

Southwestern Public Service Company

Attachment O - Transmission Formula Rate 2015 True-Up

Golden Spread Information Request No. 3

November 3, 2016

The following questions pertain to the SPS responses that were provided in connections with GSEC's second set of information requests.

GSEC 3-1. In reference to SPS's response to GSEC 2-1 related to the Eddy County to Kiowa Project, please provide the following:

- a. A detailed description of the capital asset policy that is referenced in the data response.
- b. The basis for limiting the capital asset policy to just 12 months for projects that are suspended.
- c. If this project was merely "suspended" and not cancelled, why was this project not retained in FERC Account 107 – Construction Work in Progress? Please explain.
- d. To the extent this project is restarted, do the costs that were written-off to FERC Account 566 get reversed and moved to FERC Account 107?

Response:

- a. This is embedded in the Capital Asset Accounting uniform policy Work Order Review – Suspended Status. The definition in the policy reads:

Definition

Occasionally, a project is started and then for various reasons, management decides that it is not the right time to complete this work. This decision can take two very different paths. The first one is that this project will never be completed. If this is the decision, then the expenditures in the work order need to be cleared and the work order cancelled. The second path assumes that in the near future, the decision to stop work may be reversed and the work will be completed. These work orders are placed in suspended status. Thus, the suspended status is used for work orders where management decides to temporarily stop or delay the construction work. There must be documented proof that the stoppage is temporary. For those projects that are planned to begin again, the stoppage is defined as temporary. See the section below on Length of Time for a more detailed description. Without documented proof, the stoppage is permanent and the work order will need to be cancelled.

- b. The Work Order Review – Suspended Status policy states:
The general rule is that work orders can remain in suspended status for one accounting period, which is defined at Xcel Energy as **twelve months**. Although the work must begin within a twelve-month period, some work orders are reviewed on a quarterly basis and may not be granted this entire period if documentation does not demonstrate a likelihood of construction beginning again.

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- c. This project is currently anticipated to be re-activated in 2018, but there is potential for further postponement. Per the guidance cite in parts a and b, dollars in FERC Account 107 were written off because the project was not expected to be restarted within 12 months.
- d. No. The costs that were incurred when the project was suspended were all planning related costs. The costs have been written off and there are no assets to be “reused” by a new project and no credit will be given to the new project for the costs written off. In the event the project is reinstated in 2018, SPS would need to redo the planning work.

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GSEC 3-2. In reference to SPS's response to GSEC 2-1 related to the Midland to Lea County Project, SPS indicated in its response that this project, which was written off to FERC Account 566, was cancelled due to the sale of the line to Sharyland. Given that these expenses are related to the line sold to Sharyland, please explain why these costs were not included as part of the Sharyland transaction. In addition, please explain why this asset was not included in Account 108 - Accumulated Depreciation as a result of the sale of the line to Sharyland.

Response:

These costs were transmission-specific costs related to a relay upgrade project. The sale was based on the balance sheet value prior to the upgrade work. The assets included in the sale did not incorporate the upgrade costs. In recognition of the the August 2015 Global Settlement (Docket Nos. EL05-19 et al.), which addressed the treatment of the wholesale transmission portion of any gain on the Sharyland Transaction (and the Oncor Transaction), SPS will revise the 2015 True-up in order to remove the approximate \$106,000 of expenses from FERC Account 566.

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GSEC 3-3. In reference to the attachment that was provided in connection with SPS's response to GSEC 2-10, please provide a description of the expense line item labeled as "Distribution System Services" in the amount of \$2,373,777.76, which was recorded to FERC Account 921. In addition, to the extent this expense is related to SPS's retail service, please provide the justification for recording it to Account 921 rather than to one of the Customer Accounts (i.e., FERC Accounts 901 - 910).

Response:

The expense line item called "Distributed System Services" (not "Distribution System Services") are information technology/Business Systems costs for corrective and preventative information system maintenance, security, data backup and recovery, antivirus, the IT Help Desk and other computer support services. These costs are charged to multiple FERC accounts across Production, Transmission, Distribution, and Customer Accounts functional groups in addition to FERC Account 921. Approximately 93% of the total Distributed System Services costs are booked to FERC Account 921.

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The following questions pertain to the spreadsheet file “06-2016---Attachment_O-SPS_2015_True-Up_Formula_Rate”:

GSEC 3-4. In reference to the proposed SPS-XEST asset transfer in FERC Docket No. EC16-64-000, please provide a detailed tabulation by FERC Account of all costs recorded and/or incurred during 2015 by SPS in connection with this failed transaction (i.e., labor, consulting services, administrative and general expenses, employee bonuses, executive rewards/compensation). In addition, please indicate if any of these costs have been included in the Formula Rate Update.

Response:

The table below shows SPS’s 2015 expenses for the cancelled SPS-XEST asset transfer proposal, consisting primarily of external legal services. None of the costs related to the proposed asset transfer were included in the transmission formula.

<u>FERC Account</u>	<u>Total 2015 Expenses</u>	<u>Portion in Formula Rate True-Up:</u>
928 - Regulatory Commission Expenses	\$190,000	\$0

The expenses in FERC Account 928 that are included in the transmission formula are determined on Worksheet H. As stated in the response to GSEC 1-20, the only expenses recorded in FERC Account 928 that were included in the transmission formula are legal costs related to the transmission ROE complaint.