

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION) OF PUBLIC SERVICE COMPANY OF NEW) MEXICO FOR APPROVAL OF ELECTRIC) ENERGY EFFICIENCY PROGRAMS AND) PROGRAM COST TARIFF RIDER) PURSUANT TO THE NEW MEXICO PUBLIC) UTILITY AND EFFICIENT USE OF ENERGY ACTS) PUBLIC SERVICE COMPANY OF NEW MEXICO') Applicant.) _____)	Case No. 12-00317-UT
---	----------------------

**APPLICATION FOR APPROVAL OF 2012 ELECTRIC ENERGY
EFFICIENCY AND LOAD MANAGEMENT PROGRAM PLAN AND REVISIONS TO
TARIFF RIDER NO. 16**

Public Service Company of New Mexico (“PNM”) respectfully applies to the New Mexico Public Regulation Commission (“Commission” or “NMPRC”), pursuant to the New Mexico Public Utility Act, NMSA 1978 §§ 62-3-1 et seq. (“PUA”), and the New Mexico Efficient Use of Energy Act, NMSA 1978 §§ 62-17-1 et seq. (“EUEA”), for approvals and authorizations for PNM’s 2012 Energy Efficiency and Load Management Program Plan (“2012 Plan”) for the following:

1. Proposed new electric energy efficiency and load management programs (“New Programs”) to be implemented by PNM beginning in May, 2013, namely : Whole House Program, Low Income Home Efficiency Program, Residential Stay Cool Program, Home Energy Reports Program, and Student Efficiency Kits Program;
2. Revised budgets and participation levels for the nine existing programs that PNM is proposing to continue with modifications;

3. Discontinuance in 2013 of the existing Energy Star Home and Energy Smart for Renters programs;

4. Revisions to the tariff rider to recover 2012 Plan costs and proposed profit incentive through 7th Revised Rider No. 16;

5. Approval of a profit incentive in accordance with Section 62-17-5(F) of the EUEA to be collected under the revised tariff rider; and

6. All other approvals, authorizations and actions that may be required under the PUA, the EUEA and Commission rules and orders to implement the 2012 Plan and revised tariff rider.

7. Because of the need to implement the new programs in May 2013 to affect customer usage in the summer season and thereby enable PNM to remain on a path to comply with the energy efficiency goals of the EUEA in 2014, PNM requests a final order from the Commission by April 1, 2013.

In support of this Application, PNM states:

I. BACKGROUND

1. PNM is a New Mexico corporation that owns, operates and controls public utility plant, property and facilities, including generation, transmission and distribution facilities that provide retail and wholesale electric service in New Mexico. PNM is a public utility subject to the jurisdiction of the Commission.

2. The EUEA establishes the state's policy that public utilities include cost-effective and available energy efficiency and load management resources in their energy resource portfolios; that regulatory disincentives to the development of such resources be eliminated; and that the Commission provide public utilities an opportunity

to earn a profit on cost-effective energy efficiency and load management resource development that, with satisfactory program performance, is financially more attractive to the utility than supply-side utility resources. Section 62-17-3.

3. In furtherance of that policy, the EUEA requires the Commission to direct public utilities to evaluate and implement cost-effective programs that reduce energy demand and consumption. Section 62-17-5(B). The EUEA provides that savings from energy efficiency and load management resources (“EE”) in a public utility’s portfolio must be five percent of 2005 total retail kWh sales to New Mexico customers by 2014 and ten percent by 2020. Section 62-17-5(G). Public utilities must obtain the Commission’s approval of EE programs before implementing the programs. Section 62-17-5(E). The Commission may direct public utilities to modify or terminate a program if the program is not sufficiently meeting its goals. Section 62-17-8(C). The EUEA authorizes a public utility that undertakes cost effective EE programs to recover the costs of approved programs and incentives through a tariff rider. Section 62-17-6(A).

4. In Case No. 10-00280-UT, the Commission approved implementation of EE programs proposed in PNM’s 2010 Electric Energy Efficiency and Load Management Plan. Eleven of those programs are still in place and nine are proposed to be continued under the 2012 Plan.

II. 2012 PLAN

1. The 2012 Plan proposes discontinuation of the existing Energy Star Home and Energy Smart for Renters existing programs effective April 1, 2013.

2. The 2012 Plan proposes to continue to offer the following nine existing programs with revised budgets and participation levels:

- A. Refrigerator Recycling;
- B. Residential Lighting;
- C. Easy Savings Kit;
- D. Community CFL;
- E. Power Saver Load Management;
- F. Peak Saver Load Management;
- G. Low Income Refrigerator and CFL Replacement;
- H. Commercial Comprehensive; and
- I. Market Transformation.

3. The 2012 Plan includes the following five proposed New Programs:

A. Whole House Program, a comprehensive program in which a participating PNM residential customer can save money and energy through a home assessment, installation of energy efficiency measures and by choosing one of several rebate packages tailored to meet the customer's needs;

B. Low Income Home Efficiency Program, a comprehensive program that will offer residential low income customers a home assessment free of charge, direct installation of energy efficiency measures and replacement of a refrigerator (provided the customer's current refrigerator meets the criteria for replacement);

C. Residential Stay Cool Program, a program that provides instant or mail-in rebates at major retail outlets (in addition to those available through the Whole House Program) for the purchase of solid-media advanced evaporative cooling units, ENERGY STAR qualified room AC units, high Seasonal Energy Efficiency Ratio ("SEER") (14 and above) central AC units, and variable speed pool pumps;

D. Home Energy Reports, a program that provides targeted residential customers with individualized reports comparing their household energy consumption with similar homes in their area and offers actionable steps to reduce energy use; and

E. Student Efficiency Kit, a program that will provide energy education for 5th graders and a take-home kit of energy efficient measures to be installed in their homes.

4. PNM developed the New Programs with input from the Energy Efficiency Public Advisory Group in accordance with Section 62-17-5(E).

5. 2012 Plan benefits are expected to exceed the costs over the lives of the programs; therefore, the 2012 Plan as a whole, as well as each of its component programs, satisfies the total resource cost (“TRC”) test as required by the EUEA, and is cost effective. Inclusion of PNM’s proposed profit incentive in the cost side of the TRC ratio still provides a TRC ratio above 1.0, demonstrating that customers retain a reasonable share of the net benefits of the EE programs after providing the profit incentive.

6. The 2012 Plan programs are designed to give all customers in the targeted customer classes the opportunity to participate in the programs and to obtain the benefits of increased EE and other economic benefits.

7. The 2012 Plan programs will be available to customers throughout PNM’s service area under the same tariff rider.

**III. REQUESTED APPROVALS FOR THE IMPLEMENTATION
OF 2012 PROGRAMS AND RECOVERY OF 2012 PLAN
COSTS AND PROFIT INCENTIVE**

PNM requests that the Commission make the following determinations and grant the following approvals pursuant to Section 62-17-6(C) of the EUEA:

1. Determine that the 2012 Plan is cost-effective and designed to provide every affected customer class with the opportunity to participate and benefit economically, and satisfies the requirements of the EUEA and applicable Commission rules and orders;

2. Approve the 2012 Plan, including (1) the discontinuance of the Energy Star Home and Energy Smart for Renters programs effective April 1, 2013; (2) the revised budgets and participation levels for the existing programs that PNM is proposing to continue; (3) the proposed New Programs and budgets; and (4) the proposed profit incentive as just and reasonable, all as described in the Direct Testimony and Exhibits submitted herewith and incorporated herein by reference;

3. Determine, pursuant to Section 62-17-6(A) of the EUEA, that PNM's cost recovery proposal is just and reasonable and approve the 7th Revised Tariff Rider No. 16 filed pursuant to Advice Notice No 453; and

4. Grant such other approvals, authorizations and actions that may be required under the PUA, EUEA and Commission rules and orders to implement the 2012 Plan and 7th Revised Tariff Rider No. 16.

IV. TARIFF RIDER

1. The EUEA authorizes public utilities offering cost effective EE programs to recover all program costs and incentives through an approved tariff rider. PNM's 2012 Plan will result in incremental costs that PNM's currently authorized rates and charges are not designed to recover. PNM proposes to recover these costs from the electric customer classes that are eligible to participate in the programs. PNM is requesting approval of a revised EE tariff rider that:

A. increases the Program Year Costs element from 2.150% to 2.598% to recover the amount of approved program costs;

B. increases the Profit Incentive element from 0.112% to 0.486%; and

C. discontinues the Reconciliation element approved in Case No. 11-00123-UT expected to terminate on November 2012, and the two Reconciliation elements approved in the Annual Reconciliation Filing made on April 2012 expected to terminate on December 2012 and April 2013.

2. These revisions will increase customer electric billings by 3.084% over billing levels without the rider in order to recover program costs and profit incentive totaling \$26,698,883. Certain customers' bills will be capped in accordance with Section 62-17-6(A) so that no customer's bill will increase by more than \$75,000 per year over billing levels without the rider.

3. The PNM rate schedules and rules under which the EE rider will be recovered are:

RATE NO.

TITLE

7th Revised Rate No. 16

Energy Efficiency Rider

4. Concurrently herewith PNM is filing the following:

A. PNM Advice Notice No. 453 – 7th Revised Rider No. 16

B. Pursuant to 17.1.2.10(B)(2)(a) and (b) NMAC, attached as Appendix A to this Application is PNM's proposed Notice to Customers which includes a statement of the present rates and the proposed rates for each customer class and the present and anticipated bills to residential customers under the proposed rates and at various usage levels. Appendix A is provided for informational purposes only and the level of authorized revenue and final rate design approved by the Commission may change the rates ultimately charged to each class and for each consumption level from those proposed by PNM.

C. In compliance with 17.1.210.11(C) NMAC, PNM states that:

i. Anticipated increases in annual revenue resulting from the changes to the EE Rider requested in this 2012 Plan are approximately \$8.3 million for program costs and profit incentives, which results in a total EE Rider which is 3.084% of customer bills;

ii. Number of customers in each rate class affected: see PNM Exhibit SMB-3 in the Direct Testimony of Steven Bean; and

iii. Impact on customers as a class average of consumption within each class as nearly as may be calculated: see PNM Exhibit SMB-3, page 3 in the Direct Testimony of Steven Bean.

V. OTHER MATTERS

1. PNM includes and incorporates as if fully set forth in this Application the Direct Testimony and Exhibits of the following witnesses: Gerard T. Ortiz, Steven M. Bean, Patrick J. O'Connell and Frank M. Graves. PNM's 2012 Energy Efficiency and Load Management Program Plan is PNM Exhibit SMB-1 to the testimony of Mr. Bean. PNM will serve a copy of this Application, supporting Direct Testimony and Exhibits, and the Advice Notice on the Attorney General and all counsel of record and parties pro se in PNM's last electric rate case, on the parties to PNM's last electric energy efficiency case and on PNM's Energy Efficiency Public Advisory Group and will publish notice of this filing in accordance with the requirements of the Commission's Rules of Practice and Procedure.

2. The following designated corporate representatives and legal counsel for PNM should receive all notices, discovery requests, objections and responses, briefs, and all other documents related to this case:

Benjamin Phillips
Associate General Counsel
414 Silver Str. NW, MS-AS1
Albuquerque, NM 87158
(505) 241-4836
(505) 241-2338 (Fax)
ben.phillips@pnmresources.com

Mark Fenton
Director, Regulatory Policy and
Case Management
414 Silver Str. NW, MS-1105
Albuquerque, NM 87158
(505) 241-2498
(505) 241-2347 (Fax)
mark.fenton@pnmresources.com

WHEREFORE, PNM respectfully requests that the Commission issue a final order by April 1, 2013, granting the following relief:

1. Approving the 2012 Plan, including the proposed five New Programs, the discontinuance of the Energy Star Home and Energy Smart for Renters programs and

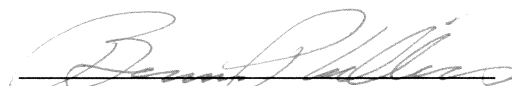
revised budgets and participation levels for the nine existing programs that PNM is proposing to continue;

3. Approving the revisions to the tariff rider as set forth in this Application;

4. Granting such other approvals, authorizations and actions that may be required under the PUA, EUEA and Commission rules and orders to implement the 2012 Plan and revisions to the tariff rider.

#515196

PUBLIC SERVICE COMPANY OF NEW MEXICO



Benjamin Phillips, Associate General Counsel
Public Service Company of New Mexico
414 Silver Str. NW, MS-AS1
Albuquerque, NM 87158
(505) 241-4836
(505) 241-2338 (Fax)
Ben.Phillips@pnmresources.com

Patrick T. Ortiz, Esq.
Rebecca Dempsey, Esq.
Cuddy & McCarthy, LLP
Post Office Box 4160
Santa Fe, NM 87502-4160
(505) 988-4476
(505) 954-7373 (Fax)
portiz@cuddymccarthy.com
rdempsey@cuddymccarthy.com

Attorneys for Public Service Company of New
Mexico