

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY’S)
APPLICATION FOR APPROVAL OF ITS 2021-)
2023 TRANSPORTATION ELECTRIFICATION)
PLAN; PROPOSED PLAN RIDERS AND)
CREDIT; AND OTHER ASSOCIATED RELIEF,) Case No. 20-00XXX-UT
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
APPLICANT.)
)
)
_____)**

DIRECT TESTIMONY

of

RUTH M. SAKYA

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

July 21, 2020

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

TABLE OF CONTENTS

1	GLOSSARY OF ACRONYMS AND DEFINED TERMS.....	2
2	I. WITNESS IDENTIFICATION AND QUALIFICATIONS.....	3
3	II. PURPOSE AND SUMMARY OF TESTIMONY AND RECOMMENDATIONS...	6
4	III. OVERVIEW OF SPS AND THE TEP.....	13
5	A. OVERVIEW OF SPS.....	13
6	B. SPS's TEP.....	15
7	IV. STATUTORY COMPLIANCE.....	19
8	V. AUTHORITY TO ESTABLISH A REGULATORY ASSET FOR REBATES ...	26
9	VERIFICATION.....	29

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Commission	New Mexico Public Regulation Commission
COVID-19	Coronavirus Disease 2019
DCFC	Direct Current Fast Charging
EV	electric vehicle
EV Rider	Electric Vehicle Infrastructure Rider
EV Statute	NMSA 1978, § 62-8-12
kWh	kilowatt hour
MOU	Memorandum of Understanding
PUCT	Public Utility Commission of Texas
REV West Plan	Regional Electric Vehicle Plan for the West
SPS	Southwestern Public Service Company, a New Mexico corporation
TEP or Plan	Transportation Electrification Plan
WACC	weighted average cost of capital
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

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 119 E. Marcy Street, Suite
4 202, Santa Fe, New Mexico 87501.

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 subsidiary of Xcel Energy Inc.
8 (“Xcel Energy”).

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

10 A. I am employed by SPS as Manager, Regulatory Administration.

11 **Q. Please briefly outline your responsibilities as Manager, Regulatory
12 Administration.**

13 A. I am responsible for determining the appropriate regulatory policy for SPS. In
14 this role, I direct and prepare comments, testimony, and briefing materials for
15 policy matters impacting SPS and advocate on behalf of SPS and its customers
16 before the New Mexico Public Regulation Commission (“Commission”), the
17 Public Utility Commission of Texas (“PUCT”), and the Southwest Power Pool,
18 Inc.

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

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

2 A. I graduated from the University of Wyoming in 1998 with a Bachelor of Science
3 degree in Finance and, in 2001, with a Master of Science degree in Finance, with
4 an emphasis in Regulatory Economics. I have completed the coursework and
5 successfully passed the qualifying exams for a Ph.D. in Public Affairs from the
6 University of Colorado, Denver.

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

8 A. I began my career in 1999 as an intern with the Illinois Commerce Commission
9 and in 2000 joined the PUCT as a Senior Policy Analyst. I have held various
10 other positions, including Rate Analyst at a multijurisdictional electric and gas
11 utility, and Senior Analyst and Supervising Analyst with a consulting firm
12 specializing in services to regulatory agencies and municipal entities. In 2004, I
13 accepted a position with Xcel Energy Services (“XES”) as Senior Rate Analyst.
14 In 2007, I accepted a position with XES as Manager, Regulatory Policy.
15 Beginning January 1, 2012, my position as Manager, Regulatory Policy was
16 transferred to SPS, where my job responsibilities continued to be the same as they
17 were since 2007. In April 2018, I became Manager, Regulatory Administration.

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 **Q. Have you testified before any regulatory authorities?**

2 A. Yes. I have filed testimony with the Commission, the PUCT, and the Colorado
3 Public Utilities Commission in numerous cases. I have also testified before each
4 of these regulatory authorities.

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 **Q. Please summarize the requested authorization requested by SPS in this case.**

2 A. SPS is proposing a Transportation Electrification Plan that advances
3 transportation electrification in New Mexico, drawing from Xcel Energy's
4 experiences and lessons learned in other regions, while adapting them to the
5 specific – and unusual – considerations of SPS's New Mexico service territory.
6 This includes being mindful of issues such as access by low-income communities
7 (that are also contemplated by the EV Statute).

8 The TEP consists of three initiatives, or “portfolios,” which are:

- 9 • **Residential Charging** – offers customers performance incentives for
10 charging off-peak (“managed charging”) and helps reduce the upfront
11 costs of home charging via rebates, including a higher rebate for
12 low-income customers, and a charging service program.
- 13 • **Public Charging** – begins to address the charging infrastructure gap in
14 SPS's service territory. SPS proposes to provide make-ready investments
15 for public charging stations and also to invest in, own, and operate a
16 limited Direct Current Fast Charging (“DCFC”) charging network.
- 17 • **Advisory Services** – provides education, outreach, and advisory services
18 for residential customers, fleets, and communities, to facilitate both
19 increased EV adoption and participation in SPS programs.

20 SPS requests that the Commission:

- 21 • approve SPS's TEP, and associated TEP programs;
- 22 • approve SPS's proposed TEP budget and budget flexibility proposal;

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

- 1 • approve SPS’s proposed straight-line 10% depreciation rate for
2 SPS-owned EV chargers;
- 3 • approve SPS’s proposal to place TEP rebates into a regulatory asset,
4 amortize the rebates over a 10-year amortization period, and earn a return
5 on the asset at SPS’s most recently approved weighted average cost of
6 capital (“WACC”);
- 7 • approve SPS’s proposed revenue requirement for its TEP;
- 8 • approve SPS’s proposed tariffs: Electric Vehicle Infrastructure Rider
9 (“EV Rider”), Electric Vehicle Equipment Rider, Public Electric Vehicle
10 Charging Service Rate, and Electric Vehicle Charging Optimization Rider,
11 as shown in Advice Notice No. 290 attached hereto;
- 12 • approve SPS’s proposed evaluation and reporting criteria;
- 13 • find that SPS’s TEP complies with the EV Statute, is reasonable, prudent,
14 and in the public interest, and that the proposed cost recovery mechanisms
15 set forth in this Application and supporting Direct Testimony and
16 Attachments will provide for the implementation of just and reasonable
17 rates; and
- 18 • grant to SPS all other approvals, authorizations, waivers, or variances that
19 the Commission determines are necessary for SPS to implement and
20 effectuate the relief granted in this case.

21 **Q. Please identify the other SPS witnesses in this case and briefly describe the**
22 **areas covered in their respective testimonies.**

23 A. SPS is presenting the following witnesses:

- 24 • Mathias C. Bell – provides an overview of the current EV landscape in
25 SPS’s New Mexico service territory; gives an overview of Xcel Energy’s
26 experience designing transportation electrification programs; provides

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 details on the TEP and how SPS developed it, including its budget; and
2 discusses SPS's proposal for evaluating the TEP;

3 • Arthur P. Freitas – supports SPS's cost of service for the TEP, which
4 includes a discussion of issues related to the depreciation of the assets in
5 the TEP and a description of the proposed cost recovery and the revenue
6 requirement calculation; and

7 • Richard M. Luth – presents the four TEP-related tariffs and the bill
8 impacts.

9 **Q. Do you have any general comments to begin your testimony?**

10 A. Yes. SPS is pleased to present to the Commission its first TEP, pursuant to the
11 requirement of the EV Statute. The EV landscape is growing rapidly and SPS's
12 TEP is designed to further the state's policy goals, providing access to both
13 customers within SPS's service area and those who travel through the service
14 area, therefore providing opportunities to enhance State and local economic
15 development opportunities, including supporting New Mexico's participation in
16 the Regional Electric Vehicle Plan for the West¹. At the same time, SPS's TEP is
17 designed to balance the customer bill impacts of implementing the TEP.

¹ In October, 2017, the Governors of Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming signed a Memorandum of Understanding ("MOU") to establish a Regional Electric Vehicle Plan for the West ("REV West Plan"). Through the REV West Plan, the Signatory States will work together to create an Intermountain West EV Corridor that will make it possible to seamlessly drive an EV across the western states' major transportation corridors. The MOU outlines several substantive and procedural activities that the Signatory States will undertake as a region to support the goals of the REV West Plan, one of which is to develop voluntary minimum standards related to administration,

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 I note that this is SPS's initial TEP and this Plan initiates what will be a
2 series of plans going forward. SPS is not, however, starting from scratch. SPS is
3 a leader in renewable energy and energy efficiency initiatives that preserve
4 cost-effectiveness and reliability. In addition, SPS is able to leverage the
5 experience of its sister operating companies, who are either already offering TEP
6 services (e.g., Northern States Power Company) or are in the process of receiving
7 regulatory approval (e.g., Public Service Company of Colorado). At the same
8 time, SPS designed its TEP with the recognition that its New Mexico service area
9 has distinctly different characteristics and that portfolios and budgets must be
10 tailored to the demographics of the area and the current and expected near-term
11 state of the EV market in New Mexico. For example, based on SPS's experience
12 with both energy efficiency and distributed generation programs, SPS has learned
13 that customer education is an essential element of its programs and that customer
14 participation can initially be slow, particularly in comparison to more
15 metropolitan service areas.

interoperability, operations, and management of publicly-available DCFC stations.

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 **Q. How does the Coronavirus Disease 2019 (“COVID-19”) Pandemic affect how**
2 **SPS proposes the TEP?**

3 A. COVID-19 has created significant new challenges for public health and
4 uncertainties within economy. SPS is monitoring the situation closely, with the
5 recognition that the EV Statute requires a filing by January 1, 2021. And, it is
6 possible that EVs may provide long-term economic benefits not only to owners
7 and drivers of EVs but also to all SPS customers. Thus, considering SPS’s TEP
8 now, positions SPS and its service area to take advantage of potential economic
9 benefits. Accordingly, SPS has developed a plan that balances the statutory
10 considerations with a mindful eye on customer bill impacts, while supporting EV
11 adoption, improvements of air quality and emissions, and providing lasting
12 impacts on the state’s transportation sector.

13 **Q. Please summarize the conclusions reached in your testimony.**

14 A. SPS presents an initial TEP which begins the process of advancing transportation
15 electrification in an underserved area of New Mexico. This TEP addresses all of
16 the considerations of the EV statute, reflects the specific characteristics of SPS
17 service area, and balances the financial impacts to SPS’s customers. Accordingly,

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 the Commission should approve SPS's TEP, finding that it is reasonable, in the
2 public interest, and consistent with the considerations of the EV statute.

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 **III. OVERVIEW OF SPS AND THE TEP**

2 A. **Overview of SPS**

3 **Q. Please generally describe SPS.**

4 A. SPS is a fully integrated generation, transmission, and distribution electric utility
5 that serves approximately 385,000 customers in a 52,000 square-mile area of
6 eastern and southern New Mexico and the Panhandle and the South Plains of
7 Texas. SPS has approximately 117,000 customers in its New Mexico service
8 area. SPS's service area extends approximately 400 miles from north to south and
9 200 miles from east to west.

10 **Q. Please generally describe SPS's customer base.**

11 A. SPS's retail customer base in both New Mexico and Texas consists of residential
12 and commercial customers with a large component of agriculture, industrial, and
13 oil and natural gas customers. The agricultural areas are mostly irrigated by
14 pumping from natural underground water sources and there is also a large
15 investment in cattle feeding and dairy operations in the service area. In the past
16 several years, the SPS service area has experienced unprecedented growth in oil
17 and natural gas development. The recent COVID-19 events have slowed the oil

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 and natural gas development, although the impacts on SPS's service area remain
2 to be determined.

3 **Q. Please describe SPS's customer mix.**

4 A. Unlike many utilities, SPS serves a very large amount of commercial and
5 industrial retail load. Indeed, approximately 81 percent of New Mexico retail
6 sales are to industrial and commercial customers, and at least 70 percent of SPS's
7 New Mexico retail jurisdictional sales are to oil and natural gas businesses. Table
8 RMS-1 illustrates SPS's customer sales mix during 2019.

9 **Table RMS-1: 2019 Customer Sales Mix**

Customer Class	Kilowatt Hour ("kWh")	Percent of Total
Commercial (SGS, SG, IRR)	976,680,940	14.1%
Industrial (PG, LGST)	4,633,918,308	66.8%
Lighting	28,229,352	0.4%
Muni & School	132,940,529	1.9%
Residential	1,168,393,727	16.8%
Total	6,940,162,857	100.0%

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 **Q. How did SPS consider its customer mix in the development of the TEP?**

2 A. SPS's customer mix is unusual in comparison to other utilities, many of whom
3 have more kWh sales to residential and small commercial customers than does
4 SPS, which makes most of its kWh sales to large commercial and industrial
5 customers. As such, SPS's TEP:

- 6 • recognizes it needs to focus on residential offerings to encourage
7 individual adoption of EVs;
- 8 • offers advisory services for fleets; and
- 9 • increases access to public charging and facilitates EV travel throughout
10 the service area, both for customers within the service area and those who
11 might travel through the service area.

12 **B. SPS's TEP**

13 **Q. Please provide an overview of SPS's TEP.**

14 A. Through this first TEP, SPS is proposing an initial set of three portfolios, with
15 eight programs. The initial portfolio of programs include: (i) Residential; (ii)
16 Public Charging; and (iii) Advisory Services.

17 These programs are designed to address the statutory considerations and,
18 as Mr. Bell discusses, also addresses three existing gaps within the EV market: (i)
19 lack of information and awareness; (ii) upfront costs associated with purchasing

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 EVs and charging infrastructure; and (iii) suboptimal incentives to EV charging
2 when it is most beneficial to the overall system.

3 **Q. What is SPS’s proposed budget for each year of the TEP?**

4 A. Over a three-year period, SPS proposes a total budget of approximately \$3.17
5 million, with the following breakdown per year:

2021	2022	2023	Total
\$ 791,000	\$ 872,000	\$ 1,504,000	\$ 3,168,000

6 Mr. Bell describes the proposed budget in more detail in his direct testimony. The
7 resultant annualized monthly bill impact for the first year revenue requirement, as
8 supported by SPS witness Mr. Luth, is 11 cents or \$1.32 over the entire year for a
9 residential customer using 750 kWh per month.

10 **Q. What factors did SPS consider when developing the TEP budget?**

11 A. In addition to SPS’s rather unique customer mix, which I discussed earlier, SPS
12 also considered the following factors:

- 13 • the statutory obligation to develop and offer its TEP, the factors that the
14 Commission is statutorily obligated to consider when evaluating the TEP,
15 and the goals to expand transportation electrification stated by the statute;
- 16 • customer bill impacts; and
- 17 • SPS’s service area, including the number of existing vehicles, the more
18 rural nature of the area, and prior experience offering programs such as
19 energy efficiency and distributed generation.

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 As Mr. Bell mentions, this is SPS's initial filing. While SPS has proposed
2 a plan that implements the statutory goals in this filing, SPS has done so in a
3 manner that efficiently and effectively utilizes funding and investment. To that
4 end, SPS developed a more-limited set of initial programs, strategically designed
5 to begin addressing key barriers to EV adoption. Future TEPs will advance and
6 evolve to reflect and promote further progress in its service territory.

7 **Q. Is SPS requesting flexibility as it relates to its budget?**

8 A. Yes. Although Mr. Bell discusses SPS's request in detail, I wanted to offer a few
9 remarks as it relates to customer bill impacts and past experience with other
10 programs. Experience demonstrates that the market for new programs can change
11 rapidly. While SPS has a legislative mandate to help develop the transportation
12 electrification sector, it seeks to do so in a manner that remains mindful of
13 customer bill impacts and reliability. For example, customer rebate levels may be
14 initially higher to attract customers, but as time goes on, those rebate levels will
15 not need to be as high. If SPS does not have the flexibility to adjust budgets,
16 including rebate levels, all customers suffer. If SPS pays too much for rebates,
17 meaning that it has less overall funding for fewer EVs, it reduces the overall
18 benefits of the programs. This has proven to be the case in both SPS's distributed

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 generation and energy efficiency programs. Over time, varying levels of
2 flexibility have been adopted by the Commission to address these concerns and
3 maximize customer benefits.

4 **Q. When will SPS begin implementing the proposed 2020 Plan and associated**
5 **programs?**

6 A. SPS proposes to implement its initial TEP beginning in early 2021. However,
7 SPS recognizes the significant amount of work and number of cases currently
8 pending before the Commission.

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 **IV. STATUTORY COMPLIANCE**

2 **Q. Please provide an overview of the EV Statute.**

3 A. The EV Statute, which became effective June 14, 2019, requires an initial
4 application no later than January 1, 2021. Public utilities are required to file, no
5 more frequently than every two years, an application to expand transportation
6 electrification in their service area.

7 **Q. Is there a Commission rule implementing the EV Statute of which SPS must**
8 **comply?**

9 A. No. The Commission has not adopted a rule implementing the EV Statute.

10 **Q. What are the EV Statute general requirements?**

11 A. Utilities are required to file an application to expand transportation electrification
12 no later than January 1, 2021 and thereafter upon request by the Commission, but
13 no more frequently than every two years. Applications may include investments
14 or incentives to facilitate the deployment of charging infrastructure and associated
15 electrical equipment that support transportation electrification. Utilities that
16 undertake measures to expand transportation electrification shall have the option
17 of recovering reasonable costs for the expansion through a commission-approved
18 tariff rider or base rates or both. The EV Statute also requires the Commission to

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 consider a number of factors related to the investments, incentives, programs, and
2 expenditures. I address how SPS's TEP complies with each statutory
3 consideration.

4 **Q. How is SPS's TEP reasonably expected to improve the public utility's**
5 **electrical system efficiency, the integration of variable resources, operational**
6 **flexibility, and system utilization during off-peak hours (NMSA 1978,**
7 **§ 62-8-12(B)(1))?**

8 A. Generally speaking, most TEP programs are expected to improve the efficiency of
9 the electric grid by incentivizing customers to charge their EVs during off-peak
10 periods, such that the costs incurred to serve this additional electricity demand
11 from EVs can be minimized by reducing the need to ramp up peaking generation
12 or building new system infrastructure in the future to accommodate such load.
13 More specifically, as Mr. Bell describes, SPS has designed its residential
14 portfolio, the segment where most charging is likely to happen and represents the
15 biggest opportunity to shape load, to enhance overall system efficiency and
16 operation. For example, SPS's residential programs all require customers to
17 participate in either (or both) time of use rates or the EV Optimization program to
18 ensure these utility investments meet the intent of the EV Statute. Moreover,

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 SPS's public fast charging program, which is accessed by both the residential and
2 commercial segments, has a rate structure that encourages charging during
3 off-peak hours.

4 **Q. Is SPS's TEP reasonably expected to increase access to the use of electricity**
5 **as a transportation fuel, with consideration given for increasing such access**
6 **to low-income users and users in underserved communities (NMSA 1978,**
7 **§ 62-8-12(B)(2))?**

8 A. Yes. SPS's TEP includes eight programs, across three portfolios, covering the
9 major customer types of EV implementation, while taking into consideration the
10 fact that SPS's service area currently lacks public charging infrastructure, other
11 than in Tucumcari, New Mexico. The TEP addresses the three key barriers we
12 have identified to transportation electrification – lack of awareness and
13 information, upfront costs, and suboptimal incentives to EV charging when it's
14 most beneficial for the grid. The TEP residential portfolio also includes a
15 low-income program, to facilitate access for those customers defined as
16 low-income by the statute by offering an enhanced rebate to those customers.
17 Moreover, when evaluating locations of public chargers, SPS will seek to ensure
18 that low-income communities are served, as well as other communities. Finally,

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 the TEP is calibrated to support a trajectory of EV adoption in SPS's service area
2 with a goal of adding between 15-20 public fast charging ports during the
3 three-year period of the plan.

4 **Q. Has SPS presented a plan which is designed to contribute to the reduction of**
5 **air pollution and greenhouse gases (NMSA 1978, § 62-8-12(B)(3))?**

6 A. Yes. Based on the analysis by E3 (*see* Attachment MCB-3 to Mr. Bell's direct
7 testimony), SPS estimates electrification of light duty vehicles, which the TEP
8 seeks to encourage, between 2020 and 2030 in its service area will result in
9 lifetime emission savings of 49,552 metric tons of carbon dioxide and a reduction
10 of 86 metric tons of nitrogen dioxide emissions across Xcel Energy's New
11 Mexico territory.

12 **Q. Will SPS's TEP reasonably be expected to support increased consumer**
13 **choices in electric vehicle charging and related infrastructure and services;**
14 **allow for private capital investments and skilled jobs in related services; and**
15 **provide customer information and education (NMSA 1978, § 62-8-12(B)(4))?**

16 A. Yes. SPS's TEP is expected to stimulate both competition and consumer choices
17 in EV charging and related infrastructure and services in multiple ways. First,
18 through SPS's residential programs, in the case where SPS provides a financial

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 incentive such as a rebate, customers have the option to bring their own charger or
2 obtain it from SPS. Further, customers have the ability to choose the electrician
3 to perform the wiring for their charger and select and procure their own charging
4 equipment from among the qualifying options in the program. In relation to
5 programs and infrastructure sourced by SPS, competitive bids will be solicited for
6 charging equipment and related services.

7 As it relates to private capital investment and skilled jobs, SPS's TEP is
8 designed to drive increased EV investment, both in the residential and other
9 segments. Certainly, the infrastructure related to EV deployment will require a
10 skilled labor force, which SPS will utilize. The goal of our initial TEP is to help
11 attract private capital investments because with more EVs will come more
12 vendors aiming to serve the market and spur even more demand. Moreover,
13 through the TEP, we are targeting areas where market barriers exist, for example,
14 access to public fast charging. Public fast charging could play a critical role in
15 increasing awareness, adoption, and utilization of EVs (not to mention economic
16 development). However, there is a gap between the amount of public fast
17 charging that is necessary to support future adoption and that which exists today.
18 SPS understands that there are only a limited number of cases where these

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 investments currently economically justify themselves – and those cases are not
2 largely within SPS’s service area. More could become economically viable
3 through support of SPS’s Public Charging programs.

4 Finally, SPS’s TEP includes a dedicated portfolio – Advisory Services – to
5 educate and advise customers on potential ways to utilize EVs.

6 **Q. Please describe how SPS’s TEP transparent, incorporating public reporting**
7 **requirements to inform program design and commission policy (NMSA 1978,**
8 **§ 62-8-12(B)(6)).**

9 A. Although there are no specified requirements at this time, SPS values
10 transparency and stakeholder engagement in its program design and operation.
11 Accordingly, as detailed in SPS’s TEP (Attachment MCB-1 to Mr. Bell’s direct
12 testimony), SPS proposes to provide a significant amount of information on an
13 annual basis, in addition to regular stakeholder meetings. SPS proposes an annual
14 report, to be filed by August 1 each year, which includes key performance metrics
15 and associated data, a reconciliation of the EV Rider, and an independent
16 third-party evaluation of SPS’s results.

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 **Q. Is SPS's TEP reasonable and prudent (NMSA 1978, § 62-8-12(B)(5))?**

2 A. Yes. As all of SPS's witnesses demonstrate, SPS's TEP is reasonable, prudent, in
3 the public interest, and should be approved by the Commission. This initial TEP
4 is an important first step in developing New Mexico's goals of electric
5 transportation, particularly in the underserved areas of SPS's New Mexico service
6 area. In particular, the TEP is:

- 7 • consistent with the requirements, considerations, and goals of the EV
8 statute;
- 9 • sized to SPS's market;
- 10 • sensitive to income levels and transportation needs of SPS's communities;
11 and
- 12 • responsive to state policy goals.

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 **V. AUTHORITY TO ESTABLISH A REGULATORY**
2 **ASSET FOR REBATES**

3 **Q. What do you discuss in this section of your testimony?**

4 A. In this section of my testimony, I describe SPS’s proposal to establish a regulatory
5 asset to record the costs of the rebates paid to customers for charging equipment
6 installation. The proposal matches the costs with the benefits of the equipment,
7 while also smoothing the customer cost impacts of the program.

8 **Q. Please describe SPS’s proposal.**

9 A. SPS proposes to record the costs of the rebates paid to customers for charging
10 equipment in a regulatory asset. The regulatory asset balance would be placed on
11 SPS’s balance sheet and would be amortized over a ten-year period, earning at
12 SPS’s WACC. Mr. Freitas discusses the impact of SPS’s proposal on the annual
13 revenue requirement.

14 The proposal is consistent with established regulatory principles. In
15 addition, the proposal is consistent with standard financing principles and
16 decisions. For example, a lot of people finance cars and homes – assets with
17 longer lives. However, consumables such as gas, groceries, etc. do not tend to be
18 financed (over long periods of time). Similarly, because these rebates are for
19 assets with lives of 10 years, the proposal is reasonable, as opposed to a proposal

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

1 to expense costs such as typical operations and maintenance expenses (such as
2 advertising).

3 **Q. Is this proposal reasonable?**

4 A. Yes. As I noted earlier, this proposal is reasonable and consistent with
5 established regulatory principles, including the matching principle. The
6 Commission has policy discretion in this matter regarding whether SPS should
7 recover these costs in one year (expense the rebate payments) or over time
8 (capitalize the rebate payments).

9 The underlying assets (the charging equipment) are expected to be in
10 service for ten years. Collecting the rebate costs upfront (in the first year) reduces
11 the overall costs (i.e., customers will not pay carrying costs), but requires a higher
12 bill impact in the short term, even though the benefits will be enjoyed over a
13 ten-year period. Alternatively, customers can mitigate year to year bill impacts
14 over the life of the benefits, but the overall projects costs will be higher. The bill
15 impacts of SPS's initial TEP are moderate, but as the TEP program increases in
16 scale and scope, amortizing the rebates may help mitigate customer bill impacts
17 while meeting statutory obligations.

Case No. 20-00XXX-UT
Direct Testimony
of
Ruth M. Sakya

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

VERIFICATION

On this day, July 20, 2020, I, Ruth M. Sakya, swear and affirm under penalty of perjury under the law of the State of New Mexico, that my testimony contained in Direct Testimony of Ruth M. Sakya is true and correct.

/s/Ruth M. Sakya
RUTH M. SAKYA