

Southwestern Public Service Company

Attachment O - Transmission Formula Rate 2016 True-Up

Golden Spread Information Request No. 2

November 3, 2017

GSEC 2-1. In reference to the attachment that SPS provided in response to GSEC 1-9, line 34, regarding the regulatory asset labeled as “Transmission Formula – Attachment O True-Up”, please:

- a. Provide the nature of this regulatory asset;
- b. Identify the “various” FERC Accounts to which the amounts were written off during the year (column (d)); and
- c. The amounts that were written off during 2016, by FERC Account and whether such amounts are recovered in the 2016 True-up.

Response:

- a. This regulatory asset is related to the 2015 and 2016 transmission formula rate true ups. SPS accrues the estimated amount of formula rate true ups in the period during which they arise and then adjusts that estimate for any subsequent revisions to the amount. As the effect of SPS’s formula rate true-ups is ultimately reflected as an adjustment to future period rates (e.g., the 2016 formula rate true-up will be included as an adjustment to the 2018 revenue requirement and rates) this balance is amortized back to the impacted accounts over the period during which the true-up is included in rates.
- b. This is disclosed in the footnote to this line item in the 2016 FERC Form 1. Please refer to Attachment SPS-GSEC 2-1. Amounts were written off during the year to FERC accounts 431, 456.1, and 565.
- c. This is disclosed in the footnote to this line item in the 2016 FERC Form 1. See attached for amounts. These amounts do not represent additional costs to be recovered through the formula rate true-up, but rather reflect the accounting impact of the true-up itself.

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GSEC 2-2. To the extent any amounts provided in GSEC 1-1c above were recovered in the 2016 True-up, please provide the basis for such recovery. In addition, provide all relevant FERC orders that allows SPS to recover this regulatory asset.

Response:

SPS believes the reference to GSEC 1-1c is actually meant to reference GSEC 2-1c. With that clarification, as discussed in SPS's response to GSEC 2-1, that regulatory asset is not included in rate base in the 2016 True-up.

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GSEC 2-3. In reference to Worksheet E of the 2016 True-up, tab labeled as “WsE Rate Base Adj”, Excel rows 74, 159, and 330, please:

- a. Explain the nature of these ADIT items and whether they are related to the regulatory asset identified in GSEC 2-1 above; and
- b. Explain why the amount recorded to Account 190 (line 159) is allocated 100% to transmission while the amount on line 330 is allocated to other.

Response:

- a. The items listed on Excel rows 74, 159 and 330 are SPS’s deferred tax asset/liability related to the regulatory asset identified in question GSEC 2-1. For tax purposes, SPS must recognize the Transmission Attachment O true-up when earned; whereas for book purposes, SPS waits to recognize the income or expense until after the true-up is settled with customers in a following year. Therefore, a book/tax timing difference exists and a deferred tax asset (or liability) must be recorded.
- b. In the 2016 Projection, SPS inadvertently allocated 100% of the Regulatory Liability – Transmission Attachment O to Transmission Related. This is reflected on row 159. However, in the 2016 True-up SPS correctly allocated the Regulatory Liability by allocating 100% to Retail, Production and Other Related on row 330.

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GSEC 2-4. In reference to the attachment that SPS provided in response to GSEC 1-20, please provide the nature of the item that was recorded to Account 566 labeled as “Distributed Systems Services.” To the extent this expense is related to the distribution function, please provide the justification for recording such expense to a transmission O&M account.

Response:

The Distributed Systems Services account is a Business Systems/IT function that includes cost to maintain and support personal computers, laptops, servers, and other equipment (including storage) utilized throughout the business, including employees engaged in serving our wholesale customer both directly and indirectly. The costs represented above were charges for these functions to users in these transmission business areas.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year/Period of Report
Southwestern Public Service Company		04/10/2017	2016/Q4
FOOTNOTE DATA			

Schedule Page: 232 Line No.: 1 Column: e

Account charged:	
146	\$ 6,135,000
184	12,040,180
	<u>\$ 18,175,180</u>

Schedule Page: 232 Line No.: 1 Column: f

Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans -- in September 2006, the FASB issued accounting guidance which requires companies to fully recognize the funded status for each pension and other postretirement benefit plan as a liability or asset on their balance sheets with all unrecognized amounts to be recorded in other comprehensive income. Xcel Energy applied regulatory accounting treatment, which allowed recognition of this item as a regulatory asset rather than as a charge to accumulated other comprehensive income.

Amounts have been recorded as follow based upon expected recovery in Rates:

Regulatory asset - Pension	\$ 247,380,329
Regulatory asset - Non-qualified pension	716,914
	<u>\$ 248,097,243</u>

Schedule Page: 232 Line No.: 29 Column: e

With Case #15-00208-UT, the 2012 REC Tracker was approved to be included in the RPS Rider; therefore, the associated costs of \$646,153 were moved to the New Mexico RPS Rider. Additionally, Case #16-00183-UT approved the 2013 REC tracker to be included in the RPS Rider so the associated costs of \$220,536 were moved to the New Mexico RPS Rider line as well.

Schedule Page: 232 Line No.: 32 Column: e

Texas fuel costs are in a net liability position; therefore, the associated interest was moved to account 254 and the associated amounts are reflected on page 278.

Schedule Page: 232 Line No.: 35 Column: e

Account charged:	
431	\$ 6,155
456.1	414,492
565	7,361,460
	<u>\$ 7,782,107</u>

Schedule Page: 232 Line No.: 39 Column: e

The amount of \$5,337 represents amortization of previously deferred Nox allowance cost under the New Mexico jurisdiction. Amortization authorized in Case No. 12-00350-UT.

2015 Nox	\$ 23,521
2015 SO2	5,133
FY Nox Deferrals	1,394
	<u>\$ 30,048</u>

Schedule Page: 232.1 Line No.: 1 Column: e