The following questions pertain to the spreadsheet file “07-2015---Attachment_O-2014_SPS_Transmission_Formula_Rate_True-Up_rv1”:

GSEC 1-1. Refer to SPS’s 2014 FERC Form 1 page 207, line 48 Account 350 – Land and Land Rights, please explain and provide supporting documentation for the increase of approximately $17.4 million, or 23%, above the 2013 balance.

**Response:**

See Attachment Customer Meeting 1-1 thru 1-4 for a breakdown of the plant additions and retirements including workorder descriptions that make up the increase and supporting documentation. The largest single plant addition ($7,326,326) is Right of Way for the Tuco to Woodward project.
GSEC 1-2. Refer to SPS’s 2014 FERC Form 1 page 207, line 50 Account 353 – Station Equipment, please explain and provide supporting documentation for the increase of approximately $136.1 million, or 25%, above the 2013 balance.

Response:
See Attachment Customer Meeting 1-1 thru 1-4 for a breakdown of the plant additions and retirements including workorder descriptions that make up the increase and supporting documentation.
Southwestern Public Service Company

Attachment O - Transmission Formula Rate 2014 True-Up

Golden Spread Information Request No. 1

July 20, 2015

GSEC 1-3. Refer to SPS’s 2014 FERC Form 1 page 207, line 52 Account 355 – Poles and Fixtures, please explain and provide supporting documentation for the increase of approximately $285.3 million, or 57%, above the 2013 expenses.

Response:

See Attachment Customer Meeting 1-1 thru 1-4 for a breakdown of the plant additions and retirements including workorder descriptions that make up the increase and supporting documentation. The largest single plant addition ($140,369,734) is for the Tuco to Woodward project.
GSEC 1-4. Refer to SPS’s 2014 FERC Form 1 page 207, line 53 Account 356 – Overhead Conductors and Devices, please explain and provide supporting documentation for the increase of approximately $51.8 million, or 22%, above the 2013 expenses.

**Response:**

See Attachment Customer Meeting 1-1 thru 1-4 for a breakdown of the plant additions and retirements including workorder descriptions that make up the increase and supporting documentation. The largest single plant addition ($29,516,287) is for the Tuco to Woodward project.
GSEC 1-5. Refer to SPS’s 2014 FERC Form 1 page 321, line 88 Account 561.4 – Scheduling, System Control and Dispatch Services, please explain and provide supporting documentation for the increase of approximately $0.8 million, or 20%, above the 2013 expenses.

**Response:**

Scheduling, System Control and Dispatch Services (FERC Account 561.4) increased $782K due to an increase in the SPP Administration fee. This fee is based on annual operating expenses incurred by SPP and is allocated to all transmission owners based on prior year coincident peak demand. Effective January 1, 2014, this rate increased $.07/MWh (an increase of approximately 20%). These are retail-only expenses and are removed from the template on WsG, line 36, column e.
GSEC 1-6. Refer to SPS’s costs booked to FERC Account 561.7 – Generation Interconnection Studies:

a. Are the amounts booked to Account 561.7 net of reimbursements received from interconnecting customers for conducting the generation interconnections studies? If not, where does SPS book the reimbursements received from interconnection customers for conducting the generation interconnections studies.

b. Please provide a detailed listing, by customer, of all costs and reimbursements booked to Account 561.7.

c. To the extent the reimbursements from interconnecting customers are not booked to Account 561.7, please provide a detailed listing, by FERC Account, of all reimbursements received from interconnection customers for conducting the generation interconnections studies.

Response:

The amounts booked to FERC Account 561.7 are shown net of reimbursements. When a reimbursement is received, a debit (or a charge) is booked to FERC Account 143 and a credit is booked to FERC Account 561.7. When a cost is incurred, a debit is booked to FERC Account 561.7 and a credit is booked to FERC Account 232. See Attachment Customer Meeting 1-6 for a list of costs and reimbursements, including the reimbursing party, booked to FERC Accounts 561.7 and 143 in 2014. Please note that SPS’s 2014 FERC Form 1 pages 231 and 231.1 only show fourth quarter 2014 detail as opposed to total 2014 detail. The amounts in the template are correct as the balance for FERC Account 561.7 is taken from pages 320-323 of the FERC Form 1.
GSEC 1-7. Refer to SPS’s 2014 FERC Form 1 page 321, line 97 Account 566 – Miscellaneous Transmission Expenses, please explain and provide supporting documentation for the increase of approximately $1.1 million, or 45%, above the 2013 expenses.

Response:

Miscellaneous Transmission Expense (FERC Account 566) increased $1.06M, driven by a shift in accounting for planning expenses of $234K from FERC Account 561.5 to FERC Account 566. Detailed Planning Proposals (DPPs) are a new process used to plan grid needs for the future. DPPs were implemented in response to FERC Order 1000.

Additionally, the increase was driven by expenses arising from engineering and design, planning, and strategic group initiatives. A Transmission Investment Development group was formed in the Transmission Organization in Q2 of 2014 (three additional full-time employees). Expenses arising from the Business Relations and Transmission Regional Planning Group activities ($304K and $436K, respectively), were shifted from FERC Account 560 and FERC Account 561.5 to FERC 566 to better align with the work being performed.

See Attachment Customer Meeting 1-7 for supporting documentation.
GSEC 1-8. Refer to SPS’s 2014 FERC Form 1 page 323, line 186 Account 925 – Injuries and Damages, please explain and provide supporting documentation for the decrease of approximately $2.5 million, or 42%, below the 2013 expenses.

Response:

Injuries & Damages (FERC Account 925) decreased $2.54M, driven by a decrease in General Liability and Injuries and Damages Insurance expenses (of $1.69M and $922K, respectively) due to lower insurance premiums and workers' compensation costs. See Attachment Customer Meeting 1-8 for supporting documentation.
GSEC 1-9.  Refer to SPS’s 2014 FERC Form 1 page 323, line 187 Account 926 – Employee Pensions and Benefits, please explain and provide supporting documentation for the increase of approximately $2.5 million, or 7%, above the 2013 expenses.

**Response:**

Employee Pension & Benefits (FERC Account 926) increased $2.48M, driven primarily by an increase of $4.44M due to the net effect of a decrease in deferred pension expense and an increase in the amortization of previously deferred pension expenses related to the Texas Retail jurisdiction. Additional increases of $2.37M are due to higher active healthcare costs and $148K due to higher 401-K match costs. These increases were offset by a decrease of $3.96M of lower qualified pension costs and $522K for lower retiree medical costs, lower long-term disability costs, lower nonqualified pension costs and lower retirement and compensation consulting costs. See Attachment Customer Meeting 1-9 for supporting documentation.
GSEC 1-10. Provide the amount of SPS’s 2014 Post-Retirement Benefits Other Than Pensions (“PBOP”) contributions to an external funded trust.

**Response:**

SPS did not make PBOP contributions to an external funded trust in 2014.

Xcel Energy Services (“XES”) made a $978K contribution to an external funded trust in 2014, a portion of which expense was allocated to SPS. The contribution was made to the XES trust.

**Response:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Expected PBOP Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$206,844</td>
</tr>
<tr>
<td>2016</td>
<td>$355,048</td>
</tr>
<tr>
<td>2017</td>
<td>$349,854</td>
</tr>
<tr>
<td>2018</td>
<td>$352,717</td>
</tr>
<tr>
<td>2019</td>
<td>$394,718</td>
</tr>
</tbody>
</table>
GSEC 1-12. Refer to the tab labeled “WsK Cap Structure”, Line 47, Interest on Long Term Credit Facility, did SPS have any interest associated with long-term credit facility during 2014? If yes, please provide the amounts.

**Response:**

SPS did not have a long-term credit facility in place during 2014. SPS’s credit facilities are short-term in nature and include notes payable to banks, letters of credit, and back-up support for commercial paper borrowings.

Long-term borrowings consist of first-mortgage bonds.

Reference SPS’s 2014 FERC Form 1, pages 123.7 – 123.8 for detailed information on short- and long-term borrowings.
GSEC 1-13. Refer to the tab labeled “WsN Meters”, Line 4, Total, please reconcile the amount shown on Line 4 for the allocated metered investment of $60,896,761 to the corresponding amount reported in the FERC Form 1 of $63,940,503.

Response:
The allocated metered investment of $60,896,761 is the end of year FERC Account 370 balance from the 2012 FERC Form 1 that was used in the 2014 projection. Unlike other components of the SPS transmission formula, the monthly meter charge is based on historical data and is not trued-up. The $63,940,503 amount found in the 2014 FERC Form 1 will be used in the 2016 projection.
GSEC 1-14. Refer to the tab labeled “WsG OM - WS”, Line 52, Employee Pensions and Benefits, please reconcile the amounts shown on Line 52 to the corresponding amounts reported in the FERC Form 1, Line 187.

**Response:**

As reported on FERC Form 1, Line 187 (footnote) $33,519,504

Less: A&G expenses recovered directly, related to Eddy County HVDC ($47,258)

As reported on Template, Line 52 $33,472,246

(Note: The remainder of Eddy County HDVC O&M expenses directly recovered is removed as a Transmission O&M Expense Adjustment on WsG (line 40).)
GSEC 1-15. Refer to the tab labeled “WSI Depr&Amort Exp”, Line 24, Depreciation and Amortization Expense Transmission, please explain why the Transmission Accumulated Depreciation and Amortization decreased by -2% while Transmission Depreciation Expense increased by approximately 20% from 2013 to 2014.

Response:

Refer to the file, “07-2015---Customer Variance Packet 2014 True-up_rv1.” The 2013 year-end amount for line 7 (“Transmission – Depreciation (219.Footnote Data FERC Only Rates)”) was incorrectly reported as $277,100,575. The correct amount that was reported on the 2013 FERC Form 1 is $261,598,801. Therefore, the Transmission Accumulated Depreciation balance did not decrease by 2%, but rather increased by 3% or $8,661,423. This error was only made in the variance analysis, and the Accumulated Depreciation and Amortization balances reported in the Template are accurate.
GSEC 1-16. Refer to the tab labeled “WsE Rate Base Adj”, please explain and provide justification for allocating the following ADIT entries to the wholesale transmission function:

a. Account 190 - Fuel Tax Credit - Income Addbacks (Row 299);
b. Account 190 - State Tax Deduction Cash vs. Accrual (Row 318);
c. Account 190 - Electric Vehicle Credit - FED DIT Only (Row 326); and

d. Account 190 - Reg Liab - Transmission Attach O (Row 329).

Response:

a. This item adds back to income the amount of the credit claimed for federal tax paid on fuels used in off-road equipment. This equipment is used to maintain SPS’s system, including SPS’s transmission system.

b. This item reflects ADIT on the temporary timing difference between state income taxes accrued and state income taxes paid. The state income tax rate is part of the composite tax rate that is used to calculate income taxes in the template. Therefore it is proper to include the timing difference on when taxes are accrued and when they are paid.

c. This item is associated with the tax credit for owned electric vehicles included in FERC plant Account 392. FERC plant Account 392 is included in general plant; therefore the ADIT associated with the vehicles in general plant is also included in rate base.

d. This item is the ADIT associated with the transmission formula rate true up. It can appear in either FERC Account 190 or FERC Account 283 depending on whether the true up is a refund or a surcharge.
GSEC 1-17. For 2014, provide a detailed description of SPS’s accounting for expenses associated with Southwest Power Pool market operations, including the accounts in which such expenses are recorded. To the extent any of such expenses are recorded in Accounts 560-574, provide a detailed explanation of the basis for such recordation and the amount by account associated with such expenses booked to those accounts.

Response:

The SPP Administration fees related to market administration, including the SPP Integrated Marketplace, are booked to FERC Account 575.7. These expenses are not included in the template.
Please identify any regulatory assets reported in the 2014 Form 1 that now or in the future are expected to affect the charges under the Transmission Formula Rate as a result of amortization through expenses, if and when approved by the appropriate regulatory body.

**Response:**

From page 232 of the 2014 FERC Form 1, there are two regulatory assets that are being amortized to FERC accounts included in the Transmission Formula Rate:

- Pension and Employee Benefit Cap is being amortized to FERC Account 926. This amortization is associated with the Texas Retail jurisdiction and is not included in the Transmission Formula Rate template because the data source, footnote page of FERC Form 1, page 323, used for the expense on Worksheet G, line 52, column (e) in the template ($33,519,504) does not include the amortization. As explained in the response to GSEC 1-14 an additional $47,258 was removed from the amount on the footnote page for Eddy County HVDC costs that get directly billed.

- Transmission Formula – Attachment O True-up is being amortized to FERC Account 456.1. The only activity booked to this account that is included in the Transmission Formula Rate is for revenue credits. The amortization expense is not included in the Transmission Formula Rate template.

The remaining regulatory assets are being amortized to accounts that are not in the Transmission Formula Rate template.
GSEC 1-19. Please specify the FERC account number(s) in which SPS records monetary penalties for violations of NERC Reliability Standards, and explain whether these accounts and the costs of any such monetary penalties are included in the Transmission Formula rate. To the extent there were any monetary penalties for violations of NERC Reliability Standards during 2014 that were included in the PR Formula rate, please provide the following information for each year:

a. the amount of the penalties;
b. the FERC accounts where such penalties were recorded;
c. the nature of the alleged violation that gave rise to the penalty; and
d. the amount of the penalties included in the Formula.

Response:

Monetary penalties for violations of NERC Reliability Standards are recorded in FERC Account 426, which is not included in the Transmission Formula Rate Template.