

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

APPLICATION OF EL PASO)
ELECTRIC COMPANY)
FOR APPROVAL TO RECOVER)
REGULATORY DISINCENTIVES)
AND INCENTIVES ASSOCIATED)
WITH ENERGY EFFICIENCY)
AND LOAD MANAGEMENT)
PROGRAMS)
)
EL PASO ELECTRIC COMPANY,)
Applicant.)
_____)

CASE NO. 10-00 -UT

**EL PASO ELECTRIC COMPANY'S APPLICATION
FOR APPROVAL OF REGULATORY
DISINCENTIVES AND INCENTIVES**

El Paso Electric Company ("EPE") hereby files its Application for approval of its proposed rate design methodology to recover regulatory disincentives and incentives associated with EPE's Energy Efficiency and Load Management Programs ("Programs"), in accordance with the New Mexico Efficient Use of Energy Act ("EUEA"), NMSA 1978, Sections 62-17-1 et seq. and the New Mexico Public Regulation Commission's ("NMPRC" or "Commission") Energy Efficiency Rule ("Rule"), 17.7.2 NMAC. Pursuant to the Commission's procedural order issued in NMPRC Case No. 08-00024-UT, EPE's proposed rate design is due on or before August 31, 2010.

EPE requests approval by the Commission of its Application together with all other approvals, authorization and actions that may be required for implementation thereof in accordance with the EUEA, the Rule and the New Mexico Public Utility Act ("PUA"), NMSA 1978, Section 62-3-1 et seq. In support of this Application, EPE states the following:

1. EPE is certified and authorized to conduct the business of providing public utility service within the State of New Mexico, and is a public utility subject to the jurisdiction of the Commission under the PUA.

2. EPE generates, transmits and distributes electricity through an interconnected system to customers in southern New Mexico and Texas. EPE owns, operates, leases or controls the plant, property and facilities used by it for the generation, transmission, distribution, sale or furnishing of electricity to or for the public within New Mexico and Texas. EPE provides retail electric service to approximately 90,000 customers within its New Mexico service area.

3. EPE's principal business address and telephone number for its New Mexico service area are:

El Paso Electric Company
100 N. Stanton
El Paso, Texas 79901
(915) 543-5711

4. Service of all notices, pleadings and other documents related to this Application should be made as follows:

Nadia Powell, Senior Case Manager
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5. EPE currently offers its customers a portfolio of Programs as approved by the Commission in NMPRC Case Nos. 07-00411-UT and 09-00390-UT.

6. The EUEA directs the Commission to identify regulatory disincentives or barriers that may exist as a result of such Programs and ensure that they are removed in a manner that balances the interests of the public, consumers, and investors. The Commission is also required to provide public utilities an opportunity to earn a profit on cost-effective energy efficiency and load management resource development that is financially more attractive to the utility than supply-side utility resources.

7. The Commission's Rule requires that EPE "make a filing that proposes rate design and ratemaking methods to remove regulatory disincentives or barriers for that utility to achieve energy efficiency savings." 17.7.2.9.K.7(a) NMAC. Subsection 9.K.7(a) further provides that a utility may propose "allowing the recovery of some or all fixed costs through fixed charges to customers, decoupling or other ratemaking and rate design methodologies. In presenting its proposal, the utility shall provide, for informational or other purposes, a rate schedule for residential customers that adjusts fixed charges only for customers other than low-use residential customers."

8. EPE seeks approval of its proposed methodology to remove any disincentives or barriers to utility-provided energy efficiency or load management that may result from the implementation of EPE's proposed Programs, as well as an incentive that would allow EPE an opportunity to earn a profit on energy efficiency and demand-side resources.

9. EPE proposes to eliminate disincentives through its Lost Revenue Adjustment Mechanism ("LRAM") to enable the Company to recover fixed costs that it would not otherwise recover through its base rates due to the impacts of EPE's approved Programs. The LRAM will

calculate the amount of fixed costs not recovered based upon verified kWh savings and kW reductions by EPE's New Mexico retail customers that result from approved energy efficiency and load management programs. In its Final Order issued in NMPRC Case No. 08-00024-UT (*see, i.e.,* ¶ 98), the Commission recognized that the loss of fixed cost recovery resulting from implementing programs has acted as a disincentive to utilities.

10. In addition, EPE proposes a performance-based incentive mechanism that is consistent with the reduced adder defined in NMAC 17.7.2.9(K)(7)(b). This incentive mechanism provides for incentives of \$0.005 per lifetime kWh savings and \$10 per kW to EPE for new energy savings and demand reductions when the programs produce total annual energy savings of less than 1 percent of EPE's annual New Mexico retail energy sales for the year in consideration; increasing the overall incentive to \$0.00625 per kWh and \$10 per kW for annual energy savings of 1 percent to 1.5 percent; and increasing the overall incentive to \$0.0075 per kWh and \$10 per kW when the programs produce 1.5 percent or greater in annual energy savings.

11. The EUEA authorizes cost recovery of Program costs along with Commission-approved incentives for demand-side resources and load management programs through an approved tariff rider or in base rates, or by a combination of the two. NMSA 1978, § 62-17-6(B) (2007).

12. EPE proposes that both the LRAM adjustment and the incentive be recovered through the Company's approved Efficient Use of Energy Recovery Factor (Rate 17-EUEF Rate Rider), subject to annual true-up. EPE will include its initial LRAM adjustment and incentive calculations in its annual tariff to be filed with the Energy Efficiency Annual Report to be filed June 1, 2011.

13. EPE is filing the Direct Testimonies and Exhibits of Evan D. Evans and Gary L. Goble in support of its proposed incentive methodology for recovery of disincentives. The testimonies and exhibits explain how the applicable criteria and requirements set forth in the EUEA and Rule have been applied and met.

14. As indicated on the Certificate of Service attached hereto, EPE has mailed a copy of its Application and supporting Direct Testimonies and Exhibits to the Attorney General, Energy Minerals and Natural Resources Department, and parties to EPE's most recent general rate case (NMPRC Case No. 09-00171-UT), and EPE's most recent energy efficiency program approval case (NMPRC Case No. 09-00390-UT).

WHEREFORE, EPE respectfully requests that the Commission, after such notice and hearing as it deems necessary, issue a Final Order in this case approving EPE's methodology for recovering disincentives and incentives relating to implementation of EPE's Programs, and granting such other approvals as may be necessary or appropriate.

Respectfully submitted,



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