



Southwestern Public Service Company

Attachment O - Transmission Formula Rate Annual Update

Customer Meeting

For Rates Effective January 1, 2017-December 31, 2017

October 18, 2016

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2015 ATRR True-up Adjustment – Tab 1

Revenue Requirement True-up Adjustment	\$(3,246,414)
Volume True-up Adjustment	<u>\$ 6,844,812</u>
Prior Year True-Up	\$ 3,598,398
Prior Period Corrections True-up Adjustment	\$ 0
Interest on Prior Year True-Up	<u>\$ 233,184</u>
Total True-up and Prior Period Correction in 2016 ATRR	\$ 3,831,582

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Revised 2015 True-Up Adjustment

- ◆ **Initial True-Up posted/provided June of 2016**
- ◆ **First revised True-Up posted/provided October of 2016**
 - **Revised actual 2015 Base Plan Upgrade Revenue Requirement**
 - **Minor changes to Radial Line Study**

Southwestern Public Service Company
Attachment O – Projected Rates effective January 1, 2017 Vs.
Current/Interim Rates
Tab 3

		<u>Formula</u>
		<u>Line No.</u>
2017 Annual Cost (\$/kW/Yr)	\$25.694	10
2017 Network & P-to-P Rate (\$/kW/Mo)	\$ 2.141	11
Current/Interim Annual Cost (\$/kW/Yr)	\$27.075	10
Current/Interim Network & P-to-P Rate (\$/kW/Mo)	\$ 2.256	11

Comparison of Projected 2017 Revenue Requirement to Projected/Interim 2016 Revenue Requirement – Tab 3

		<u>Formula Line No.</u>
2017 Projected Revenue Requirement	\$116.8M	1
Plus/(Minus) Prior Year (2015) True-up Adj/Prior Prd Corrections	<u>\$ 3.8M</u>	2+3+4+5
2017 Projected Net of Prior Year True-up Adjustment	\$120.6M	6
Interim 2016 Projected Revenue Requirement	<u>\$130.1M</u>	6
Decrease Projected 2017 (with true-up) over Interim 2016 Projected \$	(9.5)M	
Percentage Decrease	(7.30)%	

Cost Drivers – Decrease in Projected 2017 Revenue Requirement from the Interim/Projected 2016

Decrease Projected 2017 over Interim 2016 Projected **\$ (9.5)M**

Elements of Decrease (2017 cost drivers):

(1) Increase impact of True-up Adj/Prior Prd Corrections	\$ 23.6M
(2) Increase in Rate Base	\$ 3.9M
(3) Increase in Operating Costs	\$ 10.5M
(4) Decrease in Revenue Credits	\$ 1.6M
(5) Increase in BPU Revenue Credit	<u>\$ (49.1)M</u>
Total	\$ (9.5)M

Summary of 2017 Cost Drivers

■ **Item (1) Impact of True-up Adj/Prior Period Corrections**
\$23.6M

		Formula <u>Line No.</u>
1 st Revised 2015 True-Up Adj (Used in 2017 Projection)	\$ 3.8M	2+3+4+5
2014 True-Up Adj (Used in 2016 Projection)	<u>\$(19.8)M</u>	2+3+4+5
Difference (2015 - 2014)	\$23.6M	

Summary of 2017 Cost Drivers

■ Item (2) Increase in Rate Base \$3.9M

		Formula <u>Line No.</u>
Transmission Net Plant In Service – Increase	\$ 154.1M	62
General & Intangible Net Plant in Service – Increase	<u>\$ 4.1M</u>	64 + 65
Total Net Plant In Service Increase	\$ 158.2M	66
Adjustments to Rate Base		
Increase in ADIT credit adjustment to rate base	\$(102.0)M	77
Decrease in Working Capital	<u>\$ (0.3)M</u>	87
Net Projected Increase in Rate Base	\$ 55.9M	89

The increase in the Revenue Requirement associated with this increase in rate base is approximately **\$3.9M**

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Summary of 2017 Cost Drivers

■ Item (3) Increase in Operating Costs \$10.5M

		Formula <u>Line No.</u>
Increase in Transmission O&M	\$ 0.7M	97
Increase in Administrative & General	\$ 0.5M	110
Increase in Depreciation & Amortization Expense	\$ 5.5M	119
Increase in Taxes Other Than Income	\$ 1.9M	127
Increase in Income Taxes	<u>\$ 1.9M</u>	137
Projected Net Increase in Operating Costs	\$10.5M	

Summary of 2017 Cost Drivers

■ Item (4) Decrease in Revenue Credits \$ 1.6M

		<u>Formula Line No.</u>
Projected 2017 Revenue Credits		
Account No. 454	\$492,046	30
Account No. 456.1	<u>\$13,970,804</u>	31
Total 2017 Revenue Credits	\$14,462,850	32
Interim 2016 Projected Revenue Credits		
Account No. 454	\$9,061	30
Account No. 456.1	<u>\$16,066,417</u>	31
Total 2016 Revenue Credits	\$16,075,478	32
Difference (2017 – 2016)	(\$1,612,628)	

Summary of 2017 Cost Drivers

■ Item (5) Increase in BPU Revenue Credit \$49.1M

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Formula</u> <u>Line No.</u>
SPP BPU Revenue Credit	\$158,764,223	\$134,110,705	\$24,653,518	44
Prior Yr True-up Adjustment	\$6,257,887	(\$16,517,198)	\$23,045,085	44a
Interest on Prior Yr True-up	<u>\$423,000</u>	<u>(\$1,070,314)</u>	<u>\$1,493,314</u>	44b
SPP BPU Revenue Credit	\$165,715,111	\$116,523,193	\$49,191,917	44c



Southwestern Public Service Company Base Plan Upgrade Projects

	<u>Amount</u>
Total BPU Investment in 2017 Projection	\$ 1,443,101,622
Total BPU Investment in Interim 2016 Projection	<u>\$ 1,178,740,954</u>
Net Change in BPU Investment	\$ 264,360,668

Southwestern Public Service Company Schedule 1 - 2017 Projected ARR – Tab 3

		Schedule 1 <u>Line No.</u>
2017 Total 561 Costs for Projected Schedule 1 ARR	\$ 3.4M	6
Less Schedule 1 Projected Point-to-Point Revenues	<u>\$ 0.0M</u>	7
Subtotal: RR without True-up Adjustment	\$ 3.4M	8
Plus Prior Year (2015) True-up Adjustment	<u>\$(1.1)M</u>	9 + 10
2017 Projected Schedule 1 RR with True-up Adjustment	\$ 2.3M	11
 Comparison to Interim 2016 Projected Revenue Requirement		
2016 Projected Schedule 1 RR with True-up Adjustment	\$ 3.1M	11
Difference (2017 – 2016)	(\$0.8)M	

Southwestern Public Service Company Schedule 1–2017 versus Interim 2016 Rates – Tab 3

Schedule 1
Line No.

	<u>2017</u>	<u>2016</u>	<u>Incr./ (Decr.)</u>	
Monthly P-to-P Rate in \$/kW – Month	\$0.042	\$0.055	(\$0.013) kW	13
Weekly P-to-P Rate in \$/kW – Weekly	\$0.010	\$0.013	(\$0.003) kW	14
Daily P-to-P Rate in \$/kW – Day	\$0.001	\$0.002	(\$0.001) kW	15
Hourly P-to-P Rate in \$/mW – Hourly	\$0.057	\$0.075	(\$0.018) MW	16

Southwestern Public Service Company Annual Update/True-Up - Next Steps

- **November 15th**
 - ◆ **Modify Annual Update (if necessary)**
 - ◆ **Provide SPP Annual Update/Revenue Requirements**
- **November 30th**
 - ◆ **Data request deadline**
- **December 1st**
 - ◆ **Post revised Annual Update (if necessary)**
 - ◆ **Submit Informational Filing at FERC**
- **December 5th**
 - ◆ **Preliminary Challenge deadline**