

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY'S TRIENNIAL)
ENERGY EFFICIENCY PLAN APPLICATION)
REQUESTING APPROVAL OF: (1) SPS'S)
2023-2025 ENERGY EFFICIENCY PLAN AND)
ASSOCIATED PROGRAMS; (2) A FINANCIAL)
INCENTIVE FOR PLAN YEAR 2023; AND (3))
CONTINUATION OF SPS'S ENERGY)
EFFICIENCY TARIFF RIDER TO RECOVER)
ITS ANNUAL PROGRAM COSTS AND)
INCENTIVES,)
)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
)
APPLICANT.)

CASE NO. 22-00124-UT

APPLICATION

Southwestern Public Service Company (“SPS”) submits its Application in accordance with the New Mexico Efficient Use of Energy Act, (NMSA 1978, Sections 62-17-1 through 62-17-11, “EUEA”), and New Mexico Public Regulation Commission’s (“Commission”) Energy Efficiency Rule (17.7.2 NMAC, “EE Rule”).

I. EXECUTIVE SUMMARY

In accordance with the EUEA and EE Rule, SPS requests that the Commission:

- (a) approve SPS’s 2023, 2024, and 2025 Energy Efficiency Plan (“Triennial Plan”) and associated energy efficiency (“EE”) and load management programs (collectively referred to as “EE/LM” programs);¹

¹ A copy of SPS's Triennial Plan is provided as Attachment MRS-1 to SPS witness Mark R. Schoenheider's direct testimony.

- (b) authorize SPS to apply the Commission's approval of the Triennial Plan budget for plan year ("PY") 2023 to the entirety of PY 2023, even if the Commission has not issued a final order by December 31, 2022;
- (c) authorize SPS to fund its Triennial Plan program and administrative costs at three to five percent of customer bills in accordance with Section 17.7.2.8(C)(1) of the EE Rule and Section 62-17-6(A) of the EUEA and to recover these costs through its EE Rider ("EE Rider");
- (d) approve SPS's proposed methodology to calculate the financial incentive for each PY of the Triennial Plan;
- (e) approve recovery through SPS's EE Rider of a financial incentive for PY 2023, adjusted to account for the under-recovery of SPS's earned financial incentive for energy savings achieved in PY 2021;
- (f) approve SPS's reconciliation of its authorized budget and actual plan year expenditures and collections for PY 2021; and
- (g) grant all other approvals, authorizations, and relief that may be required under the EUEA, the EE Rule, and the New Mexico Public Utility Act (NMSA 1978, Sections 62-3-1 et seq., "PUA") for SPS to implement the approved Triennial Plan and EE Rider.

SPS's Triennial Plan presents a portfolio of cost-effective EE/LM programs to maximize the potential energy savings under the program constraints experienced by SPS, as well as spending and cost recovery limitations imposed under the EUEA. SPS's Triennial Plan presents twelve programs that target customers in the Residential (including low-income) and Business Segments. Additionally, SPS's Triennial Plan includes a Planning and Research Segment, which is necessary for the successful implementation of the portfolio of proposed EE/LM programs. As discussed by SPS witness Mark R. Schoenheider, SPS's Triennial Plan EE/LM program portfolio is

designed to position SPS to meet its cumulative savings requirement under the EUEA for the 2021-2025 period.

SPS requests approval of no less than three percent and no more than five percent of customers' bills, but no more than \$75,000 from any individual customer per calendar year, to fund its EE/LM programs, consistent with EUEA § 62-17-6(A)(1) and EE Rule § 17.7.2.8(C)(1). For PY 2023, SPS's proposed program budget is \$16,437,956, which includes SPS's PY 2021 underage (over-collection) of \$1,034,370.

SPS determined the cost-effectiveness of the Triennial Plan portfolio based on the utility cost test ("UCT"), which is met if the monetary costs that are borne by the public utility and that are incurred to develop, acquire, and operate the EE/LM programs on a life-cycle basis are less than the avoided monetary costs associated with developing, acquiring, and operating the associated supply-side resources. SPS's Triennial Plan portfolio meets the UCT with an overall UCT ratio of 1.04 for PY 2023, 1.02 for PY 2024, and 1.00 for PY 2025.

SPS requests approval of its proposed utility incentive mechanism and requests a baseline incentive of 5.75 percent of program expenditures for PYs 2023 through 2025. The proposed incentive mechanism ensures satisfactory performance by targeting key performance metrics: (i) actual measured and verified savings achievements (*i.e.*, kWh reductions) used for compliance; and (ii) statutory spending requirements. The proposed annual baseline incentive for PY 2023 is \$945,182 and will be subject to a true-up based on actual expenses and savings achieved each year. However, as explained by SPS

witness Richard M. Luth, the proposed amount to be collected through the PY 2023 EE Rider is \$1,276,889 to account for a reconciliation of under-collected PY 2021 earned incentives.

SPS proposes a revised PY 2023 EE Rider rate of 3.331 percent—3.043% for program funding, 0.253% for base incentives, and 0.035% for the remaining costs associated with the EE Potential Study submitted in Case No. 21-00186-UT.²

SPS proposes an annual reconciliation of its EE Rider to account for PY overages or underages, consistent with EUEA § 62-17-6(D) and EE Rule §§ 17.7.2.8(D) and (E). SPS will report this reconciliation as well as expected PY budget adjustments in its Annual Report filed with the Commission.

II. BACKGROUND

1. SPS is a New Mexico corporation principally engaged in generating, transmitting, distributing, and selling electrical energy to the public in portions of New Mexico and Texas. SPS is a public utility as defined in the PUA, which provides electric service to the public within New Mexico pursuant to the rules, regulations, and tariffs on file with and approved by the Commission.

² SPS is including \$175,879 in its proposed EE Rider to account for the remaining costs associated with the EE Potential Study submitted in Case No. 21-00186. *In the Matter of Southwestern Public Service Company's Submittal of Energy Efficiency Potential Study Pursuant to Final Order in Case No. 19-00140-UT and Corresponding Requests for Approval*, Case No. 21-00186-UT, Recommended Decision at 56, Finding of Fact No. 11 (Feb. 3, 2022) (“SPS should be authorized to recover costs associated with the completion of the EE Potential Study over a two-year time period beginning in PY 2022 through SPS’s EE program budget.”), approved by Final Order (Mar. 9, 2022).

2. SPS's principal office in New Mexico is located at 111 E. Fifth Street, Roswell, New Mexico 88201. SPS's principal corporate office is located at 790 South Buchanan Street, Amarillo, Texas 79101.

3. SPS is a wholly-owned subsidiary of Xcel Energy Inc. ("Xcel Energy"), which is a holding company under the Federal Energy Regulatory Commission ("FERC") regulations adopted under the Public Utility Holding Company Act of 2005.³ Xcel Energy is also the parent company of three other rate-regulated utility operating companies,⁴ a regulated natural gas pipeline company, three transmission-only operating companies regulated by the FERC, and a non-profit service company⁵ that was established under the authority of the Securities and Exchange Commission, but which is now under the supervision of the FERC, and other legal entities.

4. The following corporate representatives and attorneys of SPS should receive all notices, pleadings, discovery requests and responses, and all other documents related to this case:

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³ 18 C.F.R. Part 366.

⁴ Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; and Public Service Company of Colorado, a Colorado corporation.

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III. SPS's TRIENNIAL PLAN AND PROPOSED EE/LM PROGRAMS

5. SPS's Triennial Plan portfolio of EE/LM programs and measures builds off SPS's existing, Commission-approved portfolio for PY 2022. In developing its Triennial Plan, SPS was guided by five over-arching principles: (i) design an EE/LM portfolio to maximize energy savings; (ii) ensure that the portfolio meets the EUEA's funding requirements; (iii) ensure a cost-effective portfolio; (iv) minimize, to the greatest extent practical, the administrative costs of developing and implementing the programs; and (v) offer a sufficient menu of programs to allow all customers the opportunity to participate.

6. SPS's Triennial Plan presents twelve programs that target customers in the Residential (including low-income) and Business Segments. Additionally, SPS's

Triennial Plan includes a Planning and Research Segment. SPS's Triennial Plan proposes that these programs, described fully below, be implemented upon Commission approval.

7. During the pendency of this case and until the Commission enters a final order approving SPS's Triennial Plan and associated programs, SPS will continue, without modification, the portfolio of EE/LM programs that the Commission approved in Case No. 21-00186-UT and to recover EE/LM program and associated costs under the EE Rider currently in effect.

A. Residential Segment Programs

8. SPS's Triennial Plan includes nine residential programs. These programs are summarized in the following bullets, each of which is followed by sub-bullets identifying modifications or additions to existing programs or whether the program is a new addition to SPS's EE/LM program portfolio for PY 2023.

- **Home Energy Insights (previously known as the Energy Feedback Program)** – The design of Home Energy Insights is to quantify the effects of informational feedback on energy consumption in approximately 23,350 residential households, consistent with the Commission's Final Order in Case No. 09-00352-UT. The program provides educational materials through various communication strategies to influence individual energy usage behavior change. Program design is structured to measure the impact of these changes in customer behavior when provided with feedback on the results of their energy-using habits.
 - Additional participants have been added for PYs 2023-2025.
- **Residential HVAC (Residential and Low-Income) (previously known as Residential Cooling)** – Residential HVAC provides a rebate to SPS residential and low-income customers who purchase qualifying evaporative cooling and heating, ventilation and air conditioning ("HVAC") equipment for residential use. This program will also work with multi-family complexes to

replace older inefficient equipment with new HVAC equipment, with an emphasis on serving the low-income units through direct installation where possible. This program strives to increase energy efficiency in homes and apartments by encouraging customers to purchase high efficiency equipment. The overall goals of the program are to educate customers on the benefits of using high efficiency units and creating demand to encourage retailers and contractors to stock high efficiency units.

- In PY 2023, SPS proposes the addition of a Low-Income direct-install offering targeted to multi-family units.
- **Home Energy Services (Residential and Low-Income)** – Under this program, SPS provides incentives for the installation of a wide range of energy savings measures that reduce customer energy costs. The incentives are paid to Energy Efficiency Service Providers (“EESPs” or “contractors”) on the basis of deemed energy savings. The program includes measures such as insulation, air infiltration reduction, advanced power-strips, duct leakage repairs, aerators, and domestic hot water pipe insulation. This program includes the Low-Income Home Energy Services products, which cost-effectively ensures that all customer segments can participate in SPS programs at no cost to these qualified customers. Multi-family buildings are also eligible to participate in the program along with customers in manufactured houses. This program is promoted by the service providers and SPS through advertising and sponsored events.
 - In PY 2023, SPS proposes the addition of specific manufactured home and multi-family measures for both residential and low-income including ceiling insulation, air infiltration, floor insulation, duct leakage and aerators.
 - In PY 2023, SPS proposes the addition of food-bank giveaway including LED bulbs and an LED nightlight.
- **Home Lighting & Recycling** – This program provides incentives for customers to purchase energy efficient LEDs through participating retailers. Participating retailers may include home improvement, mass merchandisers, hardware, dollar stores, and warehouse store’s locations. The price on the store shelves includes SPS’s discounts so the customer receives the discounts instantly at the register. SPS also offers LED discounts via the online marketplace to reach customers who may not live by a participating retailer and/or those who want to purchase bulbs from the convenience of their home. The program is administered by a third party who coordinates offering the

program with the retailers and manufacturers. Customers will also be able to recycle used CFLs at select retail partner locations.

- In PY 2023, SPS proposes the addition of Smart LED bulbs.
 - In PY 2023, SPS proposes the addition of LED night lights.
- **Heat Pump Water Heaters** – This program is designed to encourage SPS customers to purchase and install an eligible energy-efficient electric HPWH for residential use. HPWHs are the most efficient electric fuel option for customers. The incentive will be available for self-install or professional installation through an HVAC contractor. Following installation, a completed rebate application form and invoice are submitted to SPS. Customers can expect to receive a rebate six to eight weeks after submitting an application.
 - In PY 2023, SPS proposes the inclusion of an additional rebate channel.
- **School Education Kits Program** – The School Education Kits Program provides free energy efficiency educational kits to students in SPS's New Mexico service area. The program's primary product is for fifth grade students, with additional products for secondary students and community outreach. The kits include energy efficiency educational materials and products, including LEDs, a low-flow showerhead, kitchen and bathroom aerators, and an LED nightlight. This program provides value beyond the direct installation of measures included in the kits by creating awareness of energy efficiency with students, teachers, and parents.
 - In PY 2023, SPS proposes the addition of advanced power strip added to the Innovation Kit.
 - In PY 2023, SPS proposes claiming savings for LED nightlight measures, which was previously a measure included in the kit without counting the energy savings.
- **Residential Thermostat Rewards** – The Residential Thermostat Rewards program (previously known as Smart Thermostats) allows customers to enroll their thermostat devices into the cooling and/or heating rewards program and receive demand response incentives in the form of bill credits for doing so. The program also offers a \$50 energy efficiency rebate for eligible devices. Customers can participate in the program through the Bring Your Own Thermostat (BYOT) channel for those who already have a device or through

the Direct Install channel, where the Company will provide a device and installation of the device free-of-charge. In exchange for joining the Residential Thermostat Rewards program, customers allow SPS to call cooling and/or heating demand response events and measure the capacity savings of such events. Customers must have electric heat or central AC, an eligible Wi-Fi enabled smart thermostat, and receive electric service from SPS in order to qualify for the program.

- **Residential Codes and Standards Program** – The Codes and Standards program will pro-actively encourage and support jurisdictions to ensure compliance with the latest state-wide building codes for residential new construction. This program offers training and resources to people who work in new construction in the Company’s service territory. Target audiences for this program are local building code officials, construction trades, architects, and any other groups who are responsible for designing, building, or verifying new construction.
 - In its Triennial Plan, SPS is proposing to add this program to its EE/LM program portfolio beginning in PY 2023.
- **Refrigerator Recycling** – The Refrigerator Recycling program, which was reintroduced in PY 2022, offers incentives to SPS single-family residential customers and businesses who recycle qualified working refrigerators and freezers. The program also offers free pick-up and disposal of operable room air conditioners, but no financial incentive is offered. In addition, SPS will partner with secondary used refrigerator stores to recycle older units. We will give the owners a rebate for each unit collected. By working with secondary retailers, the program will be able to perform bulk pick-ups of refrigerators and freezers – recycling equipment that otherwise would be lost by the program. SPS works with a third party to administer the Refrigerator Recycling Program.

B. Business Segment Programs

9. SPS’s Triennial Plan includes three business segment programs. These programs are summarized in the following bullets, each of which is followed by sub-bullets identifying modifications or additions to existing programs or whether the program is a new addition to SPS’s EE/LM program portfolio for PY 2023.

- **Business Comprehensive Program** – This program includes the bundling of the following products: Cooling Efficiency, Lighting Efficiency, Motor & Drive Efficiency Custom Efficiency, Large Customer Self-Direct, and Building Tune-Up.
 - **Cooling Efficiency** – The Cooling Efficiency product encourages SPS business customers to choose the most efficient air conditioning, refrigeration, or foodservice equipment to meet their needs. The product offers rebates in both new construction and retrofit applications. Rebates reflect a significant portion of the cost of selecting high efficiency measures over standard efficiency measures.
 - In PY 2023, SPS proposes the expansion of eligibility for Electronically Commutated (EC) motors for walk-in coolers.
 - In PY 2023, SPS proposes the addition of low and medium temperature permanent magnet synchronous motor (PMSM) display case measures.
 - In PY 2023, SPS proposes the addition of Floating head pressure controls for refrigeration systems.
 - In PY 2023, SPS proposes the addition of Walk-in freezer defrost controls.
 - **Lighting Efficiency** – The Lighting Efficiency product offers rebates to customers who purchase and install qualifying energy efficient lighting products in existing or new construction buildings. Rebates are offered to encourage customers to purchase energy efficient lighting by lowering the upfront premium costs associated with this equipment. Common lighting retrofit projects include replacing high intensity discharge or fluorescent fixtures with LED fixtures. Retrofit rebates also include networked lighting controls, standalone control rebates for occupancy sensors and photocells which are used for daylight harvesting. The program has a third-party implementer to run the Lighting Efficiency program as well as provide direct installation of energy saving lamps, aerators and LED tubes to customers with a peak demand of less than 100 kW.
 - In PY 2023, SPS proposes the addition of prescriptive indoor agricultural measures.

- In PY 2023, SPS proposes the addition of LED high-bay retrofit kits.
 - In PY 2023, SPS proposes the addition of two-foot LED tubes.
 - In PY 2023, SPS proposes the addition of high-end Trim control measures.
- **Motor & Drive Efficiency** – The Motor & Drive Efficiency product is designed to reduce the barriers that prevent customers from purchasing high efficiency motors, variable frequency drives (“VFDs”), motor controls, or compressed air equipment. To overcome these barriers, SPS offers rebates to customers who install motors that meet the Department of Energy (“DOE”) efficiency standards; VFDs; motor controllers; pump-off controllers on oil wells; or energy efficient compressed air equipment such as cycling dryers, dryer purge demand controls, mist eliminators, no loss air drains, or VFD compressors.
 - In PY 2023, SPS proposes the addition of prescriptive motor measures up to 500 hp.
 - In PY 2023, SPS proposes the addition of prescriptive compressed air offerings and increased rebates.
 - **Custom Efficiency** – The Custom Efficiency product is designed to provide SPS’s business customers rebates on a wide variety of unique or unusual equipment and process improvements that are not covered by the prescriptive products. Rebates are offered for measures that exceed the standard efficiency options. The rebate is intended to reduce the incremental project cost of the higher efficiency option, thereby encouraging customers to choose the more energy efficient option. Since energy applications and building system complexity can vary greatly by customer type, it is important for customers to have a customized energy efficiency option to help them implement cost-effective energy efficiency measures. The Custom Efficiency product also includes an optional evaluation component, called the Large Commercial and Industrial Study, designed to introduce large C&I customers to energy efficiency opportunities and build the product pipeline for future years.
 - **Large Customer Self-Direct** – As an alternative to the guided process of the Custom Efficiency product, the Large Customer Self-Direct

product is available to SPS customers with contiguous facilities that use over 7,000 megawatt-hours (“MWh”) per year. The Large Customer Self-Direct product enables customers to administer their own energy efficiency projects to receive either a bill credit or exemption from a portion of the charges under the Energy Efficiency Rider.

- **Building Tune-Up** – The Building Tune-Up product is a study/implementation option targeted at buildings smaller than 75,000 square feet. With this offering, the study vendor works through a checklist of measures focusing on the proper operation of existing equipment and completes fixes on-site as appropriate. The Building Tune-Up product is designed to assist smaller business customers to improve the efficiency of existing building operations by identifying existing functional systems that can be “tuned up” to run as efficiently as possible through low- or no-cost improvements. SPS offers rebates for both Building Tune-Up studies and the implementation of recommissioning measures.
- **Business Thermostat Rewards** – The Business Thermostat Rewards program seeks to reduce system load by using smart thermostats to curtail AC unit load during months where air conditioning load is active. The offering is targeted towards the small-to-medium size business customers and will offer to install smart thermostats free of charge through the program contractors for thermostats that control a central AC or rooftop unit. In addition to the direct install channel, the program will have a Bring Your Own Thermostat (BYOT) enrollment channel option for those customers with an eligible smart thermostat already installed and controlling an eligible cooling load. BYOT customers will receive an enrollment incentive in the form of a bill credit upon program eligibility verification and all customers who remain enrolled in the program will receive an annual bill credit for each actively enrolled thermostat.
 - In its Triennial Plan, SPS is proposing to add this program to its EE/LM program portfolio beginning in PY 2023.
- **Commercial Codes and Standards** – Similar to the residential codes and standards program, the business Codes and Standards offering will proactively encourage and support jurisdictions to ensure compliance with the latest state-wide building codes for non-residential new construction. This program offers training and resources to people who work in new construction in the Company’s service territory. Target audiences for this program are local

building code officials, construction trades, architects, and any other groups who are responsible for designing, building, or verifying new construction. It should be noted that the building codes supported by this program typically apply to structures such as commercial or multi-family buildings, but do not typically govern industrial process construction projects.

- In its Triennial Plan, SPS is proposing to add this program to its EE/LM program portfolio beginning in PY 2023.

C. Planning and Research Segment Programs

10. The Planning and Research Segment consists of internal company activities, which provide the support needed to develop, implement, and maintain SPS's portfolio of EE/LM programs. The Planning and Research Segment is necessary because it provides the backbone support for the portfolio, unifying the development of programs with underlying technical assumptions and providing program managers with the research needed to target the markets and segments that are most likely to participate in their programs, as well as providing the education to increase customers' awareness of energy efficiency and load management. This segment is also necessary for maintaining the integrity of the portfolio by carefully tracking program participation and achievements and applying for and receiving Commission endorsement and approval of the programs. Once approved, these functions are necessary for maintaining compliance with the regulatory requirements, such as cost-effectiveness standards and the requirement that programs receive M&V at least once every three years.

11. SPS's proposed Planning and Research Segment includes the following components:

- **Consumer Education** – This program includes activities to increase residential customer awareness of the benefits of energy efficiency and conservation. Examples of activities include advertising through local newspapers, third-party websites,⁶ newsletters, bill inserts, and radio. The messaging includes targeted communications to address seasonal energy usage challenges.
- **Market Research** – This activity focuses on market research to provide information for SPS to use in its decision-making process concerning EE program design, planning, and delivery.
- **Measurement and Verification** – This activity is responsible for managing and coordinating the overall M&V Plan for SPS and working with the Commission’s Independent Program Evaluator, to ensure compliance with the EUEA and the EE Rule. In this filing, SPS has moved all program-specific M&V forecasted spend to the indirect segment. Costs in this segment now include program-specific forecasted costs for M&V and general M&V forecasted costs.
- **Planning & Administration** – This function ensures compliance with all EUEA and EE Rule requirements. Specifically, this group is responsible for the coordination and preparation of the various New Mexico EE regulatory filings. These activities include the preparation of testimony, the annual plans and reports, discovery responses, rulemaking comments, benefit-cost analyses for every program, and tracking and reporting of EE expenditures and savings achievements. Additionally, any outside consultants and external legal service fees related to EE regulatory activities are included in this budget.
- **Product Development** – This activity identifies, assesses, and develops new EE programs, including engineering support and technical assumptions, and supports the modification of current programs.

⁶ Third-party websites may include websites for community organizations, program sponsors, or partner contractors.

IV. GOAL COMPLIANCE

12. As approved in Case No. 21-00186-UT, SPS's cumulative savings requirement for the 2021-2025 period is 269,769 MWh.⁷ To meet this goal, SPS would be required to achieve average annual savings of roughly 53,954 MWh during this period.

13. For PYs 2023-2025, SPS proposes energy savings goals of 55.862, 55.390, and 55.238 gigawatt-hour ("GWh"), net customer, at budgets of \$16,437,956, including interest, for PY 2023, \$17,285,341 for PY 2024, and \$17,818,044 for PY 2025.⁸

14. As shown in Table 1 below, SPS's 2021 actual savings achievement and forecasted savings achievement in PYs 2022-2025 position SPS to meet its cumulative savings requirement of 269,769 MWh.

⁷ See Case No. 21-00186-UT, Recommended Decision at 23-26 and 55, approved by Final Order Approving Recommended Decision at 2-4.

⁸ The program budgets for PYs 2024 and 2025 are based on SPS's current estimates of revenues eligible for EE/LM program funding to be billed in the respective PYs. If future forecasts indicate a need

Table 1

Year	Annual Net Customer Achievement (GWh)	Cumulative Net Customer Achievement (GWh)	Cumulative % of SPS's Revised Goal Requirement
2021 Actual	50,209,534	50,209,534	19%
2022 Forecast	56,492,074	106,701,608	40%
2023 Forecast	55,862,105	162,563,713	60%
2024 Forecast	55,390,332	217,954,045	81%
2025 Forecast	55,237,706	273,191,751	101%

V. PUBLIC PARTICIPATION

15. In accordance with 17.7.2.8(B) NMAC, SPS invited the Commission's Utility Division Staff ("Staff"), the New Mexico Attorney General ("NMAG"), and the New Mexico Energy, Minerals, and Natural Resources Department ("EMNRD"), as well as environmental group representatives, consumer advocates, large customers, and other utilities to a public meeting to solicit non-binding recommendations on the design and implementation of the proposed Triennial Plan. SPS held its first public advisory meeting on February 25, 2022, via web conference. At this meeting, SPS provided a review of PY 2021 preliminary achievements, an overview and update of Case No. 21-00186-UT, and the tentative programs and products the Company was reviewing for inclusion in its Triennial Plan filing. SPS also specifically addressed the Coalition for Clean Affordable Energy's ("CCAEE") program-related proposals raised in Case No. 21-00186-UT and committed to providing final results of their evaluation at the second

for SPS to adjust these budgets, consistent with the EUEA and EE Rule funding requirements, SPS will provide an updated PY budget in its future EE Rider reconciliation filings.

meeting. SPS requested non-binding feedback on the programs and measures it was reviewing for inclusion within the Triennial Plan and took the feedback it received in the first meeting to continue its review and evaluation of possible measures. Participating attendees at SPS's February 25, 2022 public advisory meeting included representatives from Staff, the New Mexico EMNRD, Southwest Energy Efficiency Project ("SWEEP")/CCAE, New Mexico Gas Company ("NMGC"), El Paso Electric Company ("EPE"), and Public Service Company of New Mexico ("PNM").

16. SPS held its second public advisory meeting on April 25, 2022, via web conference. Participating attendees included representatives from Staff, EMNRD, NMGC, EPE, and PNM. SPS provided final savings and spending from PY 2021, an overview of current program offerings and proposed updates for the PYs 2023-2025 Triennial Plan filing, and discussed final feedback on CCAE's program-related proposals from Case No. 21-00186-UT. A comprehensive list of feedback from both meetings can be found in Table 3 of SPS's Triennial Plan.

VI. COST-EFFECTIVENESS TEST

17. SPS's Triennial Plan portfolio meets the UCT as defined by Section 62-17-4(K) of the EUEA with an overall UCT ratio of 1.04 for PY 2023, 1.02 for PY 2024, and 1.00 for PY 2025. Each program included in the Triennial Plan, with the exception of the Residential HVAC, Refrigerator Recycling, Residential Thermostat Rewards, and Business Thermostat Rewards pass the UCT at the program level⁹. Tables

⁹ HEI passes the UCT in PYs 2023 and 2025, but does not pass the UCT in PY 2024.

1a-1c in the Triennial Plan provides the UCT results for each program in PYs 2023-2025, respectively, and Appendix A of the Triennial Plan provides detailed calculations and methodologies for each UCT calculation.

VII. INCENTIVE MECHANISM

18. SPS is proposing the same incentive mechanism for all three Triennial Plan years (2023-2025). This incentive mechanism is similar to the mechanism approved in Case No. 21-00186-UT and 19-00140-UT, but it has been adjusted to account for a change in SPS's weighted average cost of capital ("WACC") and savings targets projected for PYs 2023-2025.¹⁰

19. The incentive mechanism proposed would utilize a sliding scale of achievement allowing SPS to earn a base incentive of 5.75% of actual spend if it meets a baseline incentive goal of 44 GWh net customer each year of the Plan. For every GWh achieved in excess of this base goal, SPS will incrementally achieve an additional 0.10% before capping out the incentive at 7.19% of actual spend, SPS's most recent Commission-approved pre-tax WACC.¹¹ A copy of SPS's proposed incentive mechanism for PYs 2023-2025 is provided as Attachment MRS-6 to Mr. Schoenheider's

¹⁰ The maximum incentive allowable under 17.7.2.8(L)(4) NMAC is the product of SPS's WACC and its approved annual program costs.

¹¹ *In the Matter of Southwestern Public Service Company's Application for: (1) Revision of its Retail Electric Rates Under Advice Notice No. 282; (2) Authorization and Approval to Shorten the Service Life and Abandon its Tolk Generating Station Units; and (3) Other Related Relief*, Case No. 19-00170-UT, Certification of Stipulation at 31 and 34 (May 11, 2020), *approved by* Final Order Adopting Certification of Stipulation (May 20, 2020).

direct testimony. The proposed annual base incentive for PY 2023 is \$945,182 and will be subject to a true-up based on actual expenses and savings achieved.

20. Consistent with EUEA § 62-17-5(F)(3), the proposed incentive mechanism: (i) provides an opportunity (not guarantee) for SPS to earn an incentive; (ii) is based on SPS's actual performance, where performance is measured by EUEA spending and achievement goals; and (iii) at this time, provides a satisfactory basis for SPS to prefer demand-side over supply-side resources.

21. In addition, as explained by Mr. Schoenheider, the proposed incentive mechanism is evidence-based, cost-based, and specific to SPS. Mr. Schoenheider further confirms that SPS's proposed incentive mechanism promotes the EUEA's policy goals, as set forth in EUEA § 62-17-3, by: (1) rewarding the best efforts of SPS to implement available, cost-effective EE/LM programs that are designed to satisfy SPS's EUEA's cumulative savings goals while still affording every affected customer class with the opportunity to participate and benefit economically; and (2) balancing the public interest with that of SPS's customers and investors by establishing a reasonable range of potential incentive recovery that affords SPS the opportunity to earn a profit for satisfactory performance in the implementation of cost-effective EE/LM programs designed to meet and, potentially, exceed SPS's savings goal under the EUEA.

VIII. SPS's ENERGY EFFICIENCY PROGRAM COST TARIFF RIDER

22. In accordance with Section 62-17-6(A) of the EUEA and 17.7.2.13 NMAC, SPS proposes to recover its prudent and reasonable program costs associated

with its Triennial Plan through a Commission-approved tariff rider (*i.e.*, EE Rider) that will apply to all New Mexico retail rate schedules over a 12-month period beginning on January 1, 2023. The proposed EE Rider rate is intended to recover SPS's PY 2023 program and administrative costs under the Triennial Plan, exclusive of any incentive recovery.¹² Accordingly, any charge for incentive recovery will be a separate charge under the EE Rider.

23. In accordance with Section 62-17-6(A)(1) of the EUEA, funding for EE/LM program costs are set at no less than three percent and no more than five 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. SPS's proposed EE Rider is applicable to all of SPS's New Mexico retail rate schedules, subject to the statutory cap and exemptions. SPS's program costs are estimated to be \$16,437,956 (including interest) for PY 2023. However, as detailed by Mr. Luth, SPS is only requesting to recover \$15,365,007 for EE/LM program and administrative costs through its PY 2023 EE Rider to account for SPS's underage (over-collection) of PY 2021 expenses and accrued interest.

24. In addition to program and administrative costs, SPS proposes to include in the 2023 EE Rider: (a) an estimate of the PY 2023 base financial incentive; (b) a

¹² Section 62-17-4(I) of the EUEA defines program costs as exclusive of any charges for incentives or the removal of regulatory disincentives.

reconciliation to account for the under-recovery of SPS's earned financial incentive for energy savings achieved in PY 2021; and (c) the remaining, unrecovered costs associated with the completion of the EE Potential Study submitted in Case No. 21-00186-UT.

25. Consistent with the EUEA and EE Rule, SPS proposes to reconcile authorized EE expenditures and collections, including utility incentive amounts, on an annual basis and report this annual reconciliation. If future forecasts indicate a need for SPS to adjust future year budgets, consistent with the EUEA and EE Rule funding requirements, SPS will provide an updated PY budget in its future EE Rider reconciliation filings. SPS proposes to annually file an advice notice, amended tariff, and supporting documentation regarding the annual incentive reconciliation.

26. In accordance with Section 62-17-6(A) of the EUEA and 17.7.2.13(B) NMAC, SPS proposes to recover its projected PYs 2023, 2024, and 2025 incentives through the EE Rider.

27. The proposed 2023 EE Rider will remain in place until the effective date of the next Commission-approved tariff rider and is designed to recover PY 2023 program costs and incentives as approved under SPS's Triennial Plan.

IX. MISCELLANEOUS MATTERS

28. In support of SPS's Application and the Triennial Plan, SPS is concurrently filing the direct testimony of the following witnesses:

(a) Mark R. Schoenheider, whose testimony: (i) summarizes SPS's request for relief in this case; (ii) introduces SPS's other witnesses; (iii) provides an overview of

SPS; (iv) describes the compliance requirements under the EUEA, EE Rule, relevant Court precedent, and SPS's compliance with these applicable standards; (v) supports SPS's proposed Triennial Plan portfolio of EE/LM programs, as well as the process used by SPS to evaluate, select, and design its proposed portfolio of Residential and Business energy efficiency programs to meet its proposed Triennial Plan goals; (vi) describes how SPS's proposed savings goals for the three-year Triennial Plan are achievable and reasonable; (vii) explains the reasonableness and necessity of the Planning and Research Segment costs to achieve the goals of the EUEA; (viii) details the UCT assumptions and calculations used to evaluate the cost-effectiveness of each program; (ix) provides the background and justification for the measurement and verification of SPS's EE programs; (x) presents and explains how SPS's requested financial incentive mechanism for PYs 2023-2025 is consistent with the EUEA and EE Rule; and (xi) presents SPS's PY 2021 earned incentive in accordance with the incentive mechanism approved in Case No. 19-00140-UT, which Mr. Luth incorporates into the proposed PY 2023 EE Rider.

(b) Richard M. Luth, whose testimony supports and addresses: (i) the calculation of SPS's PY 2023 EE Rider and projected customer bill impacts; (ii) recovery through the EE Rider of an incentive for spending and savings achieved as a result of SPS's EE/LM programs; and (iii) recovery through the EE Rider of the remaining cost of the EE Potential Study submitted in Case No. 21-00186-UT.

29. SPS will serve a copy of this Application, the Triennial Plan, and the supporting direct testimony on the parties to SPS's most recent electric rate case (Case

No. 20-00238-UT) and SPS's most recently approved energy efficiency Potential Study filing (Case No. 21-00186-UT).

30. Pursuant to the requirements of 17.1.2.10 NMAC, *Application for New Rates*, SPS is attaching the following documents to the Application:

(a) SPS's Proposed Notice to Customers, which will be published in newspapers of general circulation in SPS's service area and mailed to all SPS New Mexico retail customers (Exhibit A); and

(b) a copy of SPS's proposed Advice Notice, Table of Contents, and EE Rider (Exhibit B).

WHEREFORE, SPS requests that the Commission:

- (a) approve SPS's Triennial Plan and associated EE/LM programs;
- (b) authorize SPS to apply the Commission's approval of the Triennial Plan budget for PY 2023 to the entirety of PY 2023, even if the Commission has not issued a final order by December 31, 2022;
- (c) authorize SPS to fund its Triennial Plan program and administrative costs at three to five percent of customer bills in accordance with Section 17.7.2.8(C)(1) of the EE Rule and Section 62-17-6(A) of the EUEA and to recover these costs through its EE Rider;
- (d) approve SPS's proposed methodology to calculate the financial incentive for each year of the Triennial Plan;
- (e) approve recovery of a financial incentive for PY 2023 through SPS's EE Rider;
- (f) approve SPS's proposed reconciliation process for the authorized budget and actual plan year expenditures and collections; and
- (g) grant all other approvals, authorizations, and relief that may be required under the EUEA, the EE Rule, and the PUA for SPS to implement the approved Triennial Plan and EE Rider.

Respectfully submitted,

/s/ Zoë E. Lees

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