

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF)
PUBLIC SERVICE COMPANY OF NEW MEXICO)
FOR APPROVAL OF ELECTRIC ENERGY)
EFFICIENCY PROGRAMS AND PROGRAM COST)
COST TARIFF RIDER PURSUANT TO THE)
NEW MEXICO PUBLIC UTILITY AND)
EFFICIENT USE OF ENERGY ACTS,)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO.)
)
Applicant.)
_____)

Case No. 12-00317-UT

2013 FEB 6 AM 3 40

NEW MEXICO
PUBLIC REGULATION
COMMISSION
FIELD

PREPARED REBUTTAL TESTIMONY

OF

JOHN J. REYNOLDS

FEBRUARY 6, 2013

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1 **Q. Please state your name and occupation.**

2 A. My name is John J. Reynolds. I am employed by the New Mexico Public
3 Regulation Commission (“NMPRC” or “Commission”) as a Utility Economist
4 in the Utility Division. I have previously filed Direct Testimony in this case in
5 which my academic credentials, professional background and qualifications
6 were described.

7
8 **Q. Did you review the Direct Testimony filed by other parties in this case?**

9 A. I have reviewed the testimony filed Maureen Quaid on behalf of the Coalition
10 for Clean Affordable Energy (“CCAIE”) and portions of the testimony filed by
11 Cynthia D. Bothwell on behalf of the New Mexico Industrial Energy Consumers
12 (“NMIEC”).

13
14 **Q. What is the purpose of your rebuttal testimony?**

15 A. I will respond to CCAIE Witness Quaid’s recommendations for broad
16 enhancements and improvements to PNM’s 2012 Energy Efficiency and Load
17 Management Program Plan (“2012 Plan” or “Plan”) and to NMIEC Witness
18 Bothwell’s recommendations concerning program participation and
19 development.

20
21 **Q. What is Staff’s response to CCAIE Witness Quaid’s first recommendation**
22 **that PNM be directed to expand its proposed Plan in order to generate**

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1 **further savings thereby creating a “savings cushion” in case some of its**
2 **programs underperform?**

3 A. Staff opposes CCAE’s recommendation to expand PNM’s 2012 Plan simply to
4 provide a “savings cushion” because it would result in a budget increase beyond
5 the significant increase PNM is seeking and because the incremental cost-
6 effectiveness of such an expansion has not been established. First, PNM is
7 already seeking a 49% increase in its annual budget when comparing its 2012
8 budget of the 2010 Plan to Year 1 of the its proposed 2012 Plan¹. Staff’s
9 recommended budget for Year 1 of the 2012 Plan would reduce the budget but it
10 would still represent a 31% increase². Staff knows of no requirement in the
11 Efficient Use of Energy Act (“EUEA”) or the Commission’s Energy Efficiency
12 Rule (“EE Rule” or “Rule”) or of any past practice that calls for the creation of
13 “saving cushion” to increase the certainty that EUEA-mandated savings
14 requirements are achieved. A further undetermined budget increase would place
15 an unnecessary additional burden on PNM’s ratepayers without justification.
16 Additionally, Staff opposes the suggestion that a “savings cushion” must be
17 factored in because some of the programs may underperform. While some
18 programs will likely underperform, no program should ever be projected to
19 underperform. Instead, Staff expects that underperforming programs will at least

¹ See Exhibit JJR-9 in my Direct Testimony. 49% represents the increase in the total budget including profit from its 2012 budget of \$17,913,860 for the 2010 Plan to a budget of \$26,698,884 for Year 1 of the 2012 Plan.

² 31% represents the increase in the total budget including profit from its 2012 budget of \$17,913,860 for the 2010 Plan to a Staff-recommended budget \$23,549,058 for Year 1 of the 2012 Plan.

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1 be offset by overperforming programs as the utility shifts and optimizes its
2 allocation of program costs. Second, CCAE provides no criteria about the
3 precise composition of the expansion of the Plan other than to suggest that
4 higher savings can be achieved cost-effectively as demonstrated in a recent
5 major study from the Southwest Energy Efficiency Project (“SWEEP”) where
6 CCAE Witness Quaid is employed. While CCAE has requested that PNM
7 perform cost effectiveness analysis to support its recommendation, none was
8 available at the time CCAE’s Direct Testimony was filed and neither Staff nor
9 any other party will have an adequate opportunity to analyze any data PNM may
10 provide in its rebuttal testimony. Further, CCAE explicitly supports all of the
11 programs in PNM’s proposed 2012 Plan³. Accordingly, CCAE’s
12 recommendation would cause a plan expansion that would result in a further
13 increase in the budget without support or justification. Staff opposes any
14 increase in the budget beyond what Staff has recommended in this case.

15
16 **Q. What is Staff’s response to CCAE Witness Quaid’s second recommendation**
17 **that PNM be directed to expand its proposed Commercial Comprehensive**
18 **Program by adding a new custom measure for on-site Combined Heat and**
19 **Power (“CHP”) systems?**

20 **A.** Staff opposes CCAE’s recommendation to add a custom measure for on-site
21 CHP systems in the Commercial Comprehensive Program because the

³ Lines 20-21, Page 3; Direct Testimony of CCAE Witness Quaid.

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1 incentives recommended by CCAE are likely to significantly increase program
2 costs, because it is not supported by an analysis of the incremental cost
3 effectiveness, and because it would be contrary to public interest to have all
4 PNM ratepayers subsidize capital investments in on-site energy generation that
5 is independent from the public utility. First, CCAE proposes to provide
6 incentives of at least \$0.06 per kWh savings in the first year⁴. It is therefore
7 reasonable to project that additional program costs will be incurred if there is
8 any participation⁵. Without any projected participation, there is no basis to even
9 consider the proposed CHP custom measure. CCAE argues that the proposed
10 CHP custom measure can be added without increasing the budget of the
11 Commercial Comprehensive as was done in the last energy efficiency (“EE”)
12 and load management (“LM”) approval case for Southwestern Public Service
13 Company (“SPS”)⁶. In that case, the Commission approved an uncontested
14 stipulation which provided for a “budget-neutral” addition of a similar CHP
15 custom measure. Staff now understands that SWEEP considers that any change
16 in program costs within the +/-25% window established by the EE Rule does not
17 require any change to a program budget even if such a change in costs is
18 anticipated at the time the program is up for approval as it now is. The
19 Commercial Comprehensive Program has a proposed annual budget of
20 \$7,328,103, and it appears to be SWEEP’s position that any suggested change in

⁴ See Exhibit MQ-4, Direct Testimony of CCAE Witness Quaid. In this exhibit, CCAE recommends a higher incentive but does not state how much higher.

⁵ CCAE expects that there will be 1 to 3 CHP projects per year.

⁶ NMPRC Case No. 11-00400-UT.

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1 the Program that causes projected program costs to increase or decrease by less
2 than \$1,832,026⁷ does not need to be addressed in the budget presented to the
3 Commission for approval. Staff believes instead that the program costs
4 associated with the CHP custom measure (or any other proposed enhancement)
5 should be projected and included in the budget of the Commercial
6 Comprehensive Program and that the Commission should be presented with a
7 proposed budget based on the most reasonable assumptions available including
8 participation projections. In Staff's view, the flexibility allowed in the EE Rule
9 to adjust program expenses within a +/-25% window is provided for utilities to
10 make mid-course funding adjustments based on program performance, not
11 simply as a means to increase program spending without support or justification.
12 Second, CCAE provides no information about the incremental cost effectiveness
13 of adding the CHP custom measure to the Commercial Comprehensive Program.
14 As it has indicated, CCAE is not in a position to independently establish cost
15 effectiveness, and PNM's response to CCAE about this was not available at the
16 time CCAE filed its Direct Testimony. In any case, PNM's projections about a
17 completely new CHP custom measure would likely be based on numerous
18 uncertain assumptions. Given that the Commission allowed SPS to offer a
19 similar custom measure about six months ago, Staff finds it prudent to rely on a
20 future independent evaluation of SPS' CHP custom measure before the
21 Commission opines on a larger scale implementation by PNM.

⁷ 25 % of \$7,328,103.

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1 Finally, the proposed CHP custom measure is likely to mostly benefit the very
2 largest of PNM's customers, and Staff would find it necessary to consider
3 whether this custom measure results in PNM's largest customers reaping
4 benefits that are out of proportion with the EE Rider recoveries from these same
5 large customers. Unless it can be demonstrated that the addition of a CHP
6 custom measure results in a portfolio of programs where the distribution of
7 benefits among ratepayers is in line with the distribution of EE rider recoveries,
8 Staff would be reluctant to support the measure even if Staff's concerns about
9 the costs of the measure and its cost effectiveness were addressed. The EUEA
10 caps large customer recovery and provides for self-directed programs, and this
11 CCAE-proposed measure may be more appropriate as a self-directed
12 undertaking given the EUEA's cap on EE rider recoveries from large customers.

13
14 **Q. What is Staff's response to CCAE Witness Quaid's third recommendation**
15 **that PNM be directed to expand its Residential Lighting Program by**
16 **adding an incentive of \$10/bulb toward the purchase of LED bulbs?**

17 A. Staff opposes CCAE's recommendation to have the Commission direct PNM to
18 add an incentive of \$10 per LED bulb in its Residential Lighting Program at this
19 time because of the uncertain success of a premature program expansion. CCAE
20 and Staff agree the residential lighting market is rapidly changing. Given the
21 speed at which technology is evolving, LED lighting is likely to become "the

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1 most popular lighting that's out there"⁸. Staff does not oppose incentives for
2 LED bulbs; but based on discussions with PNM which included the participation
3 of CCAE and on the lack of evidence in this case on this topic, the cost
4 effectiveness of such a rebate has not been established at this time. For example,
5 PNM offered an incentive for LED bulbs on a pilot basis last summer for 2-3
6 months to gauge consumer participation. Participation was minimal, and PNM's
7 conclusion at that time was that offering such a rebate on a long-term basis was
8 not cost effective. Should the Commission accept Staff's recommendation that
9 the rebate for CFLs in PNM's 2012 Plan be reduced by 50%, it is reasonable to
10 expect that a rebate for LEDs will be more effective than it otherwise would
11 have been. Staff would encourage another PNM pilot of an LED rebate once the
12 Commission has filed its Final Order concerning the 2012 Plan. If the results of
13 another pilot suggest improved participation and cost effectiveness with a path
14 toward overall cost effectiveness, PNM could then seek the Commission's
15 approval to expand the Residential Lighting Program with a new incentive for
16 LED bulbs.

17
18 **Q. What is Staff's response to CCAE Witness Quaid's fourth recommendation**
19 **that PNM be directed to maintain a residential new construction program**
20 **even though PNM is currently unable to ascertain such a program's cost**
21 **effectiveness?**

⁸ LEDs Emerge as a Popular Green Lighting, New York Times, January 22, 2013. Available at http://www.nytimes.com/2013/01/22/business/leds-emerge-as-a-popular-green-lighting.html?hp&_r=1&

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1 A. Staff opposes CCAE’s recommendation to have the Commission direct PNM to
2 maintain a residential new construction program as a placeholder in the 2012
3 Plan because Staff has no reason to dispute PNM’s analysis concluding that the
4 ENERGY STAR Homes Program will no longer be cost effective due to a
5 higher incremental cost, lower savings, and lower participation levels. In fact,
6 Staff’s recalculated TRC of 0.85 for this program presented in my Direct
7 Testimony⁹ demonstrates that the Commission should approve PNM’s request to
8 phase the program out in 2013. CCAE however recommends that the
9 Commission direct PNM to consider re-designing a residential new construction
10 program that would be cost effective and could be implemented in 2014. PNM
11 has testified it has explored program alternatives but has so far been unable to
12 design a cost effective alternative. PNM further states that it “will continue to
13 research potential energy efficiency programs for new, cost-effective residential
14 construction”¹⁰. As CCAE points out, the residential new construction market in
15 New Mexico has been transformed since the ENERGY STAR Homes Program
16 has been implemented by PNM, but further cost ineffective ratepayer support
17 should not be required to maintain this transformation.

18
19 **Q. Is it necessary for the Commission to refrain from closing this docket until**
20 **a determination can be reached about a future cost effective residential new**
21 **construction program can be reached as CCAE recommends?**

⁹ Exhibit JJR-9, Direct Testimony of John J. Reynolds.

¹⁰ Lines 12-13, Page 9; Direct Testimony of Steven M. Bean.

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1 A. No. There is no reason for the Commission to keep this docket open for an
2 undetermined period until another residential new construction program can be
3 evaluated. PNM has made clear its intent to continue investigating program
4 design alternatives, and there is nothing that would prevent PNM from
5 requesting that the Commission re-open this docket for the express purpose of
6 proposing program additions, expansions, contractions, or modifications. PNM
7 did just that in December 2011 when it filed a motion with the Commission to
8 re-open the previous EE docket seeking the Commission’s approval to continue
9 the ENERGY STAR Homes Program that was set to be discontinued at the end
10 of 2011. The request to continue the ENERGY STAR Homes Program resulted
11 from intervening code implementation changes and a revised projection that the
12 program would be cost effective beyond 2011. Should PNM once again revise
13 its projection and determine that the ENERGY STAR Homes Program will be
14 cost effective beyond its proposed discontinuation date of September 30, 2013,
15 PNM could simply seek to revise its earlier request. Alternatively, should PNM
16 and stakeholders succeed in developing a new cost-effective program, PNM
17 may then seek the Commission’s approval to add the program to its 2012 Plan or
18 possibly expand the Whole House Program (if it is approved by the
19 Commission) with an additional measure as contemplated in CCAE’s
20 recommended program consolidation¹¹.

21

¹¹ Lines 15-16, Page 13; Direct Testimony of Maureen Quaid.

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1 **Q. What is Staff’s response to CCAE Witness Quaid’s fifth recommendation**
2 **that PNM be directed to expand the number of measures in its Whole**
3 **House Program that would address insulation and air sealing, enhanced**
4 **controls for central air conditioning systems, and further lighting**
5 **improvements?**

6 A. Staff opposes CCAE’s recommendation to have the Commission direct PNM to
7 provide very specific additional measures in its proposed Whole House Program
8 at this time and without any supporting analysis about the incremental cost
9 effectiveness of these additional measures. With respect to CCAE’s
10 recommendation that PNM offer incentives for air sealing and insulation based
11 on a home audit, it has not been demonstrated that such a measure is
12 incrementally cost effective. Further, Staff understands that PNM has analyzed
13 such a potential measure and found it to be cost ineffective. With respect to
14 CCAЕ’s recommendation that PNM add “Western Cooling Control” for
15 refrigerated air conditioning systems, information provided by CCAE suggests
16 that such a measure was found to be cost effective in California and Nevada.
17 Staff is unaware of any analysis about the cost effectiveness of this measure in
18 PNM’s service territory. With respect to CCAE’s recommendation that PNM
19 enhance the Whole House Program with further lighting options such as
20 specialty CFLs and LED bulbs, CCAE does not propose any guidelines for the
21 installation of these more expensive bulbs nor does CCAE suggest increasing
22 the Co-Payment sufficiently for PNM to support the higher costs of these bulbs.

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1 Should a future pilot measure offering rebates for LEDs prove to be more
2 successful, PNM may find it cost effective to include the installation of LEDs in
3 the Whole House Program.

4
5 **Q. What is Staff's response to CCAE Witness Quaid's sixth recommendation**
6 **that PNM be directed to expand the number of kits provided through the**
7 **Student Efficiency Kits Program beyond 4,500 kits per year?**

8 A. Staff opposes CCAE's recommendation to have the Commission direct PNM to
9 distribute more than 4,500 kits per year through the proposed Student Efficiency
10 Kits Program. The comparison CCAE makes with the School Education Kits
11 Program implemented by Southwestern Public Service Company ("SPS")
12 incorrectly suggests that PNM's plans to distribute kits are inadequate in relation
13 to the number of customers in its service territory. However, CCAE's analysis is
14 flawed because it fails to acknowledge the existence of PNM's Easy Savings
15 Kits Program which PNM proposes to continue in its 2012 Plan. While PNM is
16 targeting low income customers instead of students with its Easy Savings Kits
17 Program, PNM plans to distribute 6,000 kits annually to low income customers,
18 and these kits are similar to the 4,500 kits PNM plans to distribute annually to
19 students through the proposed Student Efficiency Kits Program. SPS has no kit
20 distribution program other than its School Education Kits Program. In sum,
21 PNM plans to distribute 10,500 efficiency kits to the community annually
22 through two programs while SPS plans to distribute 2,500 kits annually through

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1 a single program. CCAE states that “PNM has more than four times as many
2 customers as SPS”¹². Staff’s analysis suggests that each utility’s efficiency kit
3 distribution plans are commensurate with each utility’s customer base. For these
4 reasons, Staff does not recommend that the Commission direct PNM to
5 distribute more kits each year through its Student Efficiency Kits Program
6 simply to match or approach the rate at which SPS distributes kits through its
7 School Education Kits Program without any consideration of the additional kits
8 PNM plans to distribute through its Easy Savings Kits Program.

9 With respect to CCAE’s recommendation that PNM adjust its projected gross
10 and net savings for each efficiency kit distributed through the proposed Student
11 Efficiency Kits Program based on the savings projected by SPS for their School
12 Education Kits Program, Staff knows of no reason for PNM to adjust its
13 projected gross or net savings at this point¹³. While the efficiency kits
14 distributed by PNM and SPS may be similar, they are not necessarily identical.
15 Staff notes that the third party contractors for these programs are different from
16 each other and differences between the kits distributed by PNM and SPS may
17 justify different projected savings per kit. CCAE further suggests that PNM
18 understates projected savings by using a net-to-gross (“NTG”) ratio of 80%

¹² Lines 2-3, Page 15; Direct Testimony of Maureen Quaid.

¹³ CCAE incorrectly states that SPS projects 242 kWh/year of gross savings for each kit distributed through its School Education Kits Program. Staff instead understands that SPS projects 216 kWh/year of gross savings per kit and that 242 kWh/year of savings are per kW (not per kit). Therefore, the difference in savings per kit is far less pronounced than CCAE’s comparison suggests. See Lines 4-8, Page 15; Direct Testimony of CCAE Witness Quaid.

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1 while SPS uses a NTG of 100%¹⁴. This may again be explained by a difference
2 between the two kits, and there is no evidence that demonstrates why PNM
3 should mimic SPS's projections for a similar program. As CCAE indicates,
4 savings from the kits distributed by PNM will be evaluated by the statewide
5 independent evaluator and the evaluated savings can be used by PNM for the
6 development of their next EE and LM plan. Because the establishment of over-
7 optimistic savings assumptions without a foundation increases the risk of
8 ratepayer funding of cost ineffective programs, no basis exists to support
9 CCAE's recommendation to change projected savings assumptions for the
10 proposed Student Efficiency Kits Program before the savings are independently
11 evaluated.

12

13 **Q. What is Staff's response to CCAE Witness Quaid's seventh**
14 **recommendation that PNM be directed to increase the budget of the**
15 **Residential Stay Cool Program by \$100,000 in order add incentives for**
16 **quality installation, proper equipment sizing, and enhanced equipment**
17 **controls?**

18 A. As with respect to CCAE's similar recommended expansion of PNM's proposed
19 new Whole House Program, Staff opposes CCAE's recommendation to have the

¹⁴ A NTG of 100% infers that 100% of the participation and savings from a program's measures are a direct result of the program and therefore that the measures would not have been implemented in the absence of the program. Any NTG below 100% quantifies the extent to which the measures would have been implemented in the absence of a program. For example, a NTG of 80% indicates that 20% of the savings would have been realized even in the absence of the program.

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1 Commission direct PNM to expand the Residential Stay Cool Program by
2 incentivizing specific measures without timely and further supporting analysis
3 about the incremental cost effectiveness of these additional measures in New
4 Mexico. CCAE is recommending that PNM provide incentives in the
5 Residential Stay Cool Program for quality installation, proper sizing of central
6 air conditioning equipment, and that PNM add “Western Cooling Control” for
7 central air conditioning systems, and provide contractor training for quality
8 installation and proper sizing. Specifically, CCAE is proposing that the program
9 budget be increased by \$100,000 with \$40,000 for contractor training and
10 \$60,000 for incentives for quality installation and proper equipment sizing. It is
11 premature for the Commission to direct PNM to expand the Residential Stay
12 Cool Program in the absence of further analysis.

13 CCAE also recommends that PNM continue to consider tiered incentives for
14 central air conditioning systems even though PNM’s analysis suggests that this
15 would be a cost ineffective measure. CCAE states that tiered incentives for
16 central conditioning systems exist in the region and suggests different incentive
17 levels based on the efficiency of the equipment. Staff concurs with CCAE that
18 PNM should consider expanding the Whole House Program and the Residential
19 Stay Cool Programs with such tiered incentives if and when it finds this
20 expansion may be incrementally cost effective.

21

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1 **Q. What is Staff’s response to CCAE Witness Quaid’s final recommendation**
2 **that PNM be directed by the Commission to increase the projected savings**
3 **of its proposed new Home Energy Reports Program?**

4 A. Staff opposes CCAE’s recommendation to have the Commission direct PNM to
5 increase PNM’s projected savings generated by its proposed new Home Energy
6 Reports Program. Staff has already testified about the Commission’s earlier
7 finding that PNM should not implement a behavioral program until SPS’s
8 similar behavioral pilot program which began in March 2012 is independently
9 evaluated. I have also testified about how PNM relied on its 3rd party
10 implementer, OPower, to project the savings the Home Energy Reports Program
11 will generate and about a study provided by PNM which suggests its projected
12 savings, while conservative, are within the range of savings actually evaluated in
13 other states. At the risk of nay saying this program’s benefits, Staff suggests it is
14 reasonable to expect that evaluated savings from this behavioral program may
15 be closer to the low end of the expected range. The relatively temperate climate
16 in PNM’s service territory and its limited air conditioning load suggest less
17 space cooling savings potential than, for example, Arizona or Nevada. Space
18 heating savings potential may likewise be less in PNM’s service territory than in
19 Northern California or Colorado. I have also expressed concern about the
20 potential double counting of savings for a program which cross-promotes other
21 programs and may elicit participation in these other programs. In light of these
22 factors, the accretive nature of projected savings from PNM’s Home Energy

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1 Reports Program has not been established nor has it been demonstrated that
2 savings will approach or equal the evaluated savings from similar behavioral
3 programs in the region. As it does with many of its programs, PNM relies on its
4 3rd party implementer for a determination of reasonable projected savings. It
5 would be unreasonable at this time to replace these projections with CCAE's
6 recommended projected savings based on evaluated savings from similar
7 behavioral programs in the region before the independent evaluation of any New
8 Mexico utility's behavioral program.

9
10 **Q. Please address CCAE's recommendations concerning PNM's proposed**
11 **programs in the 2012 Plan that target low income customers.**

12 A. Subject to the establishment of an appropriate cost sharing arrangement as
13 spelled out in my Direct Testimony, Staff concurs with CCAE's support of the
14 Low Income Home Efficiency Program. New Mexico Gas Company ("NMGC")
15 may collaborate by necessity because Staff is recommending a cost sharing
16 agreement be established during Year 1 of the 2012 Plan. Any collaboration
17 with MFA should be the purview of PNM and its 3rd party implementer for this
18 program. PNM should also be given the opportunity to analyze whether the
19 addition of specialty CFLs is incrementally cost effective before it decides on
20 implementing this recommendation from CCAE.

21 As I indicated in my Direct Testimony, Staff recommends that the Commission
22 not approve the Low Income Refrigerator and CFL Replacement Program and

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1 the Community CFL Program. Staff does not concur with CCAE's support of
2 these two programs. Instead, Staff finds that the targeted participants of the Low
3 Income Refrigerator and CFL Replacement Program can be reached with the
4 new Low Income Home Efficiency Program while those of the Community CFL
5 Program can be reached with the expanded Market Transformation Program.

6 Subject to the establishment of an appropriate cost sharing arrangement as set
7 forth in my Direct Testimony, Staff concurs with CCAE's support of the Easy
8 Savings Kits Program targeted to low income customers.

9
10 **Q. Please address CCAE's recommendations concerning PNM's expanded
11 Market Transformation Program.**

12 A. Staff concurs with CCAE's support of PNM's Market Transformation Program
13 except that Staff opposes CCAE's support for the measurement and crediting of
14 savings related to compliance with building codes.

15
16 **Q. What is Staff's response to NMIEC's conclusion that PNM has not
17 developed a portfolio of energy efficiency and load management programs
18 that allows the Commission to meet the EUEA requirement that it find that
19 every customer class should have the opportunity to participate and benefit
20 from the portfolio of programs before it approves the Plan?**

21 A. No customer class is inherently prevented from participating in and benefitting
22 from PNM's proposed programs. While NMIEC Witness Bothwell states that

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1 “PNM has not demonstrated that its 2012 Plan meets this basic [statutory]
2 requirement”¹⁵, NMIEC fails to specify any customer class that is prevented
3 from participating in the EE and LM programs of PNM’s proposed 2012 Plan.

4
5 **Q. Are PNM’s proposed programs which target low income customers getting
6 more support as NMIEC Witness Bothwell advocates they should?**

7 A. Yes. The Year 1 budget for the low income programs in PNM’s 2012 Plan totals
8 \$1,631,216 and is more than double the 2012 budget of \$797,714 for PNM’s
9 low income programs in the 2010 Plan¹⁶. Even Staff’s recommendation with
10 respect to the low income programs in PNM’s 2012 Plan, if accepted by the
11 Commission, would result in a 94% increase in the budget for low income
12 programs¹⁷.

13
14 **Q. What is Staff’s response to NMIEC’s recommendation that the Commission
15 should require PNM “to find appropriate approaches” for the participation
16 of all customer groups in the development of energy efficiency programs?**

¹⁵ Lines 26-27, Page 18; Direct Testimony of Cynthia D. Bothwell.

¹⁶ See Exhibit JJR-9 in my Direct Testimony. The three low income programs of the 2010 Plan budgeted for 2012 are the Low Income Refrigerator and CFL Replacement Program (\$463,450), the Community CFL Program (\$21,763), and the Easy Savings Kits Program (\$312,501) have a total budget of \$797,714. The four low income programs proposed for the 2012 Plan have Year 1 budgets of \$131,142 (Refrigerator and CFL Replacement), \$1,163,837 (Home Efficiency), \$10,584 (Community CFL), and \$325,653 (Easy Savings Kits). The total Year 1 low income budget proposed by PNM is therefore \$1,631,216.

¹⁷ See Exhibit JJR-9 in my Direct Testimony. Staff recommends Commission approval of only two of PNM’s proposed low income programs: the Home Efficiency Program with a Year 1 budget of \$1,218,190 and the Easy Savings Kits Program with a Year 1 budget of \$325,653. Staff therefore proposes a total Year 1 budget for low income customers of \$1,543,843.

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1 A. NMIEC's recommendation is vague and NMIEC's suggestion that PNM's
2 approach with respect to the development of EE programs has heretofore been
3 inappropriate is unsubstantiated. As I stated in my Direct Testimony, the public
4 participation process followed by PNM for the development of its proposed
5 2012 Plan was described by PNM Witness Bean as required by the EE Rule¹⁸.
6 While Staff would welcome broader participation in PNM's public participation
7 process, it is unclear that participation has so far been too narrow and Staff fails
8 to discern any concrete recommendation offered by NMIEC requiring
9 Commission action.

10

11 **Q. What is Staff's response to NMIEC's recommendation that the Commission**
12 **should require PNM to break down program adoption by rate class and to**
13 **examine any inequities in opportunities to participate between rate classes?**

14 A. Staff supports NMIEC's recommendation that the Commission should direct
15 PNM to provide more granular information for each program showing
16 participation, program budgets and costs, as well as projected energy and
17 demand savings by rate class. PNM should be directed to provide this program
18 participation and cost information annually in the utility annual report about
19 energy efficiency and load management starting with the report to be filed in
20 2014 for the calendar year 2013. PNM should be further directed to provide

¹⁸ Appendix B of Exhibit SMB-1 of the Direct Testimony of PNM Witness Bean provides a list of invitees to PNM's EE Public Advisory Group with an indication of participation at various stages of the process. Staff notes that NMIEC was invited but did not participate at any stage.

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1 program budget and projected energy and demand savings information by rate
2 class starting with PNM's next Application for Commission approval of a
3 proposed EE and LM program plan. Staff's Exhibit JJR-1Rebut is a table that
4 compares PNM's projected retail electric revenues by rate class, its projected EE
5 rider recoveries by rate class, and Year 1 budgets by program for the 2012 Plan.
6 The information provided by PNM should be sufficient to allow the sum of
7 program budgets to be reasonably broken by rate class. Based on this
8 information, PNM should also be directed to demonstrate that the breakdown of
9 PNM's overall EE/LM budget by rate class is commensurate with the relative
10 share of EE rider recoveries by rate class thus providing for equitable
11 opportunities to participate and benefit among rate classes.

12

13 **Q. What is Staff's response to NMIEC's recommendation that, if PNM's**
14 **Commercial Comprehensive Program is wholly rejected by the**
15 **Commission, the Commission should then require PNM to work directly**
16 **with its commercial and industrial customers to develop alternative**
17 **program(s) to replace the rejected Commercial Comprehensive Program?**

18 **A.** In the event that the Commission wholly rejects PNM's proposed Commercial
19 Comprehensive Program, contrary to Staff's position on this program, Staff
20 instead recommends that the Commission direct PNM to reconvene its EE
21 Public Advisory Group for the limited purpose of developing alternative
22 program(s) to meet the needs of PNM's non-residential ratepayers. Upon the

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1 completed development of such program(s), PNM should request the
2 Commission's approval to include the program(s) in its 2012 Plan. Staff opposes
3 any development activity that is restricted only to commercial and industrial
4 customers in order to prevent possible inequity in program participation among
5 all rate classes.

6

7 **Q. Does this conclude your testimony?**

8 **A. Yes.**

Distribution of EE Rider Recoveries and Program Budgets

	Projected Annual (June 2013 - May 2014)			% of Annual Total (June 2013 - May 2014)		
	Revenues	EE Rider	Program Budget	Revenues	EE Rider	Program Budget
Residential	\$412,313,908	\$10,712,242		45.2%	47.6%	
Small Power	\$130,637,909	\$3,394,076		14.3%	15.1%	
General Power	\$184,829,597	\$4,802,019		20.2%	21.3%	
Large Power	\$115,926,956	\$2,949,895		12.7%	13.1%	
Large Service for Mining	\$6,609,996	\$126,366		0.7%	0.6%	
Water/Sewage Pumping	\$15,320,674	\$382,264		1.7%	1.7%	
Public Universities	\$7,583,278	\$63,183		0.8%	0.3%	
Large Service for Mfg	\$39,832,760	\$63,183		4.4%	0.3%	
	\$913,055,078	\$22,493,228		100.0%	100.0%	
<u>Residential (Open to All)</u>						
ENERGY STAR Homes			\$145,730			
Refrigerator Recycling			\$1,313,021			
Lighting			\$1,740,233			
Whole House (New)			\$1,052,430			
Student Effic Kits (New)			\$315,069			
Say Cool (New)			\$696,899			
Home Energy Repts (New)			\$508,033			
			\$5,771,415			25.7%
<u>Residential (Low Inc)</u>						
Refrigerator & CFL			\$131,142			
Home Efficiency (New)			\$1,163,837			
Community CFL			\$10,584			
Easy Savings Kits			\$325,653			
			\$1,631,216			7.3%
<u>Commercial</u>						
Comprehensive			\$7,328,103			
			\$7,328,103			32.6%
<u>Load Management</u>						
Power Saver			\$5,413,141			
Peak Saver			\$2,019,994			
			\$7,433,135			33.0%
<u>Market Transformation</u>						
			\$329,359			1.5%
			\$22,493,228			100.0%

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF)
PUBLIC SERVICE COMPANY OF NEW MEXICO)
FOR APPROVAL OF ELECTRIC ENERGY)
EFFICIENCY PROGRAMS AND PROGRAM COST)
COST TARIFF RIDER PURSUANT TO THE)
NEW MEXICO PUBLIC UTILITY AND)
EFFICIENT USE OF ENERGY ACTS,)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO.)
)
Applicant.)

Case No. 12-00317-UT

2013 FEB 6 PM 3 40

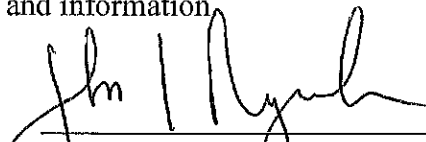
NEW MEXICO
PUBLIC REGULATION
COMMISSION
FILED

AFFIDAVIT OF JOHN J. REYNOLDS

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, JOHN J. REYNOLDS, do hereby swear, depose and state as follows:

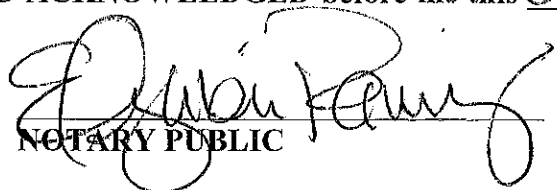
I hereby attest that I have read the foregoing **PREPARED REBUTTAL TESTIMONY OF JOHN J. REYNOLDS**, and the statements contained therein are true and accurate to the best of my knowledge and information.



JOHN J. REYNOLDS
6 February, 2013

DATE

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me this 6 day of February 2013.



NOTARY PUBLIC

My Commission Expires:

1-24-16

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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,)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)
)
APPLICANT.)
_____)

Case No. 12-00317-UT

2013 FEB 6 PM 3 40

NEW MEXICO
PUBLIC REGULATION
COMMISSION
FILED

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing *Prepared Rebuttal Testimony of John J. Reynolds*, filed February 6, 2013, was sent by electronic mail to the individuals listed below.

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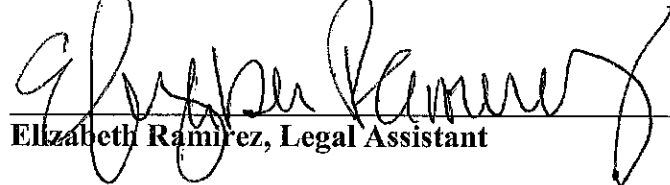
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DATED this **6th** day of February, 2013.

NEW MEXICO PUBLIC REGULATION COMMISSION


Elizabeth Ramirez, Legal Assistant