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April 30, 2015

Ms. Melanie Sandoval
New Mexico Public Regulation Commission
1120 Paseo de Peralta
Santa Fe, NM 87501

**Re: El Paso Electric Company's 2015 Procurement Plan Application
and Testimony In Support Thereof Pursuant to the Renewable
Energy Act and 17.9.572 NMAC**

Dear Ms. Sandoval:

Enclosed please find the original and five (5) copies of **El Paso Electric Company's 2014 Annual Renewable Energy Portfolio Procurement Plan Application and the Prepared Direct Testimonies of EPE Witnesses Acosta and Schichtl**. A check for the \$25.00 filing fee is also enclosed.

Please conform and return the extra copy to our messenger. Thank you.

Thank you for your assistance in this matter.

Very truly yours,



Randall W. Childress

RWC*afm
Enclosures

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF EL PASO)
ELECTRIC COMPANY'S 2015)
RENEWABLE ENERGY PLAN)
PURSUANT TO THE RENEWABLE)
ENERGY ACT AND 17.9.572 NMAC)**

CASE NO. 15-00 ____-UT

**EL PASO ELECTRIC COMPANY'S APPLICATION FOR
APPROVAL OF ITS 2015 ANNUAL RENEWABLE ENERGY PLAN
AND REQUEST FOR RPS WAIVER AND DIVERSITY VARIANCES**

El Paso Electric Company ("EPE" or "Company") hereby files its 2015 Annual Renewable Energy Plan ("2015 Plan") for its renewable energy compliance with the New Mexico Renewable Energy Act ("REA" or "Act") and the New Mexico Public Regulation Commission's ("NMPRC" or "Commission") Rule 17.9.572 NMAC, Renewable Energy as a Source of Electricity ("Rule 572" or "Rule"). EPE's 2015 Plan covers the years 2016 and 2017 ("Plan Years") and is supported by the testimonies of EPE Witnesses Ricardo Acosta and James Schichtl.

EPE's 2015 Plan details the previously approved actions and estimated costs for Plan Years 2016 and 2017 to meet the applicable Renewable Energy Portfolio Standard ("RPS") requirements of the Act. The 2015 Plan also addresses the Commission's diversity targets detailed in Rule 572, and applies the statutory limitations of the Reasonable Cost Threshold ("RCT"). The 2015 Plan incorporates the procurement actions and costs approved by the Commission in prior plan years, and requests an additional one-year RPS partial waiver and diversity variances similar to those granted by the Commission in NMPRC Case No. 14-00121-UT ("2014 Plan").

In this Application, EPE requests a partial waiver from the 2017 Total RPS, pursuant to the REA and Rule, because EPE demonstrates that the cost to procure additional renewable resources to meet the 2017 Total RPS would exceed the RCT. The REA and Rule do not require EPE to meet the full RPS when additional costs would exceed the RCT. EPE also requests variances to the Commission's 2017 Wind and Biomass/Other diversity targets because of RCT limitations, technical constraints, and unavailability of these resources at reasonable cost for 2017. The Commission previously granted EPE a partial waiver of 2016 Total RPS and variances to 2016 Wind and Biomass/Other diversity targets in the 2014 Plan for similar reasons. EPE also requests the closure of its Renewable Energy Credit ("REC") Program Tariffs, Schedules 33, 34 and 35, to distributed generation ("DG") customers with systems which begin operation as of January 1, 2016, because EPE does not need additional DG RECs to meet its DG diversity target and new and additional REC contract costs will cause EPE's costs to exceed the RCT.

In developing its 2015 Plan, EPE calculated the applicable RCT and cost cap for large non-governmental customers, using the RCT methodology in current Rule 572. EPE's existing procurements and costs have been previously approved in prior procurement cases that used a different RCT methodology at the time of those approvals. Under the current RCT methodology, any new or additional procurement costs for Plan Years 2016 and 2017 would exceed the RCT. In its 2015 Plan, EPE continues to rely upon its previously-approved procurements for RPS compliance in 2016 and 2017. Pursuant to the partial waiver and variances authorized by the Commission, EPE will meet the RPS and partial diversity standards for Plan Year 2016 with its existing renewable energy

resources. EPE will not meet the full Plan Year 2017 RPS requirement of 15 percent of retail jurisdictional energy or its full diversity requirements for wind and biomass/other resources absent the partial waiver and variances requested in the 2015 Plan, because of the RCT limitations, technical constraints and unavailability of resources at reasonable cost for 2017.

Although EPE may not incur RPS costs in excess of the RCT in the 2015 Plan, EPE has added additional solar resources outside the RPS process. For instance, EPE has a system resource purchase of 50 MW of solar energy and RECs, and has voluntarily used New Mexico allocated RECs from the PPA to supplement its RPS compliance, at no additional cost to New Mexico customers. EPE is also seeking New Mexico Certificates of Convenience and Necessity for certain solar resources to be owned and operated by EPE. EPE continues to evaluate renewable resources when it evaluates its system needs and resources to meet future load growth.

As previously approved by the Commission, EPE will continue to recover the RPS costs of bundled renewable energy and associated RECs through the Fuel and Purchased Power Cost Adjustment Factor (“FPPCAC”), and all other procurement plan costs incurred by EPE to meet its RPS obligations will be deferred with carrying charges for recovery in a general rate case.

PROCUREMENT PLAN REQUIREMENTS

The Act and Rule require utilities to file annual procurement plans detailing the means by which the utility will meet upcoming yearly RPS requirements. Utilities are also required to file annual reports and to document the procurement of renewable energy

resources through RECs. EPE has separately filed its Rule572 NMAC Annual Report concurrently with this filing.

The Act requires the annual Procurement Plan to include: 1) the cost of procurement of any new renewable energy resource in the next calendar year required to comply with the portfolio standard; 2) testimony and exhibits that demonstrate that the proposed procurement is reasonable as to terms and conditions including price, availability, dispatchability, and renewable energy certificate values and diversity of renewable energy resource; or 3) demonstration that the plan is otherwise in the public interest. The Act and Rule also contain a RCT that determines a reasonable cost cap for procurement costs to be incurred for RPS and/or diversity compliance. If costs of additional procurement would exceed the RCT, the utility is not required to incur those costs and is excused by the Act and Rule from full compliance.

In addition to the Act's requirements, Rule 572 requires EPE to address the following:

- (1) testimony and exhibits providing a full explanation of the utility's determination of the plan year and next plan year renewable portfolio standard and reasonable cost threshold;
- (2) the cost of procurement in the plan year and the next plan year for all new renewable energy resources required to comply with the renewable portfolio standard selected by the utility pursuant to Section 13 of this rule;
- (3) the amount of renewable energy the public utility plans to provide in the plan year and the next plan year required to comply with the renewable portfolio standard;
- (4) testimony and exhibits demonstrating how the cost and amount specified in Paragraphs (2) and (3) of this subsection were determined;

- (5) testimony and exhibits demonstrating the plan year and next plan year procurement amounts and costs based on revenue requirements expected to be recovered by the utility;
- (6) testimony and exhibits demonstrating the plan year and next plan year procurement amounts and costs if complying with a fully diversified renewable portfolio standard is limited by the reasonable cost threshold;
- (7) testimony and exhibits demonstrating the plan year and next plan year procurement amounts and costs based on revenue requirements expected to be recovered by the utility if limited by the reasonable cost threshold;
- (8) testimony and exhibits that demonstrate that the proposed procurement is reasonable as to its terms and conditions considering price, costs of interconnection and transmission, availability, dispatchability, renewable energy certificate values and portfolio diversification requirements;
- (9) testimony and exhibits regarding the amount and impact of renewable energy that can be added in any given year without adding generating resources for load following or system regulation purposes;
- (10) testimony and exhibits demonstrating that the portfolio procurement plan is consistent with the integrated resource plan and explaining any material differences; and
- (11) demonstration that the plan is otherwise in the public interest.

17.9.572.14 NMAC.

EPE'S 2015 PROCUREMENT PLAN

EPE's 2015 Plan is based on procurement actions, partial waiver and variances, previously approved by the Commission, with no new procurement actions and costs submitted for approval herein. EPE requests a partial waiver of the statutory RPS percentage for Plan Year 2017 and a variance from the Rule's fully diversified portfolio targets for Plan Year 2017, but EPE is not required to incur additional procurement costs to meet its full RPS and diversity standards when such costs would exceed the RCT.

Based on EPE's estimated renewable energy megawatt-hour ("MWh") requirements for New Mexico, EPE projects that it will need RECs for 244,991 MWh (244,990,608 kWh) to meet its RPS requirements for 2016; and RECs for 248,490 MWh (248,489,713 kWh) for 2017. EPE projects that the cap for large non-government customers will result in a reduction to its RPS obligations in both 2016 and 2017. Pursuant to the Rule, EPE is requesting a partial Waiver from compliance with the 2017 Total RPS.

EPE's 2015 Plan also addresses the Commission's Rule 572 diversity targets in 2016 and 2017. EPE is not required to meet the full diversity targets if doing so would require EPE to incur costs in excess of the RCT, when there are technical constraints, or when such resources are not available at reasonable cost. The Commission has granted EPE a variance for its 2016 Wind and Biomass/Other diversity amounts due to RCT limitations, technical constraints with EPE's biomass supplier, and unavailability of alternatives at reasonable cost. In this filing, EPE demonstrates that a variance is required for Plan Year 2017 from the full wind diversity amount of 30 percent of the RPS, and a variance is also required from the full Biomass/Other diversity amount of 5 percent of the RPS. These variances are necessary due to the RCT limitation and unavailability of additional wind and biomass/other resources without increasing existing procurement costs that already exceed the RCT. If the variances are granted, however, EPE will still maintain a diversified portfolio. EPE will also continue to evaluate more renewable resources outside the RPS to meet its overall system needs.

TESTIMONY AND EXHIBITS IN SUPPORT OF 2015 PLAN

EPE's 2015 Plan is detailed in the Direct Testimonies and exhibits of Ricardo Acosta and James Schichtl.

Calculations of the RPS requirements are presented in the Testimony of EPE Witness Acosta. Mr. Acosta addresses EPE's current and proposed renewable energy resources for EPE's 2016 and 2017 RPS and diversity standards in 2016 and 2017. Mr. Acosta also explains the associated costs of EPE's previously approved procurement actions. Mr. Acosta addresses EPE's request for a Waiver from the 2017 Total RPS, pursuant to Rule 572, because any additional costs will exceed the RCT. Finally, Mr. Acosta addresses the need for variances in 2017 to the Commission's Wind and Biomass/Other resource diversity targets.

EPE Witness Schichtl presents the RCT calculations for 2016 and 2017 as required by Rule 572. Mr. Schichtl explains that meeting the full 2017 Total RPS would require additional costs that exceed the RCT. EPE Witness Schichtl also presents the large non-governmental cap calculations for 2016 and 2017, which result in a reduction to the RPS requirement in both Plan Years. Finally, EPE Witness Schichtl presents updated information on and proposed modification of EPE's REC purchase programs for customer-installed QF systems. Mr. Schichtl addresses elimination of any new and additional REC payments because those additional costs will exceed the RCT.

REQUESTED APPROVALS FOR EPE'S 2015 PROCUREMENT PLAN

EPE requests that the Commission approve EPE's 2015 Procurement Plan as presented, which relies upon existing previously-approved procurements with no new resource additions, for RPS compliance in 2016 and 2017.

EPE will continue to recover its existing procurement costs consistent with its approved 2015 Plan through EPE's base rates and FPPCAC in accordance with

Commission approvals in EPE's prior procurement proceedings and future ratemaking proceedings.

EPE further requests, to the extent necessary, a partial waiver of the full RPS obligation in Plan Year 2017 because of the RCT limitation, and requests, to the extent necessary, variances from its Wind and Biomass/Other diversity requirements for Plan Year 2017 due to RCT limitations, technical constraints and unavailability of these at reasonable cost for 2017.

EPE also requests the Commission close, effective January 1, 2016, Schedule 33- Small System Renewable Energy Certificate Purchase, Schedule 34- Medium System Renewable Energy Certificate Purchase and Schedule 35- Large System Renewable Energy Certificate Purchase, because EPE does not require additional DG RECs to meet its DG diversity target and new REC contract costs will cause additional costs that will exceed the RCT.

SERVICE OF PLEADINGS

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

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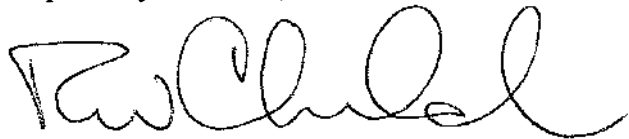
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In addition to service on the above, EPE requests electronic service of all pleadings and documents as follows: mariah.medley@epelectric.com, and randy@childresslaw.com.

CONCLUSION

EPE's 2015 Plan complies with the requirements of the REA and Rule 572. EPE requests that the Commission approve EPE's 2015 Plan and requests, to the extent necessary, for a one-year partial waiver from 2017 Total RPS and variances to 2017 Wind and Biomass/Other diversity targets. EPE further requests the Commission find: that EPE's 2015 Plan, as described above and detailed in the supporting testimonies and exhibits, is reasonable and complies with the REA and Rule 572; that the 2015 Plan and associated costs shall be approved; and that EPE shall continue to recover costs that are consistent with the approved Plan through its FPPCAC and base rates in the manner previously approved by the Commission.

Respectfully submitted,



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BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF EL PASO)
ELECTRIC COMPANY'S 2015)
RENEWABLE ENERGY PLAN)
PURSUANT TO THE RENEWABLE)
ENERGY ACT AND 17.9.572 NMAC)
_____)

CASE NO. 15-00 _____ -UT

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing **El Paso Electric Company's Application and Supporting Testimonies** were mailed first class, postage prepaid, hand-delivered or emailed, to each of the following:

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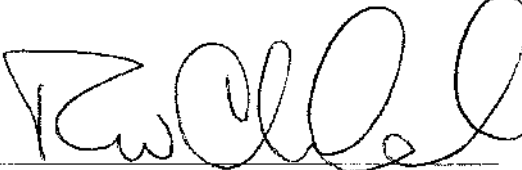
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DATED this 30th day of April, 2015.



Randall W. Childress

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF EL PASO)
ELECTRIC COMPANY'S 2015)
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CASE NO. 15-00 ____-UT

DIRECT TESTIMONY

OF

RICARDO ACOSTA

APRIL 30, 2015

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EXHIBITS

Exhibit RA-1	EPE's New Mexico Jurisdictional RPS Requirement
Exhibit RA-2	Procurement Plan Year RECs and Costs
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**EL PASO ELECTRIC COMPANY
DIRECT TESTIMONY OF
RICARDO ACOSTA**

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 **A. My name is Ricardo Acosta, and my business address is 100 N. Stanton Street,**
4 **El Paso, Texas 79901.**

5

6 **Q. HOW ARE YOU EMPLOYED?**

7 **A. I am employed by El Paso Electric Company ("EPE" or "the Company") as**
8 **Director of the Resource and Delivery Planning Department.**

9

10 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND BUSINESS**
11 **BACKGROUND.**

12 **A. I graduated from The University of Texas at El Paso with a Bachelor of Science**
13 **Degree in Mechanical Engineering in 1975 and a Master of Science Degree in**
14 **Mechanical Engineering in 1977. Upon graduation, I was employed by Rockwell**
15 **International in El Segundo, California until January 1980.**

16 In January 1980, I began working for EPE as a Planning Engineer with
17 duties including generation and fuels planning, regulatory compliance and
18 economic evaluation of generation and fuel alternatives. This activity included
19 forecasting fuel prices and the development of EPE's PROMOD base case for use
20 in Company planning activities and regulatory filings and proceedings. In

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1 January 1989, I was promoted to Supervisor-Resource Planning. In October
2 2005, I was promoted to Manager-Resource Planning. In May 2010, I became
3 Director of Resource and Delivery Planning.

4
5 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES WITH EPE.**

6 **A.** My current duties include the management and supervision of the Company's
7 generation expansion planning and renewable energy procurement.

8
9 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE**
10 **UTILITY REGULATORY BODIES?**

11 **A.** Yes, I previously presented testimony before the City of El Paso Public Utility
12 Regulatory Board, the Public Utility Commission of Texas, and the New Mexico
13 Public Regulation Commission ("NMPRC" or "Commission").

14
15 **II. PURPOSE OF TESTIMONY**

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 **A.** The purpose of my testimony is to present EPE's 2015 Procurement Plan ("2015
18 Plan") for plan year approval. My testimony presents applicable regulatory
19 standards, including EPE's renewable energy portfolio standard ("RPS") and
20 diversity standards contained in 17.9.572 NMAC ("Rule 572") for 2016 and 2017.

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1 I address EPE’s previously-approved partial waiver of 2016 Total RPS and
2 variances to 2016 Wind and Biomass/Other diversity requirements granted by
3 Final Order in Case No. 14-00121-UT (“2014 Plan”). I summarize EPE’s
4 estimated procurement costs for RPS and diversity compliance for 2016 and 2017,
5 and conclude that EPE's proposed 2015 Plan is reasonable as to price, availability,
6 dispatch flexibility, certificate values and diversity, complies with applicable
7 regulatory standards and should be approved by the Commission.

8 Additionally, I present EPE’s request for a partial waiver of 2017 Total
9 RPS and request for variances to the 2017 Wind and Biomass/Other diversity
10 requirements, both of which are based on the Reasonable Cost Threshold (“RCT”)
11 limitations calculated by EPE witness James Schichtl. I address the unavailability
12 of biomass and wind resources at reasonable costs and technical constraints. I
13 also address EPE’s compliance with Annual Report requirements ordered in Case
14 No. 13-00223-UT ("2013 Plan") and introduce EPE’s other witness in this case.

15

16 **Q. PLEASE SPECIFY WHICH ELEMENTS OF EPE'S PROPOSED 2015**
17 **PLAN ARE ADDRESSED BY EPE WITNESS SCHICHTL.**

18 **A.** In addition to presenting EPE's calculation of the RCT and the large customer cap
19 adjustments, Mr. Schichtl also addresses how EPE calculates and applies a system
20 avoided fuel and purchased power benefit for RCT purposes as directed by the

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1 Commission in EPE’s 2014 Plan. Lastly, Mr. Schichtl provides an update of
2 EPE’s DG programs previously approved by the Commission and addresses the
3 RCT limitations applied to the associated REC program tariffs.

4

5 **III. OVERVIEW OF ANNUAL RPS ACT PLAN REQUIREMENTS**

6 **Q. WHAT INFORMATION IS REQUIRED TO BE INCLUDED IN EPE'S**
7 **2015 PLAN?**

8 **A.** The Commission's Renewable Energy Rule, 17.9.572.14(B) NMAC, effective
9 May 31, 2013, as amended May 15, 2014, (“Rule 572” or the “Rule”), requires
10 that the following information be included in EPE's 2015 Plan, as applicable:

- 11 1) testimony and exhibits providing a full explanation of the utility's
12 determination of the plan year and next plan year renewable portfolio
13 standard and reasonable cost threshold;
- 14 2) the cost of procurement in the plan year and the next plan year for all new
15 renewable energy resources required to comply with the renewable portfolio
16 standard selected by the utility pursuant to Section 13 of this rule;
- 17 3) the amount of renewable energy the public utility plans to provide in the
18 plan year and the next plan year required to comply with the renewable
19 portfolio standard;

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- 1 4) testimony and exhibits demonstrating how the cost and amount specified in
2 Paragraphs (2) and (3) of this subsection were determined;
- 3 5) testimony and exhibits demonstrating the plan year and next plan year
4 procurement amounts and costs based on revenue requirements expected to
5 be recovered by the utility;
- 6 6) testimony and exhibits demonstrating the plan year and next plan year
7 procurement amounts and costs if complying with a fully diversified
8 renewable portfolio standard is limited by the reasonable cost threshold;
- 9 7) testimony and exhibits demonstrating the plan year and next plan year
10 procurement amounts and costs based on revenue requirements expected to
11 be recovered by the utility if limited by the reasonable cost threshold;
- 12 8) testimony and exhibits that demonstrate that the proposed procurement is
13 reasonable as to its terms and conditions considering price, costs of
14 interconnection and transmission, availability, dispatchability, renewable
15 energy certificate values and portfolio diversification requirements;
- 16 9) testimony and exhibits regarding the amount and impact of renewable
17 energy that can be added in any given year without adding generating
18 resources for load following or system regulation purposes;

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- 1 10) testimony and exhibits demonstrating that the portfolio procurement plan is
2 consistent with the integrated resource plan and explaining any material
3 differences; and
4 11) demonstration that the plan is otherwise in the public interest.

5 As set forth in EPE's plan and supporting testimonies and exhibits, EPE's
6 2015 Plan meets the filing requirements, as applicable.

7

8 **Q. WHAT OTHER REGULATORY REQUIREMENTS MUST EPE'S 2015**
9 **PLAN MEET?**

10 **A.** The New Mexico Renewable Energy Act ("Act" or "REA") and Rule 572 require
11 that a percentage of EPE's New Mexico retail jurisdictional energy sales be
12 supplied by renewable energy resources, represented by RECs. The RPS
13 requirement for the period 2011 through 2014 was 10 percent of retail
14 jurisdictional energy sales. From 2015 through 2019, EPE must meet an RPS
15 requirement of 15 percent, and 20 percent beginning in 2020. Additionally, Rule
16 572 sets forth the following diversity standards: 30 percent of the RPS must be
17 met with wind energy, 20 percent must be met with solar energy and 5 percent
18 must be met with other renewable energy technologies such as biomass,
19 geothermal or landfill gas. In addition, the Rule requires renewable DG of three
20 percent of the RPS beginning this year, 2015 until further order. Variances are

**EL PASO ELECTRIC COMPANY
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1 granted considering availability of such resources at reasonable cost, technical
2 constraints, and RCT limitations.

3 EPE is not required to meet the total RPS if the costs would exceed the
4 RCT, nor is EPE required to meet the full diversity percentages of the Rule if the
5 costs would exceed the RCT or if resource types are not reasonably available. For
6 purposes of EPE's testimony in this case, costs include procurement costs,
7 presented in my testimony, as well as the calculated revenue requirements of the
8 procurement costs used for RCT purposes, presented by EPE witness Schichtl.

9

10 **Q. DOES THE ACT AND RULE REQUIRE ANNUAL REPORTING FOR**
11 **RPS COMPLIANCE?**

12 **A.** Yes. EPE's Annual RPS Report for calendar year 2014 is filed concurrent with
13 the 2015 Plan as required by the Rule. This annual report shows how EPE
14 complied with the RPS for calendar year 2014 and additional reporting data on
15 the performance of a biomass resource required by the Commission in EPE's
16 2013 Plan.

17

18 **Q. HOW ARE EPE'S PROCUREMENT ACTIONS DOCUMENTED?**

19 **A.** EPE uses RECs, acquired with or without physical delivery of the associated energy,
20 to document RPS compliance as required by the Act. The RECs are registered and

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1 retired with the regional tracking system known as Western Renewable Energy
2 Generation Information System ("WREGIS") within four years of their creation.
3 The RECs acquired by EPE are normally expressed in megawatt-hour ("MWh")
4 units. One MWh is equal to 1,000 kWh or one REC. The energy associated with
5 the acquired RECs is contracted for delivery into New Mexico.

6

7 **Q. DOES EPE USE ITS OWN RENEWABLE GENERATING RESOURCES**
8 **TO MEET RPS REQUIREMENTS?**

9 **A.** No. EPE owns and operates a relatively small-scale commercial wind generation
10 facility, and very small, demonstration-size solar photovoltaic ("PV") facilities.
11 Currently, EPE uses these renewable energy resources to supply its voluntary
12 renewable energy customer ("VRE") programs and not for RPS or diversity
13 compliance purposes.

14

15 **Q. HAS EPE CALCULATED ITS RPS REQUIREMENTS FOR 2016 AND**
16 **2017 UNDER THE REQUIREMENTS OF THE ACT AND RULE 572.3?**

17 **A.** Yes. Under the Act, EPE's RPS requirements for 2016 and 2017 would be
18 15 percent of EPE's New Mexico jurisdictional energy sales reduced for the large
19 customer class. Implementing the Act's RPS standards, Rule 572 states the RPS
20 shall consist of "no less than 15% for each plan year from 2015 through 2019

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1 of the utility's plan year total retail energy sales." 17.9.572.7(L) NMAC. The
2 Rule defines "plan year total retail energy sales" as "weather adjusted retail
3 energy sales in kWh projected for the plan year adjusted for projected energy
4 efficiency reductions and load management programs in effect at the time of filing
5 less: (1) energy sales to large customers that qualify under Section 62-16-4(A)(2)
6 NMSA 1978; and (2) energy sales to customers exempted pursuant to
7 Section 62-16-4(A)(3) NMSA 1978." Additionally, the Commission granted
8 EPE a partial waiver of 2016 Total RPS based on RCT constraints in EPE's last
9 plan docket, NMPRC Case No. 14-00121-UT.

10

11 **Q. DOES EPE HAVE ANY EXEMPTED CUSTOMERS UNDER**
12 **SECTION 62-16-4(A)(3)?**

13 **A.** No.

14

15 **Q. IS EPE APPLYING A LARGE CUSTOMER CAP REDUCTION TO ITS**
16 **2016 AND 2017 RPS REQUIREMENTS?**

17 **A.** Yes. EPE must apply a reduction in 2016 and 2017 to its total RPS requirement
18 to stay within the large customer cap. The details of this reduction are explained
19 by EPE witness Schichtl.

20

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1 **Q BASED ON THIS CRITERIA, WHAT IS EPE'S RPS FOR 2016 AND 2017**

2 **A.** EPE calculated these requirements based on its latest Long-Term Load Forecast
3 dated April 1, 2015, adjusted for weather and projected energy efficiency and load
4 management reductions. Exhibit RA-1 shows the calculation of EPE's estimated
5 RPS requirements for 2016 and 2017. This Exhibit also shows the large customer
6 cap reduction.

7 EPE's 2016 total New Mexico retail jurisdictional energy sales are
8 forecasted to be 1,680,521,042 kilowatt-hours ("kWh"). Fifteen percent of EPE's
9 2016 sales would be 252,078,156 kWh. EPE's net renewable energy requirement
10 after the large customer cap reduction will be 244,990,608 kWh in 2016.

11 EPE's 2017 total jurisdictional sales are forecasted to be
12 1,702,037,120 kWh. Fifteen percent of EPE's 2017 sales would be
13 255,305,568 kWh. EPE's net renewable energy requirement after the large
14 customer cap reduction will be 248,489,713 kWh in 2017.

15 In accordance with the waiver granted for 2016, EPE's RPS procurement
16 will be approximately 75.8 percent of EPE's estimated 2016 RPS requirement.

17 Under EPE's requested partial waiver for 2017, EPE would acquire
18 approximately, 172,084,121 kWh of RECs (approximately 69.3 percent of EPE's
19 estimated 2017 RPS requirement) rather than the full RPS amount for 2017 of

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1 248,489,713 kWh. The actual magnitude of the waiver will be a function of
2 actual retail sales and renewable energy procured in 2017.

3

4 **Q. HAS EPE CALCULATED ITS RULE 572 DIVERSITY REQUIREMENTS**
5 **FOR 2016 AND 2017?**

6 **A.** Yes. Rule 572 states the diversity of resource types by percentages, including
7 renewable DG of three percent of the RPS beginning this year, 2015, until
8 changed by the Commission. RECs obtained through EPE's customer-installed
9 QF programs can be applied to meet either EPE's distributed generation
10 requirement or the specific resource's diversity requirement. Most of the small
11 customer-owned DG is solar, although EPE does not need solar RECs and is well
12 above the percentage standard of Rule 572 for solar resources. Additional REC
13 purchases will exceed the RCT.

14

15 **Q. HAS EPE CALCULATED THE MINIMUM AMOUNTS FOR EACH**
16 **RESOURCE TYPE THAT EPE'S PORTFOLIO WOULD NEED TO**
17 **INCLUDE TO MEET THE FULL DIVERSITY REQUIREMENTS UNDER**
18 **THE RULE?**

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1 **A.** Yes. In 2016 and 2017, EPE estimates its RPS would need to include the
2 following minimum amounts from the identified resource types to meet the
3 specified diversity requirements:

4	<u>Resource</u>	<u>2016</u>	<u>2017</u>
5	Solar:	48,998,122 kWh	49,697,943 kWh
6	Wind:	73,497,182 kWh	74,546,914 kWh
7	Biomass/Other:	12,249,530 kWh	12,424,486 kWh
8	Distributed Generation:	7,349,718 kWh	7,454,691 kWh

9 These amounts represent the diversity percentages listed above. However, the
10 Commission approved variances from a fully diversified portfolio in 2016 for
11 EPE in NMPRC Case No. 14-00121-UT.

12
13 **Q.** **DOES EPE REQUEST WAIVER FROM THE COMMISSION TO MEET**
14 **THE FULL 2017 RPS?**

15 **A.** Yes. Although the REA and Commission Rule state that a utility "shall not be
16 required to add renewable energy to its portfolio" when costs exceed the RCT, the
17 Rule requires the utility to request a waiver of the RPS for the applicable plan
18 year. The Commission approved a partial waiver from the full RPS for 2016 in
19 the 2014 Plan. As presented below, EPE requests a similar waiver for 2017
20 because additional costs of any new procurement necessary to meet its full 2017

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1 RPS obligation would exceed the RCT. EPE requests a waiver to the full RPS
2 2017 amount to the extent necessary to avoid additional costs in excess of the
3 RCT.

4

5 **Q. IS EPE REQUESTING VARIANCES FROM THE RULE WITH REGARD**
6 **TO 2017 DIVERSITY TARGETS?**

7 **A.** Yes. The Rule states that a utility "shall not be required to provide a fully
8 diversified portfolio" when doing so would conflict with the RCT. The
9 Commission approved variances from a fully diversified portfolio in 2016 for
10 EPE in the 2014 Plan. In this case, EPE requests similar variances for 2017 from
11 the full requirements of Wind diversity and Biomass/Other diversity. I also
12 explain that additional wind and biomass in EPE's service territory are not
13 available at reasonable cost or within the RCT limitations.

14

15 **IV. EPE'S 2015 PROCUREMENT PLAN**

16 **Q. PLEASE SUMMARIZE EPE'S 2015 PROCUREMENT PLAN.**

17 **A.** EPE's 2015 Procurement Plan relies on renewable energy resources and
18 associated RECs previously approved by the Commission to meet its 2016 and
19 2017 RPS obligations. As presented by EPE witness Schichtl, pursuant to the
20 current RCT methodology established in Rule 572, EPE has determined

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1 additional cost for new plan year procurements would exceed the RCT in 2016
2 and 2017. Accordingly EPE proposes no new resources be added to its renewable
3 portfolio in the proposed plan. Rather, the proposed plan contains renewable
4 resources previously approved by the Commission in prior proceedings; namely:
5 REC acquisitions pursuant to previously approved agreements with Southwest
6 Environmental Center ("SWEC"), CRLEF, NRG ("SunTower Project"), NextEra
7 Energy Resources ("Hatch Project"), SunEdison, and First Solar ("Macho
8 Springs") as well as through EPE's approved incentive programs for customer-
9 installed Qualifying Facility ("QF") projects. Exhibit RA-2 provides a table
10 summarizing existing procurement agreements.

11 The Commission has already approved EPE's existing agreements and
12 related cost recovery for the above listed renewable resources in NMPRC Case
13 Nos. 05-00355-UT, 05-00231-UT, 06-00365-UT, 07-00360-UT, 08-00219-UT,
14 09-00259-UT, 10-00200-UT, 11-00263-UT, 12-00217-UT, 13-00223-UT, and
15 14-00121-UT.

16

17 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE PREVIOUSLY**
18 **APPROVED RESOURCES.**

19 **A.** In 2007, EPE entered into a 20-year PPA to purchase energy and 3-to-1 weighted
20 - value RECs from the SWEC solar PV project. The SWEC project is a six kW

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1 solar PV commercial project with an estimated capacity factor of 23 percent,
2 located in Las Cruces, New Mexico, which became operational in March 2008.

3 Also in 2007, EPE entered into a QF agreement with CRLEF, which
4 provides weighted value biomass RECs. The CRLEF project is a biogas QF that
5 was designed for a net capacity of three MW; however, due to fuel limitations, the
6 project currently provides a maximum net capacity of approximately one MW.
7 CRLEF is located in Sunland Park, New Mexico, and uses methane gas from a
8 landfill to fuel its generating facility. As part of EPE's approved 2009 Plan, and
9 to ensure the continued viability of the project, the Commission authorized EPE
10 to pay CRLEF \$0.015/kWh per REC generated by the project. These costs
11 continue to be included as EPE's proposed plan. However because EPE is
12 required, in the ordinary course of business, to purchase all energy produced from
13 a QF such as CRLEF at EPE's avoided cost rates, EPE continues to not include
14 the cost of the underlying energy purchases from CRLEF in the proposed plan.

15 In 2010, the Commission approved a 20 MW solar PV project in
16 Santa Teresa, New Mexico. This project came online in July 2011 and delivers
17 energy and RECs to EPE through a 20-year PPA with NRG.

18 Also in 2010, EPE entered into two other PPAs. The Hatch Solar Project
19 is a five MW facility that provides energy and associated RECs to EPE through a
20 long-term agreement with the Village of Hatch. EPE also entered into a

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1 long-term agreement with SunEdison for a total of 22 MW of capacity that
2 provides EPE with energy and RECs from two facilities located at two different
3 sites in New Mexico. The first facility is a 12 MW project located in Las Cruces,
4 which came on-line on May 2, 2012. The second is a 10 MW facility located in
5 Chaparral, New Mexico, which became operational on June 25, 2012.

6 In 2012, EPE entered in a long-term PPA with First Solar, referred to as
7 the Macho Springs Project. The Macho Springs Project is a 50 MW solar facility
8 located near Deming, New Mexico that provides energy and RECs to EPE for
9 20 years, and is allocated to Texas and New Mexico as an authorized system
10 resource in NMPRC Case No. 12-00386-UT. The Macho Springs project became
11 commercially operational on May 23, 2014. EPE agreed in prior Plans to use
12 New Mexico RECs from the Macho Springs long-term PPA although the cost of
13 the facility is not included in the New Mexico RPS.

14
15 **Q. FOR THE 2015 PLAN, DOES EPE NEED TO DEMONSTRATE**
16 **WHETHER ANY PROPOSED PROCUREMENTS ARE REASONABLE**
17 **AS TO TERMS AND CONDITIONS CONSIDERING PRICE, COSTS OF**
18 **INTERCONNECTION AND TRANSMISSION, AVAILABILITY,**
19 **DISPATCHABILITY, REC VALUES AND PORTFOLIO**
20 **DIVERSIFICATION REQUIREMENTS?**

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1 **A.** No. Because EPE is not proposing any new procurement actions, the requirement
2 to show the reasonableness of the terms and conditions of any proposed
3 procurements is not applicable.

4
5 **Q. HAS EPE EVALUATED THE AMOUNT AND IMPACT OF**
6 **RENEWABLE ENERGY THAT CAN BE ADDED IN ANY GIVEN YEAR**
7 **WITHOUT ADDING GENERATING RESOURCES FOR LOAD**
8 **FOLLOWING OR SYSTEM REGULATION PURPOSES?**

9 **A.** Because EPE's Plan does not propose to add any new renewable resources due to
10 RCT limitations, EPE did not study whether hypothetical renewable energy
11 procurements in the plan years would necessitate load following or system
12 regulation. All of EPE's current procurements have been approved in previous
13 proceedings. The most recent addition of a solar purchase from First Solar
14 through a PPA, Macho Springs, did not require additional generating resources
15 for load following or system regulation purposes.

16
17 **Q. IS EPE'S PLAN CONSISTENT WITH ITS INTEGRATED RESOURCE**
18 **PLAN (“IRP”)?**

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1 **A.** Yes. EPE's IRP incorporates the requirements of the Act in its planning process
2 and includes the procurements that were approved as of the date the most recent
3 IRP was filed in 2012.

4
5 **Q.** **ARE THERE ANY MATERIAL DIFFERENCES BETWEEN EPE'S PLAN
6 AND ITS IRP?**

7 **A.** No. There are no material differences between EPE's 2015 Plan and the current
8 IRP.

9
10 **Q.** **WILL EPE SUBSTANTIALLY COMPLY WITH THE RPS AND
11 DIVERSITY REQUIREMENTS FOR 2016 AND 2017 USING
12 PREVIOUSLY APPROVED RESOURCES AS PROPOSED IN THE 2015
13 PLAN?**

14 **A.** Yes. EPE anticipates that it will substantially comply with its 2016 and 2017 total
15 RPS obligations. Because the REA and Commission Rule do not impose the full
16 RPS obligation on a utility if costs would exceed the RCT, EPE requests a waiver
17 from full RPS compliance in 2017 and variances from 2017 diversity targets, as
18 detailed below.

19

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V. COST OF EPE'S 2015 PLAN

1

2 **Q. WHAT PROCUREMENT COSTS ARE ASSOCIATED WITH EPE'S 2015**
3 **PLAN?**

4 **A.** The costs associated with EPE's 2015 Plan include the cost to procure RECs and
5 any associated energy from various previously-approved suppliers, the cost to pay
6 the REC incentive prices to customers under EPE's REC Purchase Program, and
7 the cost of complying with REC registration and tracking through WREGIS, the
8 regional system required to be used by the Commission.

9

10 **Q. WHAT IS THE ESTIMATED PROCUREMENT COST TO MEET EPE'S**
11 **2016 AND 2017 RPS OBLIGATIONS?**

12 **A.** The total cost associated with EPE's RPS obligations is \$15,328,697 million for
13 2016 and \$15,228,717 million for 2017. These cost estimates are detailed in
14 Exhibit RA-2. These costs are based on the terms of the contracts entered into by
15 EPE in previous years for REC only purchases, energy and associated REC
16 purchases, EPE's customer-sited DG REC purchase programs, and WREGIS
17 services. The procurement costs for EPE's existing renewable resources which
18 are included in EPE's 2015 Plan have already been approved by the Commission.

19

20 **Q. ARE THE ESTIMATED PROCUREMENT COSTS REASONABLE?**

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1 **A.** Yes. Based on EPE's RPS requirements and the overall results of EPE's past
2 competitive-bid RFP processes, EPE's estimated costs to comply with the
3 requirements of the Act and Rule are reasonable, and the Commission has so
4 determined in EPE's previous procurement cases.

5

6 **Q.** **HOW DOES EPE DETERMINE WHETHER ITS PROCUREMENT**
7 **COSTS ARE WITHIN THE RCT?**

8 **A.** The development of the RCT and comparison of EPE's procurement costs to the
9 RCT is addressed by Mr. Schichtl.

10

11 **Q.** **WHAT DATA DO YOU PROVIDE TO MR. SCHICHTL THAT IS USED**
12 **TO CALCULATE THE RCT?**

13 **A.** A PROMOD analysis is conducted in order to provide Mr. Schichtl with the
14 system production cost output data that he requires to determine the net portfolio
15 cost for the RCT calculation. The output data provided to Mr. Schichtl includes
16 estimated fuel and purchase power cost for the plan years.

17

18 **Q.** **WHAT IS PROMOD?**

19 **A.** PROMOD IV is a proprietary large-scale program that simulates the economic
20 dispatch of the generating units and other resources in the EPE system. The input

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1 data includes monthly EPE native load demand and energy forecasts, generating
2 unit characteristics, fuel prices and availability and unit maintenance schedules.
3 Generation unit characteristics include such factors as heat rate data, capacity
4 ratings, unit availability rates, and maintenance schedules. The simulation
5 performed by PROMOD IV evaluates the unit data, fuel and purchased power
6 costs, and availability of the units modeled in order to dispatch them in the most
7 economical manner to meet the expected demand. The data output includes
8 estimates of fuel usage and cost by unit, unit heat rates and generation, unit
9 operation and maintenance expenses, and estimates of purchased power amounts
10 and costs.

11

12 **Q. PLEASE EXPLAIN WHAT WAS INCLUDED IN THE PROMOD**
13 **ANALYSIS THAT YOU PROVIDED TO MR. SCHICHTL FOR USE IN**
14 **THE RCT CALCULATION?**

15 **A.** Yes. The PROMOD analysis was comprised of two different model runs. The
16 first run was EPE's PROMOD base case which includes all system resources and
17 costs. These resources and costs include New Mexico RPS projects. The April 1,
18 2015 load forecast that is reduced for production by DG facilities is included.
19 The second PROMOD run utilized the base case resources, but the energy and
20 cost of the RPS projects were removed and the load forecast was modified to

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1 account for an increase in load assuming no DG production on the system. The
2 output data discussed above was provided to Mr. Schichtl for both of these runs.

3

4 **Q. DOES THE PROMOD ANALYSIS REFLECT CHANGES IN**
5 **OFF-SYSTEM SALES RESULTING FROM THE INCLUSION OF THE**
6 **RENEWABLE PORTFOLIO ENERGY?**

7 **A.** Yes, the model takes account of projected off-system sales resulting from the
8 availability of energy when the portfolio is added to total system resources, based
9 on production costs and expected market prices.

10

11 **Q. HOW DOES THE CAPACITY PROVIDED BY THE RENEWABLE**
12 **PORTFOLIO AFFECT CAPACITY COSTS IN PROMOD?**

13 **A.** The Rule requires that any savings to be netted against the portfolio costs in the
14 plan year revenue requirements actually result in savings to EPE customers in the
15 plan year. Changes in capacity costs attributable to the renewable portfolio would
16 only flow through to customers through the FPPCAC if short-term capacity sales
17 or purchases were impacted. Because EPE projects no such purchases or sales,
18 there is no impact to total costs resulting from inclusion of the portfolio in the
19 model.

20

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VI. REQUEST FOR 2017 RPS WAIVER

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Q. IS EPE REQUESTING A WAIVER FROM MEETING ITS 2017 TOTAL RPS?

A. Yes. EPE is requesting a partial waiver of approximately 76,405,592 kWh of RECs for 2017 RPS amounts. The Rule requires EPE to file a RPS Plan with data and proposed procurements for both the 2016 plan year and the 2017 plan year. In NMPRC Case No. 14-00121-UT, EPE filed the information for a waiver from the full RPS requirements for 2016, and the Commission determined that it was necessary and appropriate to approve the 2014 Plan with any necessary waivers and variances for both of the plan years presented in EPE's 2014 RPS filing.

Q. WHAT ARE THE REASONS FOR EPE'S REQUESTED WAIVER FOR 2017 TOTAL RPS?

A. As stated above, adding new resources under the new RCT Rule effective May 31, 2013 with further amendments effective May 15, 2014, would cause EPE to exceed the revised RCT. Because different RCT methodologies were applied in previous EPE cases, the cost of EPE's already approved procurement actions are at or above the new threshold recently set by the Commission in NMPRC Case No. 11-00218-UT. Under the REA, EPE is not required to add resources if costs would exceed the RCT.

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1 **Q. WHAT SHOWING IS NECESSARY TO OBTAIN A WAIVER?**

2 **A.** The REA states that if a public utility finds that the cost of renewable energy
3 needed to comply with the RPS in a given year would be greater than the RCT,
4 the public utility is not required to incur that cost. EPE witness Schichtl provides
5 the calculations that demonstrate revenue requirements of EPE's procurement
6 costs to meet its RPS in 2016 and 2017 will exceed the RCT. Because any
7 additional procurement cost would exceed the RCT, the REA excuses EPE from
8 making those procurements and EPE accordingly requests a waiver from the
9 Commission.

10

11 **Q. WHY IS IT NECESSARY TO GRANT EPE A WAIVER FROM MEETING**
12 **ITS TOTAL RPS REQUIREMENT FOR 2017?**

13 **A.** The waiver is necessary to protect customers from paying costs further above the
14 thresholds set by the REA and the Commission. The purpose of the RCT and
15 other caps for large nongovernmental customers is to ensure that the cost of
16 meeting the RPS is not unreasonably burdensome for customers.

17

18 **Q. IS EPE'S REQUESTED WAIVER OF FULL RPS REQUIREMENTS FOR**
19 **2017 COMPLIANT WITH THE ACT AND THE NEW RULE?**

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1 **A.** Yes. The Act and Rule provide that a utility is not required to procure renewable
2 energy or RECs if the cost is greater than the Commission established RCT and
3 the rule provides for a waiver.

4
5 **Q.** **AS PART OF ITS 2015 RPS PLAN, HAS EPE IDENTIFIED ANY NEW**
6 **PROCUREMENT THAT COULD BE ADDED IN 2017 WITHOUT**
7 **EXCEEDING THE RCT?**

8 **A.** No. EPE has not identified any additional renewable energy or RECs that could
9 be acquired to meet EPE's 2017 RPS obligation without exceeding the RCT.

10

11 **VII. REQUEST FOR DIVERSITY VARIANCES**

12 **Q.** **DOES THE RULE EXCUSE COMPLIANCE WITH THE DIVERSITY**
13 **TARGETS UNDER CERTAIN CIRCUMSTANCES?**

14 **A.** Yes. The Rule does not require the full diversity targets to be met if the costs of
15 procurement would exceed the RCT. The Rule also permits utilities to seek
16 variances from the diversity targets particularly when there are technical constraints
17 or issues with availability of diverse resources.

18

19 **Q.** **WHAT SHOWINGS ARE REQUIRED TO BE MADE FOR A VARIANCE**
20 **FROM THE RULE'S DIVERSITY REQUIREMENTS?**

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1 **A.** An application for a variance from the Rule is required to; identify the section of
2 the Rule for which the variance is requested; describe the situation that
3 necessitates the exemption or variance; set out the effect of complying with this
4 Rule on the public utility and its customers if the exemption or variance is not
5 granted; define the result the request will have if granted; state how the exemption
6 or variance will be consistent with the purposes of this rule; state why no other
7 reasonable alternative is preferable; and state why the proposed alternative is in
8 the public interest.

9

10 **Q.** **DOES EPE HAVE ANY VARIANCES ALREADY GRANTED BY THE**
11 **COMMISSION WITH REGARD TO THE RULE'S DIVERSITY**
12 **REQUIREMENTS?**

13 **A.** Yes. As part of EPE's 2014 Plan, the Commission granted EPE a partial variance
14 to the wind and biomass/other diversity requirements for 2016 in Case
15 No. 14-00121-UT, excusing EPE from undertaking any new procurement due to
16 RCT limitations.

17

18 **Q.** **DOES EPE REQUIRE A FURTHER VARIANCE FROM THE**
19 **BIOMASS/OTHER DIVERSITY REQUIREMENTS IN THE 2015 PLAN?**

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1 **A.** Yes. As a result of the RCT, EPE is requesting a partial diversity variance of
2 approximately 10,164 Biomass/Other RECs in 2017, similar to the specific 2016
3 variance that was granted in the 2014 Plan. This variance is an estimate and the
4 actual variance will depend on actual RPS amounts, the performance of CRLEF
5 during 2017, and other RECs from previous approved Plans. This partial variance
6 is necessary because EPE is unable to procure a new biomass resource due to
7 economics and its current RCT limitations. EPE anticipates it will meet a portion
8 of the Biomass/Other diversity requirements with the RECs it will receive from
9 CRLEF.

10

11 **Q.** **IS EPE REQUESTING A VARIANCE FROM THE 2017 WIND**
12 **DIVERSITY REQUIREMENT?**

13 **A.** Yes. Due to EPE's RCT limitations and the increased wind diversity requirement
14 under the Rule from 20 percent to 30 percent, EPE requests a full wind variance
15 of approximately 74,547 RECs for 2017. This variance request is in addition to
16 EPE's existing partial wind variance for 2016, which was granted as part of the
17 2014 Plan. EPE's existing contracts to purchase wind RECs ends in 2015. The
18 elimination of the associated costs for wind RECs in 2016, however, will not
19 bring EPE's procurement costs below the RCT in 2016 or 2017.

20

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1 **Q. WHAT WOULD BE THE EFFECT ON EPE AND ITS CUSTOMERS IF**
2 **THE REQUESTED VARIANCES ARE NOT GRANTED?**

3 **A.** If the variances are not granted, requiring EPE to obtain additional RECs for
4 purposes of meeting the Rule's diversity requirements would result in increased
5 costs to customers that would further exceed the RCT. Without the variance,
6 customers would not be protected from additional costs above the RCT. Further,
7 EPE could be subjected to Commission penalties for failure to comply with the
8 Rule's diversity requirement. Although EPE could purchase stand-alone wind
9 RECs, such costs would exceed the RCT and provide no renewable energy to the
10 system.

11
12 **Q. WHAT WILL BE THE RESULT IF THE VARIANCE IS GRANTED?**

13 **A.** If the variance is granted, EPE will avoid increased costs to its customers from
14 attempting to secure additional RECs which will cause EPE's procurement costs
15 to further exceed the RCT.

16
17 **Q. HOW IS THE VARIANCE CONSISTENT WITH THE PURPOSES OF**
18 **THE RULE?**

19 **A.** The requested variance is consistent with NMAC Rule 17.9.572.19 because the
20 Rule conditions the requirement for full diversification on the reasonable

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1 availability and cost of a given resource type (in accordance with the Act), while
2 still requiring that the overall RPS requirements of the Act be met if doing so does
3 not cause EPE's procurement costs to exceed the RCT. EPE will meet a portion
4 of the requirements for a fully diversified portfolio.

5 EPE's portfolio will continue to be substantially diversified in 2017,
6 because EPE will continue to acquire energy and RECs from solar, biomass and
7 distributed renewable generation resources.

8
9 **Q. ARE OTHER REASONABLE ALTERNATIVES AVAILABLE TO EPE?**

10 **A.** No. EPE cannot obtain additional resources without incurring additional costs
11 that will exceed the RCT.

12

13 **Q. WHY IS IT IN THE PUBLIC INTEREST TO GRANT THE VARIANCE?**

14 **A.** It is in the public interest to grant the variance because customers will continue to
15 receive the overall benefits contemplated by the Act in having diversity of
16 renewable energy as part of EPE's existing resource portfolio, and customers will
17 not be subject to additional costs that exceed the RCT.

18

19 **Q. WHAT IS THE ESTIMATED EXTENT OF EPE'S REQUESTED**
20 **VARIANCES?**

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1 **A.** Exhibit RA-3 compares EPE's existing renewable portfolio for 2016 and 2017, by
2 generation technology, to the minimum requirements shown above, as well as
3 total RPS requirements. As the table shows, utilizing its existing portfolio EPE
4 would require additional resources to meet diversity requirements for Wind and
5 Biomass /Other in 2016 and 2017, if the cost of additional renewable resources
6 did not exceed the RCT. Because the exact percentage of different renewable
7 resources that will be used to meet EPE's RPS requirements for 2017 cannot be
8 known at this time, EPE is requesting a variance that is not tied to a specified
9 number of RECs.

10

11 **Q. PLEASE ADDRESS THE STEPS THAT EPE HAS TAKEN TO EXPAND**
12 **ITS BIOMASS/OTHER DIVERSITY.**

13 **A.** Currently, EPE procures biomass RECs from its QF customer, CRLEF. CRLEF's
14 biogas facilities are currently designed to produce approximately one MW from
15 its landfill site, with the potential to produce up to three MW. At a capacity of
16 one MW, the CRLEF facility would not provide EPE sufficient REC's to satisfy
17 its full diversity requirement. EPE estimates it will have a diversity requirement
18 for Biomass/Other of 12,249,530 kWh in 2016 and 12,424,486 kWh in 2017.

19

20 **Q. IS CRLEF REQUIRED TO PRODUCE A MINIMUM AMOUNT OF RECS?**

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1 **A.** No. Because CRLEF is a QF customer, it controls its own output and EPE cannot
2 require certain minimum deliveries. Further, CRLEF experienced significant
3 production problems during 2012, 2013, and 2014. As a result, CRLEF has
4 invested substantial resources in upgrades and equipment replacements. CRLEF
5 resumed production in September of 2014.

6

7 **Q. HAS EPE EXPLORED CURRENT BIOMASS/OTHER OPTIONS**
8 **AVAILABLE TO MEET ITS DIVERSITY REQUIREMENTS IN 2016**
9 **AND 2017?**

10 **A.** Yes. EPE has reached out to various biomass contacts regarding the availability
11 of RECs in New Mexico. EPE contacted the winning bidder from the 2013
12 Biomass Request For Proposals process. This project was presented to the
13 NMPRC but was rejected due to its costs. It was indicated that no further
14 development was ongoing with this project. In addition, it was mentioned that
15 considering the current natural gas climate (lower prices), it would be difficult to
16 justify new Biomass generation. EPE did however hear of some 2012, 2013,
17 2014 and 2015 vintage biomass RECs available from the Albuquerque Bernalillo
18 County Water Utility Authority (“ABCWUA”), a party which EPE has purchased
19 RECs from in the past. ABCWUA indicated that they have a total of 22,910
20 RECs available and that they are open to taking offers. It is estimated that the

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1 range of prices for these biomass RECs would be in the \$4-15/MWh range.
2 Although these biomass RECs would eliminate most of EPE's Biomass/Other
3 shortfall, EPE has not pursued these because they would still exceed the RCT.

4

5 **Q. WHAT WOULD BE REQUIRED OF EPE TO MEET ITS FULL WIND**
6 **DIVERSITY TARGETS FOR 2016 AND 2017?**

7 **A.** EPE would need to acquire new wind resources in order to fulfill the
8 Commission's expanded wind diversity requirement in 2016 and 2017. EPE
9 currently procures wind RECs from SPS, but this REC purchase agreement will
10 be expiring this year. EPE is estimating a diversity requirement for wind of
11 73,497,182 kWh in 2016; and 74,546,914 kWh in 2017, based on the Rule. EPE
12 used reasonable efforts in attempting to find and potentially acquire a low-cost
13 wind resource by communicating with SPS regarding an extension of its existing
14 wind REC contract. SPS was open to an extension of the contract and offered an
15 option to increase the REC amount to 80,000 RECs/year for 5 years. EPE could
16 acquire more RECs, and at a lower total cost than under the current contract
17 without a variance, but the additional costs would exceed the RCT. Considering
18 that the cost of such procurement would exceed the RCT, EPE has not entered an
19 obligation for these RECs.

**EL PASO ELECTRIC COMPANY
DIRECT TESTIMONY OF
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1 Although EPE has a variance in place, the Company continues to explore
2 options for wind RECs. NextEra Energy Resources ("NextEra") has available
3 2012, 2013, and 2014 vintage Wind RECs that could be provided to EPE.
4 NextEra has a total of 26,146 Wind RECS available and will provide these RECs
5 to EPE at no cost. EPE plans to accept these RECs and apply them to its 2015
6 requirements, and will document their acquisition, registration and retirement as
7 required in its 2016 RPS Report (for calendar year 2015) pursuant to the Rule.
8 This will contribute to greater wind diversity in 2015 without increasing costs.

VIII. CONCLUSION

11 **Q. PLEASE SUMMARIZE THE APPROVALS THAT EPE IS REQUESTING.**

12 **A.** Pursuant to the Act and Rule, EPE requests that the NMPRC approve its 2015
13 Plan and related cost recovery for reasonable costs consistent with the 2015 Plan.
14 EPE will continue to procure, in accordance with previously approved purchase
15 agreements:

- 16 - energy and associated RECs from SWEC;
- 17 - energy and RECs from CRLEF (pursuant to its modified QF agreement);
- 18 - wind RECs from SPS (at the increased amounts);
- 19 - solar energy and RECs from Hatch, NRG, and SunEdison;
- 20 - RECs from Macho Springs; and

**EL PASO ELECTRIC COMPANY
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RICARDO ACOSTA**

1 - DG RECs from customers through EPE's REC Purchase Programs.

2 Due to RCT limitations under the REA and Rule, EPE requests a partial
3 waiver for its Total 2017 RPS requirement of approximately 76,406 RECs.

4 EPE also requests a wind variance of approximately 74,547 RECs for
5 2017, as well as a biomass variance of approximately 10,164 RECs for 2017.

6 The total costs associated with EPE's existing and previously approved
7 RPS procurements are \$15,328,697 for 2016 and \$15,228,717 for 2017.

8

9 **Q. IS EPE'S PROPOSED 2015 PROCUREMENT PLAN REASONABLE AS**
10 **TO ITS TERMS AND CONDITIONS CONSIDERING PRICE,**
11 **AVAILABILITY, DISPATCH FLEXIBILITY, ANY RENEWABLE**
12 **ENERGY CERTIFICATE VALUES AND DIVERSITY OF THE**
13 **RENEWABLE ENERGY RESOURCE?**

14 **A.** Yes. EPE's proposed 2015 Plan is reasonable taking into consideration these factors.
15 EPE's 2015 Plan consists of existing projects which provide diversity of resource
16 type from biomass and solar technologies and adhere to the standards set forth in the
17 Act and the Rule, as analyzed under the Commission approved RCT and customer
18 cap methodology. EPE proposes no new procurements because the acquisition of
19 additional resources would exceed the RCT.

**EL PASO ELECTRIC COMPANY
DIRECT TESTIMONY OF
RICARDO ACOSTA**

1 The estimated costs associated with EPE’s procurement actions previously
2 have been approved by the Commission and EPE proposes to continue its cost
3 recovery as previously ordered.

4 EPE proposes projects that in combination are reasonably priced, fit
5 within EPE's dispatch flexibility parameters as applicable, and add diversity to its
6 portfolio. EPE's 2015 Plan, and the associated costs, are reasonable and should be
7 approved.

8
9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A. Yes, it does.**

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF EL PASO ELECTRIC)
COMPANY'S 2015 RENEWABLE ENERGY)
PLAN PURSUANT TO THE RENEWABLE)
ENERGY ACT AND 17.9.572 NMAC)**

Case No. 15- _____ UT

**EL PASO ELECTRIC COMPANY,)
Applicant.)**

AFFIDAVIT

STATE OF TEXAS)
)ss
COUNTY OF EL PASO)

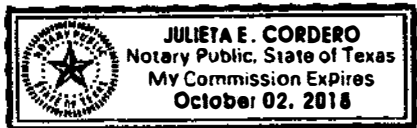
Ricardo Acosta hereby deposes and states under oath that the information contained in the foregoing Direct Testimony of Ricardo Acosta, together with all schedules sponsored therein and exhibits attached thereto, is true and accurate based on my personal knowledge and belief.

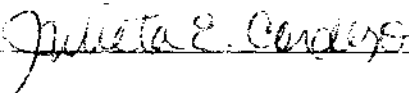
SIGNED this 28th day of April, 2015.



RICARDO ACOSTA

Subscribed and sworn to before me this 28th day of April, 2015.





JULIETA E. CORDERO

My Commission expires:

October 2, 2018

EPE's NEW MEXICO RENEWABLE PORTFOLIO STANDARD REQUIREMENT					
	(a)	(b)	(c) = (a*b)	(d)	(e) = c-d
	New Mexico's Annual Renewable Energy Requirement	EPE's New Mexico Jurisdictional Retail Energy Sales Projection ⁽¹⁾	EPE's Gross Renewable Energy Requirement	Large Customer Adjustment ⁽²⁾	EPE's Net Renewable Energy Requirement
	(%)	(kWh)	(kWh)	(kWh)	(kWh)
2016	15%	1,680,521,042	252,078,156	7,087,548	244,990,608
2017	15%	1,702,037,120	255,305,568	6,815,855	248,489,713

Notes:

1. EPE's New Mexico jurisdictional retail energy sales are based on EPE's Load Research Department's 2014 Load Forecast dated April 1, 2015, adjusted for weather and projected sales reductions due to energy efficiency and load management.
2. See Exhibit JS-2.

PROCUREMENT PLAN YEAR RECS AND COSTS						
	2016			2017		
	(kWh)	RECs (MWh)	(\$)	(kWh)	RECs (MWh)	(\$)
SWEC ⁽¹⁾	9,130	27	1,187	9,155	27	1,190
CRLEF ⁽¹⁾	1,130,000	2,260	16,950	1,130,000	2,260	16,950
NRG	50,710,096	50,710	6,463,002	50,355,125	50,355	6,417,761
SunEdison	59,374,766	59,375	6,227,819	58,899,768	58,900	6,177,997
Macho Springs	21,537,004	21,537	0	21,429,319	21,429	0
Hatch	8,078,604	8,079	961,354	8,038,211	8,038	956,547
SPS	0	0	0	0	0	0
REC Purchase Programs	26,445,715	26,446	1,655,722	31,074,233	31,074	1,655,722
WREGIS	---	---	2,664	---	---	2,551
Total	167,285,315	168,434	15,328,697	170,935,811	172,084	15,228,717

Notes:

(1) Reflects application of weighting values, by renewable resource type, previously approved by the Commission (Biomass 2:1, Solar 3:1).

Year	Applied Renewable Energy by Technology ⁽¹⁾					
	RPS Metric	Wind	Solar	Biomass	Distributed Generation ⁽³⁾	Total Renewable Energy
2015 ⁽²⁾	RECs Banked	-	17,220,000	-	-	
2016	RECs Procured	-	139,700,470	2,260,000	26,473,105	168,433,575
	RECs Available	-	156,920,470	2,260,000	26,473,105	185,653,575
	Minimum Requirement	30.0%	20.0%	5.0%	3.0%	
	kWh Required	73,497,182	48,998,122	12,249,530	7,349,718	244,990,608
	Percentage Met	0.0%	64.1%	0.9%	10.8%	75.8%
	Delta	-30.0%	44.1%	-4.1%	7.8%	
	RECs Applied	-	156,920,470	2,260,000	26,473,105	185,653,575
	RECs Banked	-	-	-	-	
2017	RECs Procured	-	138,722,423	2,260,000	31,101,698	172,084,121
	RECs Available	-	138,722,423	2,260,000	31,101,698	172,084,121
	Minimum Requirement	30.0%	20.0%	5.0%	3.0%	
	kWh Required	74,546,914	49,697,943	12,424,486	7,454,691	248,489,713
	Percentage Met	0.0%	55.8%	0.9%	12.5%	69.3%
	Delta	-30.0%	35.8%	-4.1%	9.5%	
	RECs Applied	-	138,722,423	2,260,000	31,101,698	172,084,121
	RECs Banked	-	-	-	-	

Note:

- 1) RECs are shown in kWhs.
- 2) Estimated banked RECs may change due to amount actually applied in 2015.
- 3) Distributed Generation RECs come from SWEC and Small and Medium System REC Purchase Programs.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF EL PASO)
ELECTRIC COMPANY'S 2015)
RENEWABLE ENERGY PLAN)
PURSUANT TO THE RENEWABLE)
ENERGY ACT AND 17.9.572 NMAC)
_____)**

CASE NO. 15-00__-UT

DIRECT TESTIMONY

OF

JAMES SCHICHTL

APRIL 30, 2015

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EXHIBITS

Exhibit JS-1	Estimated Costs of Renewable Resource Procurement and Reasonable Cost Threshold
Exhibit JS-2	RPS Adjustment for Large Nongovernmental Customer Limits

**EL PASO ELECTRIC COMPANY
DIRECT TESTIMONY OF
JAMES SCHICHTL**

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 **A.** My name is James Schichtl, and my business address is 100 North Stanton Street,
4 El Paso, Texas, 79901.

5

6 **Q. HOW ARE YOU EMPLOYED?**

7 **A.** I am employed by El Paso Electric Company ("EPE") as Director–Regulatory
8 Affairs.

9

10 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND BUSINESS**
11 **BACKGROUND.**

12 **A.** In March of 2014 I was promoted to Director of Regulatory Affairs at EPE.
13 Immediately prior to my promotion I served as Manager–Economic & Rate
14 Research, responsible for EPE's jurisdictional cost of service, rate design analysis
15 and developing EPE's retail rate schedules and charges. Prior to that date I was a
16 Senior Regulatory Case Manager, responsible for the production, filing and
17 execution of regulatory applications before both the New Mexico Public
18 Regulation Commission ("NMPRC" or "Commission") and the Public Utility
19 Commission of Texas ("PUCT"). Prior to joining EPE in February 2012, I spent

**EL PASO ELECTRIC COMPANY
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1 18 years in various regulatory functions at Southern California Edison Company,
2 including six years as Manager of Pricing Design and Research.

3 I graduated from the University of Texas at El Paso with a Bachelor of
4 Science degree in mechanical engineering in 1987.

5
6 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES WITH EPE.**

7 **A.** As Director of Regulatory Affairs, I am responsible for the oversight and
8 direction of EPE's Economic & Rate Research and Energy Efficiency groups.
9 Economic & Rate Research encompasses EPE's rate research function,
10 jurisdictional and class cost of service studies, rate design analysis and the
11 development of EPE's retail rate schedules and charges. The Energy Efficiency
12 group is primarily responsible for the implementation, administration and
13 coordination of EPE's energy efficiency and load management programs.

14

15 **Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS FILING?**

16 **A.** Yes, I am sponsoring the following;
17 Exhibit JS-1 Estimated Costs of Renewable Resource Procurement and
18 Reasonable Cost Threshold
19 Exhibit JS-2 RPS Adjustment for Large Nongovernmental Customer Limits

20

**EL PASO ELECTRIC COMPANY
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1 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE**
2 **UTILITY REGULATORY BODIES?**

3 **A.** Yes, I have previously filed testimony with and testified before the NMPRC,
4 PUCT and California Public Utility Commission.

5

6 **II. PURPOSE OF TESTIMONY**

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 **A.** The purpose of my testimony is to present EPE's calculation of the reasonable
9 cost threshold ("RCT") and the large customer cap adjustment in support of
10 EPE's 2015 Renewable Energy Act plan ("2015 Plan" or "Plan") presented by
11 EPE witness Ricardo Acosta. My testimony also addresses EPE's methodology
12 to account for avoided fuel cost associated with energy generated by distributed
13 generation ("DG") resources for RCT purposes as ordered by the Commission in
14 EPE's last RPS plan case, NMPRC Case No. 14-00121-UT ("2014 Final Order").
15 Additionally, I provide an update of participation in EPE's DG programs
16 previously approved by the Commission and propose a revision to the associated
17 REC program tariffs.

18

19 **III. RENEWABLE ENERGY PORTFOLIO PROCUREMENT COST**

20 **Q. HAS EPE ESTIMATED THE PROCUREMENT COST ASSOCIATED**

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1 **WITH MEETING THE RENEWABLE ENERGY PORTFOLIO**
2 **REQUIREMENTS?**

3 **A.** Yes. The direct testimony of EPE witness Ricardo Acosta calculates and presents
4 the estimated 2016 and 2017 procurement costs of the 2015 Plan, based on EPE's
5 existing renewable generation portfolio reflected in the plan. Mr. Acosta provides
6 an accounting of these costs in Exhibit RA-2. EPE calculates the estimated
7 procurement cost of meeting the RPS and diversity requirements in order to
8 determine whether the estimated annual renewable energy plan revenue
9 requirements of these procurement costs are within the RCT.

10

11 **Q.** **WHAT PROCUREMENT COSTS DOES EPE INCLUDE IN ITS PLAN**
12 **YEAR REVENUE REQUIREMENTS?**

13 **A.** EPE's plan year revenue requirements include the costs of purchasing renewable
14 energy and RECs. The Commission has approved numerous long-term procurement
15 actions, described by Mr. Acosta in his direct testimony, as well as EPE's REC
16 Programs. The Commission has also approved recovery of ongoing costs associated
17 with Western Renewable Energy Generation Information System ("WREGIS"),
18 which registers and tracks RECs. These approved costs are the basis for EPE's 2015
19 Plan and the starting point for EPE's application of the RCT methodology.

20

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1 **Q. HOW DOES EPE CALCULATE THE ESTIMATED ANNUAL PLAN**
2 **YEAR REVENUE REQUIREMENT FOR THE PROPOSED PLAN'S**
3 **PROCUREMENT COST FOR RCT PURPOSES?**

4 **A.** EPE calculates the estimated annual Plan Year revenue requirements for the 2015
5 Plan's procurement costs in accordance with Sections 7, 12 and 14 of
6 Rule 17.9.572 NMAC, as discussed below.

7 The estimated annual Plan Year revenue requirements are \$10.213 million
8 for 2016 and \$9.045 million for 2017. The calculation of the estimated annual
9 Plan Year revenue requirements, net of avoided fuel and purchased power costs,
10 are shown in Exhibit JS-1.

11

12 **Q. HOW DOES EPE RECOVER THESE PROCUREMENT COSTS?**

13 **A.** EPE recovers the cost of renewable energy and associated RECs through its
14 monthly Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC"). EPE
15 defers, with carrying costs, all other approved RPS Plan costs for recovery in a
16 general rate proceeding. This includes the cost of standalone RECs (purchased
17 without energy) and the cost of participating in WREGIS. This procurement cost
18 recovery approach has been approved by the Commission in each of EPE's
19 procurement proceedings.

20

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IV. REASONABLE COST THRESHOLD

1

2 **Q. WHAT IS THE CURRENT RCT ESTABLISHED BY NMPRC RULE**
3 **17.9.572 NMAC?**

4 **A.** Under Rule 17.9.572.12.B NMAC, the RCT is set at 3 percent of plan year total
5 revenues.

6

7 **Q. HAS EPE CALCULATED WHETHER THE 2015 PLAN YEAR REVENUE**
8 **REQUIREMENTS ARE WITHIN THE 3 PERCENT RCT?**

9 **A.** Yes. Exhibit JS-1 shows the RCT calculation.

10

11 **Q. IS EPE'S METHODOLOGY CONSISTENT WITH RULE 572?**

12 **A.** Yes. As I describe below, EPE's RCT calculation methodology is consistent with
13 Rule 572.

14

15 **Q. HOW ARE PLAN YEAR TOTAL REVENUES DETERMINED?**

16 **A.** Plan year total revenues is defined in Section 7(K) of the Rule as plan year
17 projected retail revenues, including the sum of plan year total retail energy sales
18 multiplied by the Company's approved base fuel and non-fuel retail rates by rate
19 class, projected fuel clause revenues and all riders except for renewable
20 procurement riders, for each Plan Year. Retail revenues are to be calculated using

**EL PASO ELECTRIC COMPANY
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1 weather adjusted retail energy sales projected for the Plan Year, adjusted for
2 projected energy efficiency reductions approved by the Commission in EPE's
3 most recent energy efficiency proceeding (NMPRC Case No. 14-00121-UT) as
4 well as revenues for energy sales to large customers that qualify under NMSA
5 1978 Sections 62-16-4A(2) and 62-16-4A(3).

6

7 **Q. PLEASE SPECIFY THE COMPONENTS OF EPE'S PLAN YEAR TOTAL**
8 **REVENUES.**

9 **A.** For the 2015 Plan, EPE calculated plan year total revenues for 2016 and 2017 to
10 include projected base revenues, fuel in base revenues, an adjustment based on the
11 2014 average FPPCAC and an adjustment based on the application of
12 Rate 17-Efficient Use of Energy Recovery Factor.

13

14 **Q. WHAT IS THE 2015 PLAN REASONABLE COST THRESHOLD FOR**
15 **THE 2016 AND 2017 PLAN YEARS?**

16 **A.** As shown in Exhibit JS-1, page 2, with the RCT set at 3 percent of plan year total
17 revenues, the reasonable cost threshold for 2016 is \$5.737 million, based on Plan
18 Year total revenues of \$191.221 million. The reasonable cost threshold for 2017
19 is \$5.810 million based on Plan Year total revenues of \$193.679 million.

20

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1 **Q. HOW ARE PLAN YEAR REVENUE REQUIREMENTS TO BE**
2 **DETERMINED?**

3 **A.** Under Section 14(C) of the Rule, plan year revenue requirements, for RCT
4 purposes, include the estimated procurement cost of all resources included in the
5 plan, adjusted for avoided fuel and purchased power costs, environmental credits
6 pursuant to compliance rules in effect during the plan year, if any, and cost
7 savings or increases for capacity, generation, transmission, distribution, operation
8 and maintenance expense, back-up and load following generation, off-system
9 sales opportunity impacts, or other facilities and improvements or functions that
10 may be required and that can be shown to result in actual reductions or increases
11 in plan year revenue requirements to be collected from ratepayers during the plan
12 year. Avoided fuel costs are expected or modeled fuel savings that result from the
13 procurement of renewable resources in the plan years.

14
15 **Q. DO PLAN YEAR REVENUE REQUIREMENTS REFLECT AVOIDED**
16 **FUEL AND PURCHASED POWER COSTS?**

17 **A.** Yes. For each Plan Year, the revenue requirement reflects modeled avoided fuel
18 and purchased power cost savings attributable to the renewable portfolio.

19

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1 **Q. HOW WERE AVOIDED FUEL AND PURCHASED POWER COST**
2 **SAVINGS DETERMINED?**

3 **A.** EPE estimates the avoided fuel and purchased power cost savings attributable to
4 the 2015 Plan portfolio using the PROMOD program, a standard planning and
5 economic dispatch modeling tool. Mr. Acosta addresses EPE's PROMOD
6 modeling process.

7 In prior plan filings, EPE utilized an "indirect method", which netted the
8 avoided cost of energy supplied through the renewable portfolio against the total
9 cost of the portfolio. For this method, EPE used PROMOD to model the fuel and
10 purchased power cost of supplying energy, in each plan year, to customers using
11 all system resources including the renewable portfolio. This established the
12 avoided cost of energy in each plan year for purposes of the RCT calculation.
13 Multiplying this modeled avoided energy cost by the total energy provided by the
14 renewable portfolio produced the estimated avoided fuel and purchased power
15 savings of the portfolio, which was then subtracted from the plan year
16 procurement cost of the portfolio. For comparison purposes, in its 2014 plan
17 filing, EPE also presented a "direct method" for determining the net cost of the
18 portfolio entirely within the PROMOD model, and which demonstrated the
19 consistency of results from the two approaches.

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1 In the 2015 Plan filing, EPE is using the direct method for determining
2 plan year revenue requirements for purposes of the RCT calculation. With the
3 direct method, total costs necessary to serve system load are estimated for each
4 plan year using PROMOD, including the portfolio of renewable resources
5 identified in EPE's 2015 Plan and forecasted DG energy as a reduction in
6 customer load. This establishes a base case system cost for generation. Then the
7 system is modeled again without incorporating the renewable portfolio into
8 available generation resources or any reflection of DG as a reduction to load. The
9 difference in total costs between the two modeled scenarios equals the net
10 increase in generation costs attributable to the renewable portfolio – the
11 contractual cost of the portfolio net of the value of the energy provided by the
12 portfolio. Finally, because RPS portfolio costs that are not bundled with energy –
13 WREGIS and stand-alone REC costs, are not included in the PROMOD analysis,
14 these amounts are added to produce final revenue requirements by plan year.

15

16 **Q. WHY IS EPE PROPOSING TO UTILIZE THE DIRECT METHOD IN**
17 **THIS PLAN FILING TO ESTIMATE THE NET COST OF THE**
18 **RENEWABLE PORTFOLIO?**

19 **A.** There are several reasons. First, the direct method produces an estimate of the net
20 cost impact of the renewable portfolio by directly modeling fuel savings for each

**EL PASO ELECTRIC COMPANY
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1 plan year. All renewable energy supplied under the portfolio, whether through
2 PPA, as a system resource or by distributed generation, is treated in
3 fundamentally the same manner in the modeling.

4 Second, the cost savings attributable to renewable energy supplied by
5 the portfolio are determined within the model and reflect the timing of energy
6 production and opportunity sales. In the indirect method, all energy supplied by
7 the portfolio was “valued” at the average avoided fuel and purchased power cost
8 for the plan year as determined by the model.

9 Finally, as discussed in more detail below, the direct method is intended
10 to address a continuing point of controversy related to the treatment of DG
11 supplied energy in the determination of avoided fuel and purchased power costs.

12

13 **Q. HOW DOES THE CAPACITY PROVIDED BY THE RENEWABLE**
14 **PORTFOLIO AFFECT CAPACITY COSTS IN PROMOD?**

15 **A.** The Rule requires that any savings to be netted against the portfolio costs in the
16 plan year revenue requirements actually result in savings to EPE customers in the
17 plan year. Changes in capacity costs attributable to the renewable portfolio would
18 only flow through to customers through the FPPCAC if short-term capacity sales
19 or purchases were impacted. Because EPE projects no such purchases or sales,
20 there is no cost impact resulting from inclusion of the portfolio in the model.

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1 **Q. HOW IS DISTRIBUTED GENERATION REFLECTED IN THE**
2 **DETERMINATION OF PLAN YEAR REVENUE REQUIREMENTS**
3 **UNDER THIS APPROACH?**

4 **A.** As a renewable portfolio component in PROMOD modeling, EPE reflects DG
5 systems as a reduction in customer load, because DG systems provide energy
6 which offsets customer usage behind the meter. EPE reduces load at the
7 secondary customer level by the full amount of DG production, based on
8 measured energy at the REC meter.

9 EPE forecasts DG capacity, total production and excess production (net
10 export) for the Plan Years based on historical data. EPE estimates DG
11 participation in 2016 and 2017 based on the average growth in number of
12 customers through 2014.

13

14 **Q. HOW DOES THE DIRECT APPROACH RECOGNIZE AVOIDED FUEL**
15 **COSTS ASSOCIATED WITH INTERCONNECTED DG?**

16 **A.** In its 2014 RPS Plan filing, EPE utilized the indirect method to determine a unit
17 avoided fuel cost which was then applied to portfolio energy, including DG
18 supplied energy, to determine the avoided fuel and purchase power benefit to be
19 netted against the RPS portfolio cost. Staff opposed EPE's approach, and the

**EL PASO ELECTRIC COMPANY
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1 Commission in its Final Order found that the issue should be addressed in the next
2 years' renewable plan case.

3 In the direct method, all DG energy produced is incorporated within the
4 PROMOD model as a component of the renewable portfolio. Any related fuel or
5 purchased power cost savings which result from the additional energy made
6 available by the renewable portfolio is implicit in the difference between the two
7 scenarios.

8

9 **Q. HOW IS DG ENERGY GENERATED IN EXCESS OF CUSTOMER LOAD
10 AND EXPORTED TO THE GRID REFLECTED IN THE ANALYSIS?**

11 **A.** To the extent generation by a single DG customer exceeds their contemporaneous
12 requirements behind the meter, exported energy will offset other customer load at
13 the secondary voltage level, and therefore both the energy consumed by the
14 customer and the excess energy imported to EPE's system reduces total forecasted
15 load which would otherwise be served by system resources. By utilizing
16 forecasted DG at the REC meter, which reflects the total energy produced by the
17 DG system, EPE incorporates any excess energy in the analysis.

18

19 **Q. WHY IS IT MORE APPROPRIATE TO INCLUDE DG ENERGY AS A
20 REDUCTION TO LOAD RATHER THAN AS A SYSTEM RESOURCE?**

**EL PASO ELECTRIC COMPANY
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1 **A.** The appropriate method for determining the effect on avoided cost of the
2 renewable DG energy in the portfolio is to include it as an offset to load, because
3 that is where it is generated. Energy acquired from "traditional" generators
4 through a purchase power agreement is fed directly into the system and
5 transmitted and distributed by EPE to customers. DG energy offsets customer
6 load behind the meter and may not even enter the EPE system. Both have the
7 same ultimate effect, to either offset or reduce conventional generation, but they
8 are distinctly different in terms of their physical location and use of the system.

9

10 **Q.** **WERE OTHER ADJUSTMENTS MADE TO DERIVE THE PLAN YEAR
11 REVENUE REQUIREMENT FOR ENVIRONMENT CREDITS OR
12 AVOIDED CAPACITY, TRANSMISSION, OR DISTRIBUTION COSTS?**

13 **A.** No. EPE does not currently have any offsetting environmental credits that reduce
14 its costs. EPE did not reduce the plan year revenue requirements for avoided
15 capacity, transmission or distribution costs because the Rule requires that these
16 avoided costs must be expected to result in actual reductions in costs to ratepayers
17 in the plan year. EPE's RPS procurement actions would not result in a direct
18 reduction to existing capacity, transmission or distribution costs that can be shown
19 in 2016 and 2017, and therefore EPE's avoided costs are based on avoided fuel
20 and purchased power costs that would otherwise flow through EPE's FPPCAC.

**EL PASO ELECTRIC COMPANY
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JAMES SCHICHTL**

1 **Q. DOES EPE'S PORTFOLIO EXCEED THE RCT IN PLAN YEARS 2016**
2 **AND 2017?**

3 **A.** Yes. As shown in Exhibit JS-1, the cost of EPE's existing portfolio under the
4 2015 Plan, net of avoided fuel and purchased power costs utilizing the direct
5 method, exceeds the RCT in both Plan Years. The ratio of the net portfolio cost
6 to plan year total revenues is 5.34 percent in 2016 and 4.67 percent in 2017.

7

8 **Q. WOULD EPE FURTHER EXCEED THE RCT IF EPE WAS REQUIRED**
9 **TO INCUR ADDITIONAL NEW COSTS TO MEET ITS RPS**
10 **OBLIGATIONS?**

11 **A.** Yes. Under the current Rule's RCT calculation, the previously approved
12 procurement costs included in EPE's 2015 Plan, as a percentage of total retail
13 revenues, are in excess of the RCT. Under the REA, EPE is not required to
14 acquire additional resources for 2016 and 2017 if the additional costs of
15 complying with the RPS would exceed the RCT.

16

17 **Q. ARE EPE'S EXISTING PROCUREMENT COSTS THAT EXCEED THE**
18 **NEW RCT CONSIDERED REASONABLE?**

19 **A.** Yes. As stated in Mr. Acosta's direct testimony, EPE's existing procurement costs
20 are reasonable because EPE's current portfolio of renewable resources were found

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1 to be reasonable and were approved by the Commission in prior filings based on
2 different RCT methodologies. Compared with prior RCT methodologies as
3 applied by EPE in previous years, the revised formulation of the RCT now
4 embodied in the Rule limits the extent to which Plan Year revenue requirements
5 are reduced for avoided costs. Specifically, in past calculations, there was no
6 requirement that the calculation of avoided costs be limited to those shown to
7 result in actual reductions in costs to ratepayers in the plan years.

8
9 **V. CALCULATION OF IMPACT ON LARGE CUSTOMERS**

10 **Q. DO THE ACT AND RULE REQUIRE EPE TO CALCULATE THE RPS**
11 **IMPACT TO LARGE NONGOVERNMENTAL CUSTOMERS?**

12 **A.** Yes. The Act and Rule require EPE to reduce, as necessary, the kWh of
13 renewable energy procured for large nongovernmental customers if the additional
14 cost of the RPS obligation, inclusive of all interconnection and transmission costs,
15 exceeds the lower of two percent of their annual bill or \$106,640 for 2016 or
16 \$107,863 for 2017, effectively the statutory cost cap for large customers with
17 annual energy consumption in excess of 10 million kWh qualified to be
18 considered under the limitation. The limits for 2016 and 2017 reflect the
19 application of NMPRC Rule 17.9.572.7 (M) NMAC, which provides for the
20 application of a change in the consumer price index, urban ("CPI-U") based upon

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1 the CPI-U for the 12-month period ended January 2014, as published by the
2 Bureau of Labor Statistics.

3

4 **Q. HOW DID EPE DETERMINE WHETHER ANNUAL RPS**
5 **PROCUREMENT COSTS FOR THESE CUSTOMERS WOULD EXCEED**
6 **THE STATUTORY LIMITS?**

7 **A.** To determine whether EPE's procurement costs for individual large
8 nongovernmental customers would exceed the large customer cap imposed by the
9 Act and Rule, EPE estimates individual customer bills assuming base rates in
10 effect on the day of the 2015 Plan filing will be in effect for 2016 and 2017, as
11 required by Rule 572. For the purposes of EPE's 2015 Plan, EPE's evaluation is
12 based on EPE's current rates that went into effect in January 2010, together with
13 the FPPCAC charges that were applicable during 2014. EPE then calculates the
14 revenue impact on an individual customer based on the RPS requirement
15 (15 percent) for the customer and the average net cost of the renewable resources
16 in the Plan Year portfolio. The cost to procure 15 percent of the individual
17 customers total energy requirement for the Plan Year at the average renewable
18 portfolio procurement cost may not exceed the percentage of bill limit or total
19 cost limit established in the Act and Rule.

20

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1 **Q. BASED ON EPE'S CALCULATION, IS AN ADJUSTMENT REQUIRED**
2 **FOR LARGE NONGOVERNMENTAL CUSTOMERS?**

3 **A.** Yes. Exhibit JS-2 demonstrates that under the current Rule, the cost of the 2015
4 Plan to EPE's four qualifying large nongovernmental customers would exceed the
5 cap established in the Act in Plan Years 2016 or 2017. The cost to procure
6 renewable energy sufficient to satisfy 15 percent of each large customer's total
7 energy requirement exceeds the 2 percent of bill limit. As calculated in
8 Exhibit JS-2, a reduction to EPE's RPS requirement in 2016 and 2017 plan years
9 is required for purposes of the 2015 Plan. The total required reduction and
10 resulting net RPS requirement for 2016 and 2017 is shown in Exhibit RA-1.

11

12 **VI. DISTRIBUTED GENERATION REC PURCHASE PROGRAM**

13 **Q. PLEASE DESCRIBE EPE'S SMALL SYSTEM REC PROGRAM.**

14 **A.** Pursuant to previous Commission approvals, EPE established a Small System
15 REC program to purchase RECs from customers' solar and wind qualifying
16 facilities ("QF") rated 10 kW or less. In NMPRC Case No. 11-00263-UT, the
17 Commission adopted a tiered pricing system for EPE's customer-owned QF REC
18 purchase programs that set REC program prices through calendar year 2013. The
19 Tier 5 price established for January 1, 2014 was to continue thereafter until
20 otherwise ordered by the Commission. Pursuant to changes adopted by the

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1 Commission in the 2013 Final Order, participating customers can either own or
2 lease the renewable generation system interconnected behind their meter and
3 supplying them energy.

4

5 **Q. HOW MANY SMALL RENEWABLE DG FACILITIES ARE**
6 **CURRENTLY CONNECTED TO EPE'S SYSTEM AND PARTICIPATING**
7 **IN EPE'S CURRENT SMALL SYSTEM REC PROGRAM?**

8 **A.** As of mid-March 2015, 1,705 customer-owned small renewable DG facilities are
9 connected to EPE's system in New Mexico and participating in the Small System
10 REC Program. Of these facilities, 1,701 are solar generation QFs and the
11 remaining 4 are wind generation QFs. At the time EPE submitted its renewable
12 procurement plan in 2014, EPE had 1,457 total customer-owned small renewable
13 DG facilities connected to EPE's system and participating in the Small System
14 REC Program, comprised of 1,453 solar generation QFs and 4 wind generation
15 QFs. EPE's Small System REC Purchase Program has experienced an increase of
16 248 systems (17 percent) in the last year.

17 An additional 123 small solar QFs are under construction or otherwise in
18 the process of completing the steps necessary to participate in the program.
19 Construction on all systems and the completion of the process to participate in the
20 program should be completed this year. Furthermore, the Company is regularly

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1 responding to inquiries from additional customers interested in installing small
2 PV or wind generation systems.

3 The total peak capacity for all the currently installed and participating
4 Small DG systems is 7,803 kW and the total peak capacity for the systems under
5 construction is 530 kW. The increase in small DG renewable systems connected
6 to EPE's system has been significant since EPE's program became effective on
7 March 1, 2009. When EPE filed its 2008 Plan, on July 1, 2008, the Company had
8 32 customer-installed systems, including two wind generation systems, in
9 New Mexico. EPE has experienced significant success in the Small System REC
10 Program in the last 5 years.

11

12 **Q. WHAT IS EPE'S PROJECTED PARTICIPATION IN THE SMALL**
13 **SYSTEM REC PROGRAM AND THE PROJECTED NUMBER OF RECS**
14 **PROVIDED BY THE PROGRAM?**

15 **A.** EPE projects it will have 2,157 systems participating in the Small System REC
16 Program by the end of 2015. In addition, EPE expects the number of participants
17 to increase to 2,626 systems in 2016 and 3,095 in 2017. This projection is based
18 upon the activity EPE has experienced in recent years and the expectation for
19 slower growth in the future due to the declining incentives offered under the REC
20 program. However, the actual growth of this program will also be impacted by

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1 factors such as the economy, the installed cost of systems and availability of
2 leasing options, customers' expectations for future changes in system costs and
3 electric utility costs, and the availability of qualified installers.

4

5 **Q. WHAT IS THE REC PRICE TO BE PAID TO PARTICIPANTS IN THE**
6 **SMALL SYSTEM REC PROGRAM?**

7 **A.** As approved in Case No. 11-00263-UT, the price to be paid to new participants in
8 the Small System REC Purchase Program beginning in 2014 and continuing
9 thereafter “until otherwise ordered” by the Commission is \$0.02 per kWh for
10 solar and wind generation participants. The adopted REC price is the same across
11 the Small and Medium REC Programs.

12

13 **Q. CAN YOU PLEASE DESCRIBE THE COMPANY'S MEDIUM SYSTEM**
14 **REC PURCHASE PROGRAM?**

15 **A.** Yes. The Medium System REC Purchase Program is similar to the Small System
16 REC Purchase program, except that it is available for QF systems with a
17 maximum rated capacity greater than 10 kW and up to 100 kW. The incentive
18 prices for Medium System REC Purchase Program systems originally differed
19 from the prices for small systems because these prices were developed based upon

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1 the costs for solar and wind facilities of that size. The pricing for 2016 and 2017
2 is now the same.

3 EPE offers the program through the Commission-approved Medium
4 System Renewable Energy Certificate Purchase tariff. EPE offers the tariff in
5 conjunction with the use of the approved Application to Participate in Purchase
6 Program for Medium System RECs ("Medium System Application") between
7 EPE and individual customers. The Medium System Application sets forth the
8 terms of program participation. Customers are also required to interconnect their
9 facilities in accordance with the QF interconnection rules and agreements
10 established by the Commission. Pursuant to changes adopted by the Commission
11 in the 2013 Final Order, participating customers are no longer required to own the
12 renewable generation system interconnected behind their meter and supplying
13 them energy.

14
15 **Q. WHAT IS EPE'S CURRENT PROJECTED PARTICIPATION IN THE**
16 **MEDIUM SYSTEM REC PROGRAM AND THE PROJECTED NUMBER**
17 **OF RECS PROVIDED BY THE PROGRAM?**

18 **A.** As of mid-March 2015, EPE currently has 96 facilities in New Mexico, with a
19 combined rated capacity of 2,336 kW, that are participating in the Medium
20 System REC program. An additional 13 systems are under construction with a

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1 combined rated capacity of 528 kW. EPE projects it will add 22 participants in
2 the Medium System REC Purchase Program during 2016 and 22 participants in
3 2017.

4

5 **Q. WHAT IS THE COMMISSION-APPROVED PRICE TO BE PAID TO**
6 **PARTICIPANTS IN THE MEDIUM SYSTEM REC PROGRAM?**

7 **A.** As noted above for the Small System program, the price to be paid to participants
8 in the Medium System REC Purchase Program beginning in 2014 and continuing
9 thereafter until otherwise ordered by the Commission is \$0.02 per kWh for solar
10 and wind generation participants.

11

12 **Q. PLEASE DESCRIBE EPE'S LARGE SYSTEM REC PROGRAM.**

13 **A.** EPE's Large System REC Program for systems with capacity greater than 100 kW
14 and less than 1,000 kW began in January 2012. The REC prices under the Large
15 System Program are established under individual contracts, and are limited by a
16 cap tied to the Medium System REC Program prices. Although EPE has
17 responded to customer inquiries regarding the Large System program, there
18 currently are no applications to participate in this program. Pursuant to the Final
19 Order in Case No. 11-00263-UT, the Commission established a cumulative cap

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1 for customer contracts for purchases of RECs from Large System customers of
2 three MW and \$600,000.

3

4 **Q. WHAT CHANGES IS EPE PROPOSING TO MAKE TO THE REC**
5 **PURCHSE PROGRAM?**

6 **A.** The purpose of the RCT provision of the Rule is to protect public utilities and
7 their ratepayers from renewable energy procurement costs that increase overall
8 rates above the RCT. EPE is proposing to close Schedule 33 - Small System
9 Renewable Energy Certificate Purchase, Schedule 34 - Medium System
10 Renewable Energy Certificate Purchase and Schedule 35 - Large System
11 Renewable Energy Certificate Purchase effective January 1, 2016. EPE has
12 submitted an Advice Notice for the required tariff changes. Participating
13 customers with DG systems which are interconnected and operating prior to that
14 date will continue to receive their designated REC credit, based on the date they
15 originated service under the applicable schedule. However, distributed generation
16 customers with systems which begin operation as of January 1, 2016 would no
17 longer be eligible for REC payments under the REC program tariffs. EPE does
18 not need additional DG for its RPS and is not required to incur additional
19 procurement costs through these REC payments when costs exceed the RCT.

20

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1 **Q. WHY IS EPE PROPOSING TO DISCONTINUE REC PAYMENTS TO**
2 **NEW DG CUSTOMERS AS OF JANUARY 1, 2016?**

3 **A.** In the 2015 RPS Report, EPE is reporting purchases of 17,176 RECs from
4 currently interconnected DG customers as of the end of 2014, at an annual cost of
5 \$1,586,087. EPE's current minimum DG diversity requirement for the 2016 and
6 2017 plan years is 7,350 RECs and 7,455 RECs, respectively. Because the cost
7 of EPE's RPS procurement already significantly exceeds the RCT for 2016 and
8 2017, EPE is proposing to cap procurement costs related to DG RECs at the
9 expected 2015 amount by closing the REC purchase schedules. As previously
10 stated, EPE will continue REC payments to the DG customers with existing
11 contracts with EPE, but EPE does not want to nor is it required to exceed the RCT
12 at the expense of its other customers for additional procurement costs.

13

14 **Q. WHAT IS THE EXPECTED ANNUAL COSTS FOR THE SMALL**
15 **SYSTEM REC PURCHASE PROGRAM AND THE MEDIUM SYSTEM**
16 **REC PURCHASE PROGRAM IN THE 2016 AND 2017 PLAN YEARS?**

17 **A.** EPE estimates the total cost for these programs to be approximately
18 \$1.656 million in 2015. Prices paid for RECs by EPE have varied over time and
19 are a function of when a DG system begins operation. The annual costs reflect
20 rates ranging from \$0.02 to \$0.155 per kWh. If EPE's proposal to close the REC

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1 program tariffs is adopted, the cost of the Small System and Medium System
2 purchase programs would be projected to remain at the 2015 level for 2016 and
3 2017, although normal variations in DG system output would likely result in some
4 differences.

5
6 **Q. WHAT DOES THE EXISTING AUTHORIZATION FOR THE REC
7 TARIFFS PROVIDE WITH RESPECT TO REC PURCHASES?**

8 **A.** The currently effective REC purchase tariffs for small, medium and large systems
9 were authorized by the Final Order in EPE's 2011 RPS procurement plan
10 proceeding, Case No. 11-00263-UT, issued on December 15, 2011. The order
11 adopted a stipulation in that proceeding which modified the existing small and
12 medium tariffs, and authorized the REC purchase tariff for large systems.

13 Prior to 2012, EPE was authorized to enter into twelve-year contracts with
14 DG customers for REC purchases at \$0.12 per kWh for solar RECs and \$0.08 per
15 kWh for wind RECs under its Small System REC program and \$0.155 per kWh
16 for solar RECs and \$0.028 per kWh for wind RECs under its Medium System
17 REC program. The 2011 stipulation, among other things, established a common
18 termination date of December 31, 2020 for all new REC Purchase Program
19 contracts beginning January 1, 2012 (an eight year term) and implemented a
20 five-tier pricing system with REC purchase prices established for fixed periods of

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1 time. The last, Tier 5, set the REC purchase rate at its current level of \$0.02 per
2 kWh for small and medium systems. The designated effective period for Tier 5
3 purchases is set as January 1, 2014 until “otherwise ordered by the Commission.”
4

5 **Q. WILL CLOSURE OF THE REC PURCHASE SCHEDULES IMPACT THE**
6 **ABILITY OF NEW DG CUSTOMERS TO INTERCONNECT WITH EPE**
7 **OR PARTICIPATE IN NET ENERGY METERING?**

8 **A.** No. New customers will continue to be allowed to interconnect their generating
9 facilities and participate under the existing tariff provisions for metering options
10 and purchase of exported energy by EPE.
11

VII. CONCLUSION

13 **Q. CAN YOU PLEASE SUMMARIZE THE IMPACTS OF ESTIMATED**
14 **COSTS ASSOCIATED WITH EPE'S 2015 PLAN ON CUSTOMERS?**

15 **A.** Yes. Under the current Rule, EPE's existing cost of meeting the Act's renewable
16 energy requirements for 2015 and 2016 preclude EPE from incurring additional
17 costs to meet its RPS obligations without exceeding the RCT standard set by the
18 Commission. EPE proposes no new procurement actions at this time that would
19 exceed the RCT. To this end, EPE proposes to close its REC program for DG
20 customers with systems newly interconnected and online after December 31,

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1 2015. The renewable portfolio already approved by the Commission and
2 maintained by EPE in order to comply with the Act increases total costs to EPE's
3 New Mexico customers by approximately 5.34 percent in the 2016 Plan Year and
4 4.67 percent in the 2017 Plan Year.

5

6 **Q. HOW WILL EPE RECOVER ITS PROCUREMENT COSTS?**

7 **A. EPE proposes to continue to recover costs in the manner previously approved.**
8 EPE will recover the costs of renewable purchases that include energy and
9 associated RECs through its FPPCAC on a monthly basis; all other costs of EPE's
10 2015 Plan, including RECs purchased without associated energy, are deferred
11 with carrying costs for later recovery in a general rate proceeding.

12

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A. Yes.**

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF EL PASO ELECTRIC)
COMPANY'S 2015 RENEWABLE ENERGY)
PLAN PURSUANT TO THE RENEWABLE)
ENERGY ACT AND 17.9.572 NMAC)

EL PASO ELECTRIC COMPANY,)
Applicant.)

Case No. 15-_____UT

AFFIDAVIT

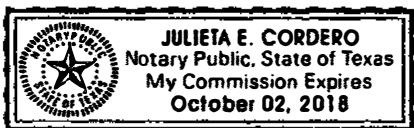
STATE OF TEXAS)
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COUNTY OF EL PASO)

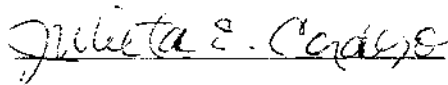
James Schichtl hereby deposes and states under oath that the information contained in the foregoing Direct Testimony of James Schichtl, together with all schedules sponsored therein and exhibits attached thereto, is true and accurate based on my personal knowledge and belief.

SIGNED this 28th day of April, 2015.


JAMES SCHICHTL

Subscribed and sworn to before me this 28th day of April, 2015.





My Commission expires:

October 2, 2018

Estimated Cost of Renewable Resource Portfolio
Calculated Incremental Cost and Reasonable Cost Threshold

Line No.	(a) Description	(b) Reference	(c) 2016	(d) 2017
1	Modeled New Mexico System Fuel and Purchased Power Costs Excluding RPS Portfolio Resources (no DG Load Reduction)	PROMOD	\$ 303,717,140	\$ 331,703,240
2	Renewable Energy Purchases Included in PROMOD			
3	SWEC Solar Energy Purchases	Exhibit RA-2	\$ 1,187	\$ 1,190
4	Hatch Solar Energy Purchases	Exhibit RA-2	961,354	956,547
5	NRG SunTower Solar Energy Purchases	Exhibit RA-2	6,463,002	6,417,761
6	SunEdison Solar Energy Purchases	Exhibit RA-2	6,227,819	6,177,997
7	Macho Springs Solar Energy Purchases	Exhibit RA-2	-	-
8	Total Renewable Resource Procurement Costs		<u>\$ 13,653,362</u>	<u>\$ 13,553,495</u>
9	Renewable Energy Produced in Portfolio (kWh)			
10	SWEC Solar Energy Produced	Exhibit RA-2	9,130	9,155
11	CRLEF Biomass Energy Produced	Exhibit RA-2	1,130,000	1,130,000
12	Hatch Solar Energy Produced	Exhibit RA-2	8,078,604	8,038,211
13	NRG Solar Energy Produced	Exhibit RA-2	50,710,096	50,355,125
14	SunEdison Solar Energy Produced	Exhibit RA-2	59,374,766	58,899,768
15	Macho Springs Solar Energy Produced	Exhibit RA-2	21,537,004	21,429,319
15	Distributed Generation Energy Produced	Exhibit RA-2	26,445,715	31,074,233
16	Total Renewable Energy Produced in Portfolio		<u>167,285,315</u>	<u>170,935,811</u>
17	Modeled New Mexico System Fuel and Purchased Power Costs (Basecase) Includes RPS Portfolio Resources and DG Load Reduction	PROMOD	\$ 312,254,470	\$ 339,073,270
18	Non-Energy Renewable Resource Procurement Costs			
19	CRLEF Project REC Purchase	Exhibit RA-2	\$ 16,950	\$ 16,950
20	Small & Medium System REC Purchase Programs - Solar	Workpaper	1,655,067	1,655,067
21	Small & Medium System REC Purchase Programs - Wind	Workpaper	654	654
22	WREGIS Fees	Exhibit RA-2	2,664	2,551
23	Total Non-Energy Renewable Resource Procurement Costs		<u>\$ 1,675,336</u>	<u>\$ 1,675,223</u>
24	Total New Mexico System Fuel and Purchased Power Costs			
25	Including Modeled Portfolio and Non-Energy Costs	Line 17 + Line 23	\$ 313,929,806	\$ 340,748,493
26	Plan Year Portfolio Costs (Net of Fuel and Purchased Power Benefits)			
27	Modeled Portfolio Costs less Basecase System Costs	Line 25 - Line 1	\$ 10,212,666	\$ 9,045,253
28	Average Net RPS Portfolio Cost (per kWh)	Line 27 / Line 16	\$ 0.06105	\$ 0.05292

Estimated Cost of Renewable Resource Portfolio
Calculated Incremental Cost and Reasonable Cost Threshold

Line No.	(a) Description	(b) Reference	(c) 2016	(d) 2017
1	Adjusted Renewable Resource Procurement Cost	Exhibit JS-1, Line 27	\$ 10,212,666	\$ 9,045,253
2	Plan Year Total Revenues	Workpaper	\$ 191,221,136	\$ 193,678,890
3	Net Adjusted Renewable Resource Procurement Cost as a Percent of Plan Year Total Revenues	Line 1 / Line 2	5.34%	4.67%
4	Statutory Reasonable Cost Threshold (%)	Sec 17.9.572.12 (B)	3.00%	3.00%
5	Statutory Reasonable Cost Threshold Revenue	Line 2 x Line 4	\$ 5,736,634	\$ 5,810,367
Large Customer Adjustment to RPS Requirement				
6	Forecasted New Mexico Jurisdictional kWh Sales	See Note (1)	1,680,521,042	1,702,037,120
7	Large Non-Governmental (LNG) Customers Energy Sales	Exhibit JS-2, Col (c)	59,034,716	59,034,716
8	Net Forecasted New Mexico Jurisdictional kWh Sales	Line 6 - Line 7	1,621,486,326	1,643,002,404
9	Renewable Portfolio Standard		15.00%	15.00%
10	RPS Limit w/o LNG Customer Adjustment	Line 8 x Line 9	243,222,949	246,450,361
11	LNG Customers RPS Limit	Exhibit JS-2, Col (h)	1,767,659	2,039,352
12	Net RPS Requirement	Line 10 + Line 11	244,990,608	248,489,713
13	Net Renewable Portfolio Standard (w/ Large Customer Adjustment)	Line 6 / Line 12	14.58%	14.60%

Notes:

(1) EPE's New Mexico jurisdictional retail energy sales are based on EPE's Load Research Department's 2015 Load Forecast dated April 1, 2015, adjusted for weather and projected energy reductions attributed to energy efficiency and load management.

Large Non-Governmental Customer RPS Adjustment
for 2016 and 2017 Plan Years

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
<u>2016 Plan Year</u>									
Line No.	Customer	Service Voltage	Annual kWh	Annual Bill	Portfolio Impact Limit per Customer, 2% of Annual Bill or \$106,640	Applicable Portfolio Limit	Required RPS 15%	RPS @ Limit	Billed RPS Revenue
1	Customer 1	Primary	16,828,495	\$ 1,218,770	\$ 24,375	2.00%	2,524,274	401,589	\$ 153,217
2	Customer 2	Secondary	18,414,085	1,968,019	39,360	2.00%	2,762,113	639,701	169,951
3	Customer 3	Primary	11,022,408	968,777	19,376	2.00%	1,653,361	319,215	100,355
4	Customer 4	Primary	12,769,728	1,235,662	24,713	2.00%	1,915,459	407,155	116,263
5	Total		59,034,716	\$ 5,391,228	\$ 107,825		8,855,207	1,767,659	\$ 539,786
6	Large Customer Limit Applies -								
7	Customer 1	Primary	16,828,495				401,589		\$ 24,375
8	Customer 2	Secondary	18,414,085				639,701		39,360
9	Customer 3	Primary	11,022,408				319,215		19,376
10	Customer 4	Primary	12,769,728				407,155		24,713
11	Total		59,034,716				1,767,659		\$ 107,825
RPS Reduction Pursuant to Large Customer Limit (kWh)							7,987,548		

<u>2017 Plan Year</u>									
Line No.	Customer	Service Voltage	Annual kWh	Annual Bill	Portfolio Impact Limit per Customer, 2% of Annual Bill or \$107,863	Applicable Portfolio Limit	Required RPS 15%	RPS @ Limit	Billed RPS Revenue
6	Customer 1	Primary	16,828,495	\$ 1,218,770	\$ 24,375	2.00%	2,524,274	463,314	\$ 132,805
7	Customer 2	Secondary	18,414,085	1,968,019	39,360	2.00%	2,762,113	738,024	147,309
8	Customer 3	Primary	11,022,408	968,777	19,376	2.00%	1,653,361	368,279	86,985
9	Customer 4	Primary	12,769,728	1,235,662	24,713	2.00%	1,915,459	469,735	100,774
10	Total		59,034,716	\$ 5,391,228	\$ 107,825		8,855,207	2,039,352	\$ 467,873
11	Large Customer Limit Applies -								
12	Customer 1	Primary	16,828,495				463,314		\$ 24,375
13	Customer 2	Secondary	18,414,085				738,024		39,360
14	Customer 3	Primary	11,022,408				368,279		19,376
15	Customer 4	Primary	12,769,728				469,735		24,713
16	Total		59,034,716				2,039,352		\$ 107,825
RPS Reduction Pursuant to Large Customer Limit (kWh)							6,815,855		

Worksheet Calculations and Notes:

[A] NM System Incremental Charge for Renewable Resources \$/kWh	2016	2017
Forecasted Portfolio Energy	167,285,315	170,935,811
Net Renewable Portfolio Incremental Cost	\$ 10,212,666	\$ 9,045,253
NM System Incremental Charge for Renewable Resources (\$/kWh)	\$ 0.06105	\$ 0.05292
Loss Adjusted for Secondary Voltage Delivery	\$ 0.06153	\$ 0.05333
Loss Adjusted for Primary Voltage Delivery	\$ 0.06070	\$ 0.05261
Voltage Adjustment Factor:		
Secondary Voltage	1.007862	1.007862
Primary Voltage	0.986479	0.986479

[B] CPI Adjusted Cap Limit Calculation:	2% or			
Year	Cap Limit	CPI Factor	Inflation Growth	
2011	\$ 99,000	220.223	Base	
2012	\$ 101,896	226.665	2.925%	actual
2013	\$ 103,521	230.280	1.595%	actual
2014	\$ 105,156	233.916	1.579%	actual
2015	\$ 105,062	233.707	-0.089%	actual
2016	\$ 106,640	237.218	1.502%	estimate (average of actual)
2017	\$ 107,863	239.938	1.147%	estimate (average of actual)

CPI-U Source: Bureau of Labor Statistics, accessed 03/12/2015 (Table 24, Jan Index)

- [C] Customer Annual kWh is the most recent calendar year's billed kWh under assumption that the billed kWh does not vary significantly year to year
- [D] 17.9.572.7(M) NMAC limits the large customer adjustment to the lower of 2% of a customer's annual electric charges or \$99,000. After 01/01/2012, the \$99,000 is adjusted for inflation (as shown in [B] above).