Southwestern Public Service Company  
Attachment O – SPS Transmission Formula  
Annual True-up for 2015  
Material Changes since January 1, 2014

In compliance with the Annual Formula Rate Implementation Procedures, Section 3.a.(v), Southwestern Public Service Company (SPS or the Company) has listed below the material changes that have taken effect since January 1, 2014. In addition, significant unusual or non-recurring income/expense items have been identified. For additional information, please refer to the Southwestern Public Service Company FERC Form 3-Q for Q2 2014, Notes to Financial Statements.

(a) FERC Uniform System of Accounts

There were no material changes.

(b) FERC Form No. 1 Reporting Requirements

There were no material changes.

(c) FERC Ratemaking Orders Applicable to the SPS Formula Rate

There were no material changes.

(d) Accounting Policies, Practices or Procedures of SPS

Environmental Consumable Chemicals – As of June 10, 2014, environmental consumable chemicals consumed during the generation process are recoverable through fuel in Texas. The cost of environmental consumables chemicals was previously expensed to O&M as purchased. Because Texas rules state that only the amount consumed may be passed through fuel, inventory accounting has been adopted for these chemicals. Inventory accounting for these chemicals (ARKAY and Mercury Sorbent) ensures that consumption is appropriately measured and valued each month. Chemical purchases will increase the inventory account and consumption of the chemicals will reduce the inventory account. Currently only ARKAY has been purchased and is being consumed. Purchases of Mercury Sorbent will begin in late 2014 in preparation for use of that chemical when the Mercury and Air Toxics Standards (MATS) rules go into effect April 2015.

Beginning inventory balance June 1, 2014 (FERC Account No.154): $53,881.61
2014 ARKAY purchases (Jun – Jul 2014) 73,690.81
2014 consumption (Jun – Jul 2014) (35,754.98)
Ending inventory balance July 31, 2014 $91,817.44

FERC Account No. 154, Materials and Supplies Inventory, is included in the SPS Production Formula Templates.

As Environmental Consumable Chemicals are expensed, the expenses will be included in the SPS Production Formula Templates. The total amount of ARKAY expensed to FERC Account No. 506 (as purchased) in 2013 was $324,232. ARKAY expensed to FERC Account No. 506 (as purchased) for the period January to May 2014 was $87,352. Only the amount of Mercury Sorbent and ARKAY consumed will be expensed to FERC Account No. 502 for the period June 2014 and beyond.

(e) FERC Related Items

There were no material changes.
(f) GAAP-Related Items

There were no material changes.

(g) Significant Unusual or Non-Recurring Income or Expense

There were no material changes.

(h) Other

There were no other material changes.

(i) SPP and/or Xcel Energy OATT changes that relate to SPS

- Docket No. EL13-78 – Renewed Golden Spread Section 206 (Complaint) filing where GSEC alleges the rate of return on common equity used in SPS formula rate under the Replacement Power Sales Agreement and Xcel Energy Operating Companies' Joint Open Access Transmission Tariff are unjust and unreasonable. Filed 7/19/2013. SPS submitted a motion to answer and answer. On June 19, 2014, the Commission issued an order establishing hearing and settlement procedures. The most recent settlement conference was held on September 29, 2014.

- Docket No. ER12-959 -- SPP filing to incorporate Tri County Electric Cooperative formula transmission rate into SPP OATT. Filed 1/31/2012. Tri County's transmission facilities are located within the SPS zone. FERC order issued 3/30/2012. Requests for rehearing were granted through an order issued on 2/21/2013 and an Initial Decision was issued on 4/22/2013 which concluded none of Tri County’s facilities qualify as transmission under SPP Attachment AI. Requests for rehearing of the Order on Rehearing are pending. SPS appealed both orders to the D.C. Circuit Court of Appeals on April 22, 2013, but the appeals were dismissed without prejudice. The Commission has not yet ruled on the Initial Decision.

- Docket No. EL13-35 SPS Complaint - SPS complaint pleading that stated SPP should have not implemented possibly unjust and unreasonable rates for an annual update in ER12-959 (Tri-County formula rate). Order issued on February 21, 2013 setting the matter for hearing and settlement judge procedures. SPS and other parties submitted requests for rehearing, which are currently pending. This matter has been consolidated with Docket No. EL13-15. On January 10, 2014, an uncontested settlement was filed. As outlined in the settlement, SPP submitted and sponsored certain Tariff Revision Requests (TRRs 119 and 120) that are currently working their way through the SPP stakeholder process.

- Docket No. EL13-15 SPS Complaint – SPS complaint pleading that stated SPP should have reviewed Tri-County’s compliance with Attachment AI prior to filing ER12-959 (Tri-County formula rate). SPP has filed an answer and motion to consolidate. Order issued on February 21, 2013 setting the matter for hearing and settlement judge procedures. SPS and other parties submitted requests for rehearing, which are currently pending. This matter has been consolidated with Docket No. EL13-35. On January 10, 2014, an uncontested settlement was filed.
As outlined in the settlement, SPP submitted and sponsored certain Tariff Revision Requests (TRRs 119 and 120) that are currently working their way through the SPP stakeholder process.


- **Docket ER13-2033 and ER13-2031 – Withdrawal Obligations Tariff Revisions** - The Commission found that the proposed revisions are unclear regarding whether non-transmission owning members would be obligated for costs of transmission facilities approved before their withdrawal. SPP was directed to file revisions to clarify that the withdrawal obligation for the costs of transmission facilities is limited to transmission owning members. On May 14, 2014, the Commission issued a letter order accepting SPP’s filing of a compliance filing proposing the revisions to the SPP Bylaws and Membership Agreement.

- **Docket ER13-2078 – IM GFA Cost Allocation** - On January 24, 2014, FERC issued an order accepting SPP’s October 30, 2013 Compliance Filing to revise the Tariff regarding the carve out of grandfathered agreements in the Integrated Marketplace. An effective date of March 1, 2014 was granted. This order constitutes final agency action.

- **Docket EL14-21 - SPP Complaint Against MISO – JOA Violation** - On January 28, 2014, SPP filed a Complaint and Request for Fast Track Processing and Motion to Consolidate. SPP submitted the Complaint for an order finding that the Midcontinent Independent System Operator, Inc. is violating the Joint Operating Agreement (“JOA”) between SPP and MISO and SPP’s Tariff, requiring MISO to compensate SPP for use of SPP’s transmission system in accordance with the SPP Tariff. In the event the Commission does not so find, SPP alternatively requests that the Commission find 1) that the JOA is no longer just, reasonable, and not unduly discriminatory to the extent it does not provide a mechanism by which SPP may assess charges for MISO’s use of the SPP transmission system to integrate the former Energy Operating Companies; and 2) that the compensation mechanism set forth herein is the just, reasonable, and not unduly discriminatory rate for MISO’s use of the SPP transmission system. SPP requested that Docket Nos. ER14-1174, EL11-34 and EL14-21 be consolidated. On March 28, 2014, the Commission issued an order consolidating the dockets and establishing hearing and settlement procedures. The next settlement conference is scheduled to convene on October 23, 2104.

- **Docket ER12-2289 – Empire Formula Rate Compliance Filing** - On March 20, 2014 SPP submitted a compliance filing to modify Addendum 18 to Attachment H which contains the formula rate template for the Empire District Electric Company. On June 12, 2014, the Commission issued a letter order accepting SPP’s filing of revisions to the OATT to replace Addendum 18 of Attachment H.

its compliance filing pursuant to the November 18, 2013 Order. An effective date of March 1, 2014 was requested. On February 7, 2014, the Commission issued a letter order accepting SPP’s revisions to Attachment AN.

- Docket ER14-1126 - Attachment AP Penalty Recovery Request - On January 22, 2014, SPP filed a request, in accordance with Attachment AP of the Tariff, for Commission approval to allow SPP to recover the costs associated with a penalty assessed against SPP resulting from Commission approval of a Stipulation and Consent Agreement between SPP, staff of the North American Electric Reliability Corporation and the Commission’s Office of Enforcement. An effective date of July 10, 2013 was requested. On March 13, 2014, the Commission issued a letter order accepting SPP’s filing of the request.

- Docket ER14-1190 - KPP Formula Rate Removal and Revision to Attachment H and T to Reflect Stated Rate - On January 29, 2014, SPP submitted tariff revisions to remove the formula rate template for Kansas Power Pool (“KPP”) and to reflect a stated rate for KPP. An effective date of December 20, 2011 was requested. On March 25, 2014, the Commission issued a letter order accepting SPP’s filing to reflect a stated rate for KPP.

- Docket ER14-1217 - Southwestern Power Administration Rate Change - On January 30, 2014, SPP submitted tariff revisions to update the rates for transmission service for the Southwestern Power Administration pricing zone under the Tariff. Effective dates of October 1, 2013 and January 1, 2014 were requested. On March 13, 2014, the Commission issued a letter order accepting SPP’s filing of tariff revisions.

- Docket ER14-278 - Schedule 1-A Administration Charge Increase - On November 1, 2013, SPP submitted revisions to its Tariff to increase the rate cap for its Tariff Administration service charge. An effective date of January 1, 2014 was requested. On December 16, 2013, the Commission issued a letter order accepting SPP’s filing to increase the charge.

- Docket ER14-418 - City of Coffeyville Revised Stated Rate Tariff Revisions - On November 18, 2013, SPP submitted tariff revisions to revise the stated rate for Coffeyville Municipal Light and Power. Effective dates of July 1, 2013 and September 30, 2013 were requested. On January 13, 2104, the Commission issued a letter order accepting the revisions.

- Docket ER14-596 - Implement a Distribution Mechanism for Unreserved Use Penalty Revenues - On December 11, 2013, SPP submitted tariff revisions to incorporate a mechanism to distribute penalty revenues collected by SPP for unreserved use of firm transmission service. An effective date of December 11, 2013 was requested. On January 14, 2014, the Commission issued a letter order accepting SPP’s request.

- Docket ER14-620 KCPL and GMO Formula Rate Change - On December 13, 2013, SPP submitted tariff revisions to implement a change in the formula rate template for Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company. An effective date of January 1, 2014 was requested. On February 4, 2014, the Commission issued a letter order accepting the revisions.

- Docket ER14-794 - Termination of Entergy and SPP Seams Agreement - On December 20, 2013, SPP submitted this filing to notify the Commission of the termination of the Comprehensive Seams Agreement
Between Entergy Services, Inc. and SPP, SPP requests cancellation of the respective tariff sheets that constitute the Seams Agreement. An effective date of December 19, 2013 was requested. On February 12, 2014, the Commission issued a letter order accepting SPP’s filing of notice of termination of the Agreement.

- Docket ER14-844 - Order 676-G Compliance Filing - Southwest Power Pool, Inc. submitted revisions to its OATT in Attachment R-1 to incorporate by reference the updated business practice standards adopted by the Wholesale Electric Quadrant of the North American Energy Standards Board ("NAESB") as required by the Commission. SPP requested an effective date of May 6, 2013. On March 4, 2014, the Commission issued a letter order accepting SPP’s Compliance Filing.

- Docket ER14-2751 – Xcel Energy Southwest Transmission Company ("XEST") – On August 29, 2014, XEST submitted a transmission formula rate filing for ultimate inclusion in the SPP OATT. XEST is a transmission-only company established by Xcel Energy Inc. in May 2014. Several interventions, some including comments and/or protests, were filed in September 2014.

(j) Classification or Reclassification of Facilities from Transmission to Radial or from Radial to Transmission

In the Annual Update for rates to be effective January 1, 2015 through December 31, 2015, SPS uses the Radial Line Study populated with end of year 2013 balances. SPS does not currently expect any changes to the classifications of transmission facilities in 2015.

In the Annual Update for the rates effective calendar year 2014, SPS adjusted the radial line charge to Lea County Electric Cooperative because Lea County purchased the portion of the line that was being directly assigned to them. Therefore, SPS set the assignment to invalid thereby removing the radial direct assignment charge to Lea County in the current Annual Update.