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June 2, 2010

Mr. Ronald X. Montoya  
New Mexico Public Regulation Commission  
P.E.R.A. Building  
1120 Paseo de Peralta  
Santa Fe, NM 87501

Re: Southwestern Public Service Company's ("SPS") Advice Notice No. 232

Dear Mr. Montoya:

Enclosed for filing please find an original and five copies of SPS's Advice Notice No. 232 filed pursuant to 17.7.2.9.K and 17.7.2.12.C, NMAC and the following additional documents required by 17.7.2.12.C and 17.1.2.210.11, NMAC:

- Advice Notice No. 232 for SPS which includes the Table of Contents, Fourth Revised Rate No. 44; and
- Direct Testimony of Jeremy A. Petersen and Richard M. Luth.

SPS proposes to increase its Energy Efficiency Rider ("EER") to incorporate the incentive ("Adder") as allowed for in Section 62-17-6(A) of the Efficient Use of Energy Act ("EUEA") and the Commission's Amended Energy Efficiency Rule, NMAC 17.7.2.9.K, adopted by the Commission's Final Order Repealing and Replacing 17.7.2 NMAC in Case No. 08-00024-UT ("Amended Rule"). In part, 62-17-6(A) of the EUEA provides:

A public utility that undertakes cost-effective energy efficiency and load management programs shall have the option of recovering its prudent and reasonable costs along with commission-approved incentives for demand-side resources and load management programs implemented after the effective date of the Efficient Use of Energy Act through an approved tariff rider or in base rates, or by a combination of the two.

Section 17.7.2.9(K) addresses this statutory requirement and provides that "regulatory disincentives or barriers be removed to the extent possible and that electric public utilities

have the opportunity to earn a profit on cost-effective energy efficiency and load management resource development that, with satisfactory program performance, is financially more attractive to the utility than supply-side utility resources.” Accordingly, SPS requests approval to increase its EER.

In compliance with 17.1.210.11.C NMAC, SPS’s testimony addresses:

- a. Anticipated increases in annual revenue resulting from the revisions to the EE Rider requested in this Application: \$4,282,684 for 2010; and
- b. Impact on customers as a class average of consumption within each class as nearly as may be calculated, taking into consider the large customer cap (see the Direct Testimony of Richard M. Luth).

In accordance with NMAC 17.7.12.C(1) of the Amended Rule, SPS understands that the revisions to the EE Rider reflected in Advice Notice 232 and explained by the Direct Testimony shall go into effect thirty days after the date of this filing, or July 2, 2010, for bills rendered beginning with the first billing cycle of the subsequent month, unless suspended by the Commission for a period not to exceed 180 days.

SPS will serve a copy of this letter and all attachments on the Attorney General, all counsel and pro se parties to SPS’s last general rate case (Case No. 08-00354-UT), and SPS’s last energy efficiency case (Case No. 09-00352-UT).

The names and addresses of SPS’s representative and attorneys in this case are:

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Manager, Regulatory Policy  
Southwestern Public Service Company/Xcel Energy Services Inc.  
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Amarillo, TX 79101  
806.378.2340  
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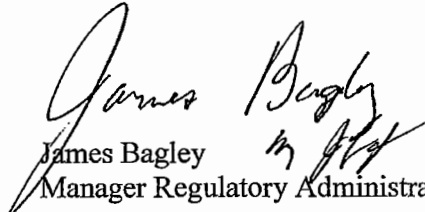
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jerry.f.shackelford@xcelenergy.com

A check to the NMPRC in the amount of \$26 is included which covers the \$25.00 filing fee and the \$1.00 fee for the Advice Notice. The enclosed five copies of the Application and Advice Notice are for filing.

If you have any questions or require additional information regarding this filing, please do not hesitate to contact me at 806/378-2868.

Respectfully submitted,

  
James Bagley  
Manager Regulatory Administration

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

ADVICE NOTICE NO. 232

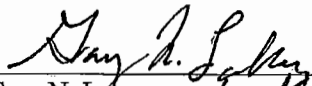
June 2, 2010  
DATE

**NEW MEXICO PUBLIC REGULATION COMMISSION  
OF THE STATE OF NEW MEXICO**

Southwestern Public Service Company hereby gives notice to the public and the Commission of the filing and publishing of the following changes, additions, and deletions in tariff schedules that are attached hereto:

<u>Rate No.</u>	<u>Title of Sheet</u>	<u>Canceling Rate No.</u>	<u>Effective Date</u>
Fifty-fifth Rev.	Table of Contents - Electric Rate Schedules	Fifty-fourth Rev.	7-2-10
Fourth Rev. 44	Energy Efficiency Rider	Third Rev. 44	7-2-10

SOUTHWESTERN PUBLIC SERVICE COMPANY

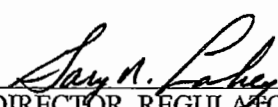
  
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Gary N. Lakey  
Director, Regulatory Administration

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

**FIFTY-FIFTH REVISED TABLE OF CONTENTS  
 CANCELING FIFTY-FOURTH REVISED TABLE OF CONTENTS  
 ELECTRIC RATE SCHEDULES**

**X  
X**

<u>Rate No.</u>	<u>Tariff No.</u>	<u>Title</u>	<u>Territory</u>
			Except where otherwise stated; Artesia, Carlsbad, Clovis, Dexter, Eunice, Hagerman, Hobbs, Jal Lake Arthur, Loving, Malaga, Otis, Portales, Roswell, Texico, and Tucumcari
1	1018.14	Residential Service	
3	2002.18	Irrigation Power Service	
4	3018.27	Purchases from Qualifying Facility	
5	3017.5	Service to Qualifying Facilities	
6	3110.15	Small General Service	
13	4106.14	Primary General Service	
14	5027.9	Municipal Street Lighting Service	
16	6016.14	Large Municipal and School Service	
26	7004.6	Miscellaneous Service Charges	
27	4107.3	SLCA Integrated Projects Energy Rider	Cannon AFB, Clovis
28	5118.4	Area Lighting Service	
30	4104.3	Industrial Interruptible Rate Rider	

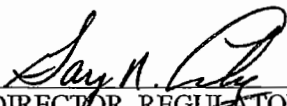
232	<b>X</b>
Advice Notice No.	
	
DIRECTOR, REGULATORY ADMINISTRATION	

SOUTHWESTERN PUBLIC SERVICE COMPANY

FIFTY-FIFTH REVISED TABLE OF CONTENTS  
 CANCELING FIFTY-FOURTH REVISED TABLE OF CONTENTS  
 ELECTRIC RATE SCHEDULES

X  
 X

Rate No.	Tariff No.	Title	Territory
			Except where otherwise stated; Artesia, Carlsbad, Clovis, Dexter, Eunice, Hagerman, Hobbs, Jal Lake Arthur, Loving, Malaga, Otis, Portales, Roswell, Texico, and Tucumcari
31	7201.1	Photovoltaic Water Pumping Systems	
33	7202.1	Renewable Energy Rate Rider	
34	4110.2	Large General Service - Transmission	
39	1017.1	Residential Heating Service	
40	4060.1	Secondary General Service	
42	6018.1	Small Municipal and School Service	
44	7203.4	Energy Efficiency Rider	X
46	7003	Restructuring Cost Recovery Rider	
47	1021	Residential Electric Water Heating Service	
48	1022	Residential Controlled Air Conditioning and Water Heating Rider	
49	3009	Commercial and Industrial Controlled Air Conditioning Rider	
50	4040	Interruptible Credit Option	
51	7017.1	LPP Cost Rider	
52	5004.1	Small Solar Distributed Generation Program	


232	X
Advice Notice No.	
 DIRECTOR, REGULATORY ADMINISTRATION	

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

**FIFTY-FIFTH REVISED TABLE OF CONTENTS  
 CANCELING FIFTY-FOURTH REVISED TABLE OF CONTENTS  
 ELECTRIC RATE SCHEDULES**

X  
X

<u>Rate No.</u>	<u>Tariff No.</u>	<u>Title</u>	<u>Territory</u>
			Except where otherwise stated; Artesia, Carlsbad, Clovis, Dexter, Eunice, Hagerman, Hobbs, Jal Lake Arthur, Loving, Malaga, Otis, Portales, Roswell, Texico, and Tucumcari
53	5005.1	Medium Solar Distributed Generation Program	
54	5006.1	Large Solar Distributed Generation Program	
55	5007.1	Small Biomass Distributed Generation Program	
56	5008.1	Medium Biomass Distributed Generation Program	
57	5009.1	Small SDG-REC Purchase Program	
58	5010.1	Medium SDG-REC Purchase Program	

232	X
Advice Notice No.	
	
DIRECTOR, REGULATORY ADMINISTRATION	

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

**FOURTH REVISED RATE NO. 44  
CANCELING THIRD REVISED RATE NO. 44**

X  
X

**ENERGY EFFICIENCY RIDER**

**Tariff No. 7203.4**

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.

**RATE:** The rate is applied to each kWh used per month to each customer class listed below.

<b>Customer Class:</b>	<b>\$/kWh</b>	
Residential Service, Residential Heating Service, Residential Water Heating Service, Small General Service, Small Municipal and School Service, Municipal Street Lighting Service, Area Lighting Service	\$0.003479	X
Secondary General Service, Irrigation Service, Large Municipal and School Service	\$0.003464	
Primary General Service	\$0.003429	
Large General Service – Transmission	\$0.003179	X

Recoverable costs are those costs approved by the Commission in the Company's most recent plan proceeding and the Tracker account balance as reported in the Company's most recent report filing.


**STATUTORY CAPS:** Increases in customer bills are limited to \$75,000, per calendar year, exclusive of gross receipts taxes and franchise fees. 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.

232

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Advice Notice No.



DIRECTOR, REGULATORY ADMINISTRATION



**SOUTHWESTERN PUBLIC SERVICE COMPANY**

**FOURTH REVISED RATE NO. 44  
CANCELING THIRD REVISED RATE NO. 44**

X  
X

**ENERGY EFFICIENCY RIDER**

**Tariff No. 7203.4**

X

Page 2 of 2

**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.

**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 computer deposits, to calculate the monthly carrying charges on the over or under recovery balance.

232

X

Advice Notice No.

  
DIRECTOR, REGULATORY ADMINISTRATION

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF SOUTHWESTERN )  
PUBLIC SERVICE COMPANY'S FILING OF )  
ADVICE NOTICES FOR REVISIONS TO )  
ENERGY EFFICIENCY TARIFF RIDERS )  
PURSUANT TO NMAC 17.7.2.9.K, ) CASE NO. 10-\_\_\_\_\_-UT  
)  
SOUTHWESTERN PUBLIC SERVICE )  
COMPANY, )  
)  
\_\_\_\_\_  
APPLICANT )**

**DIRECT TESTIMONY**

*of*

**JEREMY A. PETERSEN**

*on behalf of*

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

**June 1, 2010**

**TABLE OF CONTENTS**

GLOSSARY OF ACRONYMS AND DEFINED TERMS.....	iii
I. INTRODUCTION AND QUALIFICATIONS .....	3
II. ASSIGNMENT AND BACKGROUND .....	5
III. DETERMINATION OF SAVINGS .....	6
VERIFICATION.....	17

## GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Adder	Energy incentive/disincentive adder of \$0.01 per kWh and the annual \$10 per kW
Amended Rule	Amended Energy Efficiency Rule, NMAC 17.7.2.9.K, adopted by the Commission's Final Order Repealing and Replacing 17.7.2 NMAC in Case No. 08-00024-UT
Commission	New Mexico Public Regulation Commission
DSM	Demand-Side Management, the umbrella term to describe both energy efficiency and load management programs
kW	Kilowatt
kWh	Kilowatt-hour
M&V	Measurement and Verification
SPS	Southwestern Public Service Company, a New Mexico corporation
TRC	Total Resource Cost
Xcel Energy	Xcel Energy Inc.

1

### I. INTRODUCTION AND QUALIFICATIONS

2

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

3

A. My name is Jeremy A. Petersen. My business address is 414 Nicollet Mall,

4

Minneapolis, Minnesota, 55401.

5

**Q. On whose behalf are you testifying?**

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Jeremy A. Petersen

1 A. I am filing testimony on behalf of Southwestern Public Service Company, a New  
2 Mexico corporation (“SPS”) and wholly owned subsidiary of Xcel Energy Inc.  
3 (“Xcel Energy”). Xcel Energy is a registered holding company that owns several  
4 electric and natural gas utility companies and a regulated natural gas pipeline  
5 company.<sup>1</sup>

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

7 A. I am employed by Xcel Energy Services Inc., the service company subsidiary of  
8 Xcel Energy. My title is Demand-Side Management (“DSM”) Regulatory and  
9 Technical Consultant.

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<sup>1</sup> Xcel Energy is the parent company of the following four wholly owned electric and gas 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 gas pipeline subsidiary is WestGas InterState, Inc.

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Jeremy A. Petersen

1 **Q. Please briefly outline your duties as DSM Regulatory and Technical**  
2 **Consultant.**

3 A. My primary responsibilities in this position are to analyze the cost-effectiveness  
4 of demand-side management programs and portfolios in each of Xcel Energy's  
5 eight states, and to provide long-term forecasts of the expected impacts from these  
6 portfolios on the Xcel Energy electric and gas systems.

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

8 A. I graduated from Iowa State University in Ames, Iowa with a Bachelor of Arts  
9 degree in Statistics.

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

11 A. I have been employed by Xcel Energy (previously Northern States Power  
12 Company) for 14 years. I worked in the Load Research department for the first  
13 nine of these years. My primary responsibilities in the Load Research  
14 Department included evaluating the demand savings impacts of load management  
15 programs such as interruptible rate programs and air conditioning cycling  
16 programs, as well as preparing jurisdictional, class, and customer energy and  
17 demand data to be used in cost-of-service studies for rate cases and for forecasting  
18 utility loads. In May of 2006, I assumed my current position as DSM Regulatory  
19 and Technical Consultant in the DSM Regulatory Strategy and Planning  
20 Department.

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Jeremy A. Petersen

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

2   **A.   Yes, I have testified previously before the Public Utilities Commission of**  
3       **Colorado.**

1 **II. ASSIGNMENT AND BACKGROUND**

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

3 A. My testimony will quantify the disincentive/incentive adder (“Adder”) authorized  
4 by the Amended Energy Efficiency Rule, 17.7.2.9.K NMAC, adopted by the New  
5 Mexico Public Regulation Commission’s (“Commission”) Final Order Repealing  
6 and Replacing 17.7.2 NMAC in Case No. 08-00024-UT (“Amended Rule”).

7 **Q. Please identify the other witness in the proceeding.**

8 A. Richard M. Luth will present testimony supporting the amended 2010/11 Energy  
9 Efficiency Rider, which incorporates the Adder I calculate.

10 **Q. For which time period did SPS calculate the Adder?**

11 A. The Adder is calculated based on the savings projected for programs in effect in  
12 2010, consistent with the Commission’s Final Order adopting the Amended Rule.

13 Section 17.7.2.9.K(1) NMAC of the Amended Rule provides that:

14 “Tariff rider or base rate adder. An adder to the tariff rider or base  
15 rates will be determined each year based upon the energy and  
16 demand savings achieved by the electric public utility. This adder  
17 shall commence with savings projected for programs in effect in  
18 the calendar year of the effective date of this rule.”



1 **III. DETERMINATION OF SAVINGS**

2 **Q. What provisions of the Amended Rule govern the determination of the**  
3 **Adder?**

4 **A. Section 17.7.2.9.K(3) NMAC of the Amended Rule provides the following:**

5 “Calculation of the adder. The adder will be calculated as follows:

6  
7 (a) lifetime energy savings will be the total lifetime KWh savings  
8 from additional participation in all programs in the utility’s  
9 portfolio during a twelve-month period, grossed up to account  
10 for system losses;

11  
12 (b) annual demand savings will be the reduction to annual peak  
13 KW the utility achieves each year through its energy efficiency  
14 and load management programs; and

15  
16 (c) the adder each year will equal the lifetime KWh energy savings  
17 times \$0.01 per KWh, plus the total annual KW demand  
18 savings times \$10 per KW.

19  
20 Additionally, Section 17.7.2.9.K(4) NMAC of the Amended Rule provides the  
21 following treatment for savings in low-income programs:

22 “Adjustment to the adder calculation for low-income customer  
23 programs. In determining the lifetime energy savings from a given  
24 utility portfolio, lifetime energy savings from programs targeted  
25 exclusively to low-income customers will be valued at 1.25 times  
26 the actual KWh savings.”  
27

28 Finally, Section 17.7.2.9.K(5) NMAC of the Amended Rule provides the  
29 following for better performance:

30 “Adjustment to the adder calculation for better performance. If in  
31 any calendar year the additional annual energy savings from  
32 programs in that year are 1% or more of the total utility retail sales

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Jeremy A. Petersen

1                   in that calendar year, the adder shall equal \$0.0125/KWh times the  
2                   lifetime energy savings. If the excess is 1.5% or more, the adder  
3                   shall equal \$0.015/KWh times the lifetime energy savings.”  
4

5                   The annual energy savings projected for the portfolio in 2010 is expected to be  
6                   less than one percent of the total utility retail sales in 2010, so the adjustment for  
7                   better performance has not been applied.

8                   **Q. Please provide an overview of how the 2010 Adder was determined.**

9                   A. SPS uses the lifetime energy savings for 2010, which were determined by  
10                  multiplying the projected annual energy savings for new participation for each  
11                  measure offered in the 2010 programs by the expected lifetime of that measure, as  
12                  filed in the Uncontested Stipulation in Case No. 09-00352-UT (SPS’s 2010/11  
13                  Energy Efficiency and Load Management Plan filing). The projected lifetime  
14                  energy savings in 2010 are then multiplied by the energy Adder rate to get the  
15                  dollar amount for the energy portion of the Adder for those years. The annual  
16                  demand savings projected for 2010 are multiplied by the demand reduction Adder  
17                  rate to get the dollar amount for the demand portion of the Adder. For Load  
18                  Management programs, the demand savings are limited to those that are available  
19                  during the summer control season.

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Jeremy A. Petersen

1 **Q. How is new participation in the energy efficiency programs in a given year**  
2 **defined?**

3 A. This refers to new participation in an energy efficiency program in the specific  
4 calendar year. It does not include the participation from previous years or the  
5 savings attributable to measures installed in previous years that continue to result  
6 in energy savings.

7 **Q. What are the projected annual lifetime savings from SPS's 2010 programs?**

8 A. SPS projects 412,837,711 kWh lifetime savings. Table 1 shows the projected  
9 new participation and associated net annual energy savings, net annual demand  
10 savings, and lifetime energy savings for calendar year 2010 for energy efficiency  
11 programs split between low-income and other programs.

**Table 1: 2010 Energy Efficiency Savings**

2010 Programs	Participants	Net Annual Energy Savings (Generator kWh)	Net Annual Demand Savings (Generator kW)	Lifetime Energy Savings (Generator kWh)
<b>Residential</b>				
Electric Water Heating Rebates	145	57,336	7	839,002
Evaporative Cooling Rebates	400	632,402	442	6,324,017
Home Energy Services	4,000	6,404,621	638	91,607,974
Home Lighting & Recycling	37,500	8,439,541	595	57,517,012
Refrigerator Recycling	500	587,283	69	4,698,261
School Education Kits	2,500	604,909	18	3,804,115
<b>Business</b>				
Cooling Efficiency	45	999,918	438	19,247,531
Custom Efficiency	51	5,138,774	653	80,165,915
Large Customer-Self Direct	0	0	0	0
Lighting Efficiency	144	5,505,784	1,326	84,491,487
Motor & Drive Efficiency	105	2,065,867	375	41,317,345
Small Business Lighting	45	1,000,056	251	12,646,522
<b>Non-Low Income Total</b>	<b>45,435</b>	<b>31,436,490</b>	<b>4,811</b>	<b>402,659,181</b>
Residential Low-Income	2,660	949,346	119	10,178,530
<b>Low-Income Total</b>	<b>2,660</b>	<b>949,346</b>	<b>119</b>	<b>10,178,530</b>
<b>Grand Total</b>	<b>48,095</b>	<b>32,385,836</b>	<b>4,930</b>	<b>412,837,711</b>

13

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Jeremy A. Petersen

1 Table 2 shows the projected new participation and associated net annual demand  
2 savings for calendar year 2010 for load management programs.

3 **Table 2: 2010 Load Management Savings**

2010 Programs	Participants	Net Annual Demand Savings (Generator kW)
<i>Residential</i>		
Residential Saver's Switch	855	0*
<i>Business</i>		
Business Saver's Switch	82	0*
Interruptible Credit Option	5	7,956
<b>Grand Total</b>	<b>942</b>	<b>7,956</b>

\* Saver's Switch demand savings are not counted toward Adder as the demand savings will not be available at hour of system peak 2010.

4  
5 The total lifetime savings shown in Tables 1 and 2 are the savings "at the  
6 generator," or grossed up to account for system losses, in accordance with Section  
7 17.7.2.9.K(3)(a) NMAC of the Amended Rule, which states:

8 "lifetime energy savings will be the total lifetime KWh savings  
9 from additional participation in all programs in the utility's  
10 portfolio during a twelve-month period, grossed up to account for  
11 system losses;"  
12

13 **Q. How were the 2010 savings projections for each program determined?**

14 **A.** The annual savings projections for new participation in 2010 were determined by  
15 multiplying the projected participation numbers, as shown in Tables 1 and 2,  
16 times the unit savings values shown in Table 3. The lifetime savings were  
17 determined by multiplying the annual savings by the measure life. For each  
18 program, the measure lifetime is determined by the expected participation among

Case No. 10-\_\_\_\_-UT  
 Direct Testimony  
 of  
 Jeremy A. Petersen

1 a variety of measures offered within a program, measures that may have various  
 2 lifetimes. This results in the fractional lifetime estimates in Table 3. All savings  
 3 values are net savings that have been adjusted for free riders and other reductions  
 4 to gross savings. For instance, the Home Lighting projected savings assume a  
 5 net-to-gross factor of 83 percent to account for customers that would have  
 6 purchased the energy-saving lightbulbs (“free-riders”) and for bulbs that are  
 7 purchased but not installed.

**Table 3: Program Unit Savings**

2010 Programs	Participants	Net Annual Energy Savings (Generator kWh) per unit	Net Annual Demand Savings (Generator kW) per unit	Lifetime (Weighted on Generator kWh)
<b>Residential</b>				
Electric Water Heating Rebates	145	395	0.046	14.63
Evaporative Cooling Rebates	400	1,581	1.105	10.00
Home Energy Services	4,000	1,601	0.160	14.30
Home Lighting & Recycling	37,500	225	0.016	6.82
Refrigerator Recycling	500	1,175	0.138	8.00
Residential Low-Income	2,660	357	0.045	10.72
Residential Saver's Switch	855	N/A	0*	N/A
School Education Kits	2,500	242	0.007	6.29
<b>Business</b>				
Business Saver's Switch	82	N/A	0*	N/A
Cooling Efficiency	45	22,220	9.738	19.25
Custom Efficiency	51	100,760	12.795	15.60
Interruptible Credit Option	5	N/A	1,554.493	N/A
Large Customer-Self Direct	N/A	N/A	N/A	N/A
Lighting Efficiency	144	38,235	9.208	15.35
Motor & Drive Efficiency	105	19,675	3.570	20.00
Small Business Lighting	45	22,223	5.568	12.65

\* Saver's Switch demand savings are not counted toward Adder as the demand savings will not be available at hour of system peak 2010.

9  
10  
11

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Jeremy A. Petersen

1 **Q. What is the expected value of the Adder given the 2010 savings projections?**

2 A. The projected 2010 savings detailed, in Table 3, applied to the approved Adder  
3 results in a total Adder of \$4,282,683. To arrive at this value, SPS first multiplies  
4 the lifetime energy savings for Low-Income programs included in Table 1 by 1.25  
5 in accordance with Section 17.7.2.9.K(4) NMAC of the Amended Rule which  
6 states:

7 “Adjustment to the adder calculation for low-income customer  
8 programs. In determining the lifetime energy savings from a given  
9 utility portfolio, lifetime energy savings from programs targeted  
10 exclusively to low-income customers will be valued at 1.25 times  
11 the actual KWh savings.”

12 Next, the adjusted Low-Income lifetime energy savings are added to the lifetime  
13 energy savings for non-Low-Income programs included in Table 1 and multiplied  
14 by \$0.010 per lifetime kWh. The annual demand savings included in Table 1 are  
15 then multiplied by \$10 per kW. Both of these steps are in accordance with  
16 Section 17.7.2.9.K(3)(c) NMAC of the Amended Rule which states:

17 “the adder each year will equal the lifetime KWh energy savings  
18 times \$0.01 per KWh plus the total annual KW demand savings  
19 times \$10 per KW.”  
20

Case No. 10-\_\_\_\_-UT  
 Direct Testimony  
 of  
 Jeremy A. Petersen

1 Table 4 details these calculations:

2 **Table 4: Total Adder Calculation**

<b>Energy Savings Adder</b>	
Lifetime Generator kWh (non-Low-Income)	402,659,181
<i>Lifetime Generator kWh (Low-Income)</i>	<i>10,178,530</i>
<i>Low-Income Adjustment</i>	<i>1.25</i>
Lifetime Generator kWh (adj. Low-Income)	12,723,162
<b>Total Lifetime kWh</b>	<b>415,382,343</b>
	\$/kWh
<b>Energy Savings Adder Amount</b>	<b>\$0.010/kWh</b>
<b>Demand Savings Adder</b>	
Generator kW (Energy Efficiency)	4,930
Generator kW (Load Management)	7,956
<b>Total Generator kW</b>	<b>12,886</b>
	\$/kW
<b>Demand Savings Adder Amount</b>	<b>\$10.00/kW</b>
<b>TOTAL \$</b>	<b>\$4,282,683</b>

3

4 **Q. How will the 2010 projected savings be revised upon verification of actual**  
 5 **savings?**

6 A. The projected 2010 savings are SPS's estimate of the savings that will be  
 7 achieved in 2010. SPS will report the actual savings in 2010 in its 2010 Energy  
 8 Efficiency Annual Report which will be submitted to the Commission on May 1,  
 9 2011 and which will include revisions based on the independent evaluator's report  
 10 that will also be submitted on May 1, 2011. Pursuant to 17.7.2.K(6) NMAC of  
 11 the Amended Rule, SPS will adjust the Adder and file a request for revision of its  
 12 Energy Efficiency Rider, based on the actual 2010 savings as adjusted by findings

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Jeremy A. Petersen

1 reported in the Measurement and Verification (“M&V”) report, following filing  
2 of the annual M&V report.

3 **Q. Do SPS’s 2010 programs remain cost-effective after factoring in the revenues**  
4 **from the Adder?**

5 A. Yes. Section 17.7.2.9.K(2)(b) NMAC of the Amended Rule provides that:

6 “the amount of any revenues for any adder received with respect to  
7 any energy efficiency or load management program shall be  
8 limited to the amount which, when added to the program’s other  
9 program costs, does not cause that program’s ratio of cost  
10 effectiveness under the TRC to become less than one (1)”

11 SPS’s portfolio of programs maintains a Total Resource Cost (“TRC”) Test ratio  
12 greater than one, indicating that they are cost-effective.



Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Jeremy A. Petersen

1

**Table 5: TRC Test Ratios with Adder Costs**

2010 Programs	TRC
<b>Residential</b>	
Electric Water Heating Rebates	1.08
Evaporative Cooling Rebates	11.43
Home Energy Services	2.00
Home Lighting & Recycling	2.34
Refrigerator Recycling	2.03
Residential Low-Income	1.77
Residential Saver's Switch	2.46
School Education Kits	1.67
<b>Business</b>	
Business Saver's Switch	4.53
Cooling Efficiency	2.35
Custom Efficiency	2.98
Interruptible Credit Option	12.96
Large Customer-Self Direct	N/A
Lighting Efficiency	2.54
Motor & Drive Efficiency	2.10
Small Business Lighting	1.13
<b>Total Portfolio</b>	<b>2.40</b>

2

3 **Q. What adjustments have been made to the TRC Test?**

4 A. In accordance with Section 17.7.2.10.B(4) NMAC of the Amended Rule, in  
5 calculating the TRC for programs directed to low-income customers, SPS  
6 increased the benefits resulting from the calculated energy savings (avoided  
7 energy and capacity) by 20 percent. SPS's Residential Low-Income program is  
8 targeted exclusively to low-income customers and qualifies for the 20 percent  
9 valuation; therefore, SPS applied the 20 percent to its low-income programs in the  
10 TRC test calculation.

Case No. 10-\_\_\_\_-UT  
 Direct Testimony  
 of  
 Jeremy A. Petersen

1 **Q. What are the TRC ratios for these programs, after taking into account the**  
 2 **low-income provision in 17.7.2.10.B(4) NMAC but before taking into account**  
 3 **the cap on Adder amounts in the Amended Rule at 17.7.9.K(2) NMAC?**

4 **A.** Taking these low-income adjustments into account, the TRC ratios for each of the  
 5 programs before inclusion of any revenues from the Adder are shown in Table 6.  
 6 The Residential Low-Income TRC ratio increases by 20 percent, and the Total  
 7 Portfolio TRC ratio increases slightly.

8 **Table 6: TRC Test Ratios w/ Low-Income 20 Percent**

2010 Programs	TRC
<b><i>Residential</i></b>	
Electric Water Heating Rebates	1.33
Evaporative Cooling Rebates	23.85
Home Energy Services	3.06
Home Lighting & Recycling	4.07
Refrigerator Recycling	2.95
Residential Low-Income	2.52
Residential Saver's Switch	2.46
School Education Kits	2.40
<b><i>Business</i></b>	
Business Saver's Switch	4.53
Cooling Efficiency	3.23
Custom Efficiency	6.25
Interruptible Credit Option	22.38
Large Customer-Self Direct	N/A
Lighting Efficiency	4.02
Motor & Drive Efficiency	3.22
Small Business Lighting	1.34
<b>Total Portfolio</b>	<b>3.58</b>

9

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Jeremy A. Petersen

1 Q. Are these results consistent with the Amended rule?

2

3 A. Yes.

4 Q. Please summarize your testimony.

5 A. SPS has applied the Amended Rule to quantify the Adder. When the Adder and

6 program costs were taken together, the energy efficiency programs remain cost-

7 effective. SPS has satisfied the Amended Rule requirements.

8 Q. Does this conclude your direct testimony?

9 A. Yes.

Case No. 10-\_\_\_\_-UT  
Direct Testimony of  
Jeremy A. Petersen

**VERIFICATION**

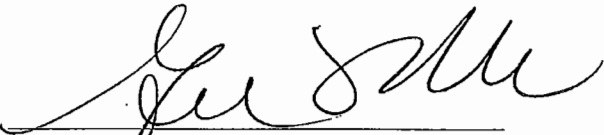
STATE OF MINNESOTA            )  
  ) ss.  
COUNTY OF HENNEPIN        )

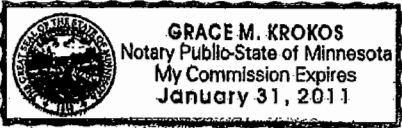
JEREMY A. PETERSEN, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I have read the testimony 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.

  
\_\_\_\_\_  
JEREMY A. PETERSEN

SUBSCRIBED AND SWORN TO before me this 21st day of May 2010.

  
\_\_\_\_\_  
Notary Public  
My Commission Expires: \_\_\_\_\_



**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF SOUTHWESTERN )  
PUBLIC SERVICE COMPANY'S FILING OF )  
ADVICE NOTICES FOR REVISIONS TO )  
ENERGY EFFICIENCY TARIFF RIDERS )  
PURSUANT TO NMAC 17.7.2.9.K, ) CASE NO. 10-\_\_\_\_\_-UT  
)  
SOUTHWESTERN PUBLIC SERVICE )  
COMPANY, )  
)  
\_\_\_\_\_  
APPLICANT )**

**DIRECT TESTIMONY**

*of*

**RICHARD M. LUTH**

*on behalf of*

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

**June 1, 2010**

**TABLE OF CONTENTS**

GLOSSARY OF ACRONYMS AND DEFINED TERMS.....	iii
LIST OF ATTACHMENTS .....	iv
I. INTRODUCTION AND QUALIFICATIONS .....	1
II. ASSIGNMENT.....	4
III. CHANGES TO EER AND CUSTOMER IMPACTS.....	5
VERIFICATION.....	9

## GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Adder	Energy incentive/disincentive adder of \$0.01 per kWh and the annual \$10 per kW
Amended Rule	Amended Energy Efficiency Rule, NMAC 17.7.2.9.K, adopted by the Commission's Final Order Repealing and Replacing 17.7.2 NMAC in Case No. 08-00024-UT
Commission	New Mexico Public Regulation Commission
EER	SPS's 2010/11 Energy Efficiency and Load Management Tariff Rider
M&V	Measurement and Verification
SPS	Southwestern Public Service Company, a New Mexico corporation
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

**LIST OF ATTACHMENTS**

<b><u>Attachment</u></b>	<b><u>Description</u></b>
Attachment RML-1	2010 EER Determination



Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Richard M. Luth

1 **I. INTRODUCTION AND QUALIFICATIONS**

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

3 A. My name is Richard M. Luth. My business address is 600 South Tyler Street,  
4 Suite 2400, Amarillo, Texas.

5 **Q. On whose behalf are you testifying?**

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”). Xcel Energy is a registered holding company that owns several  
9 electric and natural gas utility operating companies and a regulated natural gas  
10 pipeline company.<sup>1</sup>

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

12 A. I am employed by Xcel Energy Services Inc. (“XES”), the service company  
13 subsidiary of Xcel Energy, as Manager, Pricing and Planning in the Regulatory  
14 Administration Department.

15 **Q. Please briefly outline your duties as Manager, Pricing and Planning.**

16 A. I am responsible for the preparation of electric cost allocation studies and the  
17 development and design of retail electric rates and tariffs for SPS. These

---

<sup>1</sup> Xcel Energy is the parent company of the following four wholly owned electric and gas 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 gas pipeline subsidiary is WestGas InterState, Inc.

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Richard M. Luth

1 responsibilities include development of rates, terms, and conditions for proposed  
2 service contracts, and the analysis of various other regulatory and business issues.

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

4 A. I graduated from Illinois State University in 1983, with a Bachelor of Science  
5 degree in Accounting.

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

7 A. I have been employed by XES since April of 2008. Prior to that, I was employed  
8 as a Rates Analyst and Economic Analyst with the Illinois Commerce  
9 Commission since October 1990. At the Illinois Commerce Commission, I  
10 reviewed cost-of-service, rates, and other matters involving the regulation of  
11 investor-owned public utilities.

12 **Q. Have you attended or taken any special courses or seminars relating to  
13 public utilities?**

14 A. Yes. I have attended numerous courses and seminars hosted by the Illinois State  
15 University Institute for Regulatory Policy Studies.

16 **Q. Have you completed any professional certifications?**

17 A. Yes. I have earned the Certified Public Accountant and Certified Management  
18 Accountant designations.

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Richard M. Luth

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

2 A. Yes. I have testified before the Illinois Commerce Commission on numerous  
3 occasions on various cost allocation, rate design, and tariff issues. I have also  
4 submitted pre-filed testimony in proceedings before the New Mexico Public  
5 Regulation Commission ("Commission") and the Public Utility Commission of  
6 Texas.

**II. ASSIGNMENT**

1

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

3 A. My testimony will:

- 4 1. Apply the revisions to SPS's existing 2010/11 Energy Efficiency
- 5 and Load Management Tariff Rider ("EER") to incorporate the
- 6 energy incentive/disincentive adder ("Adder"), as provided for by
- 7 the amended Energy Efficiency Rule, NMAC 17.7.2.9.K, adopted
- 8 by the Commission's Final Order Repealing and Replacing 17.7.2
- 9 NMAC in Case No. 08-00024-UT ("Amended Rule"); and
- 10 2. Quantify the net change to customers' bills from the revised EER.

1                   **III.    CHANGES TO EER AND CUSTOMER IMPACTS**

2   **Q.    Please describe the changes that will result to SPS's EER to incorporate the**  
3   **Adder.**

4   A.    The currently approved EER is designed to recover \$6,739,904 of annual costs,  
5         which takes into consideration the over-recovery balance of \$1,060,330 as of  
6         February 28, 2010. Based on the calculation performed by Mr. Petersen, the  
7         amount recoverable under the EER will increase by \$4,282,683 to incorporate the  
8         Adder, for a total collection of \$11,022,587 (*see* the Direct Testimony of Jeremy  
9         A. Petersen for the Adder calculation).

10 **Q.    What are resulting EER rates for each rate class?**

11 A.    The resulting EER rates per-kWh for each rate class are shown below in Table 1.

Customer Class	EER per kWh
Residential	\$ 0.003479
Small General Service	\$ 0.003479
Secondary General Service	\$ 0.003464
Primary General Service	\$ 0.003429
Large General Transmission Service	\$ 0.003179
Small Municipal and School	\$ 0.003479
Large Municipal and School	\$ 0.003464
Street and Area Lighting	\$ 0.003479

12

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Richard M. Luth

1 **Q. Have you prepared an Attachment showing these calculations?**

2 A. Yes. Attachment RML-1 shows the balance approved in SPS's last energy  
3 efficiency filing less the over-collection as of February 28, 2010 (line 1) plus the  
4 2010 Adder (line 2) to arrive at the \$11,022,587 adjusted amount eligible for  
5 recovery through the EER (line 3). The amount recovered from each rate class is  
6 shown on lines 22 through 34 of Attachment RML-1.

7 **Q. What are the "Capped kWh" shown on lines 15 and 33 of Attachment**  
8 **RML-1?**

9 A. Capped kWh represents estimated kWh that will not be billed the EER as a result  
10 of customers, including those grouped as contiguous service addresses, having  
11 reached \$75,000 in annual billings under the EER, as provided in 17.7.2.7(Z)  
12 NMAC. This provision applies to large customers. At the \$0.003179 per kWh  
13 Large General Service - Transmission rate, a customer reaches the \$75,000 annual  
14 cap when the EER has been billed on 23,592,324 kWh in a calendar year.

15 **Q. Please quantify the impact on the respective customer classes' bills as a result**  
16 **of the Adder.**

17 A. Table 2 shows the impacts to different customer classes based upon representative  
18 bills.

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Richard M. Luth

1

<b>Rate Schedule</b>	<b>Monthly Bill including existing EER</b>	<b>Increase for Incentive / Disincentive</b>	<b>Monthly Bill including Incentive / Disincentive</b>	<b>Incremental Increase</b>
Residential Lighting Tariff 1018.14 @ 1,000 kWh	\$94.58	\$1.44	\$96.02	1.52%
Small General Service Tariff 3110.15 at 1,500 kWh	\$130.03	\$2.16	\$132.19	1.66%
Secondary General Service Tariff 4060.1 @ 50 kW, 20,000 kWh	\$1,573.24	\$28.70	\$1,601.94	1.82%
Large General Service Transmission Tariff 4110.2 @ 4,000 kW, 800,000 kWh	\$63,762.40	\$1,059.20	\$64,821.60	1.66%

2 **Q. Over what period of time does SPS intend to collect the Adder?**

3 A. SPS proposes a 12-month recovery period for the Adder, beginning July 2, 2010.

4 This is reasonable because a 12-month recovery period corresponds to the  
5 calendar year period (2010) over which the forecasted energy and demand savings  
6 will be generated by the energy efficiency and load management programs used in  
7 the calculation of this rider.

8 **Q. Will SPS make an adjustment to the Adder pursuant to 17.7.2.K(6) NMAC  
9 of the Amended Rule, if necessary?**

10 A. Yes. As explained by Mr. Petersen in his direct testimony, SPS will adjust the  
11 Adder and will file a request for revision of the EER, based on the actual 2010

Case No. 10-\_\_\_\_-UT  
Direct Testimony  
of  
Richard M. Luth

1 savings as adjusted by findings reported in the Measurement and Verification  
2 (“M&V”) report, following filing of the annual M&V report.

3 **Q. Does this conclude your pre-filed direct testimony?**

4 **A. Yes.**



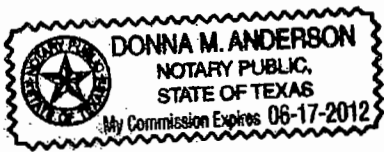
Case No. 10-\_\_\_\_-UT  
Direct Testimony of  
Richard M. Luth

VERIFICATION

STATE OF TEXAS                    )  
  ) ss.  
COUNTY OF POTTER                )

RICHARD M. LUTH, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I have read the testimony 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.



*Richard M. Luth*  
\_\_\_\_\_  
RICHARD M. LUTH

SUBSCRIBED AND SWORN TO before me this 28 day of May, 2010.

*Donna M. Anderson*  
\_\_\_\_\_  
Notary Public  
My Commission Expires: 6/17/2012

Southwestern Public Service Company  
Energy Efficiency Rider Determination  
For the 2010 Program Year

Line No.		
1	2010 Energy Efficiency Revenue Requirement Approved by NMPRC	\$ 6,739,904
2	2010 Plan Year Incentive/Disincentive	\$ 4,282,683
3	Adjusted 2010 Energy Efficiency Plan Revenue Requirement	\$ 11,022,587

**Total Annual Retail Energy Sales**

	Rate Class	At Load kWh		Loss Factor	=	Adjusted kWh
4	Residential	986,887,461	x	1.119737	=	1,105,054,405
5	Small General	105,857,501	x	1.119737	=	118,532,561
6	C&I Secondary and Irrigation	1,080,599,790	x	1.114705	=	1,204,549,989
7	C&I Primary	711,682,832	x	1.103775	=	785,537,718
8	C&I Transmission	1,133,173,294	x	1.029032	=	1,166,071,062
9	Total C&I	2,925,455,916				3,156,158,769
10	Small Municipal & School	11,175,360	x	1.119737	=	12,513,464
11	Large Municipal & School	121,077,422	x	1.114705	=	134,965,608
12	Total Public Authority	132,252,782				147,479,072
13	Street and Area Lighting	31,291,696	x	1.119737	=	35,038,470
14	Gross Total	4,181,745,356				4,562,263,277
15	Less Capped kWh	(986,086,484)		1.029000	=	(1,014,682,992)
16	Net Total	3,195,658,872				3,547,580,285

**Unit Energy Cost Determination**

		Unit Cost \$/kWh		Loss Factor	=	Unit Cost \$/kWh
17	At Source Delivery Level (Line 3/Line 16)					\$0.003107
	Adjusted to Delivery Level					
18	R, SGS, & SMS	0.00310700	x	1.119737	=	\$0.003479
19	SG & LMS	0.00310700	x	1.114705	=	\$0.003464
20	PG	0.00310700	x	1.103775	=	\$0.003429
21	LGS-T	0.00310700	x	1.029032	=	\$0.003197

**Total EER Costs Recovered**

	Rate Class	At Load kWh		Loss - Adjusted EER	=	EER Recoveries
22	Residential	986,887,461	x	\$ 0.003479	=	\$ 3,433,381
23	Small General	105,857,501	x	\$ 0.003479	=	\$ 368,278
24	C&I Secondary and Irrigation	1,080,599,790	x	\$ 0.003464	=	\$ 3,743,198
25	C&I Primary	711,682,832	x	\$ 0.003429	=	\$ 2,440,360
26	C&I Transmission	1,133,173,294	x	\$ 0.003197	=	\$ 3,622,755
27	Total C&I	2,925,455,916				\$ 9,806,313
28	Small Municipal & School	11,175,360	x	\$ 0.003479	=	\$ 38,879
29	Large Municipal & School	121,077,422	x	\$ 0.003464	=	\$ 419,412
30	Total Public Authority	132,252,782				\$ 458,291
31	Street and Area Lighting	31,291,696	x	\$ 0.003479	=	\$ 108,864
32	Gross Total	4,181,745,356				\$ 14,175,127
33	Less Capped kWh	(986,086,484)		\$ 0.003197	=	\$ (3,152,518)
34	Net Total Recovery	3,195,658,872				\$ 11,022,609

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN  
PUBLIC SERVICE COMPANY'S FILING OF  
ADVICE NOTICES FOR REVISIONS TO  
ENERGY EFFICIENCY TARIFF RIDERS  
PURSUANT TO NMAC 17.7.2.9.K

)  
)  
) CASE NO. 10-\_\_\_\_\_ -UT  
)  
)  
)

CERTIFICATE OF SERVICE

I certify that true and correct copies of Southwestern Public Service Company's New Mexico Energy Efficiency Incentive/Disincentive filing, which includes Advice Notice No. 232 and the Direct Testimonies of Jeremy A. Petersen and Richard M. Luth, were electronically communicated and either hand delivered or sent overnight delivery, as indicated below, to each of the following on this 2nd day of June, 2010.

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