

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. 14-_____-UT

**APPLICATION FOR APPROVAL OF 2014 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 §§-62-1-1 to 62-13-15 (1941, as amended through 2011) (“PUA”), and the New Mexico Efficient Use of Energy Act, NMSA 1978 §§ 62-17-1 to -11 (2005, as amended through 2013) (“EUEA”), for approvals and authorizations for PNM’s 2014 Energy Efficiency and Load Management Program Plan (“2014 Plan”) as follows:

1. Revised budgets and participation levels for the ten existing programs that PNM is proposing to continue, with modifications;
2. A proposed new electric energy efficiency and load management program ("New Program") to be implemented by PNM, specifically, the Multi-Family program;
3. Recovery of 2014 Plan costs and PNM’s proposed profit incentive through the 13th Revised Rider No. 16 filed pursuant to Advice Notice 501;
4. 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

5. All other approvals, authorizations and actions that may be required under the PUA, the EUEA and Commission rules and orders to implement the 2014 Plan and revised tariff rider.

6. Because of the need to implement the new programs in May 2015 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 2015, PNM requests a final order from the Commission by April 1, 2015.

In support of this Application, PNM states the following:

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 (2008).

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) (2013). Cost-effectiveness is to be determined using the

utility cost test (“UCT”) which is a standard that is met if the monetary costs that are borne by the utility and that are incurred to develop, acquire and operate energy efficiency or load management resources (“EE”) on a life-cycle basis are less than the avoided monetary costs associated with developing, acquiring and operating the associated supply-side resources. Sections 62-17-5(C); 62-17-4(K) (2013).

4. The EUEA provides that savings from a public utility’s portfolio must be five percent of 2005 total retail kWh sales to New Mexico customers by 2014 and eight 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) (2008).

5. Funding for program costs for investor-owned electric utilities shall be three percent of customer bills, excluding gross receipts taxes and franchise and right-of-way access fees, or \$75,000 per customer per calendar year, whichever is less, for customer classes with the opportunity to participate. 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) (2013).

6. In Case No. 12-00317-UT, the Commission approved implementation of EE programs proposed in PNM’s 2012 Energy Efficiency and Load Management Program Plan. Ten of those programs are still in place and are proposed to be continued under the 2014 Plan.

II. 2014 PLAN

1. The 2014 Plan proposes a portfolio of eleven programs. PNM is requesting to continue ten programs that were previously approved by the Commission in Case No. 12-00317-UT, with revised budgets and participation levels. Those previously approved programs are:

- A. Commercial Comprehensive;
- B. Residential Comprehensive;
- C. Residential Lighting;
- D. PNM Home Works;
- E. Home Energy Reports (to be continued only through 2015);
- F. Low Income Refrigerator and CFL;
- G. Easy Savings Kit;
- H. Power Saver Load Management;
- I. Peak Saver Load Management;
- J. Market Transformation.

2. PNM's 2014 Plan includes one new program, the Multi-Family program, targeted to owners of multi-family dwellings with rebates and direct-install measures for energy efficiency upgrades in common areas and residential housing units.

3. PNM developed the Multi-Family program with input from the Energy Efficiency Public Advisory Group in accordance with Section 62-17-5(E).

4. PNM's 2014 Plan meets the UCT, the cost-effectiveness test established by the EUEA. All of the programs proposed by PNM in its 2014 Plan meet the UCT.

5. The 2014 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.

6. The 2014 Plan programs will be available to customers throughout PNM's service area and all customers will be charged the same tariff rider.

III. REQUESTED APPROVALS FOR THE IMPLEMENTATION OF 2014 PLAN PROGRAMS AND RECOVERY OF 2014 PLAN COSTS AND PROFIT INCENTIVE

PNM requests that the Commission make the following determinations and grant the following approvals pursuant to the EUEA:

1. Determine that the 2014 Plan (a) is cost-effective and designed to provide every affected customer class with the opportunity to participate and benefit economically, and (b) satisfies the requirements of the EUEA and applicable Commission rules and orders:

2. Approve the 2014 Plan, including (a) the revised budgets and participation levels for the existing programs that PNM is proposing to continue; (b) the proposed new Multi-Family program and its associated budget; and (c) 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 that PNM's cost recovery proposal is just and reasonable, and approve the 13th Revised Tariff Rider No. 16 filed pursuant to Advice Notice 501; 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 2014 Plan and 13th 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 2014 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 2.591% to 3.00% to recover the amount of approved program costs; and

B. increases the Profit Incentive element from 0.196% to 0.231%.

2. These revisions will increase customer billings by 3.231% over billing levels without the rider in order to recover program costs and profit incentive totaling \$27,909,851. 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:

<u>RATE NO.</u>	<u>TITLE</u>
13 th Revised Rider No. 16	Energy Efficiency Rider

4. Concurrently herewith PNM is filing the following:

A. PNM Advice Notice No. 501- 13th 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 2014 Plan are approximately \$3,715,922 for program costs and profit incentives, which results in a total EE rider which is 3.231% of customer bills;

ii. Number of customers in each rate class affected: see PNM Exhibit SC-2 in the Direct Testimony of Stella Chan; and

iii. Impact on customers as a class average of consumption within each class as nearly as may be calculated: see PNM Exhibit SC-2, page 3 in the Direct Testimony of Stella Chan.

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 Stella Chan. PNM's 2014 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 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:

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WHEREFORE, PNM respectfully requests that the Commission issue a final order by April 1, 2015 granting the following relief:

1. Approving the 2014 Plan, including the proposed new Multi-Family program, revised budgets and participation levels for the ten existing programs that PNM is proposing to continue, and proposed profit incentive;
2. Approving the revisions to the tariff rider as set forth in this Application; and
3. Granting such other approvals, authorizations and actions that may be required under the PUA, EUEA and Commission rules and orders to implement the 2014 Plan and revisions to the tariff rider.

Respectfully submitted,

**PUBLIC SERVICE COMPANY OF NEW
MEXICO**



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GCG # 518666

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 OF PUBLIC SERVICE COMPANY OF NEW)
 MEXICO FOR APPROVAL OF ELECTRIC)
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 PROGRAM COST TARIFF RIDER)
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 UTILITY AND EFFICIENT USE OF ENERGY ACTS)
)
 PUBLIC SERVICE COMPANY OF NEW MEXICO,)
 Applicant.)
 _____)

Case No. 14-_____-UT

NOTICE

NOTICE is hereby given that:

On October 6, 2014, Public Service Company of New Mexico ("PNM") filed with the New Mexico Public Regulation Commission ("NMPRC" or "Commission") an Application under the Public Utility Act ("PUA"), the Efficient Use of Energy Act ("EUEA"), and Advice Notice No. 501 for approvals and authorizations necessary to implement its 2014 Electric Energy Efficiency and Load Management Programs and revisions to PNM's Energy Efficiency Rider For PNM Electric Services No. 16 ("Rider 16"). The Application requests specific approval of the following: (1) revised participation targets and budgets for ten existing programs; (2) one new program—the Multifamily program; (3) revisions to Rider No. 16 in compliance with the 2013 Amendments to the EUEA and as set forth in the Advice Notice; (4) a profit incentive in accordance with Section 62-17-5(F) of the EUEA, to be collected under the revised Rider; and (4) all other approvals, authorizations and actions that may be required under applicable law to implement the 2014 Plan and revised tariff rider.

Rider No. 16 allows PNM to recover costs incurred as a result of implementing, funding and administering residential and commercial electric energy efficiency and load management programs included in the portfolio as well as a profit incentive approved by the Commission in accordance with the EUEA. The 2014 proposed program portfolio includes eleven programs. The revisions to Rider No. 16 provide for recovery of the following: the cost for programs related to the 2014 Plan, and the profit incentive rate element approved by the Commission as required by the EUEA. The currently approved Program Rider charge under Rider No. 16 is 2.683% (including reconciliation amounts) of each affected customer's bill. The percentage that will be applied to the customer bill upon approval of the Application and Advice Notice will be 3.231% exclusive of gross receipts tax and franchise fees and takes into account the maximum annual payment of \$75,000 for program costs by any utility customer. The total amount to be collected under the Revised Rider No. 16 will be \$27,909,851 exclusive of gross receipts tax and franchise fees. The table below identifies the cost of each component to be collected through the Rider.

EE Program Costs	Amount	Percentage Impact	Months for Recovery
2014 Program Costs	\$25,842,415	3.000%	12 months
2014 Profit Incentives	\$2,067,436	0.231%	12 months
Total	\$27,909,851	3.231%	12 months

Currently, PNM Rider No. 16 applies to PNM Electric Services customers in the following rate classes: Residential Service 1A & 1B, Small Power Service 2A & 2B,

General Power Service 3B & 3C, Large Power Service 4B, Large Power Service for Mining Customers 5B, Water & Sewage Pumping 11B, Large Service for Public Universities 15B, Special Contract Service for Large Customers 23, and Large Service for Manufacturing – Distribution Level 30B.

The following tariff rider charges will be paid in addition to the current non-energy efficiency charges that the customer is paying and will be collected through a line item charge on the customer's bill:

Affected Electric Rate Classes	Tariff Applied	Program Cost Charge
PNM Electric Service Area:		
Residential Service 1A & 1B	PNM Rider No. 16	3.231 % of each bill*
Small Power Service 2A & 2B	PNM Rider No. 16	3. 231% of each bill*
General Power Service 3B & 3C	PNM Rider No. 16	3.231% of each bill*
Large Power Service 4B	PNM Rider No. 16	3.231% of each bill*
Large Power Service for Mining Customers 5B	PNM Rider No. 16	3.231% of each bill*
Water & Sewage Pumping 11B	PNM Rider No. 16	3.231% of each bill*
Large Service for Public Universities 15B	PNM Rider No. 16	3.231% of each bill*
Special Contract Service – Large Customers 23	PNM Rider No. 16	3.231% of each bill*
Large Service, Manufacturing – Distribution Level 30B	PNM Rider No. 16	3.231% of each bill*

*3.231% of each affected customers' bill is exclusive of gross receipts tax and franchise fees and takes into account the maximum annual payment for program costs of \$75,000 by any utility customer.

To calculate the dollar impact of all energy efficiency program cost charges on your monthly bill you would take the amount of your current bill, deduct the amounts shown for gross receipts taxes and franchise fees, and then multiply the balance by 0.03231.

For PNM North residential customers on Rate Schedule 1A without demand meters, the present average monthly bill and the anticipated bill for each of the following levels of consumption are as follows:

<u>Consumption (kwh)</u>	Present Bill	Anticipated bill
0	\$5.13	\$5.16
250	\$31.97	\$32.14
500	\$60.47	\$60.80
750	\$95.67	\$96.19
1000	\$132.16	\$132.86
2000	\$285.76	\$287.29

For PNM South residential customers on Rate Schedule No. 1A without demand meters, the present bill and the anticipated bill for each of the following levels of consumption are as follows:

<u>Consumption (kwh)</u>	Current Bill	Anticipated bill
0	\$5.13	\$5.16
250	\$33.53	\$35.72
500	\$66.11	\$66.46
750	\$97.47	\$97.99
1000	\$128.97	\$129.66
2000	\$255.87	\$257.24

The proposed rate changes stated by customer rate class are for informational purposes. The final rates as approved may vary.

Energy efficiency programs play an important role in PNM's resource portfolio and are included in the 2014 Integrated Resource Plan's most cost effective resource portfolio. The benefits for programs included in PNM's 2014 Energy Efficiency and Load Management Program Plan exceed the costs, primarily due to a reduced need for future generation plant additions and the costs for capacity and energy that can be avoided through energy efficiency and load management programs.

1. Further information regarding this case may be obtained by contacting PNM or the Commission at the addresses and telephone numbers provided below. The Commission has assigned Case No. 14-_____-UT to this proceeding, and all inquiries or written comments concerning this matter should refer to that case number.

2. Any person desiring to become a party to this case must file, via hand delivery or regular mail at the following address, an original and five (5) copies of a Motion for Leave to Intervene in conformity with 1.2.2.23.A NMAC on or before _____, 2014:

New Mexico Public Regulation Commission
ATTN: Records Division
PERA Building
P.O. Box 1269
1120 Paseo de Peralta
Santa Fe, NM 87501-1269

3. The Commission Staff and Intervenors may file any direct testimony on or before _____, 2014.

4. Any rebuttal testimony must be filed on or before _____, 2014.

5. A public hearing will be held beginning at ____ a.m. on _____, 2015, at the Commission's offices, in the Ground Floor Hearing Room, 1120 Paseo de

Peralta, Santa Fe, New Mexico, for the purpose of hearing and receiving evidence, arguments and any other appropriate matters in order to determine whether PNM's proposed programs and revised tariff rider, or other programs and tariff rider, should be approved by the Commission. The hearing may continue on _____. Any interested person should contact the Commission for confirmation of the hearing date, time and place since hearings are occasionally rescheduled. The hearing date and other information regarding this case will also be posted on the Commission's website (www.nmprc.state.us).

6. The procedural dates and requirements currently set in this case are subject to further Order of the Commission or the Hearing Examiner.

7. The Commission's Procedural Rules found at 1.2.2 NMAC shall apply to this proceeding except as modified by Order of the Commission or Hearing Examiner. A copy of such Rules may be obtained from the offices of the Commission.

8. Anyone filing pleadings, documents or testimony in this case shall serve a copy on all parties of record and Staff and, in addition to paper copies, shall simultaneously deliver by email all such filings to all other parties, Staff and the Hearing Examiner.

9. Any interested person may examine PNM's filing in this case together with any exhibits and related papers which may be filed in this case at PNM's office, 414 Silver, SW, Albuquerque, New Mexico 87102, telephone: (505) 241-2700, or at the Commission's offices, 1120 Paseo de Peralta, Santa Fe, New Mexico 87501, (505) 827-6941.

10. Any interested person may appear at the time and place of hearing and make a written or oral comment pursuant to 1.2.2.23F NMAC without becoming an intervenor. Interested persons may also send written comments, which shall reference NMPRC Case No. 14-____-UT, to the Commission at the address set out in Paragraph 2 above. However, comments governed by this paragraph will not be considered as evidence in this case.

11. Any person whose testimony has been pre-filed will attend the hearing and submit to examination under oath.

12. Interested persons should contact the Commission for confirmation of the hearing date, time and place, since hearings are occasionally rescheduled.

13. Any person with a disability requiring special assistance in order to participate in this proceeding should contact the Commission at least 24 hours prior to the commencement of the hearing.

I S S U E D at Santa Fe, New Mexico this ____ day of _____, 2014.

NEW MEXICO PUBLIC REGULATION COMMISSION

Hearing Examiner