(309,046)	(6,117,244)
Total Net Plant	$ 7,869,940	$ 342,293	$ 127,085	$ -	$ (309,046)	$ 8,030,272

Assets Written Down to Zero Net Book Value	Actual Balance Dec. 31, 2012	CapEx (1)	RWIP (2)	Closings (3)	Depreciation (4)	Estimated Balance Dec. 31, 2013
350.1 Land	$ -	$ -	$ -	$ -	$ -	$ -
350.2 Land Rights	884,147	-	-	-	-	884,147
352 Structures and Improvements	50,588	-	-	-	-	50,588
353 Station Equipment	-	-	-	-	-	-
355 Poles and Fixtures	2,667,529	-	-	-	-	2,667,529
356 Overhead Conductors and Devices	2,218,100	-	-	-	-	2,218,100
Total A/C 101 and 106 Plant In-Service	5,820,364	-	-	-	-	5,820,364
A/C 107 Construction Work in Progress (CWIP)	-	-	-	-	-	-
A/C 108 Accumulated Depreciation	(2,654,556)	-	-	-	(139,350)	(2,793,906)
Total Net Plant	$ 3,165,808	$ -	$ -	$ -	$ (139,350)	$ 3,026,458

Forecast amounts for the period January 1, 2013 through December 31, 2013
(1) Actual capital expenditures incurred
(2) Retirement or cost of removal expenditures (RWIP)
(3) Closings from CWIP to Plant In-Service
(4) Depreciation expense for twelve months

Percent Depreciated 44.63%

Southwestern Public Service
Estimated Net Plant
Debit (Credit) Amounts
New Mexico Jurisdiction

Attachment JSS-1

Assets Sold	Actual Balance Dec. 31, 2012	CapEx (1)	RWIP (2)	Closings (3)	Depreciation (4)	Estimated Balance Dec. 31, 2013
350.1 Land	$ 31,304	$ -	$ -	$ -	$ -	$ 31,304
350.2 Land Rights	1,588,873	-	-	-	-	1,588,873
352 Structures and Improvements	408,193	-	-	-	-	408,193
353 Station Equipment	2,299,400	-	-	290,329	-	2,589,729
355 Poles and Fixtures	5,193,988	-	-	201,153	-	5,395,140
356 Overhead Conductors and Devices	3,980,292	-	-	153,986	-	4,134,278
Total A/C 101 and 106 Plant In-Service	13,502,049	-	-	645,468	-	14,147,517
A/C 107 Construction Work in Progress (CWIP)	303,175	342,293	-	(645,468)	-	-
A/C 108 Accumulated Depreciation	(5,863,245)	-	127,085	-	(345,612)	(6,081,772)
Total Net Plant	$ 7,941,979	$ 342,293	$ 127,085	$ -	$ (345,612)	$ 8,065,745

Assets Written Down to Zero Net Book Value	Actual Balance Dec. 31, 2012	CapEx (1)	RWIP (2)	Closings (3)	Depreciation (4)	Estimated Balance Dec. 31, 2013
350.1 Land	$ -	$ -	$ -	$ -	$ -	$ -
350.2 Land Rights	884,147	-	-	-	-	884,147
352 Structures and Improvements	50,588	-	-	-	-	50,588
353 Station Equipment	-	-	-	-	-	-
355 Poles and Fixtures	2,667,529	-	-	-	-	2,667,529
356 Overhead Conductors and Devices	2,218,100	-	-	-	-	2,218,100
Total A/C 101 and 106 Plant In-Service	5,820,364	-	-	-	-	5,820,364
A/C 107 Construction Work in Progress (CWIP)	-	-	-	-	-	-
A/C 108 Accumulated Depreciation	(2,739,035)	-	-	-	(157,134)	(2,896,169)
Total Net Plant	$ 3,081,329	$ -	$ -	$ -	$ (157,134)	$ 2,924,195

Forecast amounts for the period January 1, 2013 through December 31, 2013
(1) Actual capital expenditures incurred
(2) Retirement or cost of removal expenditures (RWIP)
(3) Closings from CWIP to Plant In-Service
(4) Depreciation expense for twelve months

Percent Depreciated 44.96%

Southwestern Public Service
Estimated Net Gain on the Sale and Regulatory Sharing

	Financial Estimate	FERC Estimate	Texas Estimate	New Mexico Estimate
Cash Proceeds Received from Sharyland:				
Sales Price per the APA Section 3.1	$ 37,000,000	$ 37,000,000	$ 37,000,000	$ 37,000,000
Capital Expenditures due to Force Majeure or other loss per APA Section 3.1	-	-	-	-
Total	37,000,000	37,000,000	37,000,000	37,000,000
Less: Book Value of Assets Sold/Transferred:				
Estimated Net Book Value as of 12/31/2013	8,444,775	9,047,474	8,030,272	8,065,745
Less: Removal Costs (Hobbs - Midland Line Segment) - Not Sold	3,535,164	3,535,164	3,535,164	3,535,164
Less: Book Value of Assets Written Down to Zero NBV:				
Estimated Net Book Value as of 12/31/2013	3,186,040	3,462,636	3,026,458	2,924,195
Less: Estimated Costs to Move Autotransformers	695,500	695,500	695,500	695,500
Less: Estimated Costs Related to the Sale Transaction:				
Outside Legal and Transaction Costs	350,000	350,000	350,000	350,000
Indemnifications under the APA (1% of purchase price. 12 month period) (Section 10 of APA)-	370,000	370,000	370,000	370,000
Subtotal	720,000	720,000	720,000	720,000
Total Assets Sold/Transferred/Written Off and Costs of the Sale	16,581,479	17,460,774	16,007,394	15,940,604
Estimated Pre-tax Net Gain on the Sale Before Regulatory Sharing	$ 20,418,521	$ 19,539,226	$ 20,992,606	$ 21,059,396
Tax Expense / (Benefit) Calculation on Gain:				
Estimated Pre-tax Gain on the Sale	$ 20,418,521			
add: Difference between Book and Tax Basis of Assets Sold / Retired	9,748,790			
Estimated Tax Gain on the Sale	30,167,311			
x Current Federal and State Composite Income Tax Rate	36.4744%			
Estimated Current Federal and State Income Tax Expense on the Sale	$ 11,003,346			
Estimated Deferred Federal and State Income Tax Expense on the Sale	(3,397,989)			
Estimated Current and Deferred Federal and State Income Tax Expense on the Sale	7,605,357			
Estimated After Tax Net Gain on the Sale	$ 12,813,164			
Book Gain by Jurisdiction:				
Jurisdictional Percent	100.00%	40.21%	44.33%	15.46%
Jurisdictional Net Gain	$ 20,418,521	$ 7,856,781	$ 9,306,715	$ 3,255,025
Calculation of Regulatory Sharing of Net Gain with Customers:				
Jurisdictional Net Gain (Total Jurisdiction)			$ 9,306,715	$ 3,255,025
Percent of Assets Already Depreciated			44.63%	44.96%
Total Regulatory Sharing of Pre-tax Net Gain with Customers	$ 5,616,868		$ 4,153,347	$ 1,463,521
Deferred Tax Calculation on Shared Net Gain:				
Pre-tax Net Gain Shared	$ 5,616,868			
x Composite Tax Rate (State and Federal)	36.4744%			
Deferred Tax Expense	$ 2,048,719			

Southwestern Public Service
Estimated Accounting Entries Related to the Sale
Debit (Credit) Amounts
Total Company

Attachment JSS-3

FERC Account	FERC Account Description	Debits	(Credits)	Income Statement
131	Cash	37,000,000		
108	Accumulated Depreciation (plant sold)	5,702,742		
101/106	Plant In-Service/Completed Construction Not Classified (plant sold)		(14,147,517)	
108	Accumulated Depreciation (plant written down)		(3,186,040)	
242/131	Accrued Liability/Cash (for removal costs)		(3,535,164)	
242/131	Accrued Liability/Cash (to move autotransformers)		(695,500)	
242/131	Accrued Liability/Cash (for costs of the sale)		(720,000)	
421.1	Gain on the Sale (before Reg Sharing)		(20,418,521)	(20,418,521)
		42,702,742	(42,702,742)	

To record the Pre-tax accounting entries for the sale to Sharyland

FERC Account	FERC Account Description	Debits	(Credits)	Income Statement
409.1	Income Tax Expense - Current	11,003,346		11,003,346
236	Income Taxes Payable - Current		(11,003,346)	
410.1	Income Tax Expense - Deferred		(3,397,989)	(3,397,989)
282	Accumulated Deferred Income Taxes	3,397,989		
		14,401,335	(14,401,335)	

To record the Income Tax entries for the sale to Sharyland

Estimated After-tax Gain on the Sale				**(12,813,164)**

FERC Account	FERC Account Description	Debits	(Credits)	Income Statement
421.1	Gain on the Sale (Texas Retail Sharing)	4,153,347		4,153,347
254	Regulatory Liability - Gain (Texas Retail Sharing)		(4,153,347)	
421.1	Gain on the Sale (New Mexico Retail Sharing)	1,463,521		1,463,521
254	Regulatory Liability - Gain (New Mexico Retail Sharing)		(1,463,521)	
411.1	Income Tax Expense - Deferred		(2,048,719)	(2,048,719)
190	Accumulated Deferred Income Taxes	2,048,719		
		7,665,587	(7,665,587)	

To record the obligation to share the gain with Texas and New Mexico retail customers.