

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY'S ENERGY)
EFFICIENCY COMPLIANCE APPLICATION)
THAT REQUESTS AUTHORIZATION TO: (1))
PER APPROVED VARIANCE, CONTINUE ITS:)
(A) 2017 ENERGY EFFICIENCY AND LOAD)
MANAGEMENT PROGRAMS FOR PLAN) CASE NO. 17-00____-UT
YEAR 2018; (B) 2017 ENERGY SAVINGS GOAL)
FOR PLAN YEAR 2018; (C) ENERGY)
EFFICIENCY TARIFF RIDER TO RECOVER)
THE THREE PERCENT FUNDING LEVEL FOR)
PLAN YEAR 2018 AND RECONCILIATION OF)
2016 EXPENDITURES AND COLLECTIONS;)
AND (D) 2017 FINANCIAL INCENTIVE FOR)
PLAN YEAR 2018 AND RECOVER THE)
INCENTIVE THROUGH ITS ENERGY)
EFFICIENCY TARIFF RIDER; AND (2))
RECOVER THE 2016 RECONCILED)
FINANCIAL INCENTIVE THROUGH THE)
ENERGY EFFICIENCY TARIFF RIDER.)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
)
APPLICANT.)

DIRECT TESTIMONY

of

RUTH M. SAKYA

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

July 3, 2017

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
2016 Stipulation	Stipulation approved by the Commission in Case No. 16-00110-UT
2018 Plan	SPS's 2018 Energy Efficiency and Load Management Plan
Commission	New Mexico Public Regulation Commission
EE/LM	Energy Efficiency and Load Management
EE Rider	Energy Efficiency Rider
EE Rule	Energy Efficiency Rule, 17.7.2 NMAC
EPE	El Paso Electric Company
EUEA	Efficient Use of Energy Act (NMSA 1978, Sections 62-17-1 through 62-17-11)
FERC	Federal Energy Regulatory Commission
GWh	Gigawatt-hour
June 25 th Order	Final Order Adopting Certification of Stipulation in Case No. 13-00286-UT
kWh	Kilowatt-hour
PY	Program Year
PUA	Public Utility Act (NMSA 1978, Sections 62-3-1 et seq.)
PUCT	Public Utility Commission of Texas

<u>Acronym/Defined Term</u>	<u>Meaning</u>
SPS	Southwestern Public Service Company, a New Mexico corporation
WACC	Weighted Average Cost of Capital
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
RMS-1	2018 EE Plan Budget and Incentive Calculation and 2016 Under-Recoveries
RMS-2	Proposed 2018 Plan Year Revenue Requirement
RMS-3	Bill Impact of Each Component of the Revenue Requirement
RMS-4	Bill Impact Estimates at Different Levels of Usage
RMS-5	EE Tariff Rider
RMS-6(CD)	Workpapers

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1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3 A. My name is Ruth M. Sakya. My business address is 1400 Ducale Drive SE, Rio
4 Rancho, New Mexico 87124.

5 **Q. On whose behalf are you testifying in this proceeding?**

6 A. I am filing testimony on behalf of Southwestern Public Service Company, a New
7 Mexico corporation (“SPS”) and wholly-owned electric utility subsidiary of Xcel
8 Energy Inc. (“Xcel Energy”). Xcel Energy is a registered holding company that
9 owns several electric and natural gas utility operating companies, a regulated
10 natural gas pipeline company, and transmission development companies.¹

11 **Q. By whom are you employed and in what position?**

12 A. I am employed by SPS, as Manager, Regulatory Policy.

¹ Xcel Energy is the parent company of four utility operating companies: Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS. Xcel Energy’s natural gas pipeline subsidiary is WestGas InterState, Inc. Through a subsidiary, Xcel Energy Transmission Holding Company, LLC, Xcel Energy also owns three transmission-only operating companies: Xcel Energy Southwest Transmission Company, LLC; Xcel Energy Transmission Development Company, LLC; and Xcel Energy West Transmission Company, LLC, all of which are either currently regulated by the Federal Energy Regulatory Commission (“FERC”) or expected to be regulated by FERC.

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1 **Q. Please briefly outline your responsibilities as Manager, Regulatory Policy.**

2 A. I am responsible for determining the appropriate regulatory policy for SPS. In
3 this role, I direct and prepare comments, testimony, and briefing materials for
4 policy matters impacting SPS. Among my responsibilities are SPS's renewable
5 energy, energy efficiency, and load management matters before the New Mexico
6 Public Regulation Commission ("Commission") and the Public Utility
7 Commission of Texas ("PUCT"), including changes to the Commission's rules
8 related to renewable energy, energy efficiency, and cost recovery riders. In
9 carrying out my responsibilities regarding these matters, I have become familiar
10 with the Commission's rules and applicable statutes affecting these areas.

11 **Q. Please describe your educational background.**

12 A. I graduated from the University of Wyoming in 1998 with a Bachelor of Science
13 degree in Finance and, in 2001, with a Master of Science degree in Finance, with
14 an emphasis in Regulatory Economics. I completed the coursework and
15 successfully passed the qualifying exams toward a Ph.D. in Public Affairs from
16 the University of Colorado, Denver.

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1 **Q. Please describe your professional experience.**

2 A. I began my career in 1999 as an intern with the Illinois Commerce Commission
3 and in 2000 joined the PUCT as a Senior Policy Analyst. I have held various
4 other positions, including Rate Analyst at a multi-jurisdictional electric and gas
5 utility, and Senior Analyst and then Supervising Analyst with a consulting firm
6 specializing in services to regulatory agencies and municipal entities. In 2004, I
7 accepted a position with Xcel Energy Services Inc. (“XES”) as Senior Rate
8 Analyst. In 2007, I accepted a position with XES as Manager, Regulatory Policy.
9 Beginning January 1, 2012, my position as Manager, Regulatory Policy was
10 transferred to SPS, where my job responsibilities continue to be the same as they
11 have been since 2007.

12 **Q. Have you testified or filed testimony before any regulatory authorities?**

13 A. Yes. I have filed testimony before the Commission, the PUCT, and the Colorado
14 Public Utilities Commission in numerous cases, including SPS’s prior EE Plan
15 filings. I have also testified before each of these regulatory authorities regarding,
16 among other things, the topics discussed in this direct testimony.

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1 **II. ASSIGNMENT AND RECOMMENDATIONS**

2 **Q. What is the purpose of your testimony?**

3 A. The purpose of my testimony is to support a modified version of SPS's
4 Application for its 2018 energy efficiency and load management plan ("2018
5 Plan"), which is based on the Commission's approval of a variance from Section
6 8 of the Commission's Energy Efficiency Rule (17.7.2 NMAC) that was granted
7 on March 1, 2018. The approved variance allows SPS to file a compliance filing
8 for 2018 rather than a full EE/LM plan filing. The modified EE/LM plan
9 addresses the following topics:

10 (a) reconciliation of SPS's 2016 Commission-approved incentive;

11 (b) establish an incentive mechanism for the 2018 program year ("PY");

12 (c) address the status report of actual three percent collections in
13 accordance with Section 62-17-6(A) of the Efficient Use of Energy
14 Act ("EUEA") and forecasted three percent collections and request
15 Commission approval for inclusion of its over- or under-recovery of
16 program costs as either a regulatory asset (for under-recovery) or a
17 regulatory liability (for over-recovery); and

18 (d) address any EE program updates or modifications for the 2018 PY².

² Case No. 17-00028-UT, *In the Matter of Southwestern Public Service Company's Application Requesting Approval of: (1) its 2018 Energy Efficiency and Load Management Plan and Associated Programs; (2) Continuation of its Energy Efficiency Tariff Rider and Recovery of the Difference Between SPS's Plan Year 2016 Collections and Expenditures through its Energy Efficiency Tariff Rider; and (3) a Financial Incentive for Plan Year 2018 and Recovery of the Incentive through its Energy Efficiency Tariff Rider*, Order Granting Variance (Mar. 1, 2017).

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1 I address the first three items above. In addition, I address: (1) how SPS
2 determined the funding level for its 2018 PY Energy Efficiency and Load
3 Management (“EE/LM”) Programs; (2) the calculation of the 2018 Energy
4 Efficiency Rider (“EE Rider”); and (3) the appropriate weighted average cost of
5 capital (“WACC”) to use when calculating the cost-effectiveness of EE/LM
6 programs and the overall portfolio.

7 **Q. What specific topics do you address in your testimony?**

8 A. My testimony addresses the following:

- 9 • an introduction of SPS’s other witness in this case;
- 10
- 11 • a summary of SPS’s request for relief in this case;
- 12 • an explanation of how SPS determined the funding level for its 2018
- 13 PY EE/LM Programs, which, along with necessary adjustments,
- 14 formed the basis for the budget for the 2018 PY EE/LM Programs
- 15 • the calculation of the 2018 EE Rider, which includes program and
- 16 administrative costs, the proposed financial incentive, the
- 17 reconciliation of the 2016 EE Rider, and the reconciliation of prior
- 18 period under-collections, and the resultant projected customer bill
- 19 impacts;
- 20 • SPS’s request to continue the same 2017 PY incentive approved by the
- 21 Commission for 2018 PY;
- 22 • a reconciliation of SPS’s Commission-approved 2016 PY incentive;
- 23 • a discussion of the use of “after-tax” WACC for UCT calculations;
- 24 and

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- 1 • the timing of a status report of actual 2016 three percent collections
2 and forecasted three percent collections and a request for Commission
3 approval to include the over- or under-recovery of program costs as
4 either a regulatory asset (for under-recovery) or a regulatory liability
5 (for over-recovery).

6 **Q. Please introduce the other witness supporting SPS’s 2018 application.**

7 A. Donna A. Beaman supports and addresses the modifications to the 2017
8 Commission-approved programs based on the 2018 funding level (also referred to
9 as the 2018 PY budget). In addition, Ms. Beaman provides the calculation of the
10 earned 2016 incentive and the proposed baseline 2018 incentive.

11 **Q. Please summarize the requested relief in this case.**

12 A. Below, I provide a summary and cite which witness supports the requested relief.
13 SPS’s application requests the Commission:

- 14 (a) approve SPS’s request to continue its Commission-approved 2017
15 PY EE/LM programs for 2018 PY and authorize SPS to fund its
16 2018 EE/LM programs at three percent of customer bills (the “three
17 percent funding level”) in accordance with Section 62-17-6(A) of the
18 EUEA and 17.7.2.8(C)(1) NMAC; (*Beaman*)
19
20 (b) approve SPS’s request to continue its Commission-approved 2017
21 energy savings goal for 2018 PY; (*Beaman*)
22
23 (c) approve the continuation for 2018 PY of the incentive mechanism
24 the Commission approved for 2017 PY and authorize recovery
25 through SPS’s EE Rider; (*Sakya and Beaman*)

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- 1 (d) approve the reconciliation of SPS's Commission-approved 2016 PY
2 incentive and recovery of the under-recovered amount through SPS's
3 EE Rider; (*Sakya*)
4
5 (e) authorize a regulatory asset for the under-recovered difference
6 between SPS's 2016 PY EE collections and expenditures and to
7 amortize the regulatory asset through a reduction to the 2018 and
8 2019 EE program funding levels in conformity with the stipulation
9 approved by the Commission in Case No. 16-00110-UT ("2016
10 Stipulation"); (*Sakya*)
11
12 (f) approve an overall 2018 EE Rider revenue requirement and
13 authorization to recover these costs through SPS's EE Rider;
14 (*Sakya*) and
15
16 (g) grant all other approvals, authorizations, and relief that may be
17 required under the EUEA, the Energy Efficiency Rule, 17.7.2
18 NMAC ("EE Rule"), and the New Mexico Public Utility Act
19 (NMSA 1978, Sections 62-3-1 et seq., "PUA") for SPS to implement
20 the approved 2018 Plan and EE Rider.

21 **Q. Is SPS submitting a 2018 EE/LM Plan?**

22 A. No. As noted earlier, SPS is requesting the Commission-approved 2017 PY
23 EE/LM programs be continued for 2018 PY. Thus, SPS is only providing
24 updated appendices to the 2017 PY Plan to show the impact of the new three
25 percent funding level for programs in 2018 PY. Such an approach is consistent
26 with the Commission's approval of SPS's request to submit a modified EE filing
27 for the 2018 PY. The updated appendices are provided as attachments to the
28 Direct Testimony of Donna A. Beaman. In addition, for ease of reference, SPS

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1 has provided a copy of SPS's 2016 Annual EE Report as Attachment DAB-1(CD)
2 to Ms. Beaman's testimony.

3 **Q. Please summarize your testimony.**

4 A. My testimony demonstrates that SPS has reasonably estimated and should be
5 allowed to establish its 2018 EE Rider revenue requirement at \$11,418,059, for a
6 total 2018 EE Rider rate of 3.50 percent.

7 The EE Rider is comprised of three components. First, consistent with the
8 EE Rule and 2016 Stipulation, SPS established its 2018 PY budget (i.e., program
9 and administrative expenses) based on the lower of three percent of a customer's
10 bill or \$75,000 per year per customer, excluding gross receipts taxes and franchise
11 and right-of-way access fees (Section 62-17-6(A)) (i.e., the "three percent funding
12 level"), adjusted for reconciliations required by the EE Rule and 2016 Stipulation.
13 The three percent funding level for 2018 PY is \$9,836,846. Consistent with
14 Section 62-17-6 of the EUEA and Section 17.7.2.8(C) of the EE Rule, the
15 Commission should authorize SPS to collect its three percent funding through
16 SPS's EE Rider.

17 Next, SPS's request to continue the Commission-approved 2017 PY
18 financial incentive mechanism for the 2018 PY should be approved as consistent

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1 with the EUEA and EE Rule. My testimony demonstrates that the
2 Commission-approved 2017 PY financial incentive mechanism provides SPS an
3 opportunity to earn an incentive that appropriately encourages SPS to maximize
4 EE/LM savings, while ensuring the majority of the benefits inure to customers.
5 The total financial incentive of \$838,883 which includes the reconciliations
6 authorized by the Commission through the 2016 Stipulation, is reasonable and
7 should be authorized for collection through the EE Rider.

8 The third component of the EE Rider Revenue requirement is the
9 reconciliation of prior period costs (\$742,330). These costs were approved for
10 collection through the EE Rider by the Commission in Case No. 15-00376-UT
11 and are thus appropriately reconciled through the EE Rider.

12 When considered together, the Commission should authorize a total
13 revenue requirement of \$11,418,059 to be collected through the 2018 EE Rider,
14 subject to future reconciliation(s).

15 Finally, my testimony addresses SPS's disagreement with the "after-tax"
16 WACC required to be used, in its next EE case, by El Paso Electric Company

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1 (“EPE”) in Case No. 16-00185-UT.³ While SPS provides alternative
2 cost-effectiveness calculations in its filing using the “after-tax” WACC, the
3 Commission should make any policy changes like this through a rulemaking.

4 **Q. Were Attachments RMS-1 through RMS-5 and certain workpapers**
5 **contained in RMS-6(CD) prepared by you or under your direct supervision**
6 **and control?**

7 A. Yes.

8 **Q. Are the referenced documents included in Attachment RMS-6(CD) true and**
9 **correct copies of the referenced documents?**

10 A. Yes.

³ *In the Matter of the Application of El Paso Electric Company for Approval of 2017 Energy Efficiency and Load Management Plan, Utility Incentive and Revised Rate No. 17 – Efficient Use of Energy Recovery Factor*, Case No. 16-00185-UT, Final Order Approving Recommended Decision (Feb. 22, 2017).

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1 **III. BACKGROUND**

2 **A. EUEA Requirements**

3 **Q. What are the EUEA general requirements for electric utilities?**

4 A. The EUEA requires public utilities to obtain cost-effective and achievable energy
5 efficiency and load management, with energy reductions of no less than five
6 percent of 2005 retail sales by 2014 and eight percent by 2020 (Section
7 62-17-5(G)). However, the Commission can find, with sufficient evidence, that a
8 lower goal is appropriate (Section 62-17-5(H)).

9 Program funding is established at the lower of three percent of a
10 customer's bill or \$75,000 per year per customer, excluding gross receipts taxes
11 and franchise and right-of-way access fees (Section 62-17-6(A)) (i.e., the "three
12 percent funding level"). In addition, a minimum of five percent of spending must
13 be dedicated to cost-effective, low-income programs (Section 62-17-6(A)).

14 Finally, the Commission is required to identify and remove regulatory
15 disincentives to EE/LM and provide an opportunity for utilities to earn a profit on
16 cost-effective EE/LM programs (Section 62-17-5(F)).

17 **Q. What are SPS's savings requirements pursuant to the EUEA?**

18 A. In 2005, SPS's retail sales were 3,750,469 megawatt-hours. Therefore, the EUEA
19 requirements equate to targets of 187.5 gigawatt-hours ("GWh") of energy

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1 efficiency savings (at the customer meter) by 2014 and 300 GWh by 2020 (at the
2 customer meter). In accordance with Section 62-17-5(H) of the EUEA, the
3 Commission lowered SPS's 2014 minimum cumulative savings requirements to
4 171.574 GWh (net customer).⁴ SPS met the EUEA 2014 requirements of 187.5
5 GWh in 2015. SPS's 2018 Plan, as discussed by Ms. Beaman, allows SPS to
6 make reasonable and continued progress toward meeting the 2020 requirement.

7 **B. Variance Requested for SPS's Application**

8 **Q. How does the Commission's EE Rule relate to the EUEA?**

9 A. The EE Rule implements the EUEA by establishing specific requirements
10 regarding annual applications and reports. However, as I mentioned earlier, the
11 Commission granted SPS a variance, allowing SPS to file a modified application
12 for 2018.

⁴ Case No. 13-00286-UT, *In the Matter of Southwestern Public Service Company's Application for Approval of its (A) 2014 Energy Efficiency and Load Management Plan and Associated Programs, (B) Request for Financial Incentives for 2013-2015; (C) Cost Recovery Tariff Rider, and (D) Request to Establish Lower Minimum Savings Requirements for 2014 under the Efficient Use of Energy Act*, Final Order Adopting Certification of Stipulation (Jun. 25, 2014) ("June 25th Order"). See Certification of Stipulation (Reissued as Corrected), FoF No. 12 (Apr. 29, 2014), as adopted by June 25th Order.

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1 **Q. Why did SPS seek a variance to submit a modified EE application for the**
2 **2018 PY?**

3 A. SPS's intent was to streamline the processing of EE/LM cases, while ensuring
4 progress toward the EUEA goals was maintained. On January 25, 2017, the
5 Commission issued notice of a rulemaking in Case No. 17-00010-UT.⁵ At the
6 time, the rule-making proposed new filing deadlines for utilities to submit annual
7 applications under Section 17.7.2.8(A). The proposed revisions to Section
8 17.7.2.8(A) would have authorized a utility not to file an application in 2017, but
9 instead file in 2018.⁶

10 While SPS favored extending the dates for filing of EE applications, as a
11 result of the 2016 Stipulation, SPS needed to submit some updates to the
12 signatories and Commission. For example, under Section 2.3, SPS was obligated
13 to submit a status report of its calendar year collections as compared to its
14 forecasted collections. Also: (1) under Section 3.3, SPS was to recover \$268,317
15 for a 2015 PY under-recovery; and (2) under Section 4.3, SPS was to include
16 \$208,135 of previously unreported collections from 2014 PY as a part of the 2016

⁵ Case No. 17-00010-UT, *In the Matter of Amending the Energy Efficiency Rule 17.7.2 NMAC*. On June 21, 2017 the Commission issued an Order Adopting Final Rules Amending Rule 17.7.2 NMAC On Energy Efficiency.

⁶ The Commission's Order Adopting Final Rules Amending Rule 17.7.2 NMAC On Energy Efficiency requires SPS to file an EE application every three years beginning in 2019.

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1 PY reconciliation. Finally, under Section 1.2(b), SPS agreed that EE/LM
2 program budgets will be based on the most recent calendar year's actual three
3 percent collections through customer bills, with limited known and measurable
4 changes. Thus, there were items to update in the interim until the rulemaking was
5 finalized and afterward, as a transition mechanism; therefore, SPS sought
6 authorization to submit a modified EE/LM application for the 2018 PY.

7 **Q. Is it fair to characterize the approved variance as allowing SPS to continue**
8 **its 2017 EE/LM programs until a full EE/LM is required by the EE Rule in**
9 **2019?**

10 A. Yes, subject to updates for the new 2018 PY program budget and to account for
11 required reconciliations as per the 2016 Stipulation. As Ms. Beaman describes,
12 SPS's modified filing meets the objections of the Commission to streamline the
13 processing of EE cases, while allowing SPS to remain on the trajectory of meeting
14 its 2020 EUEA goals.

15 **Q. Has SPS complied with the requirement (17.7.2.14(B) NMAC) to post its**
16 **annual report on a publicly accessible website?**

17 A. Yes. SPS's 2016 Annual Report can be accessed at the following website:

18 http://www.xcelenergy.com/Company/Rates_and_Regulations/Filings/New
19 [_Mexico_Demand-Side_Management.](http://www.xcelenergy.com/Company/Rates_and_Regulations/Filings/New_Mexico_Demand-Side_Management)

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1 **Q. Is SPS requesting removal of regulatory disincentives in this proceeding**
2 **under 17.7.2.17 NMAC?**

3 A. No.

4 **Q. Are there any audit costs to be recovered under 17.7.2.18 NMAC?**

5 A. No, not at this time.

6 **Q. Does SPS have any obligations or Commission directives from prior cases to**
7 **address in this case?**

8 A. Yes. SPS has several obligations from prior cases that are addressed in this case.
9 Ms. Beaman discusses each of these obligations in her direct testimony.

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1 **IV. 2018 PROGRAM BUDGET DEVELOPMENT**

2 **Q. What is SPS's 2018 PY budget for program and administrative expenses?**

3 A. The 2018 PY budget, or three percent funding level, is \$9,836,846⁷. This amount
4 only pertains to program and administrative expenses as authorized by the EUEA
5 and 17.7.2.8(C)(1) and 17.7.2.13(B) NMAC. The performance incentive and
6 other reconciliations are not included in the 2018 PY budget and are discussed
7 later in my testimony. Please refer to Attachment RMS-1 for the components of
8 the 2018 PY budget.

9 **Q. How was the 2018 PY budget developed?**

10 A. SPS developed its 2018 PY budget consistent with the methodologies established
11 by 17.7.2.8(C) NMAC and Section 1.2(b) of the 2016 Stipulation. Specifically,
12 the 2018 PY budget is determined through four calculations (*see* Attachment
13 RMS-1):

- 14 1. 2016 PY Overage/Underage per the requirements 17.7.2.8(E) NMAC
15 (Lines 1-4) – \$586,085;
- 16 2. The difference between 2016 PY actual collection versus actual expenses
17 (NMSA 1978, §§62-17-6(A)), which, consistent with the 2016 Stipulation,
18 is amortized over two-years – \$(30,050) (Lines 6-11);

⁷ The 2016 budget was \$9,156,623 and the 2017 budget was \$9,115,618.

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- 1 3. Prior period adjustments – \$(164,249) (Lines 13-16); and
- 2 4. Determination of the 2018 projected program revenue – \$9,427,719 (Line
- 3 19).
- 4 Finally, interest was applied at the customer deposit interest rate (resulting in an
- 5 additional \$17,341 (Line 24) added to the 2018 PY budget). In total, SPS derived
- 6 a 2018 PY budget of \$9,836,846 (Line 25).
- 7 **Q. Beginning with Step 1, please describe the overage/underage calculation.**
- 8 A. 17.7.2.8(D) and (E) NMAC require a reconciliation of SPS's
- 9 Commission-approved budget (authorized funding) compared to actual
- 10 expenditures. In 2016, SPS's Commission-authorized funding was established at
- 11 \$9,156,623, compared to spending of \$8,570,538, resulting in an underage of
- 12 \$586,085. In other words, SPS spent 93.6 percent of its 2016
- 13 Commission-authorized funding level. Consistent with 17.7.2.8(E) NMAC, SPS
- 14 added the underage to the 2018 requested Commission-authorized funding. *See*
- 15 Attachment RMS-1, Lines 1 through 4.
- 16 **Q. What was the next step in calculating the 2018 PY budget?**
- 17 A. Next, SPS calculated the difference between spending and collection, in
- 18 accordance with Section 62-17-6(C) of the EUEA and 17.7.2.13(C) NMAC. In
- 19 2016, SPS collected \$8,510,439 and expended \$8,570,538, for an under-collection

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1 of \$60,099. Pursuant to Section 2.1, the 2016 under-collection was amortized
2 over a two-year period and applied as a reduction to the 2018 PY budget. *See*
3 Attachment RMS-1, Lines 6 through 11.

4 **Q. Please describe how the prior period adjustments impact the 2018 PY**
5 **budget.**

6 A. The 2016 Stipulation addressed two prior-period adjustments: (i) the inclusion of
7 unrecognized 2014 revenue; and (ii) amortization of the 2015 under-collection. In
8 net, the prior period adjustments reduce the 2018 PY budget by \$164,249. *See*
9 Attachment RMS-1, Lines 13 through 16.

10 **Q. Finally, how was the 2018 projected program revenue determined?**

11 A. SPS:

- 12 • Determined its 2018 revenue by multiplying rates by the number of
13 customer bills, kilowatt-hours (“kWh”), and kilowatt (“kW”) billed for
14 usage in 2016. Base rates were established by the Commission in Case
15 No. 15-00296-UT, fuel and purchased power expenses were based on
16 projections for 2018 (as presented in Case No. 16-00269-UT), and the
17 RPS Rider revenue was based on the 2017 RPS Rider rate of \$0.003769
18 per applicable kWh. The unadjusted result was \$364.4 million.
- 19 • The \$364.4 million in total revenue was adjusted to remove approximately
20 \$50.1 million in billings to large customers that would result in energy
21 efficiency charges exceeding \$75,000 a year. This resulted in estimated
22 2018 revenues applicable to the Energy Efficiency Rider totaling \$314.3
23 million.

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- 1 • Finally, SPS multiplied the net result of approximately \$314.3 million by
2 three percent to determine the three percent funding level, which totals
3 \$9,427,719.

4 *See* Attachment RMS-1, Line 19 for the net result.

5 **Q. Were any other amounts added to the budget?**

6 A. Yes. SPS was authorized to apply interest at the customer deposit interest rate per
7 the stipulation in Case No. 15-00119-UT (Section 62-13-13 of the PUA and
8 17.9.560.12(B)(2)(A) NMAC). The net interest calculation resulted in an increase
9 to the 2018 PY budget of \$17,341 (i.e., customers received interest). *See*
10 Attachment RMS-1, Line 24. The result of each of these steps results in a 2018
11 PY budget of \$9,836,846. *See* Attachment RMS-1, Lines 18 through 25.

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V. **SPS'S 2018 EE RIDER IS CONSISTENT WITH THE EUEA
AND EE RULE**

A. **Description and Calculation of the 2018 EE Rider**

Q. What is SPS's proposed 2018 PY revenue requirement?

A. SPS proposes to collect \$11,418,059 through its 2018 EE Rider. Please refer to Attachment RMS-2.

Q. Does SPS currently have authorization to recover energy efficiency plan expenses through its EE Rider?

A. Yes. Most recently in Case No. 16-00110-UT, the Commission authorized the continuation of SPS's EE Rider to recover EE/LM program costs and the 2017 PY incentive, which is consistent with Section 62-17-6(A) of the EUEA and 17.7.2.13(B) NMAC. SPS designs its EE Rider to recover its annual energy efficiency plan expenses over a 12-month period.

Q. Is SPS proposing to recover its 2018 program and administrative expenses through the EE Rider?

A. Yes, SPS proposes to continue program and administrative expense recovery (i.e., the three percent funding) through the EE Rider. As I discussed in the previous section, the program and administrative expenses reflect the 2018 PY three percent funding level, with adjustments as authorized by the EE Rule and the

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1 Commission's final order in Case No. 16-00110-UT. The 2018 PY budget for
2 program and administrative expenses is \$9,836,846 (Line 2).

3 **Q. In addition to program and administrative expenses, are there any other**
4 **components to the EE Rider?**

5 A. Yes. The EE Rider also includes: (i) an estimate of the baseline 2018 financial
6 incentive (Line 7); (ii) a reconciliation of both the actual 2016 financial incentive
7 earned and 2016 actual spending compared to collection (Lines 5 and 6); and (iii)
8 a reconciliation of prior period uncollected expenses, as authorized by the
9 Commission in Case No. 15-00376-UT (Lines 10-13). Each of these components
10 is in addition to the three percent funding level.

11 **Q. How was the financial incentive calculated?**

12 A. First, Ms. Beaman provided me with the 2018 baseline financial incentive. She
13 provides the exact formula and derives the baseline incentive of \$668,905. To the
14 baseline incentive, there are two reconciling items which were added. First,
15 actual revenue (\$492,356) was compared to the 2016 authorized baseline
16 incentive (\$622,650) and interest was applied on the net monthly under-collection
17 balance (\$11,298); the result was an under-collection of \$141,592 (Line 5). Next
18 the baseline incentive was compared to the earned incentive (\$651,036); the result

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1 was an under-collection of \$28,386. In net, the financial incentive component of
2 the revenue requirement is \$838,883 (Line 8).

3 **Q. Is the financial incentive for the 2018 PY subject to reconciliation?**

4 A. Yes. The amount that is actually collected for the incentive may deviate from the
5 amount approved because the amount collected will be based on actual sales.

6 In addition, the incentive mechanism is subject to adjustments due to the
7 level of spending on low-income EE/LM programs and SPS's ability to meet its
8 SPS's 2018 cumulative energy savings threshold. A reconciliation will ensure
9 actual spending and achievements are incorporated into the incentive, thus
10 ensuring only the incentive amount authorized is earned by SPS.

11 **Q. Discuss further the prior period uncollected expenses authorized by the**
12 **Commission in Case No. 15-00376-UT.**

13 A. On December 22, 2015, SPS submitted an application to implement a surcharge
14 of 0.595% through its EE Rider that enabled SPS to recover \$2,174,737
15 representing its unrecovered: (i) 2013 EE Tracker balance in the amount of
16 \$1,045,448; (ii) 2014 EE/LM program costs in the amount of \$563,330; and (iii)
17 Commission-authorized EE/LM incentives for 2013 and 2014 totaling \$565,959.
18 The Commission approved the request, except for \$4,331 of interest, in an order

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1 issued on January 20, 2016. SPS applied the surcharge from February 1, 2016
2 through December 31, 2016. Of the \$2,170,406 authorized for recovery (Line
3 11), SPS collected \$1,428,077 (Line 12), with a resultant under-collection of
4 \$742,330 (Line 13).

5 **Q. Does SPS request Commission approval to create a regulatory asset for the**
6 **2016 PY under-collected expenses?**

7 A. Yes. Pursuant to Section 2.1 of the 2016 Stipulation, SPS seeks a regulatory asset
8 for the under-collection of \$60,099 for the difference between spending and
9 collection in 2016. As set forth in Section 2.1, SPS seeks to amortize the amount
10 equally over a two-year period.

11 **Q. Please identify the tariff schedules to which the 2018 EE Rider is applied.**

12 A. The 2018 EE Rider will be applied to all of SPS's New Mexico retail rate
13 schedules. This is appropriate because all customers have the opportunity to
14 participate in SPS's EE programs.

15 **B. EE Rider Interest**

16 **Q. Does SPS propose to apply interest to the EE Rider?**

17 A. Yes. SPS proposes to use the annual customer deposit interest rate set by the
18 Commission under Section 62-13-13 of the PUA and 17.9.560.12(B)(2)(A)

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1 NMAC to assess symmetrical carrying charges. In 2018, SPS will use the new
2 customer deposit interest rate set by the Commission. If SPS's expenditures
3 exceed its revenues, then the carrying charges will be negative (SPS earns
4 interest), whereas if the revenues exceed expenditures, the carrying charges will
5 be positive (SPS pays interest). The inclusion of interest on incentive
6 reconciliations was most-recently approved by the Commission in Case No.
7 16-00110-UT and has also been approved for SPS's renewable portfolio standard
8 rider.

9 **Q. Why is it appropriate to calculate interest?**

10 A. Interest is appropriate due to the timing differences and application of the
11 reconciliation balance. That is, there will be a somewhat significant lag for the
12 correction of the EE Rider balance. For example, under SPS's proposal, the 2018
13 balance will be calculated and reviewed in 2019 and then collected/returned in
14 2020. In total, there will be a two-year difference between the first accrual and
15 the last balance. Accordingly, reasonable carrying charges (which are
16 symmetrical between SPS and its customers) should continue to be applied.

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1 **C. EE Rider Bill Impacts**

2 **Q. What is the total bill impact of the EE Rider on a residential customer's**
3 **monthly bill, based on usage of 750 kWh?**

4 A. At the adjusted funding level, excluding gross receipts tax and franchise fees,
5 charges under the EE Rider account for approximately \$2.80 a month, or 3.50%,
6 on a 750 kWh year-round average residential customer's bill⁸. Attachment
7 RMS-3 provides the percent of bill impact of each component of the revenue
8 requirement and Attachment RMS-4 includes bill impact estimates of different
9 levels of usage for residential and other customers.

10 **Q. What impact will recovery of the three percent funding level in the EE Rider**
11 **have on a residential customer's monthly bill, based on usage of 750 kWh?**

12 A. The three percent funding will account for 3.00 percent, or \$2.40 on the
13 customer's bill.

⁸ This is the total EE Rider bill impact – not a comparison of the current EE Rider to proposed EE Rider bill impact.

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1 **Q. What impact will recovery of the proposed incentive through the EE Rider**
2 **have on a residential customer’s monthly bill, based on usage of 750 kWh?**

3 A. The incentive for 2018 is estimated to have a 0.267 percent impact on customer
4 bills (Attachment RMS-3, Line 5). For a 750 kWh year-round average monthly
5 residential customer’s bill, this would add approximately \$0.21.

6 **Q. What impact will the prior under-collected expenses through the EE Rider**
7 **have on a residential customer’s monthly bill, based on usage of 750 kWh?**

8 A. The prior under-collected expenses of \$742,330 is estimated to have a 0.236
9 percent impact on customer bills (Attachment RMS-3, Line 8). For a 750 kWh
10 year-round average monthly residential customer’s bill, this would add
11 approximately \$0.19.

12 **Q. Is there a maximum amount that can be billed to individual customers for**
13 **program costs under the EE Rider?**

14 A. Yes. 17.7.2.8(C)(1) NMAC establishes funding for program costs for
15 investor-owned electric utilities at three percent of customer bills or \$75,000 per
16 year, whichever is less. The EUEA defines a customer as “a utility customer at a
17 single, contiguous field, location or facility, regardless of the number of meters at
18 that field, location or facility.” (Section 62-17-4(D)).

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1 **Q. What customers can potentially exceed \$75,000 in annual billings under the**
2 **EE Rider?**

3 A. Based on current rates and SPS's specific customer demographics, at a three
4 percent EE Rider rate, customers that are billed more than \$2.5 million in a year
5 are potential candidates for EE Rider billings of \$75,000 per year.⁹ Only a small
6 number of customers are billed a total of at least \$2.5 million in a year, and as a
7 result, only a small number of customers may potentially reach the \$75,000
8 annual cap. These customers generally fall into the Large General Service
9 Transmission or Primary General Service customer class.

10 **Q. Has SPS developed a representative customer impact analysis?**

11 A. Yes. Table RMS-1 shows how the proposed EE Rider will impact representative
12 customers in each rate class. The monthly bill is based on SPS's present rates.

⁹ \$75,000 ÷ three percent cap on Energy Efficiency billing = \$2.5 million.

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1

Table RMS-1: Average Customer Impacts by Rate Schedule

Rate Schedule	Monthly Bill excluding EE Rider	Total Monthly EE Rider Charge	Total Monthly EE Rider Charge as % of Bill
Residential Service -- 750 kWh	\$79.88	\$2.80	3.50%
Small General Service -- 1,500 kWh	\$132.76	\$4.65	3.50%
Secondary General Service -- 50 kW; 20,000 kWh	\$1,473.97	\$51.59	3.50%
Large General Service Transmission -- 4,000 kW; 800,000 kWh	\$63,561.07	\$2,224.63	3.50%

2 **Q. When will the EE Rider be implemented?**

3 A. As noted above, the EE Rider will be implemented upon issuance and in
4 conformity with an order by the Commission approving the 2018 Plan, but no
5 earlier than January 1, 2018.

6 **Q. How does the amount being collected currently in the 2017 EE Rider**
7 **compare to the amount requested for recovery of the 2018 EE Rider?**

8 A. At 3.50 percent of customer bills, the proposed 2017 EE Rider is higher than the
9 current 3.20 percent EE Rider, which is primarily a result of prior period
10 undercollections.

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1 **D. SPS's Compliance with other EUEA Requirements for the EE**
2 **Rider**

3 **Q. Are there other requirements related to tariff riders under the EUEA and**
4 **EE Rule?**

5 A. Yes. Section 62-17-6(A) of the EUEA and 17.7.2.13(C)(2) NMAC require tariff
6 riders, unless otherwise ordered by the Commission, to include a message on
7 customer bills explaining program benefits of EE/LM programs. SPS proposes to
8 continue to include the following message on all customer bills to address this
9 requirement:

10 Energy Efficiency programs result in cost savings and benefit the
11 environment. For every \$1.00 spent on energy efficiency
12 programs, customers save nearly double that amount over time on
13 the cost of providing electricity. Customers who participate in
14 programs will save even more. Learn more about these programs
15 and rebates that may be available to you at www.xcelenergy.com.

16 SPS has used this same language in several prior energy efficiency filings. A
17 copy of the proposed tariff rider is Attachment RMS-5 to my direct testimony.

18 **E. Advice Notice**

19 **Q. Is SPS filing an advice notice with its application?**

20 A. Yes. Consistent with 17.7.2.13(C)(3) NMAC, SPS has filed an advice notice
21 concurrently with its application, which requires the Commission to act on SPS's

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1 advice notice within 30 days of filing, unless suspended for not more than 180
2 days. In accordance with the EE Rule, SPS has served all individuals and entities
3 required by 17.1.210.11 NMAC.

4 **F. Status Report of 2017 Calendar Year Collections Compared to**
5 **Forecasted Collections**

6
7 **Q. Have you provided a status report of the 2017 Calendar Year Collections**
8 **Compared to Forecasted Collections as required under Section 2.3 of the**
9 **2016 Stipulation?**

10 A. Not at this time. SPS will submit the required comparison in July or August, once
11 it has accounting data through June. At that time, SPS will have a
12 more-comprehensive analysis with which to provide an update and any needed
13 recommendations.

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1 **Q. How does the incentive properly balance the interests of customers with that**
2 **of SPS?**

11 **Table RMS-2: Incentive Cap Calculation**

¹⁰ \$668,905/\$9,836,846.

¹¹ \$699,399/\$9,836,846.

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1 **Q. Please elaborate on how customers retain the vast majority of the energy**
2 **savings benefits under the proposed incentive.**

3 **A. Table RMS-3 quantifies the customer share of the estimated benefits of**
4 **\$18,901,773 under the proposed incentive.**

5 **Table RMS-3: Customer Share Calculation**

	<i>Amount</i>	<i>SPS Share</i>	<i>Customer Share</i>
Benefits	\$18,901,773		
Base Incentive	\$668,905	3.5%	96.5%
Maximum Incentive	\$699,399	3.7%	96.3%

6 **Q. Does the proposed incentive meet the satisfactory performance criteria of**
7 **17.7.2.8(L) NMAC?**

8 **A. Yes. The minimum cumulative energy savings threshold (equal to 287 GWh) is**
9 **the cumulative amount SPS needs to achieve by the end of 2018 to maintain a**
10 **trajectory to meet the mandated 8 percent of 2005 retail sales by 2020. In**
11 **addition, the incentive mechanism authorizes additional incentive amounts**
12 **between 6.80 percent and 7.11 percent if SPS exceeds the minimum cumulative**
13 **energy savings threshold.**

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1 **VII. WACC CALCULATION FOR USE IN THE UCT**

2 **Q. Ms. Beaman provided alternative UCT calculations using the “after tax**
3 **WACC” as required in EPE’s EE proceeding, Case No. 16-00185-UT. What**
4 **was your understanding of why EPE was required to use the “after tax”**
5 **WACC to calculate UCTs in its future EE applications?**

6 **A. The Commission adopted the Recommended Decision in Case No. 16-00185-UT,**
7 **which stated,**

8 A utility’s actual cost of capital, and the amount paid by
9 ratepayers, is not the Commission-approved WACC, but is the
10 tax-adjusted WACC. Therefore, if EPE uses its WACC to
11 discount costs in calculating the UCTs of its EE/LM programs, it
12 should use its PRC-approved WACC *grossed up to incorporate*
13 *EPE’s payment of taxes on the equity component and the adjusted*
14 *down to reflect tax deductions that EPE receives for its interest*
15 *payments on the debt component.*^[1] (emphasis added)

16 **Q. When you say “after tax” WACC, to what are you referring?**

17 **A. As emphasized in the citation from the Recommended Decision in Case No.**
18 **16-00185-UT, I’m referring to the WACC that is grossed up to**

^[1] *In the Matter of the Application of El Paso Electric Company for Approval of 2017 Energy Efficiency and Load Management Plan, Utility Incentive and Revised Rate No. 17 – Efficient Use of Energy Recovery Factor*, Case No. 16-00185-UT, Final Order Approving Recommended Decision (Feb. 22, 2017), Recommended Decision at 22 and 23.

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1 incorporate payment of taxes on the equity component and then adjusted down to
2 reflect tax deductions for interest payments on the debt component.

3 **Q. How is the WACC used for determining cost-effectiveness of EE/LM**
4 **programs?**

5 A. The WACC is the discount rate used by SPS in determining the cost-effectiveness
6 of EE/LM programs.

7 **Q. When determining cost-effectiveness, to what are the EE/LM programs**
8 **compared?**

9 A. The EE/LM programs are compared to supply-side resources. Under NMSA
10 1978, § 62-17-4(K), in calculating a program's UCT, a utility compares the
11 monetary costs incurred to develop, acquire, and operate EE or LM resources "on
12 a life cycle basis" with the estimated avoided monetary costs associated with
13 developing, acquiring, and operating associated supply-side resources.

14 **Q. Does the "after tax" WACC reflect the monetary costs associated with**
15 **developing, acquiring, and operating supply-side resources?**

16 A. No. The unadjusted WACC reflects the costs SPS considers for developing,
17 acquiring, and operating supply-side resources. Thus, the decision in the EPE
18 case results in an inconsistent comparison where the "after tax" WACC is used to

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1 determine the costs of the EE/LM programs but are not used for determining the
2 costs for developing, acquiring, and operating supply-side resources.

3 **Q. Does the use of the “after tax” WACC create a mismatch for the cost of**
4 **equity and after-tax cost of debt?**

5 A. Yes. The WACC is a blend of the cost of equity and after-tax cost of debt. The
6 WACC is calculated by multiplying the cost of each capital source (debt and
7 equity) by its relevant weight, and then adding the products together to determine
8 the WACC value. However, the EPE decision results in a mismatch between the
9 two capital components, because one component (equity) is grossed up for taxes
10 and the other (debt) is reduced for taxes.

11 **Q. Has SPS ever used the “after tax” WACC to determine the cost-effectiveness**
12 **of its EE/LM programs in past EE applications with the Commission?**

13 A. No, and prior programs have been approved by the Commission as cost-
14 effective. Thus, the decision in EPE’s case would represent a change in practice
15 or policy for SPS. If the Commission wants to make a change in policy, it should
16 do so through a rulemaking.

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1 **Q. Does SPS use unadjusted, Commission-approved WACC, (i.e., not grossed**
2 **up to incorporate payment of taxes on the equity component and then**
3 **adjusted down to reflect tax deductions) in other regulatory filings before the**
4 **Commission?**

5 A. Yes. For example, in SPS's supply-side analysis provided in its
6 currently-pending wind acquisition certificate of convenience and necessity case
7 (Case No. 17-00044-UT), SPS used the WACC that is not grossed up to
8 incorporate payment of taxes on the equity component and then adjusted down to
9 reflect tax deductions for interest payments on the debt component. SPS also uses
10 the unadjusted, Commission-approved WACC as the criteria under 17.7.2.8(L)(4)
11 NMAC to show that the proposed incentive does not exceed the WACC.

12 **Q. Do any Xcel Energy Operating Companies use the “after-tax” WACC to**
13 **assess the cost-effectiveness of EE/LM programs in other regulatory**
14 **jurisdictions?**

15 A. Ms. Beaman addresses this in her testimony, but the answer is no. All Xcel
16 Energy Operating Companies use the same practice SPS has used historically in
17 New Mexico. Thus, if EPE's decision were adopted for SPS, New Mexico would
18 be the only jurisdiction that requires the use of the “after tax” WACC.

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- 1 **Q.** **Does this conclude your pre-filed direct testimony?**
- 2 **A.** **Yes.**

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF POTTER)

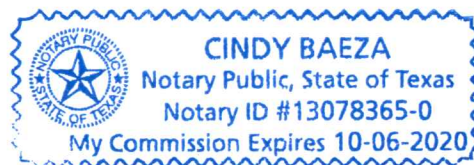
RUTH M. SAKYA, first being sworn on her oath, states:

I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachments and am familiar with their contents. Based upon my personal knowledge, the facts stated in the testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.

Ruth M. Sakya
RUTH M. SAKYA

SUBSCRIBED AND SWORN TO before me this 28 day of June 2017.

Cindy Balza
Notary Public
My Commission Expires: 10-06-2020



Southwestern Public Service Company

EE Program Budget Calculation
For PY 2018

Line No.	Description	Amount	Notes
1	<u>1. Calculate Overage/Underage per 17.7.2.8(E) NMAC</u>		
2	Authorized 2016 Budget	\$ 9,156,623.00	Per Stipulation, Section 4.1 at 11
3	Actual 2016 Spend	8,570,538.45	
4	(Overage)/Underage (L2 - L3)	\$ 586,084.55	93.60% of budget
5			
6	<u>2. Reconcile Collections Versus Spending (\$862.176(A))</u>		
7	2016 Program Revenue	\$ 8,510,439.39	
8	Less 2016 Actual Spend	8,570,538.45	
9	2016 Undercollection (L7 - L8)	\$ (60,099.06)	
10			
11	2-Year Amortization (L9/2)	\$ (30,049.53)	Per Stipulation, Section 2.1 at 9
12			
13	<u>3. Prior Period Adjustments</u>		
14	2014 Program Revenue (2-Year Amortization, as 2016)	\$ 104,067.74	Per Stipulation, Section 4.3 at 11
15	2015 Undercollection Amortization	(268,317.00)	Per Stipulation, Section 3.3 at 10
16	Total Prior Period Adjustments (L14 + L15)	\$ (164,249.27)	
17			
18	<u>4. Budget Calculation</u>		
19	2018 Projected Revenue	\$ 9,427,719.28	Per Stipulation, Section 1.2(b) at 6
20	Plus (Overage)/Underage (L4)	586,084.55	
21	Plus Undercollection (L11)	(30,049.53)	
22	Plus Period Period Adjustments (L16)	(164,249.27)	
23	Budget, before Interest (Sum L19:22)	\$ 9,819,505.03	
24	Plus Interest (1.73%/12*Avg. Monthly Balance)	17,341.03	At Annual Customer Deposit Rate
25	Total Budget (L23 + L24)	<u>\$ 9,836,846.06</u>	

Southwestern Public Service Company

EE Revenue Requirement Calculation
For PY 2018

Line No.	Description	Amount	Notes
1	Program Budget		
2	2018 Program Budget	\$ 9,836,846.06	Attachment RMS-1, Line 25
3			
4	Incentive		
5	2016 Baseline Incentive v. Actual Collection (Under-Collection)	\$ 141,592.12	Case 15-119 Stip. Sec 2, as Modified
6	2016 Baseline Incentive v. Earned Incentive (Under-Collection)	28,386.00	Case 15-119 Stip. Sec 2, as Modified
7	2018 Baseline Incentive	668,905.00	Beaman Direct
8	Total Incentive	\$ 838,883.12	
9			
10	Prior Period Reconciliation per Case No. 15-00376-UT		
11	Authorized Recovery	\$ 2,170,406.00	Excludes Interest per Final Order
12	Actual Recovery in 2016	1,428,076.50	
13	Under-recovery of Prior Period Reconciliation	\$ 742,329.50	
14			
15	Total Revenue Requirement		
16	Program Budget (L2)	\$ 9,836,846.06	
17	Incentive (L8)	838,883.12	
18	Prior Period Reconciliation (L13)	742,329.50	
19	Total Revenue Requirement (Sum L16:L18)	<u>\$ 11,418,058.68</u>	

Southwestern Public Service Company

EE Rider - Percent of Bill Calculations
For the 2018 EE Rider

Line No.	Description	Amount	Notes
Calculation of Financial Incentive as a Percent of Bill			
1	2018 Projected Revenue	\$ 9,427,719	Attachment RMS-1, Line 19
2	3% Funding Requirement	3.00%	
3	Revenue Attributed to EE, Net of Caps	\$ 314,257,300	Line 1 / Line 2
4	Financial Incentive	\$ 838,883	Attachment RMS-2, Line 8
5	Financial Incentive as a Percent of Bill	0.267%	Line 4 / Line 3
Calculation of Historical Reconciliation as a Percent of Bill			
6	Revenue Attributed to EE, Net of Caps	\$ 314,257,300	Line 3
7	Under-Recovery of Prior Period Reconciliation	\$ 742,330	Attachment RMS-2, Line 13
8	Historical Reconciliation as a Percent of Bill	0.236%	Line 7 / Line 6
Summary of 2018 Rider Rate Calculation			
9	2018 Program Funding Percent of Bill	3.000%	Line 2
10	2018 Base Financial Incentive Percent of Bill	0.267%	Line 5
11	Historical Reconciliation as a Percent of Bill	0.236%	Line 8
12	2018 Rider Rate as a Percent of Bill	3.50%	

**Bill Impact Presentation
For the 2018 EE Rider****Residential Service**

	Annualized Monthly Bill		Bill Change	
	Including 2017 EE Rate (3.20%)	2018 EE Rate (3.50%)	Proposed \$ Change	Proposed % Change
Consumption Level	Present	2018	2018	2018
0 kWh	\$ 8.77	\$ 8.80	\$ 0.03	0.34%
250 kWh	\$ 33.32	\$ 33.42	\$ 0.10	0.30%
500 kWh	\$ 57.87	\$ 58.04	\$ 0.17	0.29%
750 kWh	\$ 82.44	\$ 82.68	\$ 0.24	0.29%
1000 kWh	\$ 106.99	\$ 107.30	\$ 0.31	0.29%
2000 kWh	\$ 205.19	\$ 205.79	\$ 0.60	0.29%

Small General Service

	Annualized Monthly Bill		Bill Change	
	Including 2017 EE Rate (3.20%)	2018 EE Rate (3.50%)	Proposed \$ Change	Proposed % Change
Consumption Level	Present	2018	2018	2018
0 kWh	\$ 14.86	\$ 14.90	\$ 0.04	0.27%
250 kWh	\$ 35.21	\$ 35.31	\$ 0.10	0.28%
500 kWh	\$ 55.57	\$ 55.73	\$ 0.16	0.29%
750 kWh	\$ 75.93	\$ 76.16	\$ 0.23	0.30%
1000 kWh	\$ 96.30	\$ 96.58	\$ 0.28	0.29%
2000 kWh	\$ 177.72	\$ 178.24	\$ 0.52	0.29%

**Bill Impact Presentation
For the 2018 EE Rider****Secondary General Service**

	Annualized Monthly Bill		Bill Change	
	Including 2017 EE Rate (3.20%)	2018 EE Rate (3.50%)	Proposed \$ Change	Proposed % Change
Consumption Level	Present	2018	2018	2018
0 kW; 5000 kWh	\$ 207.71	\$ 208.31	\$ 0.60	0.29%
10 kW; 7500 kWh	\$ 452.28	\$ 453.60	\$ 1.32	0.29%
15 kW; 10000 kWh	\$ 619.84	\$ 621.64	\$ 1.80	0.29%
20 kW; 12500 kWh	\$ 787.40	\$ 789.69	\$ 2.29	0.29%
30 kW; 15000 kWh	\$ 1,031.99	\$ 1,034.99	\$ 3.00	0.29%
50 kW; 20000 kWh	\$ 1,521.14	\$ 1,525.56	\$ 4.42	0.29%

Large General Service Transmission (69 kV)*

	Annualized Monthly Bill		Bill Change	
	Including 2017 EE Rate (3.20%)	2018 EE Rate (3.50%)	Proposed \$ Change	Proposed % Change
Consumption Level	Present	2018	2018	2018
2000 kW; 500000 kWh	\$ 27,439.09	\$ 27,518.86	\$ 79.77	0.29%
5000 kW; 1000000 kWh	\$ 53,398.71	\$ 53,553.94	\$ 155.23	0.29%
6000 kW; 1500000 kWh	\$ 79,358.32	\$ 79,589.02	\$ 230.70	0.29%
7000 kW; 2000000 kWh	\$105,317.94	\$105,624.10	\$ 306.16	0.29%
8000 kW; 2500000 kWh	\$131,277.56	\$131,659.18	\$ 381.62	0.29%
10000 kW; 3500000 kWh	\$173,788.39	\$174,293.59	\$ 505.20	0.29%

* Section 17.7.2.8(C)(1) of the EE Rule establishes funding for program costs for investor-owned electric utilities at three percent of customer bills or \$75,000 per year, whichever is less.

SOUTHWESTERN PUBLIC SERVICE COMPANY

Attachment RMS-5

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Case No. 17-00____-UT

**FOURTEENTH REVISED RATE NO. 44
CANCELING THIRTEENTH REVISED RATE NO. 44**

X
X

ENERGY EFFICIENCY RIDER

Tariff No. 7203.14

X

Page 1 of 2

APPLICABLE: This rate rider is applicable to bills for electric service provided under all SPS's retail rate schedules.

TERRITORY: Area served by the Company in New Mexico.

RIDER: For the 2018 Plan Year, there shall be included on each non-exempt customer's bill an Energy Efficiency charge, which shall be calculated by multiplying all of the Company's utility charges (including the service availability charge, energy charge, the fuel and purchased power cost adjustment clause charge, and where applicable, the demand charge and other authorized charges), except gross-receipt taxes and franchise fees, by a percentage equal to 3.50 percent. The 3.50% is comprised of: (1) 3.0% for SPS's 2018 Energy Efficiency Plan costs; (2) 0.267% for SPS's 2018 energy efficiency incentive; and (3) 0.236% for 2013 and 2014 collections authorized in Case No. 15-00376-UT.

X
X
X
X

For customer accounts granted exemption for self-direct programs as described below, the Energy Efficiency Rider percentage shall be reduced by seventy percent.

ANNUAL RECONCILIATION OF AUTHORIZED ENERGY EFFICIENCY INCENTIVES:

Upon the filing of SPS's annual application and annual report in compliance with the Commission's Energy Efficiency Rule (17.7.2 NMAC), SPS will also file the calculation of incentives earned as authorized by Sections 62-17-5(F) and 62-17-6(A) of the Efficient Use of Energy Act; and revenue received through the Energy Efficiency Rider for collection of incentives. SPS is authorized to reconcile the difference between Energy Efficiency Rider collections for incentive(s) and the actual incentive(s) earned

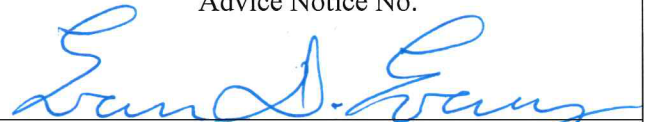
In support of the reconciliation of the difference between Energy Efficiency Rider collections for incentive(s) and the actual incentive(s) earned SPS will also provide: (1) an Advice Notice and the proposed Energy Efficiency Rider to allow the amounts to be reconciled; and (2) affidavits, exhibits, and/or other support for the Advice Notice and the amount to be reconciled.

INTEREST ON OVER AND UNDER RECOVERY: In accordance with section 62-13-13 NMSA 1978 of the Public Utility Act, SPS will use the interest rate set by the NMPRC each January used for calculating interest on customer deposits, to calculate the monthly carrying charges on the over or under recovery balance.

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X

Advice Notice No.



DIRECTOR - REGULATORY AND PRICING
ANALYSIS

SOUTHWESTERN PUBLIC SERVICE COMPANY
FOURTEENTH REVISED RATE NO. 44
CANCELING THIRTEENTH REVISED RATE NO. 44

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ENERGY EFFICIENCY RIDER

Tariff No. 7203.14

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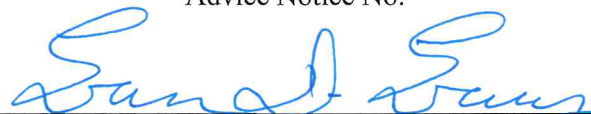
STATUTORY CAPS: Funding for program costs for investor-owned electric utilities shall be three percent of customer bills, excluding gross receipts taxes and franchise and right-of-way access fees, or seventy-five thousand dollars (\$75,000) per customer per calendar year, whichever is less, for customer classes with the opportunity to participate. Customer means a utility customer at a single, contiguous field, location or facility, regardless of the number of meters at that field, location or facility.

DETERMINATION OF ENERGY EFFICIENCY RIDER EXEMPTION: As described in 17.7.2.11 NMAC, a large customer shall receive an exemption from paying seventy percent of the Energy Efficiency Rider if the customer demonstrates to the reasonable satisfaction of the utility or self-direct program administrator that it has exhausted all cost-effective energy efficiency measures in its facility (or group if facilities are aggregated in order to qualify). A determination of exemption shall be valid for 24 months. After the 24 months, a customer may request approval for exemption again by demonstrating that it has exhausted all cost-effective energy efficiency measures in its facility or facilities.

CREDITS FOR SELF-DIRECT PROGRAMS: Credits for self-direct programs may be used to offset up to seventy percent of the tariff rider until the credit is exhausted. Any credit that is not fully utilized in the year it is received shall carry over to subsequent years. Credits will be granted if the customer demonstrates to the reasonable satisfaction of the utility or self-direct program administrator that it has implemented a self-direct energy efficiency program and demonstrated its actual costs.

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Advice Notice No.



DIRECTOR - REGULATORY AND PRICING
ANALYSIS

CASE NO. 17-00____-UT

**IN THE MATTER OF SOUTHWESTERN PUBLIC SERVICE
COMPANY'S ENERGY EFFICIENCY COMPLIANCE APPLICATION
THAT REQUESTS AUTHORIZATION TO: (1) PER APPROVED VARIANCE,
CONTINUE ITS: (A) 2017 ENERGY EFFICIENCY AND LOAD MANAGEMENT
PROGRAMS FOR PLAN YEAR 2018; (B) 2017 ENERGY SAVINGS GOAL FOR PLAN
YEAR 2018; (C) ENERGY EFFICIENCY TARIFF RIDER TO RECOVER THE THREE
PERCENT FUNDING LEVEL FOR PLAN YEAR 2018 AND RECONCILIATION OF 2016
EXPENDITURES AND COLLECTIONS; AND (D) 2017 FINANCIAL INCENTIVE FOR PLAN
YEAR 2018 AND RECOVER THE INCENTIVE THROUGH ITS ENERGY EFFICIENCY TARIFF
RIDER; AND (2) RECOVER THE 2016 RECONCILED FINANCIAL INCENTIVE THROUGH
ITS ENERGY EFFICIENCY TARIFF RIDER.**
