



1800 Larimer
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January 15, 2018

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**Re: Public Service Company of Colorado
Southwestern Public Service Company
Docket No. ER18-2410
Response to Deficiency Letter**

Dear Secretary Bose:

On September 11, 2018, pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d, and part 35 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations, 18 C.F.R. §35.13 (2016), Public Service Company of Colorado ("PSCo") submitted proposed revisions to the Xcel Energy Operating Companies Open Access Transmission Tariff ("Xcel Energy Tariff" or "Tariff") on behalf of Southwestern Public Service Company ("SPS") (the "SPS Filing").

The proposed Tariff revisions would add Schedule 18b to the Tariff to establish a process to annually identify the calculation and recovery of operation and maintenance ("O&M") expenses charged to generators interconnected to the SPS transmission system. Schedule 18b would collect O&M costs associated with Transmission Owner Interconnection Facilities ("TOIF") installed by SPS pursuant to three-party Generator Interconnection Agreements ("GIAs") pursuant to the Southwest Power Pool, Inc. ("SPP") Open Access Transmission Tariff ("SPP Tariff"). The SPS Filing also proposed revisions to the SPS transmission formula rate template – Attachment O-SPS to the Xcel Energy Tariff – that would credit the Schedule 18b revenues against the SPS annual transmission revenue requirement ("ATRR"). SPS estimated the total 2019 Schedule 18b revenues at \$45,000.

On October 2, 2018, the Wind Coalition protested the SPS Filing. On October 17, 2018, SPS filed an answer to the Wind Coalition protest.

In a letter dated November 29, 2018, the Commission's Director, Division of Electric Power Regulation – Central indicated the SPS Filing is deficient and requested that SPS submit additional information in support of the SPS Filing within 45 days. SPS' responses to the questions in the November 29 Letter are provided below.

Question:

1. *The Commission recently rejected a proposal to collect O&M expenses using a fixed charge rate methodology that is similar to SPS's proposal in this proceeding. In that order, the Commission noted that the filing parties should "provide justification for using... total annual O&M expenses for its total gross transmission plant in the formula to calculate annual O&M expenses related to [transmission owner interconnection facilities]."*
 - a. *In your answer, you state that "SPS's information systems do not currently track transmission O&M costs to that level of detail."*
 - i. *To what level of detail does SPS track transmission O&M costs?*

Response:

SPS tracks costs on a department, project or activity basis.

For instance, the costs for personnel working in the SPS transmission control center that operate the SPS Transmission System, including TOIF facilities, are tracked on a department level. The work they perform can be divided up into department, regional transmission grid planning as well as reliability planning and standards. This work is divided by the roles and the FERC functions performed by those specific employees. This work supports the reliable operation and maintenance of transmission facilities on the SPS system, including TOIF facilities.

In other instances, costs are also tracked by activity. For example, vegetation management is performed by a third-party vendor who bills SPS based on the region and the specific month the vegetation management was performed. This vegetation management activity is performed for the SPS Transmission System and the work is not identified on a facility by facility basis. Such work is required for the reliable operation and maintenance of SPS's transmission facilities, including TOIF facilities.

A small portion of the O&M costs are project based. For example, SPS may identify a specific corrective maintenance project relating to a particular asset, such as one part of a substation. The SPS personnel incur labor and materials relating to correcting this specific asset and the costs are tracked connected to this asset. This work could be associated with a TOIF (e.g., it may include working on TOIFs among other facilities in the substation), but is not specific to only TOIFs. SPS's transmission engineers, for instance, may perform work at a specific substation, but the field personnel do not distinguish or record their work between TOIF facilities and other facilities in the substation. The specific work also does not constitute the total O&M for those facilities, as it is associated only with that specific project. This project based cost thus represents only a portion of the overall transmission O&M costs.

None of these methods would track all of the O&M costs associated with an individual TOIF facility. Rather, an allocated portion of the transmission control center and vegetation management O&M costs would need to be added to an allocated portion of the project based

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costs. SPS believes the Schedule 18b provides a simpler but reasonable method to allocate all the various types of O&M costs in a manner consistent with standard ratemaking principles.

Question:

ii. Does SPS track O&M costs at the facility level? If not, why not?

Response:

No, SPS does not track O&M costs on a facility level. SPS does not have a mechanism or systems in place to track O&M costs on a facility level. As noted in the discussion above, SPS would need to identify an allocation method to distribute transmission shared costs to each facility. The transmission system is an integrated system, and SPS does not have any system to precisely allocate or directly charge the costs for future regional planning, reliability grid costs, vegetation management, overhead line inspections, project maintenance and various other substation expenses to the facility level.

It is also likely that trying to track O&M on such a granular level would result in mistakes and potentially higher costs than the simple allocation methodology proposed in the SPS Filing.

Question:

iii. If SPS does track O&M costs at the facility level, please explain why it is reasonable to use a fixed charge rate reflecting system average transmission O&M expenses based on gross plant to derive O&M charges for transmission owner interconnection facilities instead of actual costs incurred and tracked for such interconnection facilities.

Response:

Not applicable, see response to part ii above.

Question:

b. Please provide any further justification for why a fixed charge rate reflecting system average transmission O&M expenses based on gross plant results in a reasonable allocation of O&M costs for transmission owner interconnection facilities in the instant proceeding.

Response:

As discussed previously, O&M work performed by SPS field personnel is not limited or specific to TOIF, so direct assessment of costs is not possible. In most cases, O&M work on a TOIF is associated with work on other facilities in a substation and is not tracked on an individual asset basis. In all cases, SPS would also need to allocate the overhead costs for other departments; Schedule 18b already incorporates O&M overheads and thus results in a fully-allocated O&M rate charged to the Interconnection Customer.

Use of allocators applied to components of total SPS system costs is common in the Attachment O-SPS transmission formula rate template and Commission ratemaking processes generally. For example, General and Intangible Plant is allocated using a Wages and Salaries (“W/S”) allocator. The TOIF O&M rate proposed in Schedule 18b cannot be deemed unjust and unreasonable simply because certain total system costs are allocated to TOIFs using an allocation factor.

Moreover, unlike the TOIF O&M rate rejected by the Commission in Docket No. ER18-1731-000,¹ SPS proposes to use the actual installed costs of the individual TOIF recorded on SPS’s books and records to calculate the O&M rate bill, and does not propose to use proxy or estimated data. To the extent a Generator Interconnection Agreement (“GIA”) expires and the generator is disconnected from the TOIFs, SPS agrees to discontinue billing the Interconnection Customer the Schedule 18b O&M charge. To the extent the Commission believes Schedule 18b should include a commitment by SPS to discontinue collection of the O&M charge, SPS agrees to include language to that effect in Schedule 18b in a compliance filing to the Commission order accepting the tariff revisions.

In addition, the SPS Filing proposed to apply the TOIF O&M charge to both third-party Interconnection Customers and to TOIFs installed for SPS-owned generating facilities. Schedule 18b will thus be assessed on a non-discriminatory basis.

Finally, SPS again notes that PSCo, another Xcel Energy Operating Company, today bills both third-party Interconnection Customers and the PSCo Energy Supply function for TOIF related O&M costs using a similar allocator pursuant to Schedule 18a of the Xcel Energy Tariff. Schedule 18a was accepted for filing in Docket No. ER17-208-000.² The SPS Filing proposes to apply the same ratemaking concept proposed by PSCo and accepted by the Commission – a general allocator applied to a SPS system cost – to assign a reasonable amount of O&M costs to TOIF facilities on a non-discriminatory basis.

Contents of Filing

This filing consists of the following documents:

1. This letter responding to the November 19 Letter; and
2. A blank record included for eTariff purposes only.³

Conclusion

SPS appreciates the opportunity to respond to the questions in the November 29 Letter. Please contact the undersigned if you require additional information. SPS will serve a copy of

¹ *Midcontinent Ind. Sys. Operator, Inc.*, 165 FERC 61,015 (2018).

² *Public Service Company of Colorado*, Docket No. ER17-208-000, delegated letter order (Dec. 28, 2016).

³ The November 29 Letter indicates this response should be submitted under eTariff filing code 180, which requires submission of an associated tariff record. See November 29 Letter at fn. 4.

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this response on all parties to this proceeding. In addition, SPS will submit an electronic version of this response to Mr. Mark Armamentos at Mark.Armamentos@ferc.gov.

Respectfully submitted,

/s/ Liam D. Noailles

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Xcel Energy Operating Companies
FERC FPA Electric Tariff
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Version 0.0.0
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Approved Effective Date:

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