

**Response of SPS to the Preliminary Challenges of
Golden Spread Electric Cooperative, Inc.**

January 18, 2024

On January 4, 2024, Golden Spread Electric Cooperative, Inc. (“GSEC”) submitted a Preliminary Challenge to the 2022 Transmission Formula Rate True-Up to Southwestern Public Service Company (“SPS”). Pursuant to Section 5.c of the Transmission Formula Rate Protocols, SPS hereby provides its response.

For ease of review, SPS restates the challenge below, followed by SPS’s response to the challenge.

Preliminary Challenge # 1: *Recovery of Regulatory Asset Related to Texas House Bill 4150*

Based on the response provided to Information Request GSEC-NMC 1-28, SPS indicated that the Regulatory Asset recorded to Account 182.3 related to Texas House Bill 4150 is currently being amortized to Account 563 (Overhead Lines Expenses). SPS further confirmed that approximately \$1.7 million of this regulatory asset was included in the 2022 True-Up through the amounts that were expensed to Account 563.

FERC precedent clearly stipulates that the recovery of regulatory assets in wholesale rates requires Commission approval. In a recent order in Docket No. EL21-18, the Commission reiterated its position on the recovery of regulatory assets. The pertinent sections of that order include the following:

43. As discussed below, we grant KEPCo’s Complaint for this issue. We find that KEPCo’s filing demonstrates that Evergy KC and Evergy KS have recovered amounts booked to regulatory assets without prior Commission approval.

46. We agree with KEPCo that the pertinent question is whether Evergy KC and Evergy KS received approval from the Commission to recover the costs at issue in wholesale rates. In Order No. 552, which established Account 182.3, the Commission stated in relevant part “Account 182.3 would include costs incurred and charged to expense which have been, or are soon expected to be, authorized for recovery through rates and which are not specifically provided for in other accounts.” Additionally, the Commission has made clear in subsequent orders that a jurisdictional entity desiring to recover expenses in rates other than in the period in which they would ordinarily be charged to expense must receive approval to recover the deferred cost and approval of the amortization period for recovery.

For the reasons set forth above, SPS should exclude from the 2022 True-up and in future formula rates the recovery of the regulatory asset associated with Texas House Bill 4150 until it has received Commission approval for such recovery.

Southwestern Public Service Company Attachment O - Transmission Formula Rate 2022 True-Up and Transmission Formula Rate 2024 Projection

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SPS RESPONSE TO PRELIMINARY CHALLENGE NO. 1:

To resolve GSEC's Preliminary Challenge No. 1, SPS agrees that the \$1.7 million associated with the regulatory asset and included in O&M expense should be excluded from the 2022 True-Up. In order to facilitate the removal of the \$1.7 million amount and clarify the rate treatment of such expenses recovered through a regulatory asset for Texas House Bill 4150 in future transmission rates, SPS must make a limited scope section 205 filing to amend Attachment O-SPS, through a footnote or line item adjustment, that will calculate the exclusion.