

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- 20140 -UT

2013 APR 29 10:00 AM  
NEW MEXICO PUBLIC REGULATION COMMISSION  
1000 EAST UNIVERSITY AVENUE  
ALBUQUERQUE, NEW MEXICO 87102

DIRECT TESTIMONY

*of*

JOHN S. FULTON

*on behalf of*

SOUTHWESTERN PUBLIC SERVICE COMPANY

April 29, 2013

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## GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
APA	Asset Purchase Agreement
Cirrus	Cirrus Wind 1, LLC
Commission	New Mexico Public Regulation Commission
ERCOT	Electric Reliability Council of Texas
FERC	Federal Energy Regulatory Commission
HVDC	High voltage direct current
kV	Kilovolt
MW	Megawatt
NERC	North America Electric Reliability Corporation
PSCo	Public Service Company of Colorado, a Colorado corporation
PNM	Public Service Company of New Mexico
PUCT	Public Utility Commission of Texas
Sharyland	Sharyland Distribution & Transmission Service, L.L.C. and Sharyland Utilities, L.P.
SPP	Southwest Power Pool
SPS	Southwestern Public Service Company, a New Mexico corporation
Xcel Energy	Xcel Energy Inc.

## LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
JSF-1	SPS Transmission System Map
JSF-2	Hobbs Plant – Midland & Grassland – Borden Sub Diagram
JSF-3	Separation Cost Estimates

1           **I.           WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3   A.     My name is John S. Fulton. My business address is 600 S. Tyler Street, Amarillo,  
4           Texas 79101.

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

6   A.     I am testifying on behalf of Southwestern Public Service Company, a New Mexico  
7           corporation (“SPS”) and electric utility subsidiary of Xcel Energy Inc. (“Xcel  
8           Energy”). Xcel Energy is a registered holding company that owns several electric and  
9           natural gas utility operating companies.<sup>1</sup>

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

11 A.     I am employed by SPS as Manager, Transmission Planning.

12 **Q.    Please describe your duties as Manager, Transmission Planning.**

13 A.     I provide overall management direction for the transmission planning staff in  
14           Amarillo. The duties of my staff include planning new transmission facilities required  
15           for generation and customer additions. I also direct SPS’s involvement with the  
16           Southwest Power Pool’s (“SPP”) transmission planning activities. In addition, I  
17           direct the preparation of the SPS transmission capital budget. Finally, I interact with

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<sup>1</sup> Xcel Energy is the parent company of the following four wholly owned electric and gas 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, (“PSCo”); and SPS. Xcel Energy’s natural gas pipeline subsidiary is WestGas InterState, Inc.

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1 retail and wholesale customers seeking new service, as well as wind developers  
2 working on interconnections with the SPS transmission system.

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

4 A. I received my Bachelor of Science in Electrical Engineering degree in 1974 from New  
5 Mexico State University. In 1977, I received a Master of Science in Electrical  
6 Engineering degree from New Mexico State University.

7 **Q. What is your professional experience?**

8 A. From 1974 to 1977, I was employed as an electrical distribution engineer with  
9 International Minerals and Chemical Corporation. In 1977, I joined West Texas  
10 Utilities Company as a planning engineer. I joined SPS as Supervisory Engineer,  
11 Electrical Operations, in 1979, and served in that capacity until 1982, when I became  
12 System Operations Supervisor, Electrical Operations. In 1992, I became Principal  
13 Engineer, System Planning, and in 1997, I assumed my current position, supervising  
14 the transmission planning staffs for SPS and PSCo. In 2001, transmission planning for  
15 PSCo required a local manager and my position was changed to focus only on the SPS  
16 operating company.

17 **Q. Do you hold any professional licenses?**

18 A. Yes. I am a Registered Professional Engineer in New Mexico.

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

20 A. Yes. I am a member of the Institute of Electrical and Electronic Engineers.

21 **Q. Have you testified before any regulatory authorities?**

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1 A. Yes. I have testified before the New Mexico Public Regulation Commission  
2 (“Commission”), the Public Utility Commission of Texas (“PUCT”), the Colorado  
3 Public Utilities Commission, and the Federal Energy Regulatory Commission  
4 (“FERC”).  
5

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

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

3   A.           After providing an overview of SPS’s transmission system, I describe the transmission  
4               assets that SPS is selling to Sharyland Distribution & Transmission Services, L.L.C. in  
5               accordance with the terms of the Asset Purchase Agreement (“APA”) dated March 29,  
6               2013 between SPS and Sharyland.<sup>2</sup> In addition, I explain that it will be necessary for  
7               SPS to incur several types of engineering and interconnection costs associated with the  
8               transaction. Those costs will affect both the net gain on sale and the net book value of  
9               certain assets retained by SPS. Finally, I discuss the effect of the sale on the reliability  
10              of SPS’s transmission.

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

12 A.           I recommend that the Commission accept the cost amounts set forth in my testimony  
13               as the actual amounts or as reasonable estimates, as the case may be, for the work to  
14               be completed to effect the separation of the SPS and Sharyland systems. I also  
15               recommend that the Commission find it is reasonable to reduce the gross gain on sale  
16               by the net book value of the 10-mile segment of line immediately south of the  
17               Grassland Substation. I further recommend that the Commission find that sale of the  
18               transmission assets and the dismantling of a portion of the remaining transmission line  
19               will not have any material effect on reliability for SPS’s customers.

20  

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<sup>2</sup> I will refer to Sharyland Distribution & Transmission Services, L.L.C. and Sharyland Utilities L.P., collectively as “Sharyland.”



1 **III. DESCRIPTION OF THE SPS AND SHARYLAND TRANSMISSION**  
2 **SYSTEMS**

3 **Q. Please provide an overview of the SPS transmission system.**

4 A. The SPS transmission system consists of transmission facilities (69 kilovolts (“kV”)  
5 and above) in eastern New Mexico and in the Panhandle and the South Plains of  
6 Texas. SPS operates in an electric “control area” or “balancing authority” subject to  
7 the oversight of the North American Electric Reliability Corporation (“NERC”), with  
8 SPP acting as the Regional Entity with delegated authority from NERC for reliability  
9 standards enforcement in the SPP region as of June 2007.

10 **Q. Please describe how SPS’s transmission system is constructed.**

11 A. In coordination with SPP and interested stakeholders, SPS plans and constructs  
12 transmission facilities to serve SPS retail and wholesale transmission loads, to  
13 interconnect new generation resources, whether those resources are intended to serve  
14 SPS retail or wholesale loads, or to meet interconnected system reliability  
15 requirements within its transmission footprint. Most of SPS’s transmission lines at or  
16 above 115 kV are heavily interconnected to many different substations, which is  
17 commonly referred to as a looped configuration. A looped configuration can be  
18 explained as a substation having more than one potential source of power flow into the  
19 facility. The 69 kV transmission lines are primarily radial, although some 69 kV lines  
20 exist in a looped configuration. A map of the SPS transmission system is provided as  
21 Attachment JSF-1.

22 **Q. Where is SPS situated relative to other transmission grids?**

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1 A. SPS is located in the southwestern corner of the SPP. It is interconnected with the rest  
2 of the SPP and the Eastern Interconnection through six synchronous inter-ties with  
3 utilities in the SPP. The inter-ties are near: Elk City, Oklahoma (230 kV); Guymon,  
4 Oklahoma (115 kV); Shamrock, Texas (115 kV); Groom, Texas (115 kV); Holcomb,  
5 Kansas (345 kV); and Oklaunion, Texas (345 kV). Four of these inter-ties  
6 interconnect with the utility operating company subsidiaries of American Electric  
7 Power Company. The 345 kV interconnection near Holcomb, Kansas is with  
8 Sunflower Electric Corporation; and the 115 kV interconnection near Liberal, Kansas  
9 is with Mid-Kansas Electric Company.

10 SPS is bordered to the west by the Western Electricity Coordinating Council  
11 (“WECC”) and is interconnected to utilities in the WECC through three high-voltage  
12 direct-current (“HVDC”) converters. One of those HVDC ties is the 200 MW Eddy  
13 County HVDC tie located near Artesia, New Mexico, which is jointly owned by El  
14 Paso Electric Company and Public Service Company of New Mexico (“PNM”). SPS  
15 is also interconnected to PNM’s 200-MW Blackwater Draw HVDC tie near Clovis,  
16 New Mexico. A third 210 MW HVDC tie is owned by SPS’s affiliated operating  
17 company PSCo near Lamar, Colorado.

18 SPS is bordered to the south and southeast by the Electric Reliability Council  
19 of Texas (“ERCOT”), although SPS is not interconnected with ERCOT.

20 **Q. Is SPS’s transmission system connected to Sharyland’s system?**

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1 A. Yes. The SPS transmission system is connected to the Sharyland transmission  
2 network by two transmission lines currently owned by SPS and subject to the  
3 functional control of the SPP. The lines were constructed for operation at 345 kV but  
4 are currently operated at 230 kV. One line runs from a point west of Hobbs, New  
5 Mexico, at SPS's Hobbs Plant Substation and extends to SPS's Midland Substation,  
6 which is approximately 11 miles northwest of Midland, Texas ("Hobbs-Midland  
7 Line"). SPS's Midland Substation is connected with Sharyland's Gardendale  
8 Substation.

9 The second line runs from SPS's Grassland Substation in Lynn County, Texas,  
10 to SPS's Borden Substation in Borden County, Texas ("Grassland-Borden Line"). In  
11 November 2012, a wind generating facility, Cirrus Wind 1, LLC ("Cirrus"), was  
12 interconnected south of the Grassland Substation. The distances of all segments of the  
13 lines are set forth on my Attachment JSF-2.

14 As the map in Attachment JSF-2 shows, these two lines provide two paths to  
15 connect the SPS system to the Sharyland system. Each of these lines is looped back  
16 into the SPS system through the Sharyland system.

17 **Q. Why do the mileage figures on Attachment JSF-2 not match the mileage figures**  
18 **in the APA and its schedules?**

19 A. The APA mileages had approximate mileages from general references. Attachment  
20 JSF-2 mileages are based on a review of the detailed routing documents and specific  
21 locations of the transmission structures along those routes.

22

1                   **IV.           FACILITIES BEING SOLD UNDER THE APA**

2   **Q.    Please describe generally the transmission assets that SPS has agreed to sell to**  
3   **Sharyland.**

4   **A.    Among other assets, SPS has agreed to sell:**

5           1.     A segment of SPS's Grassland-Borden Line. The portion sold by SPS will  
6                    terminate at Structure 64, which is included within the assets purchased by  
7                    Sharyland. Structure 64 is approximately 10 miles south of the Grassland  
8                    Substation.

9           2.     A segment of SPS's Hobbs-Midland Line. The segment purchased by  
10                   Sharyland will begin at the Midland Substation and terminate at Structure 350,  
11                   which is located in Andrews County, Texas, near the intersection of a 138 kV  
12                   line owned by Oncor Electric Delivery Company, LLC.

13          3.     The Borden Substation.

14          4.     The Midland Substation.

15   **Q.    Why is SPS retaining the ten miles of transmission line south of the Grassland**  
16   **Substation?**

17   **A.    SPS is retaining the ten miles of line because Cirrus is interconnected at Structure 62.**  
18           Cirrus has an interconnection agreement with SPS and SPP, and SPS must maintain a  
19           physical connection between Cirrus and the SPP for Cirrus to remain interconnected to  
20           the SPP.

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1   **Q.    Please describe the facilities being sold to Sharyland at the Midland Substation**  
2       **and Borden Substation.**

3    A.    SPS will sell to Sharyland the land, fencing, buswork, breakers, switches, and related  
4        equipment at both the Midland Substation and Borden Substation sites. However, SPS  
5        will retain the 230/138 kV 150 MVA autotransformers at both locations and will move  
6        them to a storage location after coordinating their removal with Sharyland.

7    **Q.    Has SPS decided what it will do with the autotransformers?**

8    A.    No. SPS has an active transmission system construction program and, thus, the  
9        autotransformers may be used at another site, or they may be sold for salvage if they  
10       cannot be used on the SPS transmission system. At this time, however, no final  
11       determination has been made about their disposition.

12

1                   V.           CONSTRUCTION AND DISMANTLEMENT COSTS

2   **Q.    What types of construction and dismantlement costs will SPS incur in connection**  
3       **with the sale to Sharyland?**

4   **A.    SPS will incur several types of costs, including:**

- 5           •       The cost of constructing new isolating facilities at the points where SPS's  
6                   system will end after the transaction is completed;
- 7           •       The cost of dismantling the portion of the Hobbs-Midland Line from Structure  
8                   350 to Structure 197 and the cost of preparing and filing the documents to  
9                   relinquish easements; and
- 10          •       The cost of removing and transporting the autotransformers from the Midland  
11                   Substation and Borden Substation.

12           I will discuss each of these costs in more detail in the following series of questions and  
13           answers.

14   **Q.    With regard to new isolating facilities, please describe the construction necessary**  
15       **to separate the SPS transmission system from the Sharyland system after the**  
16       **transaction closes.**

17   **A.    For the Grassland-Borden Line, SPS will need to construct a dead-end structure at**  
18       **Structure 64 to separate it from the SPS system and the Cirrus wind facility, both of**  
19       **which are interconnected with the SPP. In contrast, Structure 64 will be**  
20       **interconnected to ERCOT after the transaction closes. In addition, the line between**

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1 Structures 62, 63, and 64 will be removed. Structure 62 is already a full tension dead-  
2 end and will require no additional work, but Structure 63 will be removed.

3 For the Hobbs-Midland Line, SPS will have to construct dead-end structures at  
4 both Structure 197 and Structure 350

5 **Q. What costs does SPS expect to incur to complete the de-energizing and**  
6 **disconnection of the lines from SPS's system?**

7 A. The estimated cost for constructing the dead-end structures and de-energizing the lines  
8 is \$1,432,987, as shown in Attachment JSF-3 (line entitled "total separation cost"). A  
9 small salvage cost of \$4,833 is included in this number for salvageable material  
10 between Structures 62 and 64.

11 **Q. The second cost you listed is the cost to remove the section of the Hobbs-Midland**  
12 **Line between Structure 350 and Structure 197. Why does SPS intend to remove**  
13 **that section of line?**

14 A. That line section will not have any defined future use on the SPS transmission system  
15 after the sale of the other transmission assets to Sharyland. SPS's certificated service  
16 area in Texas does not include Andrews County, in which the segment is located, and  
17 SPS has no plans to serve any retail or wholesale customer using that line. Moreover,  
18 some of SPS's easement agreements have reversionary clauses that require  
19 transmission lines be cleared from easements when the lines are no longer in service.

20 **Q. Please describe the work required to remove the section of line between Structure**  
21 **350 and Structure 197.**

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1 A. SPS will have to dispatch crews to remove the lines from the poles and to extract the  
2 poles from the right-of-way. If the poles and wires have any salvage value, SPS will  
3 place them into its inventory, and it will incur costs to transport them to the location  
4 where the inventory is stored. If the poles and wires have no salvage value, SPS will  
5 nevertheless incur costs to transport them to a disposal facility. In addition, at those  
6 locations at which transmission structures have been embedded in a concrete  
7 foundation, SPS will incur costs to destroy the portion of that foundation that  
8 protrudes above ground level.

9 **Q. What is the estimated cost of dismantling the line between Structure 350 and**  
10 **Structure 197?**

11 A. SPS's current estimate is \$2,102,177.

12 **Q. Will there be any salvage value for the removed line section on the Hobbs-**  
13 **Midland Line?**

14 A. Yes. SPS expects there will be a salvage value of approximately \$228,079 based on  
15 the currently known condition of these assets. After the actual work is done, the  
16 salvage value may change upon closer inspection and condition assessment. The  
17 salvage value is embedded in the removal cost estimate for the line section.

18 **Q. When does SPS expect to have actual cost amounts for the dismantling project?**

19 A. Assuming the transaction closes, SPS will likely complete removing the segment of  
20 the Hobbs-Midland Line sometime in the third quarter of 2014. At that time, SPS will



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1 have actual cost amounts for all of the work performed in connection with the  
2 transaction.

3 **Q. Another element of the dismantling costs you mentioned was releasing easements.**  
4 **What does that entail?**

5 A. When SPS dismantles the line, it will no longer need the easements on which the line  
6 current sits. Accordingly, SPS will prepare documents relinquishing the easements  
7 and file those documents in the appropriate real property records.

8 **Q. What is the estimated cost of preparing and filing the documents relinquishing**  
9 **easements?**

10 A. SPS expects the total cost to be \$5,000.

11 **Q. Turning now to the final type of cost on your list, will SPS incur costs associated**  
12 **with removing the 230/138 kV autotransformers from the Midland Substation**  
13 **and Borden Substation?**

14 A. Yes. Those costs are also listed in Attachment JSF-3 and are expected to include  
15 disconnection (bus and controls wiring), oil removal and storage, trucking and moving  
16 fees, and creation of any storage pads needed to hold the autotransformers. The  
17 estimated cost per autotransformer is \$347,750, for a total of \$695,500 for the two  
18 autotransformers.

19

1       **VI.       REDUCTION OF NET BOOK VALUE FOR GRASSLAND SEGMENT**

2       **Q.       How does SPS propose to treat the accounting of the ten-mile segment of line**  
3       **from the Grassland Substation to the Cirrus facility?**

4       A.       SPS proposes to write down the net book value of that segment of the line to zero and  
5       to charge that write down as a cost of the transaction with Sharyland.

6       **Q.       Why is it appropriate to charge the write down as a cost of the transaction?**

7       A.       The reduction is appropriate because the line segment will become stranded as a result  
8       of the transaction. After the sale of the remainder of the Grassland-Borden Line, the  
9       only purpose of the ten-mile segment will be to interconnect the Cirrus facility to the  
10       SPS transmission system, rather than being part of a network transmission line that  
11       serves SPS's customers. Under the generation interconnection requirements of the  
12       SPP Open Access Transmission Tariff, the costs of lines that interconnect a generator  
13       must be assigned to the generator, not to transmission customers. Cirrus, however, has  
14       already been interconnected, and it cannot be required to pay additional costs for  
15       interconnection. Thus, SPS is proposing to treat the cost of the line as a cost of the  
16       transaction by removing the net book value from the sales proceeds.

17       **Q.       What will the net book value of the ten-mile segment be on December 31, 2013?**

18       A.       As discussed by SPS witness Jeffrey S. Savage, the forecasted net book value on  
19       December 31, 2013 is \$0.9 million.

20

1                                   **VII.           EFFECT ON SYSTEM RELIABILITY**

2   **Q.     Please discuss SPS's original purpose for constructing the Hobbs-Midland Line**  
3           **and the Grassland-Borden Line.**

4   A.     The purpose for constructing the Hobbs-Midland Line and the Grassland-Borden Line  
5           was twofold. First, as discussed by Ms. Jackson, these lines were constructed to  
6           enable SPS to sell and deliver full requirements electric power to Sharyland's  
7           predecessor in interest, Cap Rock Electric Cooperative, Inc., under an initial 20-year  
8           agreement, with the possibility of extensions thereafter.

9                                 Second, these lines were constructed to enhance SPS's system reliability. The  
10           Hobbs-Midland Line was intended to provide a transmission path into the Lea County  
11           Interchange as backup for the power and energy needs of SPS's New Mexico retail  
12           and wholesale customers.<sup>3</sup> The Grassland-Borden Line was intended to provide a  
13           second source to the Grassland-Lynn County-Graham areas and as a pathway for  
14           generation output from the Lubbock area to southeastern New Mexico. Further, these  
15           lines were intended to provide added voltage support for SPS's retail and wholesale  
16           customers by operating these facilities as a closed loop through the Sharyland system.

17   **Q.     Will selling these two transmission line segments render SPS's system unreliable?**

18   A.     No. As a threshold matter, transmission reliability is a matter of degree, not a binary  
19           outcome of "reliable" or "not reliable." A transmission owner may eliminate some  
20           features of a system that enhance reliability, but that does not render the system

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<sup>3</sup> When the Hobbs plant was constructed in 2008, the Lea County Interchange to Midland line was rerouted through the Hobbs Substation, and since then has been known as the Hobbs-Midland Line.

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1 unreliable. In fact, this case provides a textbook example of that fact. The SPS  
2 transmission system would likely be somewhat more reliable with the Grassland-  
3 Borden Line and the Hobbs-Midland Line than without them, but events that have  
4 taken place since the construction of those lines make them much less important to  
5 overall reliability than when they were originally constructed. For example, SPS  
6 placed the Cunningham 3 generation turbine and the Cunningham 4 generation turbine  
7 in service in 1999, which added 212 MW of resources in southeastern New Mexico.  
8 In addition, Golden Spread Electric Cooperative, Inc. expanded its Mustang Plant near  
9 Denver City, Texas, by adding an additional 441 MW of gas turbine capacity, raising  
10 the total capacity to 930 MW. And the construction of the 480 MW Lea Power  
11 Partners Hobbs Plant in 2010 further strengthened the southeast New Mexico and  
12 southern SPS transmission system. With a total increase of 1,622 MW of generation  
13 in the southern part of the SPS transmission system, the supportive value of the looped  
14 transmission system through the Sharyland system has been lessened by more local  
15 generation. Thus, while the sale of the lines may reduce overall reliability by an  
16 immaterial amount, SPS's system will remain very reliable. No specific problems  
17 have been identified on the SPS system as a result of the removal of these lines and the  
18 looped Sharyland system from the SPS transmission system.

19 **Q. The segment of the Hobbs-Midland Line between the Hobbs Plant and Structure**  
20 **146 will be retained by SPS. Does SPS have plans for this segment?**

21 **A. Yes. SPS has proposed the installation of a 230/115 kV or 345 kV/115 kV**

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1 interchange near this structure, which would connect into the existing 115 kV NEF  
2 substation. This installation will provide additional transmission support for the  
3 rapidly developing oil and gas fields in the southeastern New Mexico area and  
4 continued development of the URENCO facility (a uranium reprocessing facility  
5 owned by URENCO) at the NEF substation.

6

1

**VIII. CONCLUSION**

2 **Q. Are Attachments JSF-1 through JSF-3 true and correct copies of the documents**  
3 **you represent them to be or were they prepared under your direct supervision?**

4 **A. Yes.**

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

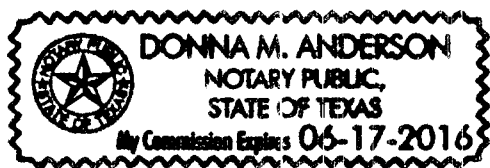
6 **A. Yes.**

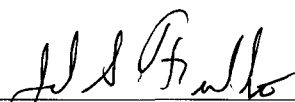
**VERIFICATION**

STATE OF TEXAS                    )  
  ) ss.  
COUNTY OF POTTER                )

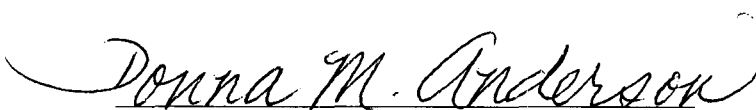
John S. Fulton, first being sworn on her oath, states:

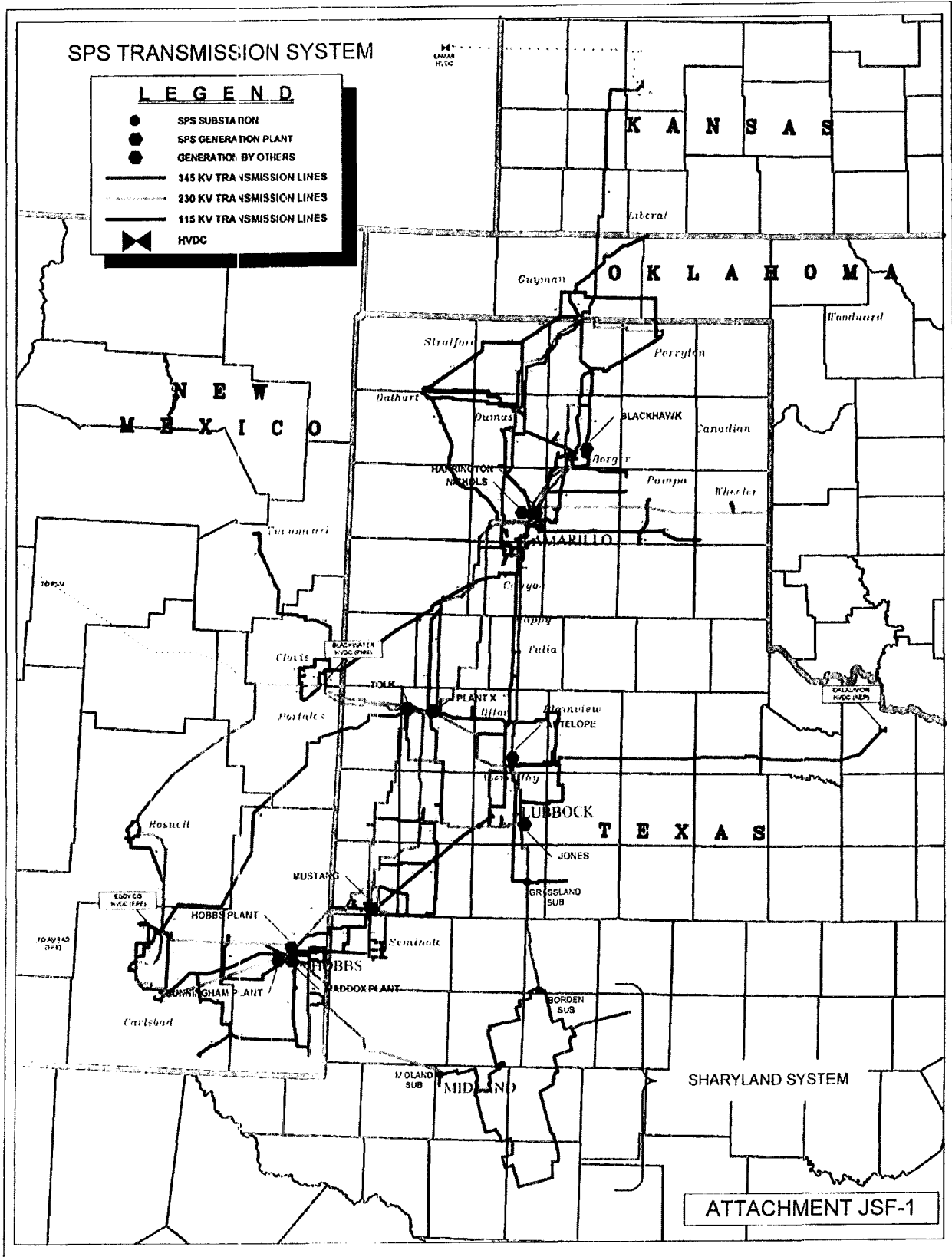
I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachments and am familiar with their contents. Based upon my personal knowledge, the facts stated in the direct testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.



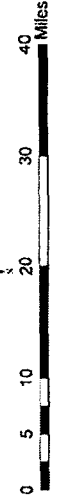
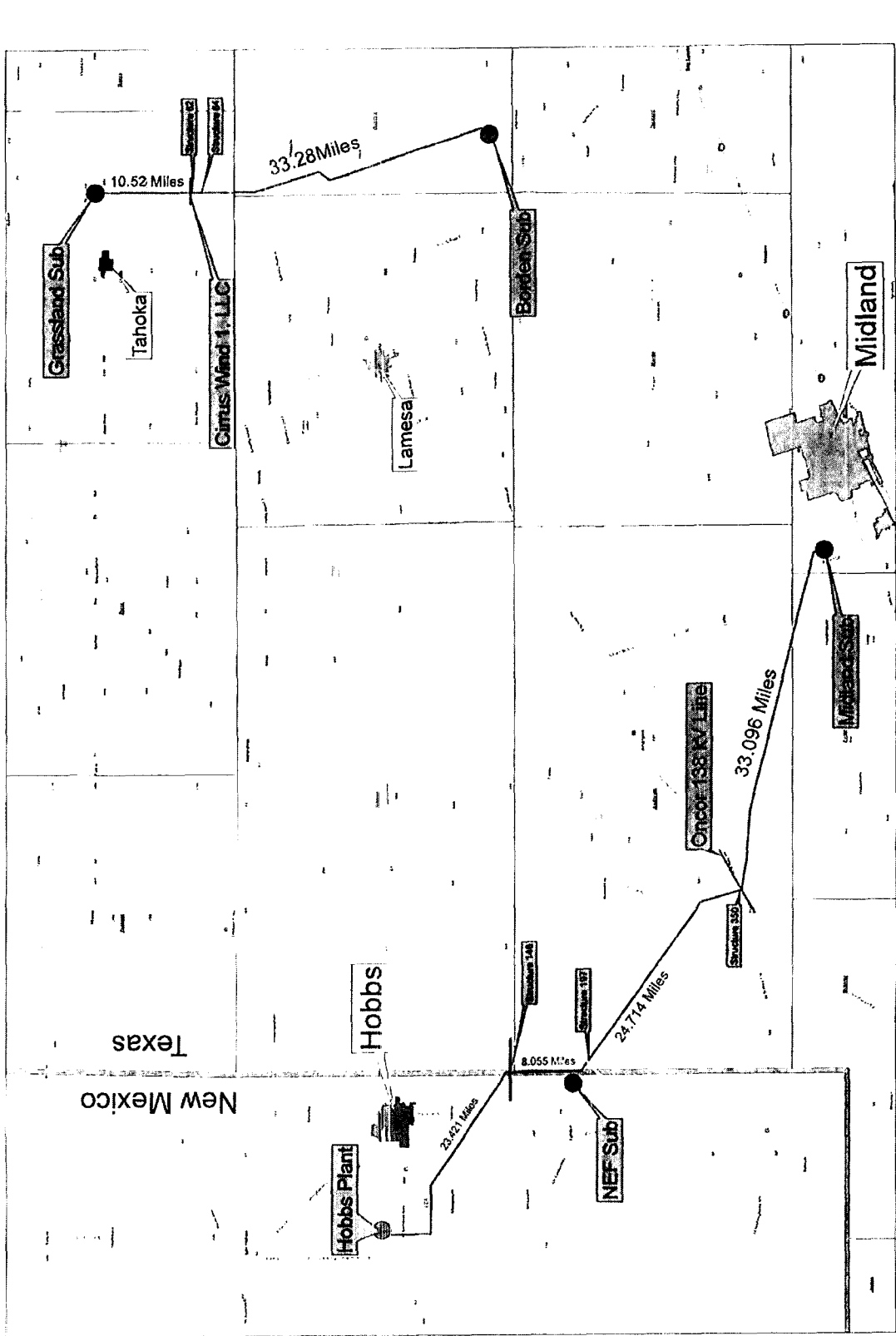
  
\_\_\_\_\_  
JOHN S. FULTON

SUBSCRIBED AND SWORN TO before me this 23 day of April 2013.

  
\_\_\_\_\_  
Notary Public of the State of Texas  
My Commission Expires: 6/17/2016








Hobbs Plant - Midland Sub & Grassland Sub - Borden Sub Diagram

Attachment JSF-2

 Xcel Energy  
RESISTANCE OF MATERIALS  
Date: 4/26/2013

**Southwestern Public Service Company**  
**Separation and Removal Cost Estimates**

<b>Item</b>	<b>Cost Estimate, \$</b>
<b>Separation Costs - Borden - Grassland Line</b>	
Construct Deadend at Structure 64 and 62	\$515,888
Remove wire between 64, 63, and 62	
Remove structure 63 (1)	\$78,764
<b>Sub-Total</b>	<b>\$594,652</b>
<b>Separation Costs - Hobbs - Midland Line</b>	
Deadend at Structure 197	
Hobbs- Midland Line	\$419,168
Deadend at Structure 350	
Hobbs- Midland Line	\$419,168
<b>Sub-Total</b>	<b>\$838,336</b>
<b>Total Separation Cost</b>	<b>\$1,432,987</b>
<b>Removal Costs</b>	
Removal Cost for 24.7M	
of Hobbs-Midland Line (2)	\$2,097,177
Legal expenses to terminate easements	\$5,000
<b>Sub-total</b>	<b>\$2,102,177</b>
Removal Cost for 230/138 kV	
Transformers at Midland & Borden	
\$347,750 each	\$695,500
<b>Total Removal Costs</b>	<b>\$2,797,677</b>
<b>Total Estimated Separation and Removal Costs</b>	<b>\$4,230,664</b>

**Notes:**

1. This estimate has approx \$4,833 of salvage value for static wire, conductor, and steel structures.
2. This estimate has approx \$228,079 of salvage value for static wire, conductor, and steel structures.