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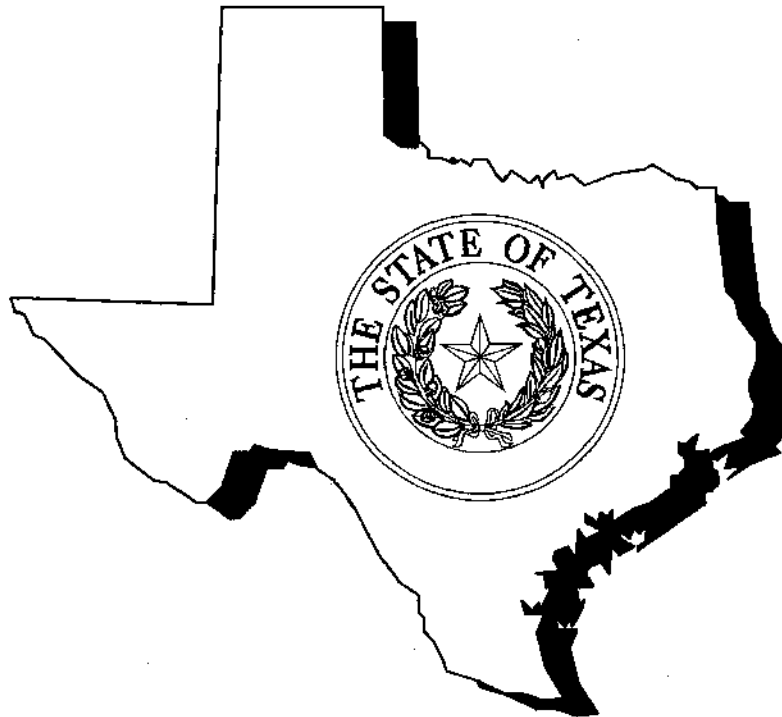
Filing Date - 2025-03-07 01:27:43 PM

Control Number - 57463

Item Number - 59

APPLICATION OF SOUTHWESTERN PUBLIC SERVICE COMPANY FOR APPROVAL OF ITS TRANSMISSION AND DISTRIBUTION SYSTEM RESILIENCY PLAN

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March 7, 2025

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ATTACHMENTS

Attachment RS-1 List of Previous Testimony

1 **I. QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. Ruth Stark, 1701 North Congress Avenue, Austin, Texas 78701.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Public Utility Commission of Texas (Commission) as a Senior
6 Regulatory Accountant in the Rate Regulation Division.

7 **Q. What are your principal responsibilities?**

8 A. My responsibilities include testifying as a witness on accounting matters in rate cases and
9 other proceedings filed at the Commission and participating in the overall examination,
10 review, and analysis of rate change and other applications.

11 **Q. Please briefly state your educational background and professional experience.**

12 A. I received a Bachelor of Business Administration degree with a major in Accounting
13 from the University of Texas at Austin in 1983. I am a Certified Public Accountant
14 licensed in the State of Texas. I have accounting experience in public practice, industry,
15 and state government. My public accounting responsibilities included tax and financial
16 services to individuals, private enterprises, and non-profit organizations. As the
17 accountant for a multi-divisional construction, engineering, and surveying company, I
18 oversaw all accounting functions from maintaining the general ledger through financial
19 statement and tax return preparation. At the Texas Water Development Board, I
20 performed administrative duties associated with a federal construction grant program and
21 the state revolving loan fund related to municipal capital improvement projects. Except
22 for the three-month period encompassing October through December 2015, I have been
23 employed with the Commission since September 1990. Prior to my retirement in

September 2015, I held the position of Director of Financial Review in the Rate Regulation Division for 16 years.

Q. Have you previously testified before the Commission?

A. Yes. Attachment RS-1 presents a summary of the dockets in which I have testified.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Commission Staff (Staff).

II. PURPOSE AND SCOPE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony in this proceeding, Docket No. 57463, *Application of Southwestern Public Service Company for Approval of its Transmission and Distribution System Resiliency Plan*¹ is to address Southwestern Public Service Company's (SPS) request for deferred recovery of certain costs related to implementation of its system resiliency plan (SRP).

Q. What issues posed in the Preliminary Order do you address?

A. My testimony addresses the following issue presented in the Commission's Order of Referral and Preliminary Order in this proceeding:²

Cost Recovery

26. Does the utility request approval of a resiliency cost recovery rider? If so, does the utility's proposed cost recovery comply with Commission rule?

¹ Application of Southwestern Public Service Company for Approval of its Transmission and Distribution System Resiliency Plan (Application) (Dec. 30, 2024).

² Order of Referral and Preliminary Order (Jan. 2, 2025).

Q. What is the scope of your review?

A. My review encompasses analysis of SPS's Application in this proceeding as well as its responses to various requests for information (RFIs).

Q. What standards are you applying in the determination of the reasonableness of SPS's request in this proceeding?

A. I am applying the standards set forth in the Public Utility Regulatory Act, (PURA) § 38.078³ and in 16 Texas Administrative Code (TAC) § 25.62, the Commission's rule addressing transmission and distribution system resiliency plans.

III. SPS'S REQUESTS REGARDING COST RECOVERY ISSUES

Q. Please summarize SPS's request in this proceeding with respect to recovery of costs associated with its SRP.

A. SPS explained that it intends to recover transmission-related investments approved under its SRP in a future transmission cost recovery factor (TCRF) proceeding or base rate proceeding.⁴ With respect to Issue No. 26 in the Order of Referral and Preliminary Order, SPS does not request approval of a resiliency cost recovery rider in this proceeding.⁵ Rather, SPS intends to defer all distribution cost recovery factor (DCRF) eligible capital costs as well as distribution-related operations and maintenance expenses incurred under the approved SRP for recovery through a regulatory asset (SRP regulatory asset).⁶ SPS noted that if it defers such expenses through a regulatory asset and then files a DCRF application before a base rate case, those deferred costs must be included for recovery in the DCRF rates subject to the formula in 16 TAC § 25.62(f)(2)(B).⁷

³ Public Utility Regulatory Act, Tex. Util. Code Ann. § 38.078.

⁴ Direct Testimony of Brooke A. Trammell (Trammell Direct) at 18:5-7 (Dec. 30, 2025).

⁵ *Id.* at 18:10-11.

⁶ *Id.* at 18:7-10.

⁷ *Id.* at 18:13-19.

1 **Q. What costs will SPS include in its SRP regulatory asset?**

2 A. SPS states that its SRP regulatory asset will include the accumulated distribution invested
3 capital's associated depreciation and amortization expense, ad valorem taxes, carrying
4 costs, associated income and Texas Gross Margin tax, and the distribution-related O&M
5 associated with the approved SRP.⁸

6 **Q. Does SPS request additional cost-recovery approvals in this proceeding?**

7 A. SPS states that it will seek recovery of its SRP regulatory asset balance over a 12-month
8 amortization period through its DCRF applications.⁹ SPS requests that the Commission
9 approve the 12-month amortization period for the SRP regulatory asset in this
10 proceeding.¹⁰ SPS also seeks approval to defer costs associated with this proceeding in a
11 regulatory asset for recovery in its next base rate proceeding.¹¹

12 **Q. What does SPS propose the Commission include in its order in this proceeding to**
13 **address these cost-recovery requests?**

14 A. SPS requests that the Commission:¹²

- 15 ▪ authorize SPS to establish a regulatory asset to capture
- 16 distribution-related costs related to the implementation of the SRP;
- 17 ▪ authorize a 12-month amortization period for the regulatory asset
- 18 requested; and
- 19 ▪ authorize SPS to defer all costs associated with the preparation and
- 20 defense of this application.

⁸ *Id.* at 19:9-16.

⁹ *Id.* at 24:10-12.

¹⁰ *Id.* at 25:4-7.

¹¹ *Id.* at 27:18-23.

¹² Application at 17.

1 **Q. Do you recommend the Commission approve SPS's requested authorizations in this**
2 **proceeding?**

3 A. I recommend approval of SPS's request to defer its distribution-related SRP costs in a
4 regulatory asset consistent with PURA § 38.078 and 16 TAC § 25.62 for recovery in a
5 DCRF proceeding or base rate case. I recommend the Commission deny SPS's request to
6 set the amortization period for the regulatory asset in this proceeding as well as its
7 request to defer costs associated with this proceeding for future recovery. I will discuss
8 each of SPS's cost recovery proposals separately.

9 **A. Regulatory Asset Treatment**

10 **Q. Is SPS's request to defer distribution-related costs related to the implementation of**
11 **its SRP consistent with PURA § 38.078 and 16 TAC § 25.62?**

12 A. Yes. Both the statute and Commission rule permit SPS to defer distribution-related costs
13 related to the implementation of its SRP in a regulatory asset for recovery in a future
14 proceeding. Therefore, SPS's request to defer the distribution-related costs associated
15 with the implementation of its proposed SRP, if approved, is reasonable and I
16 recommend inclusion in any Commission order approving SPS's SRP the following
17 language that conforms with the language of PURA § 38.078(k) and 16 TAC § 25.62(f):

18 SPS may defer all or a portion of the distribution-related costs relating to
19 the implementation of the Company's Resiliency Plan for future recovery
20 as a regulatory asset, including depreciation expense and carrying costs at
21 the Company's weighted average cost of capital established in the
22 Commission's final order in the Company's most recent base rate
23 proceeding in a manner consistent with the Public Utility Regulatory Act
24 Chapter 36, and use Commission-authorized cost recovery alternatives
25 under 16 TAC § 25.243 or another general rate proceeding.

26 **B. Amortization Period**

27 **Q. You noted earlier that among the approvals SPS seeks in this proceeding is**
28 **Commission authorization of a 12-month amortization period for the distribution-**

1 **related costs deferred in the requested SRP regulatory asset. What is SPS's stated**
2 **reason for requesting the Commission to set the amortization period in this**
3 **proceeding?**

4 A. SPS claims that by proposing approval of the 12-month amortization period in this
5 proceeding, it intends to alleviate the pressure of time constraints in a future DCRF case
6 given the 60-day deadline for a decision in such a case.¹³ SPS additionally asserts that it
7 will likely file two DCRFs on a semi-annual cadence as it deploys its SRP investments,
8 which should provide a gradual price impact to customer bills instead of a larger increase
9 in a base rate application two or three years after investments are made.¹⁴ Finally, SPS
10 argues that a 12-month amortization period would incur fewer carrying costs for
11 customers, consistent with its commitment to keep customer bills as low as possible.¹⁵

12 **Q. Is it imperative for the Commission to set the amortization period in this**
13 **proceeding?**

14 A. No. To the extent parties disagree with SPS's proposed amortization period for its SRP
15 regulatory asset in a future DCRF proceeding, that is merely one additional contested
16 issue that will be addressed in the proposal for decision and Commission order. While
17 there are exceptions, the Commission typically sets amortization periods for regulatory
18 assets in the proceeding in which cost recovery in rates is requested, which is after the
19 costs have been incurred. This allows the Commission to review the composition and
20 magnitude of the costs recorded in the regulatory asset and to consider any additional
21 relevant circumstances existing at that time when setting the amortization period. As SPS
22 itself explains:

23 At this time, SPS can only provide a rough estimate of the rate impact by
24 customer class for SPS's projected TCRF and DCRF. This estimate

¹³ Trammell Direct at 25:7-10.

¹⁴ *Id.* at 25:10-15.

¹⁵ *Id.* at 25:15-18.

requires numerous assumptions including, among other things, the total costs of SPS's approved System Resiliency Plan (SRP), the timing of capital investments and O&M activities; any related asset retirements; the timing of DCRF and TCRF rate filings; the amortization of SRP cost deferrals; the applicable deferred income tax benefits; the effects of subsequent changes in the components of the costs of capital, future usage, customer growth; and numerous other factors. Changes to any of these assumptions between now and year-end 2028 will affect the actual rate impacts for SPS customers.¹⁶

In approving a settlement among the parties in Docket No. 56545, *Application of Oncor Electric Delivery Company LLC for Approval of a System Resiliency Plan*, the Commission noted that:

The signatories agree that the Commission should not approve in this proceeding an amortization period for the deferred regulatory asset to which Oncor will book its system resiliency plan-related costs and expenses, and that the appropriate amortization period should be determined in the proceeding in which Oncor requests recovery of system resiliency plan-related costs.¹⁷

The Commission thus found that:

It is reasonable for the Commission to determine the appropriate amortization period in a future proceeding in which Oncor requests recovery of the costs in the system resiliency plan-related deferred regulatory asset; accordingly, the Commission declines to establish an amortization period for the system resiliency plan-related regulatory asset in this proceeding.¹⁸

Although not precedential, it is not likely the Commission would have included these findings in its order in that case if it were imperative that the amortization period be set in a proceeding approving an SRP. I recommend the Commission decline to set an amortization period for SPS's resiliency plan-related regulatory asset at this time and instead find it reasonable to determine the appropriate amortization period in a future

¹⁶ Southwestern Public Service Company's Response to Staff of the Public Utility Commission's Second Request for Information, Question No. Staff 2-2 (Feb. 18, 2025).

¹⁷ *Application of Oncor Electric Delivery Company LLC for Approval of a System Resiliency Plan*, Docket No. 56545, Order at Finding of Fact No. 73 (Nov. 21, 2024).

¹⁸ *Id.* at Finding of Fact No. 74.

1 proceeding after the costs have been incurred and when SPS requests recovery of the
2 costs in rates.

3 **C. Deferral of Proceeding Expenses**

4 **Q. Please explain SPS's request to defer expenses associated with this proceeding for**
5 **future recovery.**

6 A. SPS proposes to defer costs associated with preparing this case in a regulatory asset that
7 would be reviewed for recovery in its next base rate proceeding.¹⁹ SPS explains that it
8 engaged two independent consultants to perform studies and recommendations for its
9 SRP in addition to three legal firms associated with development of the application, and
10 these firms will continue their engagement throughout the pendency of this proceeding.²⁰

11 **Q. Does PURA § 38.078 or 16 TAC § 25.62 provide for recovery of expenses associated**
12 **with SRP proceedings?**

13 A. No, there are no specific provisions in either the statute or rule that explicitly address
14 expenses associated with SRP proceedings.

15 **Q. What is your recommendation regarding SPS's request to defer costs of this**
16 **proceeding in a regulatory asset for future recovery?**

17 A. Although I am not an attorney, my understanding of statutory construction in Texas is
18 that words must be given their ordinary meaning. Both PURA § 38.078 and 16 TAC
19 § 25.62 explicitly provide for deferral of costs associated with *implementation* of an SRP
20 but contain no provisions for recovery of costs associated with proceedings for approval
21 of SRPs. The definition of "implementation" is "the process of putting a decision or plan
22 into effect; execution"²¹ and "the act of starting to use a plan or system."²² Costs

¹⁹ Trammell Direct at 27:18-23.

²⁰ *Id.* at 28:1 – 30:4.

²¹ Dictionary.com

1 incurred in this proceeding for approval of a system resiliency plan are not costs of the
2 process of putting the plan into effect, not costs of executing the plan, and not costs of
3 starting to use the plan. I therefore recommend that the Commission deny SPS's request
4 to defer expenses associated with this proceeding in a regulatory asset for future
5 recovery.

6 **Q. If the costs associated with this proceeding are not considered to be costs of**
7 **implementing SPS's SRP, how would you classify those costs?**

8 A. Although there are differences, this proceeding is most akin to a certificate of
9 convenience and necessity (CCN) proceeding wherein a utility seeks Commission
10 approval to build or otherwise acquire certain capital-investment assets. The costs of this
11 proceeding are therefore regulatory commission expenses very similar to those incurred
12 in a CCN proceeding and should be accounted for and recovered in the same manner.

13 **IV. ACCOUNTING RECOMMENDATION**

14 **Q. Are you addressing any additional cost recovery issues associated with SPS's**
15 **requested SRP?**

16 A. Yes. I recommend the Commission include the following language in any order
17 approving deferral of distribution-related resiliency costs in a regulatory asset:

18 SPS must maintain its books and records related to the System Resiliency
19 Plan regulatory asset approved in this proceeding in such a manner that all
20 costs recorded in the regulatory asset are supported in sufficient detail to
21 enable a comprehensive reconciliation and review of the prudence,
22 reasonableness, and necessity of all amounts recovered through rates, as
23 well as demonstrate compliance with the provisions of PURA Chapter 36.
24 This must include, but is not limited to, the dates when the individual
25 resiliency-related projects began providing service to the public, as well as
26 supporting documentation for the costs associated with the individual
27 resiliency-related projects.

²² Dictionary.cambridge.org

1 **Q. What is the basis for your proposed additional language related to recordkeeping**
2 **for future reconciliation?**

3 A. Although SPS provided a description of the process it will use to track its SRP-related
4 costs,²³ the basis for my proposed accounting language is to ensure that SPS maintains a
5 recordkeeping system for costs included in its SRP regulatory asset in a manner that is
6 capable of producing all information required by the Commission to support such costs.
7 As explained in 16 TAC § 25.62(f)(3)(A), resiliency-related costs recovered through rates
8 are subject to reconciliation, and as part of that reconciliation, the Commission will
9 determine if such costs are reasonable, necessary, and prudent. Additionally, 16 TAC
10 § 25.62(f)(3)(D) explains that information sufficient to enable a comprehensive review
11 must be provided and outlines some of the required project-specific information.
12 Including my proposed accompanying language in the order in this proceeding requires
13 SPS to take steps necessary to meet the requirements of the statute and rule.

14 **Q. Does this conclude your testimony?**

15 A. Yes.

²³ Trammell Direct at 19:18 – 24:2.

LIST OF PREVIOUS TESTIMONY
Before the Public Utility Commission of Texas

Docket No. 9874:

Application of Kimble Electric Cooperative, Inc. for Authority to Change Rates

Docket No. 9981:

Inquiry of the General Counsel into the Reasonableness of the Rates and Services of Central Telephone Company of Texas

Docket No. 13050:

Application of Rayburn Country Electric Cooperative, Inc. for Authority to Change Rates

Docket No. 12065:

Complaint of Kenneth D. Williams Against Houston Lighting and Power Company

Docket No. 14980:

Application of Southwestern Public Service Company Regarding Proposed Business Combination with Public Service Company of Colorado

Docket No. 17751:

Texas-New Mexico Power Company's Application for Approval of the TNMP Transition Plan and Statement of Intent to Decrease Rates, and Appeal of Municipal Rate Actions

Docket No. 29206:

Application of Texas-New Mexico Power Company, First Choice Power, Inc., and Texas Generating Company, L.P. to Finalize Stranded Costs Under PURA §39.262

Docket No. 28813:

Petition to Inquire into the Reasonableness of the Rates and Services of Cap Rock Energy Corporation

Docket No. 31994:

Application of Texas-New Mexico Power Company to Establish a Competition Transition Charge

Docket No. 32766:

Application of Southwestern Public Service Company for: (1) Authority to Change Rates; (2) Reconciliation of its Fuel Costs for 2004 and 2005; (3) Authority to Revise the Semi-Annual

Formulae Originally Approved in Docket No. 27751 used to Adjust its Fuel Factors; and (4) Related Relief

Docket No. 34800:

Application of Entergy Gulf States, Inc. for Authority to Change Rates and to Reconcile Fuel Costs

Docket No. 40627:

Petition for Homeowners United for Rate Fairness to Review Austin Rate Ordinance No. 20120607-055

Docket No. 41430:

Joint Report and Application of Sharyland Utilities, LP, Sharyland Distribution & Transmission Services, and Southwestern Public Service Company for Approval of Purchase and Sale of Facilities, for Regulatory Accounting Treatment of Gain on Sale, and for Transfer of Certificate Rights

Docket No. 41906:

Compliance Tariff of CenterPoint Energy Houston Electric LLC Related to Non-Standard Metering and Service Pursuant to PUC SUBST.R.25.133

Docket No. 41901:

Compliance Tariff of Texas-New Mexico Power Company LLC Related to Non-Standard Metering and Service Pursuant to PUC SUBST.R.25.133

Docket No. 41890:

Compliance Tariff of Oncor Electric Delivery Company LLC Regarding the Rulemaking Related to Advanced Metering Alternatives, Pursuant to PUC SUBST.R.25.133(F)(1)

Docket No. 45747:

Application of CenterPoint Energy Houston Electric, LLC to Amend its Distribution Cost Recovery Factor and to Reconcile Docket No. 44572 Revenues

Docket No. 46449:

Application of Southwestern Electric Power Company for Authority to Change Rates

Docket No. 48371:

Entergy Texas Inc. 's Statement of Intent and Application for Authority to Change Rates

Docket No. 48233:

Application of Southwestern Electric Power Company to Implement Base Rate Decrease in Compliance with Docket No. 46449

Docket No. 48071:

Joint Application of NextEra Energy Transmission Southwest, LLC and Rayburn Country Electric Cooperative, Inc. to Transfer Certificate Rights to Facilities in Cherokee, Smith, and Rusk Counties

Docket No. 47141:

Review of Rate Case Expenses Incurred by Southwestern Electric Power Company and Municipalities in Docket No. 46449

Docket No. 48439:

Review of the Rate Case Expenses Incurred in Docket No. 48371

Docket No. 49737:

Application of Southwestern Electric Power Company for Certificate of Convenience and Necessity Authorization and Related Relief for the Acquisition of Wind Generation Facilities

Docket No. 50731:

Application of Texas-New Mexico Power Company for a Distribution Cost Recovery Factor

Docket No. 50205:

Application of Floresville Electric Light and Power System to Change Rates for Wholesale Transmission Service

Docket No. 50790:

Joint Report and Application of Entergy Texas, Inc. and East Texas Electric Cooperative, Inc. for Regulatory Approvals Related to Transfers of the Hardin County Peaking Facility and a Partial Interest in Montgomery Power Station

Docket No. 50908:

Application of CenterPoint Energy Houston Electric, LLC to Adjust its Energy Efficiency Cost Recovery Factor

Docket No. 50806:

Application of El Paso Electric Company to Adjust its Energy Efficiency Cost Recovery Factor and Establish Revised Cost Cap

Docket No. 51215:

Application of Entergy Texas, Inc. to Amend its Certificate of Convenience and Necessity for the Acquisition of a Solar Facility in Liberty County

Docket No. 51415:

Application of Southwestern Electric Power Company for Authority to Change Rates

Docket No. 51536:

Application of Brownsville Public Utilities Board for Transmission Cost of Service and Wholesale Transmission Rates

Docket No. 52195:

Application of El Paso Electric Company to Change Rates

Docket No. 53436:

Application of Texas-New Mexico Power Company to Amend its Distribution Cost Recovery Factor

Docket No. 52728:

Application of the City of College Station to Change Rates for Wholesale Transmission Service

Docket No. 53637:

Application of Texas-New Mexico Power Company for Approval to Adjust its Energy Efficiency Cost Recovery Factor and Related Relief

Docket No. 53601:

Application of Oncor Electric Delivery Company LLC for Authority to Change Rates

Docket No. 53719:

Application of Entergy Texas, Inc. for Authority to Change Rates

Docket No. 53931:

Application of Southwestern Electric Power Company for Authority to Reconcile Fuel Costs

Docket No. 52715:

Application of Denton Municipal Electric to Change Rates for Wholesale Transmission Service

Docket No. 54634:

Application of Southwestern Public Service Company for Authority to Change Rates

Docket No. 56211:

Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates

Docket No. 56548:

Application of CenterPoint Energy Houston Electric, LLC for Approval of its Transmission and Distribution System Resiliency Plan

Docket No. 56735:

Application of Entergy Texas, Inc. for Approval of a System Resiliency Plan

Docket No. 56954:

Application of Texas-New Mexico Power Company for Approval of a System Resiliency Plan

Docket No. 57057:

Application of AEP Texas, Inc. for Approval of a System Resiliency Plan

Docket No. 57259:

Application of Southwestern Electric Power Company for Approval of a System Resiliency Plan