

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN )  
PUBLIC SERVICE COMPANY'S )  
APPLICATION REQUESTING APPROVAL OF: )  
(1) ITS 2017 ENERGY EFFICIENCY AND LOAD )  
MANAGEMENT PLAN AND ASSOCIATED )  
PROGRAMS; (2) CONTINUATION OF ITS )  
ENERGY EFFICIENCY TARIFF RIDER AND ) CASE NO. 16-00\_\_\_\_-UT  
RECOVERY OF THE DIFFERENCE BETWEEN )  
SPS'S PLAN YEAR 2015 COLLECTIONS AND )  
EXPENDITURES THROUGH ITS ENERGY )  
EFFICIENCY TARIFF RIDER; AND (3) A )  
FINANCIAL INCENTIVE FOR PLAN YEAR )  
2017 AND RECOVERY OF THE INCENTIVE )  
THROUGH ITS ENERGY EFFICIENCY )  
TARIFF RIDER, )  
)  
SOUTHWESTERN PUBLIC SERVICE )  
COMPANY, )  
)  
APPLICANT. )  
\_\_\_\_\_ )

DIRECT TESTIMONY

*of*

RUTH M. SAKYA

*on behalf of*

SOUTHWESTERN PUBLIC SERVICE COMPANY

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## **GLOSSARY OF ACRONYMS AND DEFINED TERMS**

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
2017 Plan or EE/LM Plan	SPS’s 2017 Energy Efficiency and Load Management Plan
Court	New Mexico Supreme Court
Commission	New Mexico Public Regulation Commission
EE/LM	Energy Efficiency and Load Management
EE Rider	Energy Efficiency Rider
EE Rule	Energy Efficiency Rule, 17.7.2 NMAC
EUEA	Efficient Use of Energy Act (NMSA 1978, Sections 62-17-1 through 62-17-11)
FERC	Federal Energy Regulatory Commission
GWh	Gigawatt-hour
June 25 <sup>th</sup> Order	Final Order Adopting Certification of Stipulation in Case No. 13-00286-UT
kWh	Kilowatt-hour
NMAG	New Mexico Attorney General
NMAG Decision	<i>New Mexico Attorney General v. New Mexico Public Regulation Commission</i> , 150 N.M. 174, 258 P.3d 453
PNM	Public Service Company of New Mexico

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
PUA	Public Utility Act (NMSA 1978, Sections 62-3-1 et seq.)
PUCT	Public Utility Commission of Texas
SPS	Southwestern Public Service Company, a New Mexico corporation
WACC	Weighted Average Cost of Capital
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

## LIST OF ATTACHMENTS

<b><u>Attachment</u></b>	<b><u>Description</u></b>
RMS-1	Table of Energy Efficiency Rule Requirements and Assignments
RMS-2	2017 EE Plan Budget and Incentive Calculation and 2015 Under-Recoveries
RMS-3	Calculation of Customer Bill Impacts
RMS-4	EE Rider Tariff

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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 1400 Ducale Drive SE, Rio  
4        Rancho, New Mexico 87124.

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

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

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

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

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

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

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

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

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

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

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

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

13 A. Yes. I have filed testimony before the Commission, the PUCT, and the Colorado  
14 Public Utilities Commission. I have testified before each of these regulatory  
15 authorities regarding, among other things, the topics discussed in this direct  
16 testimony.



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- 1 (b) authorize SPS to continue its existing EE/LM programs until a  
2 Commission approval of SPS's 2017 Plan is received;
- 3 (c) implement the 2017 Plan from January 1, 2017 through December  
4 31, 2017, even if approval is received in 2017;
- 5 (d) authorize SPS to fund its 2017 Plan program and administrative  
6 costs at three percent of customer bills in accordance with  
7 17.7.2.8(C)(1) NMAC and Section 62-17-6(A) of the EUEA,  
8 adjusted for the 2015 overage, and to recover these costs through  
9 its EE Rider;
- 10 (e) approve recovery of a financial incentive for Plan Year 2017  
11 through SPS's EE Rider;
- 12 (f) approve SPS's proposed reconciliation process for the authorized  
13 budget and actual plan year expenditures and collections;
- 14 (g) authorize SPS to adjust prospective EE/LM spending by prior Plan  
15 year's overage(s) or underage(s) through the authorized budget;
- 16 (h) authorize SPS to recover the difference between its Plan Year 2015  
17 EE collections and expenditures through its EE Rider; and
- 18 (i) grant all other approvals, authorizations, and relief that may be  
19 required under the EUEA, the EE Rule, and the New Mexico  
20 Public Utility Act (NMSA 1978, Sections 62-3-1 et seq., "PUA")  
21 for SPS to implement the approved 2017 Plan and EE Rider.

22 The 2017 Plan is attached to the Direct Testimony of Steven L. Warkentin  
23 as Attachment SLW-1. In addition, for ease of reference, SPS has provided a  
24 copy of SPS's 2015 Annual EE Report as Attachment SLW-2(CD) to Mr.  
25 Warkentin's testimony.

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1 **Q. Please summarize your recommendations.**

2 A. SPS's application and filing complies with and satisfies all applicable  
3 requirements of the EUEA, PUA, and Commission regulations and orders and,  
4 accordingly, should be approved. Specifically:

- 5 • SPS's proposed incentive mechanism for Plan Year 2017: (1) is  
6 consistent with the EUEA, EE Rule, Court decisions, and prior  
7 Commission decisions; and (2) yields a projected incentive of \$671,888.  
8 The incentive is cost-based, evidence-based, and utility-specific, balancing  
9 the interests of the environment, public, and utility. Accordingly, the  
10 incentive should be approved.
- 11 • SPS's proposed 2017 EE Rider, calculated at 3.783 percent, appropriately  
12 incorporates SPS's proposed 2017 program and administrative expenses;  
13 the 2017 incentive; and the 2015 EE Rider reconciliation. Consistent with  
14 the EUEA and EE Rule, the 2017 EE Rider has been appropriately  
15 calculated and should be approved.
- 16 • SPS's proposal to establish an on-going, annual process for reconciling its  
17 EE budget and collections and EE expenditures through the EE Rider is  
18 reasonable, provides an opportunity for review of SPS's calculations, is  
19 consistent with prior Commission decisions, and results in an  
20 administratively efficient process. Accordingly, the proposed process  
21 should be approved.
- 22 • SPS's calculation of its 2015 overage is \$90,374. In accordance with  
23 17.7.2.8(E) NMAC, the overage has been appropriately subtracted from  
24 the Plan Year 2017 budget.
- 25 • SPS's proposal to reconcile its Plan Year 2015 EE collections and  
26 expenditures through its EE Rider is consistent with Section 62-17-6(C) of

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1                   the EUEA and 17.7.2.13(C) NMAC, which require the reconciliation of  
2                   EE tariff riders annually, and, therefore, should be approved.

3   **Q.   Please identify the other SPS witness in this case and describe his area of**  
4           **testimony.**

5   A.   Mr. Warkentin is also providing testimony supporting SPS's application and  
6           request for approval of the 2017 Plan.  Specifically, Mr. Warkentin describes  
7           SPS's proposed 2017 EE/LM programs and addresses various issues related to  
8           program design and implementation.  He also discusses SPS's goals to comply  
9           with the EUEA, the Utility Cost Test, the incentive mechanism, the measurement  
10          and verification process, and the planning and research segment costs.

11   **Q.   Do you sponsor any sections of SPS's 2017 Plan?**

12   A.   Yes.  I sponsor Sections II(D) and II(D)(1).



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1 **Q. What are SPS’s savings requirements pursuant to the EUEA?**

2 A. In 2005, SPS’s retail sales were 3,750,469 megawatt-hours. Therefore, the EUEA  
3 requirements equate to targets of 187.5 gigawatt-hour (“GWh”) of energy  
4 efficiency savings (at the customer meter) by 2014 and 300 GWh by 2020 (at the  
5 customer meter). In accordance with Section 62-17-5(H) of the EUEA, the  
6 Commission lowered SPS’s 2014 minimum cumulative savings requirements to  
7 171.574 GWh (net customer).<sup>2</sup> SPS met the EUEA 2014 requirements of 187.5  
8 GWh in 2015. In addition, SPS’s 2017 EE/LM Plan, as discussed by Mr.  
9 Warkentin, will put SPS on the trajectory toward meeting the 2020 requirement.

10 **B. EE Rule Requirements**

11 **Q. How does the Commission’s EE Rule relate to the EUEA?**

12 A. The EE Rule implements the EUEA by establishing specific requirements  
13 regarding annual applications and reports. Consistent with 17.7.2.8(A) NMAC,  
14 SPS has timely filed its annual application and prior year’s report.

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<sup>2</sup> Case No. 13-00286-UT, *In the Matter of Southwestern Public Service Company’s Application for Approval of its (A) 2014 Energy Efficiency and Load Management Plan and Associated Programs, (B) Request for Financial Incentives for 2013-2015; (C) Cost Recovery Tariff Rider, and (D) Request to Establish Lower Minimum Savings Requirements for 2014 under the Efficient Use of Energy Act*, Final Order Adopting Certification of Stipulation (Jun. 25, 2014) (“June 25<sup>th</sup> Order”). See Certification of Stipulation (Reissued as Corrected), FoF No. 12 (Apr. 29, 2014), as adopted by June 25<sup>th</sup> Order.

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1 **Q. Has SPS complied with the remaining provisions of the EE Rule?**

2 A. Yes. SPS's application contains all of the required information. In support of the  
3 application, Mr. Warkentin provides SPS's plans for 2017. SPS has separately  
4 and simultaneously filed its 2015 Annual EE Report in this docket, which  
5 addresses SPS's 2015 compliance; however, Mr. Warkentin also provides a copy  
6 as an attachment to his testimony. I discuss the funding calculation and present  
7 the EE Rider calculation including the 2017 incentive and reconciliation of its  
8 2015 budget to spend and EE Rider. Both Mr. Warkentin and I discuss SPS's  
9 proposed incentive mechanism. Attachment RMS-1 details each section of the  
10 EE Rule and where SPS addresses each of these sections in its application.

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

13 A. Yes. SPS's 2015 Annual Report can be accessed at the following website:

14 [http://www.xcelenergy.com/Company/Rates\\_&\\_Regulations/Filings/New\\_](http://www.xcelenergy.com/Company/Rates_&_Regulations/Filings/New_Mexico_Demand-Side_Management)  
15 [Mexico\\_Demand-Side\\_Management.](http://www.xcelenergy.com/Company/Rates_&_Regulations/Filings/New_Mexico_Demand-Side_Management)

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

18 A. No.

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

2 A. No, not at this time.

3 **Q. Is SPS requesting in its application any variances under 17.7.2.19 NMAC?**

4 A. No, not at this time.

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

7 A. Yes. SPS has several obligations from prior cases that are addressed in this case.

8 Mr. Warkentin discusses each of these obligations in his direct testimony.



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1 More specifically, Section 62-17-5(F) requires the Commission provide utilities  
2 an opportunity to earn a profit on cost-effective EE/LM resource development  
3 that, based on satisfactory program performance, is financially more attractive to  
4 the utility than supply-side resources.

5 **Q. Does the EE Rule address incentives associated with EE/LM programs?**

6 A. Yes. The EE Rule allows utilities to include proposals to earn a profit on  
7 cost-effective EE/LM resource development that, with satisfactory program  
8 performance, is financially more attractive to the public utility than a supply-side  
9 utility resource (17.7.2.8(L) NMAC). In addition, the proposed annual incentive  
10 award shall:

- 11 (1) be based on the utility's costs;
- 12 (2) be based on satisfactory performance of measures and programs;
- 13 (3) be supported by written testimony and exhibits; and
- 14 (4) not exceed the product (expressed in dollars) of:
  - 15 (i) its weighted cost of capital (expressed as a percent), and
  - 16 (ii) its approved annual program costs.

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1 **Q. Are there other pertinent legal requirements that relate to EE/LM**  
2 **incentives?**

3 A. Yes, there are two Court cases that establish the parameters for incentive  
4 recovery. The first case considered the propriety of the Commission Rule that  
5 concerned disincentives and incentives.<sup>3</sup> In that case, the Court rejected the rate  
6 adopted by the Commission in the prior Rule and determined that the rate did not  
7 satisfy the requirements of the PUA and EUEA for the balancing test of investors'  
8 and consumers' interests to determine "just and reasonable" rates.<sup>4</sup> The Court  
9 further held that under the EUEA and PUA, EE/LM incentives must be  
10 evidence-based, cost-based, and utility specific.<sup>5</sup>

11 In the second case, the Court rejected the New Mexico Attorney General's  
12 ("NMAG") argument that an incentive must be based on capital investment and  
13 determined that a utility could earn a return or performance-based incentive based  
14 on operating expenses incurred from energy efficiency programs, consistent with

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<sup>3</sup> See *New Mexico Attorney General v. New Mexico Public Regulation Commission*, 150 N.M. 174, 258 P.3d 453 ("NMAG Decision").

<sup>4</sup> *NMAG Decision* at 457.

<sup>5</sup> *Id.*

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1 the Commission’s ratemaking authority under the PUA and EUEA.<sup>6</sup> My  
2 testimony below explains how the incentive mechanism SPS proposes to continue  
3 for the 2017 Plan Year is consistent with the Court decisions discussed above.

4 **B. SPS’s Proposed Incentive Mechanism**

5 **Q. Please describe the proposed 2017 incentive mechanism.**

6 A. SPS’s proposed incentive mechanism provides SPS an opportunity to earn an  
7 incentive based on actual performance and achievements. The proposed incentive  
8 mechanism is identical to the one approved by the Commission in Case No.  
9 15-00119-UT.<sup>7</sup> Specifically, the proposed incentive ensures satisfactory  
10 performance by targeting three key performance metrics: (i) actual measured and  
11 verified savings achievements (*i.e.*, kilowatt-hour (“kWh”) reductions used for  
12 compliance) (Section 62-17-5(G)); (ii) low-income spending achievement

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<sup>6</sup> See *New Mexico Attorney General v. New Mexico Public Regulation Commission*, 309 P.3d 89, Util. L. Rep. P 27,225, 2013-NMSC-042 (Aug 29, 2013).

<sup>7</sup> Case No. 15-00119-UT, *In the Matter of Southwestern Public Service Company’s Application Requesting: (1) Acceptance of its 2014 Annual Energy Efficiency and Load Management (“EE/LM”) Report; (2) Approval of its 2016 EE/LM Plan and Associated Programs; (3) Approval of a Financial Incentive for 2016; (4) Approval of its Cost Recovery Tariff Rider; and (5) a Determination Whether a Separate Process Should be Established to Analyze a Smart-Meter Pilot Program*, Order Adopting Certification of Stipulation (Dec. 23, 2015).

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1 (Section 62-17-5(G)); and (iii) statutory spending requirement (Section  
2 62-17-6(A)). Mr. Warkentin provides the exact formula in his testimony.

3 **Q. Does SPS's proposed incentive comport with the EUEA requirements?**

4 A. Yes. Consistent with the EUEA, the proposed incentive: (i) provides an  
5 opportunity (not guarantee) for SPS to earn an incentive; (ii) is based on actual  
6 performance, where performance is measured by EUEA spending and  
7 achievement goals; and (iii) at this time, provides a satisfactory basis to prefer  
8 demand-side over supply-side resources.

9 **Q. Please explain further how the proposed incentive furthers the policies of the**  
10 **EUEA.**

11 A. The EUEA encourages utilities to use best efforts to develop cost-effective and  
12 achievable EE/LM programs, which furthers opportunities to increase New  
13 Mexico's energy security, protect SPS's customers from price increases, preserve  
14 the state's natural resources, protect the environment, and provide significant  
15 economic benefits to New Mexico (*see* Sections 62-17-2(A) through 62-17-2(D)).  
16 The proposed incentive promotes these policies by rewarding the best efforts of  
17 SPS to implement available, cost-effective EE/LM programs that are designed to

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1 allow every affected customer class with the opportunity to participate and benefit  
2 economically.

3 The incentive also properly balances the interests of SPS's customers and  
4 investors by: (i) establishing a reasonable range for the proposed incentive  
5 recovery; (ii) requiring adjustments based upon low-income program spending  
6 and additional performance requirements; and (iii) ensuring the vast majority of  
7 the energy savings benefits are derived by SPS's customers<sup>8</sup> (*see* Sections  
8 62-17-2(E), 62-17-3, and 62-17-5(F)).

9 **Q. Please explain how the incentive for 2017 is evidence-based, cost-based, and**  
10 **utility specific.**

11 A. As previously noted in the discussion of the *NMAG Decision*, the Court held  
12 EE/LM incentives must be evidence-based, cost-based, and utility specific. SPS's  
13 proposed incentive is both cost-based and utility-specific because it is based on  
14 SPS's 2017 portfolio budget level consistent with the three percent funding  
15 requirement. Furthermore, the proposed incentive will reflect the actual level of

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<sup>8</sup> The forecasted net benefits, at net present value, to be realized by SPS customers as a result of the EE/LM programs for 2017 are \$17,375,640 (*see* Appendix A of Attachment SLW-1 to Mr. Warkentin's direct testimony). The incentive mechanism is based off of SPS's 2017 portfolio budget level of \$9,880,701 (*see* page 1, line 6, of Attachment RMS-2).

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1 costs SPS incurs for its low-income programs through the low-income  
2 adjustment. The 2017 incentive will also be determined by the performance of  
3 SPS's EE/LM programs in meeting the SPS-specific 2017 cumulative net  
4 customer savings goal, which is an indicator of progress towards SPS's 2020  
5 EUEA goal. Therefore, the incentives: (a) will be calculated directly from SPS's  
6 actual EE/LM portfolio budget in the program year; (b) will reflect verified  
7 energy savings for 2017; and thus (c) are unique to SPS for the program year.

8 The incentive is evidence-based because the testimony provided herein  
9 provides SPS-specific cost and performance data. Thus, the incentive meets the  
10 requirements for the incentive approval in the *NMAG Decision*.

11 **Q. How does the incentive for 2017 properly balance the interests of customers  
12 with that of SPS?**

13 A. As required by 17.7.2.8(L)(4) NMAC, the proposed incentive does not exceed the  
14 product (in dollars) of SPS's weighted average cost of capital ("WACC")  
15 multiplied by annual program costs. As proposed, the 2017 incentive is \$671,888,  
16 while the calculated incentive cap is \$816,146 (*see* Table RMS-1). Under SPS's  
17 proposal, 6.80 percent is the incentive percentage SPS could earn, while the  
18 maximum incentive could be \$702,518 (7.11 percent) if SPS exceeds its annual

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1 energy savings forecast, which is less than the maximum authorized by the EE  
2 Rule. Therefore, the incentive properly balances the interests of customers with  
3 that of SPS.

4 **Table RMS-1: Incentive Cap Calculation**

Approved WACC (%) <sup>9</sup>	8.26%
Multiplied by Annual Program Costs (\$)	\$9,880,701
Equals Annual Incentive Maximum (\$)	\$816,146

5 **Q. Please elaborate on how customers retain the vast majority of the energy**  
6 **savings benefits under the incentive authorized in the Stipulation.**

7 A. Table RMS-2 quantifies the customer share of the estimated net benefits of  
8 \$17,375,640 (*see* Appendix A of Attachment SLW-1 to Mr. Warkentin's direct  
9 testimony) under the proposed incentive.

10 **Table RMS-2: Customer Share Calculation**

	<i>Amount</i>	<i>SPS Share</i>	<i>Customer Share</i>
<b>Net Benefits</b>	\$17,375,640		
<b>Base Incentive</b>	\$671,888	3.9%	95.1%
<b>Maximum Incentive</b>	\$702,518	4%	96%

11  

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<sup>9</sup> Case No. 12-00350-UT, *In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Rates Under Advice Notice No. 245*, Final Order Partially Adopting Recommended Decision, Ordering ¶17 (Mar. 26, 2014).

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1 **Q. Does the proposed incentive for 2017 meet the satisfactory performance**  
2 **criteria of 17.7.2.8(L) NMAC?**

3 A. Yes. The minimum cumulative energy savings threshold (equal to 248 GWh) is  
4 the cumulative amount SPS needs to achieve by the end of 2017 to maintain a  
5 trajectory to meet the mandated 8 percent of 2005 retail sales by 2020. In  
6 addition, the incentive mechanism authorizes additional incentive amounts  
7 between 6.80 percent and 7.11 percent if SPS exceeds the minimum cumulative  
8 energy savings threshold.

9 **Q. In addition to being consistent with the EUEA, EE Rule, and Court decisions**  
10 **described above, is the incentive for Plan Year 2017 consistent with recent**  
11 **Commission decisions?**

12 A. Yes. In Case No. 14-00310-UT,<sup>10</sup> Public Service Company of New Mexico's  
13 ("PNM") last Commission-approved EE/LM case, the Commission determined

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<sup>10</sup> Case No. 14-00310-UT; *In the Matter of the Application of Public Service Company of New Mexico for Approval of Electric Energy Efficiency Programs and Program Cost Tariff Rider Pursuant to the New Mexico Public Utility and Efficient Use of Energy Acts*; Final Order Adopting Certification of Stipulation and the Stipulation (Apr. 29, 2015).

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1           that 7.10 percent of program spend (for 2016) was a fair and reasonable incentive  
2           and approved that amount.

3                     In addition, in Case No. 15-00119-UT the Commission approved a  
4           maximum incentive for SPS equal to 7.11 percent of EE/LM program spending.  
5           The proposed Plan Year 2017 incentive falls within this range at 6.80 percent.  
6           Thus, the proposed incentive for SPS is comparable to the incentive most-recently  
7           authorized for PNM and that previously approved by the Commission for SPS.



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1 spending compared to collection (*i.e.*, the “cash reconciliation”), both of which  
2 are components of the 2017 EE Rider.

3 **Q. Please identify the tariff schedules to which the 2017 EE Rider is applied.**

4 A. The 2017 EE Rider will be applied to all of SPS’s New Mexico retail rate  
5 schedules. This is appropriate because all customers have the opportunity to  
6 participate in SPS’s EE programs.

7 **B. 2017 Program and Administrative Costs**

8 **Q. What amount of EE/LM program and administrative costs is SPS proposing**  
9 **to recover through its 2017 EE Rider?**

10 A. SPS proposes to recover \$9,880,701 in program expenses, which is SPS’s  
11 requested 2017 Commission-authorized funding level (*i.e.*, the 2017 program and  
12 administrative cost budget).

13 **Q. How did SPS determine the amount for program cost recovery?**

14 A. SPS followed 17.7.2.8(C)(1) NMAC, which states:

15 (1) Estimated plan year funding for electric public utilities’ energy  
16 efficiency and load management program costs shall be three  
17 percent (3%) of billing revenues from all of its customers’ bills  
18 that the public utility estimates to be billed during the plan  
19 year, excluding:

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- 1 (a) gross receipts taxes and franchise and right-of-way  
2 access fees;
- 3 (b) revenues that the public utility estimates to bill  
4 during the plan year to any single customer that  
5 exceed \$75,000;
- 6 (c) any customer's plan year self-directed program  
7 credits approved by the public utility or by a  
8 commission approved self-direct administrator; and
- 9 (d) any customer's plan year self-directed program  
10 exemptions approved by the public utility or by a  
11 commission approved self-direct administrator.

12 Consistent with the requirements above, and as shown in Attachment RMS-2,  
13 page 1, SPS:

- 14 • Determined its 2017 revenues at present rates (as approved by the  
15 Commission in Case No. 12-00350-UT<sup>11</sup>) by multiplying present rates  
16 by the 2017 forecasted billing determinants, exclusive of gross receipts  
17 and franchise fees. The result was \$375.6 million (line 1).
- 18 • SPS then removed approximately \$43.2 million to account for large  
19 customer EE/LM billings over \$75,000 a year (line 2). This resulted in  
20 estimated 2017 post-cap revenues of \$332.4 million (line 3).
- 21 • Finally, SPS multiplied the net result of approximately \$332.4 million  
22 by three percent to arrive at the three percent funding level. The  
23 resulting amount is \$9,971,075 (line 4). SPS then reduced the three  
24 percent funding level by \$90,374 (line 5) to account for the 2015  
25 overage, for a resulting requested budget of \$9,880,701 (line 6). This  
26 amount does not include the proposed 2017 incentive.

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<sup>11</sup> Case No. 12-00350-UT, *In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Electric Rates under Advice Notice No. 245*, Final Order Partially Adopting Recommended Decision (Mar. 26, 2014).

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1 **C. Recovery of 2017 Financial Incentive**

2 **Q. Does SPS propose to recover the 2017 incentive through the 2017 EE Rider?**

3 A. Yes. Recovery of any approved financial incentive will be in addition to the three  
4 percent funding level authorized under Section 62-17-6(A) of the EUEA.

5 **Q. What impact would the recovery of the incentive have on customers' bills?**

6 A. The total bill impact would be 0.202 percent for the proposed incentive amount.  
7 (Attachment RMS-2, page 3, line 6).

8 **Q. If the Commission authorizes SPS to recover an incentive through its EE**  
9 **Rider based on actual savings achieved and actual spending, could actual**  
10 **recovery differ from the approved incentive amount?**

11 A. Yes. The amount that is actually collected likely will deviate from the amount  
12 approved because the amount collected will be based on actual sales. As an  
13 example, and using Table RMS-2 above, at \$671,888 (calculated by Mr.  
14 Warkentin) the incentive for 2017 is estimated to have a 0.202 percent impact on  
15 customer bills; however, actual recovery of 0.202 percent may not equal \$671,888  
16 (*i.e.*, actual recovery will be greater or less than \$671,888 based on actual  
17 customer sales).

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1           In addition, the 2017 incentive mechanism is subject to adjustments  
2           resulting from the level of spending on low-income EE/LM programs and SPS's  
3           ability to meet its 2017 annual net customer savings goal. A reconciliation will  
4           ensure actual spending and achievements are incorporated into the incentive, thus  
5           ensuring only the incentive amount authorized is earned. SPS will provide the  
6           reconciliation with its 2019 EE Plan (filed by May 1, 2018).

7   **D. 2015 EE Rider Reconciliation**

8   **Q. Does SPS have a current process for the 2015 EE Rider reconciliation?**

9   A. No. This is SPS's first reconciliation under the current EE Rule, although the  
10       Commission approved a similar reconciliation in Case No. 15-00376-UT,<sup>12</sup> which  
11       reconciled 2013 and 2014 program costs and incentives. Thus, it is necessary in  
12       this proceeding to both present SPS's 2015 EE Rider reconciliation and propose  
13       an on-going reconciliation process. I describe the proposal for an on-going  
14       reconciliation process in the next section of my testimony.

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<sup>12</sup> Case No. 15-00376-UT, *In the Matter of Southwestern Public Service Company's Application for: (1) Authorization to Implement a Surcharge through its Energy Efficiency Rider to Collect Under-Recoveries of 2013-2014 Program Costs and Incentives; and (2) Other Appropriate Relief*, Order Approving Application (Jan. 20, 2016).

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1 **Q. Please describe the 2015 EE Rider Reconciliation.**

2 A. Pursuant to the Commission's Final Order in Case No. 13-00286-UT, the  
3 Commission authorized SPS to charge an EE Rider amount of 3.285 percent for  
4 2015. Of the total EE Rider amount, 3.0 percent was designated for program and  
5 administrative funding and 0.285 percent for incentive collection. In 2015, the  
6 application of the 3.285 percent EE Rider yielded a collection of \$8,605,335.

7 At the same time, SPS expended \$10,027,519 on program and  
8 administrative expenses and earned an incentive of \$600,000, for total  
9 expenditures of \$10,627,519.

10 In net, when comparing collections to spending, SPS is under-collected by  
11 \$2,022,183 (Attachment RMS-2, page 3, lines 7 + 10).

12 **Q. How does SPS propose to recover the amount to be reconciled through the**  
13 **EE Rider?**

14 A. As I describe further below, SPS will include the reconciliation in its 2017 EE  
15 Rider.

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1 **E. EE Rider Interest**

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

3 A. Yes, but not for the 2015 EE Rider reconciliation component. For the other  
4 components (*i.e.*, the 2017 incentive and the 2017 EE/LM program and  
5 administrative costs), SPS proposes to use the annual customer deposit interest  
6 rate set by the Commission under Section 62-13-13 of the PUA and  
7 17.9.560.12(B)(2)(A) NMAC to assess symmetrical carrying charges. In 2017,  
8 SPS will use the new customer deposit interest rate set by the Commission. If  
9 SPS's expenditures exceed its revenues, then the carrying charges will be negative  
10 (SPS earns interest), whereas if the revenues exceed expenditures, the carrying  
11 charges will be positive (SPS pays interest). The inclusion of interest on incentive  
12 reconciliations was approved by the Commission in Case No. 15-00119-UT and  
13 has also been approved for SPS's renewable portfolio standard rider.

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

15 A. Interest is appropriate due to the timing differences and application of the  
16 reconciliation balance. That is, there will be a somewhat significant lag for the  
17 correction of the EE Rider balance. For example, under SPS's proposal, the 2016  
18 balance will be calculated and reviewed in 2017 and then collected/returned in

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1           2018. In total, there will be a two-year difference between the first accrual and  
2           the last balance. Accordingly, reasonable carrying charges (which are  
3           symmetrical between SPS and its customers) should be applied.

4   **F.   2017 EE Rider Bill Impacts**

5   **Q.   What is the percentage of 2017 Plan costs to applicable revenues?**

6   A.   Consistent with 17.7.2.8(C)(1) NMAC, the funding level for the 2017 Plan  
7           equates to three percent of billed revenue under SPS's current rates, excluding  
8           gross receipts tax and franchise fees. However, also consistent with the EE Rule,  
9           the funding level for program and administrative costs has been adjusted to  
10          incorporate the 2015 overage.

11 **Q.   What impact will recovery of the adjusted funding level in the 2017 EE Rider**  
12 **have on an average residential customer's monthly bill of 800 kWh?**

13 A.   At the adjusted funding level, excluding gross receipts tax and franchise fees,  
14          charges under the 2017 EE Rider would add approximately \$2.45 to an 800 kWh  
15          year-round average monthly residential customer's bill. Attachment RMS-3  
16          includes bill impact estimates of different levels of usage for residential and other  
17          customers. Attachment RMS-3 also reflects the inclusion of the proposed 2017  
18          incentive in the EE Rider.

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1 **Q. What impact will recovery of the proposed incentive through the 2017 EE**  
2 **Rider have on an average residential customer’s monthly bill of 800 kWh?**

3 A. The incentive for 2017 is estimated to have a 0.202 percent impact on customer  
4 bills (Attachment RMS-2, page 3, line 6). For an 800 kWh year-round average  
5 monthly residential customer’s bill, this would add approximately \$0.17.

6 **Q. What impact will recovery of the 2015 Plan Year reconciliation have on an**  
7 **average residential customer’s monthly bill of 800 kWh?**

8 A. The 2015 Plan Year reconciliation is estimated to have a 0.608 percent impact on  
9 customer bills (Attachment RMS-2, page 3, line 13). For an 800 kWh year-round  
10 average monthly residential customer’s bill, this would add approximately \$0.50.

11 **Q. Is there a maximum amount that can be billed to individual customers for**  
12 **program costs under the 2017 EE Rider?**

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

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

3 A. Based on current rates and SPS's specific customer demographics, at a three  
4 percent EE Rider rate, customers that are billed more than \$2.5 million in a year  
5 are potential candidates for EE Rider billings of \$75,000 per year.<sup>13</sup> Only a small  
6 number of customers are billed a total of at least \$2.5 million in a year (there were  
7 11 such customers in 2015), and as a result, only a small number of customers  
8 may potentially reach the \$75,000 annual cap. These customers generally fall into  
9 the Large General Service Transmission or Primary General Service customer  
10 class.

11 **Q. Has SPS developed a representative customer impact study?**

12 A. Yes. Table RMS-4 shows how the proposed 2017 EE Rider will impact  
13 representative customers in each rate class. The monthly bill is based on SPS's  
14 present rates. In addition, please refer to Attachment RMS-3, which provides a  
15 more detailed customer impact analysis.

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<sup>13</sup> \$75,000 ÷ 3% cap on Energy Efficiency billing = \$2.5 million.

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**Table RMS-4: Average Customer Impacts by Rate Schedule**

Rate Schedule	Monthly Bill excluding EE Rider	Monthly EE Rider Charge - 2017 Program Only	Monthly EE Rider Charge as % of Bill - 2017 Program Only	Monthly EE Rider Charge - 2015 Program Recon	Monthly EE Rider Charge as % of Bill - 2015 Program Recon	Monthly EE Rider Charge - 2015 Incentive Recon	Monthly EE Rider Charge as % of Bill - 2015 Incentive Recon	Monthly EE Rider Charge - 2017 Incentive	Monthly EE Rider Charge as % of Bill - 2017 Incentive	Total Monthly EE Rider Charge	Total Monthly EE Rider Charge as % of Bill
Residential Service -- 800 kWh	\$82.37	\$2.45	2.973%	\$0.36	0.433%	\$0.14	0.175%	\$0.17	0.202%	\$3.12	3.783%
Small General Service -- 1,500 kWh	\$128.08	\$3.81	2.973%	\$0.55	0.433%	\$0.23	0.175%	\$0.26	0.202%	\$4.84	3.783%
Secondary General Service -- 50 kW; 20,000 kWh	\$1,508.91	\$44.86	2.973%	\$6.53	0.433%	\$2.64	0.175%	\$3.05	0.202%	\$57.08	3.783%
Large General Service Transmission -- 4,000 kW; 800,000 kWh	\$63,760.10	\$1,895.59	2.973%	\$276.08	0.433%	\$111.58	0.175%	\$128.79	0.202%	\$2,412.04	3.783%

2 **Q. When will the 2017 EE Rider be implemented?**

3 A. As noted above, the 2017 EE Rider will be implemented upon issuance and in  
4 conformity with an order by the Commission approving the 2017 Plan, but no  
5 earlier than January 1, 2017.

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1 **Q. How does the amount being collected currently in the 2016 EE Rider**  
2 **compare to the amount requested for recovery of the 2017 EE Rider?**

3 A. At 3.783 percent of customer bills, the proposed 2017 EE Rider is slightly lower  
4 than the current 3.794 percent EE Rider.

5 **G. SPS's Compliance with other EUEA Requirements for the EE**  
6 **Rider**

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

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

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

19 SPS has used this same language in several prior energy efficiency filings.

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1 **H. Advice Notice**

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

3 A. Yes. Consistent with 17.7.2.13(C)(3) NMAC, SPS has filed an advice notice  
4 concurrently with its application, which requires the Commission to act on SPS's  
5 advice notice within 30 days of filing, unless suspended for not more than 180  
6 days. In accordance with the EE Rule, SPS has served all individuals and entities  
7 required by 17.1.210.11 NMAC.

1       **VI.    SPS’S PROPOSED ANNUAL RECONCILIATION PROCESSES ARE**  
2       **CONSISTENT WITH THE EUEA, EE RULE, AND OTHER RIDER**  
3       **RECONCILIATIONS**

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

5       A.    I discuss SPS’s proposal to implement annual reconciliation processes. The  
6       reconciliation processes proposed by SPS involve the annual reconciliation of two  
7       items: (i) annual budget (Commission-authorized funding level) and annual  
8       expenditures; and (ii) annual collections and expenditures. The first item  
9       concerns reconciliation of the Commission-authorized budget that will be  
10      adjusted for the next annual Plan Year. The second reconciliation concerns prior  
11      actual expenditures and collections through the EE Rider.

12      **A.    Annual Budget Reconciliation Process**

13      **Q.    How are Plan Year overage and underage defined?**

14      A.    The EE Rule (17.7.2.7(H) and (I) NMAC) defines “plan year overage” and “plan  
15      year underage” as follows:

16                   **Plan year overage** means the public utility’s actual prior plan  
17                   year expenditures that exceeded the same plan year’s actual  
18                   commission authorized funding; and

19                   **Plan year underage** means the public utility’s actual prior plan  
20                   year commission authorized funding that exceeded the same plan  
21                   year’s actual expenditures.

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1 **Q. What does the EE Rule require in relation to a plan year overage or**  
2 **underage?**

3 A. The EE Rule (17.7.2.8(D) and (E) NMAC) requires the following, respectively:

4 The public utility's application shall calculate and provide the  
5 difference between its actual prior plan year expenditures for  
6 measures and programs and the same plan year's commission  
7 authorized funding. At the end of each plan year, the public  
8 utility shall calculate the following applicable values:

- 9 (1) any plan year overage; or  
10 (2) any plan year underage; and

11 In each plan year, a public utility shall make its best efforts to  
12 expend its plan commission authorized funding as calculated in  
13 17.7.2.8(C) NMAC subtracting any applicable prior plan year  
14 overage or adding any applicable prior plan year underage.

15 Thus, consistent with the EE Rule requirement, a reconciliation of SPS's  
16 Commission-approved budget (authorized funding) compared to actual  
17 expenditures is necessary.

18 **Q. Did SPS incur an overage or underage in 2015?**

19 A. Yes. In 2015, SPS's Commission-authorized funding was established at  
20 \$9,937,145,<sup>14</sup> compared to spending of \$10,027,519, resulting in a overage of

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<sup>14</sup> This value reflects SPS's updated Commission approved funding level of \$9,862,975 plus SPS's 2014 underage of \$74,170. SPS's revised funding level was approved on May 20, 2015 in Case No. 13-00286-UT.

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1           \$90,374. In other words, SPS spent 100.9 percent of its 2015  
2           Commission-authorized funding level.

3   **Q. How did SPS apply this overage?**

4   A. Consistent with 17.7.2.8(E) NMAC, SPS subtracted the \$90,374 overage from the  
5           2017 Plan requested Commission-authorized funding.

6   **Q. How is the 2015 overage incorporated into SPS's application?**

7   A. SPS began by calculating the 2015 overage or underage, through a comparison of  
8           the 2015 Commission-approved funding level (budget) to the actual 2015  
9           spending. As provided earlier, the 2015 calculation yields an overage of \$90,374.  
10           Next, SPS applied the overage to the 2017 Plan Year requested Commission-  
11           authorized funding (*i.e.*, Plan Year budget). Thus, in the pending application, SPS  
12           requests approval to reduce its 2017 (Plan Year) Commission-approved funding  
13           level (budget) of \$9,971,075 by the 2015 overage of \$90,374, for a resulting  
14           requested Commission-approved funding level of \$9,880,701.

15   **Q. Does SPS request acceptance of its subtraction of the 2015 overage from the**  
16           **Plan Year 2017 budget?**

17   A. Yes. As I will describe later, SPS is proposing to modify its EE Rider tariff to  
18           explain the reconciliation process relative to overages or underages.

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1 **B. Annual Funding/Expenditures Collection Reconciliation Process**

2 **Q. Is SPS proposing an additional cash reconciliation process?**

3 A. Yes. Section 62-17-6(C) of the EUEA and 17.7.2.13(C) NMAC require the  
4 reconciliation of EE tariff riders annually. In compliance with these provisions,  
5 SPS is providing its reconciliation of the 2015 EE Rider, which includes both  
6 program and administrative costs and recovery of the 2015 performance incentive  
7 (described earlier in my testimony), and a proposal for an ongoing annual process.

8 **Q. Please describe SPS's proposed over- or under-collection reconciliation**  
9 **process.**

10 A. SPS proposes an annual reconciliation, which is nearly identical to the  
11 Commission-approved process for reconciliation of SPS's annual renewable  
12 portfolio standard rider. In each annual EE Plan proceeding, SPS would present  
13 the reconciliation of its EE Rider, for the same time period as the EE Report. The  
14 reconciliation would flow through the EE Rider following a review in the  
15 then-current EE Plan proceeding.

16 For example, in the 2017 EE filing (*i.e.*, for the 2018 EE Plan and Rider,  
17 to be filed on May 1, 2017), SPS would present its reconciliation of its 2016 EE

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1 Rider. The reconciliation amount would be reviewed in the 2017 EE proceeding  
2 and incorporated into the 2018 EE Rider.

3 **C. Proposed Tariff Language**

4 **Q. Is SPS proposing to amend its EE Rider Tariff to memorialize this process**  
5 **for use in the future?**

6 A. Yes. Please refer to Attachment RMS-4.

7 **Q. What are the benefits of having the proposed language above for the EE**  
8 **Rider tariff?**

9 A. Having the new language included as a part of the EE Rider tariff provides clarity.  
10 In particular, the language addresses: (1) whether reconciliation or adjusting will  
11 be allowed; and (2) how reconciliations will be implemented. In addition, the  
12 language avoids having to make annual filings with the Commission by  
13 implementing a process to be followed.

14 **Q. Are you aware of other utilities that have a provision in an EE Rider that**  
15 **includes reconciliation(s)?**

16 A. Yes. PNM has provisions that allow reconciliations to take place through its  
17 Energy Efficiency Rider (Rate No. 16).

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- 1 **Q. Has SPS included a tariff identifying these proposed modifications?**  
2 A. Yes. The proposed tariff is included as Attachment RMS-4 to my direct  
3 testimony.

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**VII. CONCLUSION**

2 **Q. Were Attachments RMS-1 through RMS-4 prepared by you or under your**  
3 **direct supervision?**

4 A. Yes.

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

6 A. Yes.



**Applicable Electric Utility EE Rule Requirements and Where  
Addressed in SPS's Filing**

NMAC	Requirement	Witness and/or Plan Section
17.7.2.8	<b>Public Utility Filing Requirements for Annual Applications and Annual Reports</b>	
A.	<i>Timing</i> – Southwestern Public Service Company shall file its application and report annually on May 1.	Sakya
B.	Solicitation of non-binding public comment and Commission required competitive bids.	Warkentin; 2017 Plan Section I(A)
C.	Identification of estimated plan year funding for energy efficiency and load management program costs	Sakya; 2017 Plan Section III(D)
1.	Plan year funding shall be 3% of billing revenues from all of its customers' bills excluding:	Sakya; 2017 Plan Section III(D)
a.	gross receipts taxes and franchise and right of way access fees;	Sakya
b.	revenues that the utility estimates to bill during the plan year to any single customer that exceed \$75,000;	Sakya
c.	any customer's plan year self-directed program credits approved by the utility or by a commission approved self-direct administrator; and	N/A
d.	any customer's plan year self-directed program exemptions approved by the utility or a commission approved self-direct administrator.	N/A
D.	Calculation of difference between its actual prior year plan expenditures and the Commission's authorized funding.	Sakya
1.	Calculation of any plan year overage; and	Sakya
2.	Calculation of any plan year underage.	Sakya
E.	A utility shall make its best efforts to expend its plan commission authorized funding as calculated in 17.7.2.8.C NMAC above subtracting any applicable prior plan year overage or adding any applicable prior plan year underage.	Sakya; Warkentin
F.	Inclusion of Executive Summary.	Warkentin; 2017 Plan Executive Summary
G.	The use of well known, commercially available or standard engineering, economic, and financial calculations, rating, and simulations, or other reasonable methods to determine monetary costs and avoided monetary costs of measures and programs.	Warkentin; 2017 Plan Section I(J), Appendix A, Appendix B
H.	For each program and measure, including previously approved measures and programs submitted for reauthorization, the application shall provide:	
1.	a statement that the measure or program is estimated to be cost-effective and meets the utility cost test;	Warkentin; 2017 Plan Appendix A
2.	a detailed description of the proposed measure or program;	Warkentin; 2017 Plan Section III
3.	the expected useful life of the measure or program;	Warkentin; 2017 Plan Appendix B
4.	any participation requirements and restrictions of the measure or program;	Warkentin; 2017 Plan Section III
5.	the time period during which the measure or program will be offered;	Warkentin; 2017 Plan Section III
6.	a description of any competitive bid process for utility measures or programs;	N/A

NMAC	Requirement	Witness and/or Plan Section
7.	the estimated number of measure or program participants, supported by written testimony and exhibits;	Warkentin; 2017 Plan Executive Summary; Appendix B
8.	the estimated economic benefit to the participants attributable to the measure or program, supported by written testimony and exhibits;	Warkentin; 2017 Plan Appendix A
9.	the estimated annual energy savings and the estimated energy savings over the useful life for the measure or program, supported by written testimony and exhibits;	Warkentin; 2017 Plan Appendix B
10.	the estimated annual demand savings and the estimated demand savings over the useful life for the measure or program, supported by written testimony and exhibits;	Warkentin; 2017 Plan Executive Summary, Appendix A, Appendix B
11.	the proposed program costs to be incurred by the utility to support more than one measure or program, along with the associated allocation of the cost to each measure or program, and the method used to determine each allocation, supported by written testimony and exhibits;	Warkentin; 2017 Plan Executive Summary, Section II(D)
12.	a detailed separate measure or program budget that identifies the estimated monetary program costs to be incurred by the utility in acquiring, developing, and operating each measure and program on a life cycle basis, for each year of the expected useful life of the measure or program;	Warkentin; 2017 Plan Appendix A
13.	the estimated monetary program costs to be incurred by the utility in acquiring, developing, and operating each measure or program on a life cycle basis, supported by written testimony and workpapers that:	
a.	demonstrate and justify how the <i>estimated</i> monetary program costs will be equal to or greater than the <i>actual</i> monetary program costs; and	Warkentin; 2017 Plan Section III(D)
b.	explain the utility's rationale and methodology used to determine the estimated monetary program costs;	Warkentin; 2017 Plan Section I(J)
14.	the estimated avoided monetary cost associated with developing, acquiring, and operating associated supply-side resources, supported by written testimony and exhibits that:	
a.	demonstrate and justify how the estimated avoided monetary cost will be equal to or greater than the actual avoided monetary cost; and	Warkentin; 2017 Plan Appendix A
b.	explain the utility's rationale and methodology used to estimate the avoided monetary cost associated with acquiring, developing, and operating the associated supply-side resource;	Warkentin; 2017 Plan Section I(J)
15.	supporting documentation, underlying data, calculations, estimates, and other items shall be presented in a manner that facilitates the preparation of a measurement and verification report by an independent program evaluator, along with compilation and preparation of the utility's report requirements, and that facilitates a simple comparison of measure or program estimated results to actual results, including the utility's cost of capital and discount rate.	Warkentin; 2017 Plan Section I(J), Appendix A, Appendix B
16.	if the utility cost test is not met, justify why the utility is proposing to implement the program within its portfolio of proposed programs.	N/A
I.	Demonstration of measure or program cost-effectiveness.	Warkentin; 2017 Plan Appendix A

NMAC	Requirement	Witness and/or Plan Section
J.	Demonstration of portfolio cost-effectiveness and that every affected customer class has the opportunity to participate and benefit.	Warkentin; 2017 Plan Section III, Appendix A
K.	Demonstration of 5% funding for low-income customers.	Sakya; Warkentin
L.	Proposal for incentive shall:	
1.	be based on the utility's costs;	Sakya; Warkentin
2.	be based on satisfactory performance of measures and programs;	Sakya; Warkentin
3.	be supported by written testimony and exhibits; and	Sakya; Warkentin
4.	shall not exceed the product (expressed in dollars) of:	
i.	its weighted cost of capital (expressed as a percent), and	Sakya; Warkentin
ii.	its approved annual program costs.	Sakya; Warkentin
M.	For each approved large customer self-directed program, the utility's application shall describe, in an annual report, the process that enabled the utility to determine that a large customer self-directed program met the cost-effective definition set forth in Section 62-17-9.B NMSA 1978 and merited credit or exemption.	Warkentin
<b>17.7.2.9</b>	<b>Residential Programs</b>	
A.	The programs should enable residential customers or households to conserve energy, reduce demand, or reduce residential energy bills.	Warkentin; 2017 Plan Section III
B.	No less than 5% of funding is specifically directed to programs for low-income customers.	Sakya/Warkentin
1.	A utility may coordinate with existing community resources, including affordable housing programs, and low-income weatherization programs managed by federal, state, county, or local governments. This section does not preclude the utility from designing and proposing other low-income programs.	Warkentin; 2017 Plan Section III(A)(3)
2.	Whenever possible, providers of low-income energy efficiency measures or programs should have demonstrated experience and effectiveness in the design, administration, and provision of low-income measures and programs, along with experience in identifying and conducting outreach to low-income households. In the absence of qualified independent agencies, a utility that does not provide measure or programs directly, may solicit qualified competitive bids for these services.	Warkentin; 2017 Plan Section III(A)(3)
3.	Utilities shall notify customers experiencing ability-to-pay problems of the availability of energy efficiency and load management measures and programs, as well as hardship funds.	Warkentin; 2017 Plan Section III(A)(3)
4.	In developing the utility cost test for energy efficiency and load management measures and programs directed to low-income customers, unless otherwise quantified in a commission proceeding, the utility shall assume that twenty percent (20%) of the calculated energy savings is the reasonable value of reduction in working capital, reduced collect costs, lower bad-debt expense, improved customer service, effectiveness, and other appropriate factors qualifying as utility system economic benefits.	Warkentin
<b>17.7.2.10</b>	<b>Self-Directed Program Credits for Large Customers</b>	
A.	The expenditures made by the large customer at its facilities shall be cost-effective according to the utility cost test.	N/A
B.	Projects that have received rebates, financial, or other program support from a utility are not eligible for a credit.	N/A

NMAC	Requirement	Witness and/or Plan Section
C.	Eligible expenditures must have a simple payback period of more than one year, but less than seven years.	N/A
D.	Large customers shall seek and receive approval for credits from the utility or a commission-approved self-direct administrator.	N/A
E.	Large customers applying for an investor-owned electric utility bill credit must meet the electricity consumption size criteria set forth in Section 62-17-4.G NMSA 1978 and the utility cost test.	N/A
G.	Large customers seeking a credit shall provide, to the utility or the commission approved self-direct program administrator, access to all relevant engineering studies and documentation needed to verify energy savings of the projects, and allow access to its site for reasonable inspections, at reasonable times. All records relevant to a self-direct program shall be maintained by the large customer for the duration of that program, which shall be evaluated in accordance with 17.7.2.15 NMAC, subject to appropriate protections for confidentiality.	N/A
H.	The utility shall designate a qualified representative to review, approve, or disapprove large customer requests for credits.	N/A
I.	The commission may appoint a “commission-approved” self-direct program administrator to review, approve, or disapprove large customer requests for credits.	N/A
J.	Approvals or disapprovals by the utility representative or administrator shall be subject to commission review. Within 30 business days of the action, the utility representative or administrator shall file and serve notice of each self-direct program review, approval, or disapproval with the commission, and on all interested parties. Notice of an appeal of a utility or administrator approval or disapproval of a large customer credit request shall be filed with the commission within 30 calendar days of the approval or disapproval action by Staff, the large customer, or any interested party.	N/A
K.	Once approved, the credit may be used to offset up to 70% of the tariff rider authorized by the Efficiency Use of Energy Act, until said credit is exhausted.	N/A
L.	Any credit not fully utilized in the year it is received shall carry over to subsequent years.	N/A
M.	Implementation of credits shall be designed to minimize utility administrative costs.	N/A
N.	Self-direct program participants, or large customers seeking exemption, shall submit qualified in-house or contracted engineering studies, and such other information as may be reasonably required by the utility or program administrator, to demonstrate qualification for self-direct program credits.	N/A
O.	Large customers must respond to reasonable utility or administrator information requests and allow the utility or an administrator to perform necessary site visits.	N/A
P.	The utility or administrator shall act in a timely manner on requests for self-direct program approval.	N/A
Q.	For investor-owned electric utilities, the equivalent amount of energy savings associated with a large customer’s self-directed program will be accounted for in calculating its compliance with minimum required energy savings.	N/A

NMAC	Requirement	Witness and/or Plan Section
R.	Large customer expenditures incurred to produce electric energy savings or electric demand savings are only eligible for an electric utility bill credit. Large customer expenditures incurred to produce natural gas energy savings or natural gas demand savings are only eligible for a gas utility bill credit. Large customer expenditures incurred to produce both electric and natural gas energy savings, both electric and natural gas demand savings, or any combination of energy savings and demand savings for both electric and natural gas are eligible for both an electricity bill credit and a gas utility bill credit, provided that the same energy efficiency expenditures or load management expenditures cannot be accounted for twice.	N/A
S.	Upon written request by the large customer, the information provided by that customer to the utility or program administrator, program evaluator, or others, shall remain confidential, except as otherwise ordered by the commission.	N/A
<b>17.7.2.11</b>	<b>Self-Directed Program Exemptions for Large Customers</b>	N/A
A.	To receive approval for an exemption to paying 70% of the tariff rider, a large customer must demonstrate to the reasonable satisfaction of the utility or self-direct program administrator that it has exhausted all cost-effective energy efficiency measures at its facility.	N/A
B.	Projects that have received rebates, financial, or other program support from a utility are not eligible for an exemption.	N/A
C.	Eligible expenditures must have a simple payback period of more than one year, but less than seven years.	N/A
D.	Large customers shall seek and receive approval for credits from the utility or a commission-approved self-direct administrator.	N/A
E.	Large customers applying for an investor-owned electric utility bill credit must meet the electricity consumption size criteria set forth in Section 62-17-4.G NMSA 1978 and the utility cost test.	N/A
G.	The utility shall designate a qualified representative to review, approve, or disapprove large customer requests for credits.	N/A
H.	The commission may appoint a “commission-approved” self-direct program administrator to review, approve, or disapprove large customer requests for credits.	N/A
I.	Approvals or disapprovals by the utility representative or administrator shall be subject to commission review. Within 30 business days of the action, the utility representative or administrator shall file and serve notice of each self-direct program review, approval, or disapproval with the commission, and on all interested parties. Notice of an appeal of a utility or administrator approval or disapproval of a large customer credit request shall be filed with the commission within 30 calendar days of the approval or disapproval action by Staff, the large customer, or any interested party.	N/A

NMAC	Requirement	Witness and/or Plan Section
J.	Large customers seeking an exemption shall provide, to the utility or the commission approved self-direct program administrator, access to all relevant engineering studies and documentation needed to verify energy savings of the projects, and allow access to its site for reasonable inspections, at reasonable times. All records relevant to a self-direct program shall be maintained by the large customer for the duration of that program, which shall be evaluated in accordance with 17.7.2.15 NMAC, subject to appropriate protections for confidentiality.	N/A
K.	Self-direct program participants, or large customers seeking exemption, shall submit qualified in-house or contracted engineering studies, and such other information as may be reasonably required by the utility or program administrator, to demonstrate qualification for self-direct program exemptions.	N/A
L.	Large customers must respond to reasonable utility or administrator information requests and allow the utility or an administrator to perform necessary site visits.	N/A
M.	The utility or administrator shall act in a timely manner on requests for self-direct program approval.	N/A
N.	For investor-owned electric utilities, the equivalent amount of energy savings associated with a large customer's self-directed program will be accounted for in calculating its compliance with minimum required energy savings.	N/A
O.	Large customer expenditures incurred to produce electric energy savings or electric demand savings are only eligible for an electric utility bill credit. Large customer expenditures incurred to produce natural gas energy savings or natural gas demand savings are only eligible for a gas utility bill credit. Large customer expenditures incurred to produce both electric and natural gas energy savings, both electric and natural gas demand savings, or any combination of energy savings and demand savings for both electric and natural gas are eligible for both an electricity bill credit and a gas utility bill credit, provided that the same energy efficiency expenditures or load management expenditures cannot be accounted for twice.	N/A
P.	Upon written request by the large customer, the information provided by that customer to the utility or program administrator, program evaluator, or others, shall remain confidential, except as otherwise ordered by the commission.	N/A
<b>17.7.2.13</b>	<b>Filing Requirements for Cost Recovery</b>	
A.	Utility recovery of program costs shall only be from customer classes with an opportunity to participate in approved measures and programs and shall be the lesser of 3% of customers' bills or \$75,000 per customer per plan year, whichever is less.	Sakya; 2017 Plan Section II(D)
B.	The utility, at its option, may recover its prudent and reasonable program costs and approved incentives, either through an approved tariff rider, in base rates, or by combining recovery through a tariff rider and base rates.	Sakya; 2017 Plan Section II(D)

NMAC	Requirement	Witness and/or Plan Section
C.	If a utility seeks recovery of costs through a tariff rider, a utility shall present the proposed ratemaking treatment to the commission for approval. The proposal shall reconcile recovery of any costs currently being recovered through a tariff rider or in base rates, or by a combination of the two, as well as any new costs proposed to be recovered through a tariff rider or in base rates, or by a combination of the two.	Sakya; 2017 Plan Section II(D)
1.	The tariff rider shall be applied on a monthly basis, unless otherwise allowed by the commission.	Sakya; 2017 Plan Section II(D)
2.	Unless otherwise ordered by the commission, a tariff rider approved by the commission shall require language on customer bills explaining program benefits.	Sakya
3.	A utility seeking approval of a tariff rider shall file an advice notice containing the information required by 17.1.2.210.11 NMAC and served upon the individuals and entities set forth in that rule. The proposed tariff rider shall go into effect 30 days after filing, unless suspended by the commission for a period not to exceed 180 days. If the commission has not acted to approve or disapprove the tariff rider by the end of an ordered suspension period, or within 30 days of filing, it shall be deemed approved as a matter of law.	Sakya
D.	If base rate recovery of costs is sought, a utility shall present the proposed ratemaking treatment to the commission for approval. The proposal shall reconcile recovery of any costs currently being recovered through a tariff rider or in base rates, or by a combination of the two, as well as any new costs proposed to be recovered through a tariff rider or in base rates, or a combination of the two.	N/A
E.	Program costs and incentives may be deferred for future recovery through creation of a regulatory asset. Prior commission approval is required for the utility to create a regulatory asset and to establish any associated carrying charge.	N/A
<b>17.7.2.14</b>	<b>Annual Report</b>	
A.	Annual reports shall provide information relating to the utility's actions to comply with the Efficient Use of Energy Act.	Warkentin; Attachment SLW-2(CD)
B.	Each utility shall post its annual report on a publicly accessible website.	Sakya
C.	Annual reports shall include the following for each measure and program:	
1.	documentation of program expenditures	Attachment SLW-2(CD)
2.	estimated and actual customer participation levels	Attachment SLW-2(CD)
3.	estimated and actual energy savings	Attachment SLW-2(CD)
4.	estimated and actual demand savings	Attachment SLW-2(CD)
5.	estimated and actual monetary costs of the utility	Attachment SLW-2(CD)
6.	estimated and actual avoided monetary costs of the utility	Attachment SLW-2(CD)
7.	an evaluation of its cost-effectiveness	Attachment SLW-2(CD)
8.	an evaluation of the cost-effectiveness and pay-back periods of self-directed programs	N/A
D.	Annual reports also shall include the following:	

NMAC	Requirement	Witness and/or Plan Section
1.	The most recent measurement and verification report of the independent program evaluator, which includes documentation, at both the portfolio and individual program levels of expenditures, savings, and cost-effectiveness of all energy efficiency measures and programs and load management measures and programs, expenditures, savings, and cost-effectiveness of all self-direct programs, and all assumptions used by the evaluator.	Attachment SLW-2(CD)
2.	A listing of each measure or program expenditure not covered by the independent measurement and verification report and related justification as to why the evaluation was not performed.	Attachment SLW-2(CD)
3.	A comparison of estimated energy savings, demand savings, monetary costs and avoided monetary costs to actual energy savings, demand savings, actual monetary costs, and avoided monetary costs for each of the utility's approved measures or programs by year.	Attachment SLW-2(CD)
4.	A listing of the number of program participants served for each of the utility's approved measures or programs by year.	Attachment SLW-2(CD)
5.	A listing of the calculated economic benefits for each of the utility's approved measures or programs by year.	Attachment SLW-2(CD)
6.	Information on the number of customers applying for and participating in self-direct programs, the number of customers applying for and receiving exemptions, measurement and verification of self-direct program targets, payback periods and achievements, customer expenditures on qualifying projects, oversight expenses incurred by the utility representative or administrator.	Attachment SLW-2(CD)
7.	Any other information required by the commission.	N/A
<b>17.7.2.15</b>	<b>Measurement and Verification</b>	
A.	Every energy efficiency and load management program shall be independently evaluated at least every three years. Every year, a utility shall submit to the commission a comprehensive measurement, verification, and program evaluation report prepared by an independent program evaluator.	Warkentin; Attachment SLW-2(CD)
1.	The independent program evaluator shall, at a minimum determine and verify energy and demand savings.	Attachment SLW-2(CD)
a.	Determine and verify energy and demand savings.	Attachment SLW-2(CD)
b.	Determine program cost effectiveness by applying the monetary values contained in utility's approved plan year application.	Attachment SLW-2(CD)
c.	Assess the utility's performance in implementing energy efficiency and load management programs.	Attachment SLW-2(CD)
d.	Assess whether the utility has failed to meet its requirements under the Efficient Use of Energy Act or has not operated in good faith.	Attachment SLW-2(CD)
e.	Provide recommended improvements on program performance for commission directed modification.	Attachment SLW-2(CD)
f.	Confirm that commission approved measure and programs were installed or implemented, meet reasonably quality standards, and are operating fully and correctly.	Attachment SLW-2(CD)
g.	Utilize applicable international performance measurement and verification protocols, describe any deviation from those protocols, and explain the reason for that deviation.	Attachment SLW-2(CD)
h.	Fulfill and other measurement and verification statutory requirements not specifically delineated herein.	Attachment SLW-2(CD)

NMAC	Requirement	Witness and/or Plan Section
2.	The utility shall cooperate with the independent program evaluator and commission staff in making information and personnel available to facilitate the independent program evaluator's proper evaluation of each utility and completion of a comprehensive measurement, verification, and program evaluation report.	Attachment SLW-2(CD)
B.	The commission, through its staff, will select and direct an independent program evaluator to prepare and submit a comprehensive measurement, verification, and program evaluation report to the commission. Staff, to fulfill its obligation under subsection B of this section, may consult with utilities and other interested parties.	Attachment SLW-2(CD)
C.	Staff shall:	
1.	Undertake a competitive bid process and abide by state purchasing rules and commission policies in selecting a sole independent program evaluator to evaluate utility compliance with the Efficient Use of Energy Act.	N/A
2.	Develop a request for proposals ("RFP"), including scope, terms of work, and evaluation process to score the RFP responses.	N/A
3.	Receive, review, score, and rank the RFP responses.	N/A
4.	Subsequently rank and recommend competitive qualified bidders to the commission.	N/A
5.	Negotiate a contract with the competitive bidder awarded the contract.	N/A
6.	Administer the contract, including: confirming that contract deliverables are met, reviewing invoices and related contract performance, and approving utility invoices after staff's review and approval.	N/A
D.	Funding for services of the independent program evaluator's completion of a comprehensive measurement and verification report will be paid initially by the utility and treated as a regulatory asset; to be recovered through rates established in the utility's next general rate proceeding.	N/A
E.	Self-direct measures, programs, and expenditures, credits and exemptions shall be evaluated and reported in the utility's annual report by the independent program evaluator using the same measurement and verification standards applied to utility measures and programs by the utility of commission-approved self-direct administrator.	N/A
F.	Upon written request by the large customer, the information provided by large customers to the utility or program administrator, program evaluator, or others, shall remain confidential except as otherwise ordered by the commission.	N/A
G.	The commission may require other information.	
<b>17.7.2.17</b>	<b>Regulatory Disincentives</b>	
	The commission shall, upon petition or its own motion, identify regulatory disincentives or barriers for utility expenditures on energy efficiency and load management measures and ensure that they are removed in a manner that balances the public interest, consumers' interests, and investors' interests.	Sakya

NMAC	Requirement	Witness and/or Plan Section
17.7.2.19	<b>Variances</b>	
A.	State the reason for the variance request.	N/A
B.	Identify each of the sections of the guideline for which a variance is requested.	N/A
C.	Describe the effect the variance will have, if granted, on compliance with this guideline.	N/A
D.	Describe how granting the variance will not compromise, or will further, the purposes of this guideline.	N/A
E.	Indicate why the proposed variance is a reasonable alternative to the requirements of this guideline.	N/A

**Abbreviations:**

Sakya – *Direct Testimony of Ruth M. Sakya*

Warkentin – *Direct Testimony of Steven L. Warkentin*

Attachment SLW-2(CD) – *Attachment SLW-2(CD) to the Direct Testimony of Steven L. Warkentin*

2017 Plan – *2017 Energy Efficiency and Load Management Plan*

**Southwestern Public Service Company  
Calculation of 2017 EE Budget  
For the 2017 EE Plan and Rider**

<b>Line No.</b>	<b>Calculation Description</b>	<b>Revenue</b>	<b>Formulas or Reference</b>
1	2017 Revenue at Present Rates	\$ 375,614,948 (1)	
2	Large Customer Billings not Applicable to 3% EER	\$ (43,245,796)	Page 2, Line 3
3	Post-cap Revenue at Present Rates, to Determine EE Budget Estimate	\$ 332,369,152	Lines 1 + 2
4	Calculated EE Budget	\$ 9,971,075	Line 3 * 3%
5	Adjustment for 2015 Budget Over Spend	\$ (90,374)	
6	Adjusted 2017 EE Budget	\$ 9,880,701	Line 4 + 5

(1) 2017 Revenue Forecast at Present Rates (includes RPS Rider of \$13.1M).



Southwestern Public Service Company  
Calculation of 2017 EE Budget, 2017 Incentive, and 2015 Under-Recoveries as a Percent of Post-cap Revenue at Present Rates  
For the 2017 EE Rider

Line No.	Calculation Description	Revenue	Formulas or Reference
1	Total EE Budget (Adjusted - see Page 1, Line 5)	\$ 9,880,701	Page 1, Line 6
2	Post-cap Revenue at Present Rates, to Determine EE Budget Estimate	\$ 332,369,152	Page 1, Line 3
3	Budget as a % of Post-cap Revenue at Present Rates	<u>2.973%</u>	Line 1 / Line 2
4	Calculated Incentive at 6.8% of Total EE Budget	\$ 671,888	Line 1 * 6.8%
5	Post-cap Revenue at Present Rates, to Determine EE Budget Estimate	\$ 332,369,152	Page 1, Line 3
6	Incentive as a % of Post-cap Revenue at Present Rates	<u>0.202%</u>	Line 4 / Line 5
7	Net Under-Recovery from 2015 Programs	\$ 1,440,168	
8	Post-cap Revenue at Present Rates, to Determine EE Budget Estimate	\$ 332,369,152	Page 1, Line 3
9	Under-Recovery as a % of Post-cap Revenue at Present Rates	<u>0.433%</u>	Line 7 / Line 8
10	Net Under-Recovery from 2015 Incentives	\$ 582,015	
11	Post-cap Revenue at Present Rates, to Determine EE Budget Estimate	\$ 332,369,152	Page 1, Line 3
12	Under-Recovery as a % of Post-cap Revenue at Present Rates	<u>0.175%</u>	Line 10 / Line 11
13	Total Under-Recovery as a % of Post-cap Revenue at Present Rates	<u>0.608%</u>	Line 9 + Line 12
14	<b>RECAP:</b>		
15	Budget as a % of Post-cap Revenue at Present Rates	2.973%	Line 3
16	Incentive as a % of Post-cap Revenue at Present Rates	0.202%	Line 6
17	Total Under-Recovery as a % of Post-cap Revenue at Present Rates	<u>0.608%</u>	Line 13
18	2017 EE Rider	<u>3.783%</u>	

**Southwestern Public Service Company  
Bill Impact Presentation  
For the 2017 EE Rider**

**Residential Service**

	Annualized Monthly Bill		Bill Change	
	Including 2016 Incentive and 2013/2014 Reconciliation	Including 2017 Incentive and 2015 Reconciliation	Proposed \$ Change	Proposed % Change
Consumption Level	Present	2017	2017	2017
0 kWh	\$ 8.20	\$ 8.20	\$ -	0.00%
250 kWh	\$ 32.36	\$ 32.36	\$ -	0.00%
500 kWh	\$ 56.52	\$ 56.51	\$ (0.01)	-0.02%
750 kWh	\$ 80.67	\$ 80.66	\$ (0.01)	-0.01%
1000 kWh	\$ 104.82	\$ 104.81	\$ (0.01)	-0.01%
2000 kWh	\$ 201.45	\$ 201.43	\$ (0.02)	-0.01%

**Small General Service**

	Annualized Monthly Bill		Bill Change	
	Including 2016 Incentive and 2013/2014 Reconciliation	Including 2017 Incentive and 2015 Reconciliation	Proposed \$ Change	Proposed % Change
Consumption Level	Present	2017	2017	2017
0 kWh	\$ 14.95	\$ 14.94	\$ (0.01)	-0.07%
250 kWh	\$ 34.61	\$ 34.61	\$ -	0.00%
500 kWh	\$ 54.28	\$ 54.27	\$ (0.01)	-0.02%
750 kWh	\$ 73.93	\$ 73.92	\$ (0.01)	-0.01%
1000 kWh	\$ 93.61	\$ 93.60	\$ (0.01)	-0.01%
2000 kWh	\$ 172.26	\$ 172.24	\$ (0.02)	-0.01%

**Southwestern Public Service Company  
Bill Impact Presentation  
For the 2017 EE Rider**

**Secondary General Service**

	Annualized Monthly Bill		Bill Change	
	Including 2016 Incentive and 2013/2014 Reconciliation	Including 2017 Incentive and 2015 Reconciliation	Proposed \$ Change	Proposed % Change
Consumption Level	Present	2017	2017	2017
0 kW; 5000 kWh	\$ 232.77	\$ 232.74	\$ (0.03)	-0.01%
10 kW; 7500 kWh	\$ 478.62	\$ 478.57	\$ (0.05)	-0.01%
15 kW; 10000 kWh	\$ 653.61	\$ 653.55	\$ (0.06)	-0.01%
20 kW; 12500 kWh	\$ 828.60	\$ 828.51	\$ (0.09)	-0.01%
30 kW; 15000 kWh	\$ 1,074.46	\$ 1,074.34	\$ (0.12)	-0.01%
50 kW; 20000 kWh	\$ 1,566.15	\$ 1,565.99	\$ (0.16)	-0.01%

**Large General Service Transmission (69 kV)\***

	Annualized Monthly Bill		Bill Change	
	Including 2016 Incentive and 2013/2014 Reconciliation	Including 2017 Incentive and 2015 Reconciliation	Proposed \$ Change	Proposed % Change
Consumption Level	Present	2017	2017	2017
2000 kW; 500000 kWh	\$ 28,887.74	\$ 28,884.68	\$ (3.06)	-0.01%
5000 kW; 1000000 kWh	\$ 56,414.43	\$ 56,408.45	\$ (5.98)	-0.01%
6000 kW; 1500000 kWh	\$ 83,941.11	\$ 83,932.22	\$ (8.89)	-0.01%
7000 kW; 2000000 kWh	\$ 111,467.80	\$ 111,455.99	\$ (11.81)	-0.01%
8000 kW; 2500000 kWh	\$ 138,994.49	\$ 138,979.76	\$ (14.73)	-0.01%
10000 kW; 3500000 kWh	\$ 185,391.45	\$ 185,371.80	\$ (19.65)	-0.01%

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



**SOUTHWESTERN PUBLIC SERVICE COMPANY**

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

X  
X

**ENERGY EFFICIENCY RIDER**

**Tariff No. 7203.13**

Page 2 of 3

X

(2) its actual energy efficiency spending versus its actual collections of three percent of annual retail revenues in the year after the actual energy efficiency program and administrative spending and collections are known. As an example, the difference between SPS's 2016 actual energy efficiency spending versus its actual collections of three percent of annual retail revenues will be identified in SPS's May 1, 2017 EE filing. SPS is authorized to reconcile its actual energy efficiency spending versus its actual collections.

X  
|  
X

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

X  
|  
X

Any under-recovery or over-recovery reconciliation of energy efficiency incentives and/or any difference between actual energy efficiency spending versus its actual collections will be included as an adjustment to SPS's Energy Efficiency rate (either a reduction or increase to the rate).

X  
|  
X

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

**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

262

X

Advice Notice No.

REGIONAL VICE PRESIDENT, RATES &  
REGULATORY AFFAIRS

**SOUTHWESTERN PUBLIC SERVICE COMPANY**

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

**X  
X**

**ENERGY EFFICIENCY RIDER**

**Tariff No. 7203.13**

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**X**

**DETERMINATION OF ENERGY EFFICIENCY RIDER EXEMPTION (cont.):**

may request approval for exemption again by demonstrating that it has exhausted all cost-effective energy efficiency measures in its facility or facilities.

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

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**X**

Advice Notice No.

REGIONAL VICE PRESIDENT, RATES &  
REGULATORY AFFAIRS