

EPE Response to PAG Letter Submitted October 23, 2017

EPE appreciates the concerns and suggestions provided by the signed Public Advisory Group (PAG) participants in their letter (“PAG Letter”) submitted on October 23, 2017, following scheduled PAG meetings in October. As a general matter, EPE observes that the concerns expressed are being considered in the IRP development, and EPE is continuing to investigate demand-side options, including energy efficiency options (Nov. 16 PAG Meeting Slide 23).

The PAG Letter presents the following question –

“Will EPE model Energy Efficiency and other demand side resources in a way that allows them to compete fairly with supply side resources within the IRP portfolio, and that allows them to be evaluated in terms of their full potential to meet a significant amount of all needed capacity?”

The IRP rule (17.7.3.9.G(1) NMAC) specifically requires that EPE evaluate demand-side resources on a comparable basis with supply-side resources, which includes energy efficiency measures, considering risk, reliability and other factors (17.7.3. NMAC). EPE has agreed that statutory energy efficiency goals are not considered ceilings on demand-side resources included in the EPE portfolio for the purposes of the IRP analysis (Joint Stipulation Section 1 Paragraph 4(g)). EPE’s final IRP will comply with these requirements. EPE is in the process of evaluating demand-side resources, both for modeling in Strategist along with supply-side resources as well those which can affect changes in customer demand through rate design changes. Additionally, as required by the IRP rule, EPE discussed how rate design would be reflected in

customer demand sensitivities as a component of modeling in the IRP in a PAG meeting presentation.

The PAG Letter references several publications on energy efficiency, demand response, and integrated resource planning, some of which have been referenced in prior PAG provided comments, and these are useful references for informing EPE's IRP modeling efforts. The benefits and advantages of demand-side resources relative to supply-side resources notwithstanding, the IRP process is designed to identify and select the most cost effective resource portfolio for supplying customer load. And as correctly noted in the PAG Letter, EPE has repeatedly confirmed that the selection of demand-side resources through the IRP is not constrained by the acquisition of such resources to satisfy statutory requirements. However, the letter is incorrect in asserting that EPE's focus on Energy Efficiency compliance required by statute has resulted in an unsatisfactory level of work to incorporate Energy Efficiency in its IRP planning. The development of the 2018 IRP is in process and conclusions regarding EPE's evaluation and modeling of demand-side resources are untimely. Similarly, EPE disagrees with the conclusion in the PAG Letter that "EPE has made its own modeling preferences clear." EPE has no modeling preferences other than reflecting supportable pricing for resources options capable of reliably serving customer load, which is EPE's primary responsibility and concern. The PAG Letter also makes the unsupported assertion that EPE has "required that PAG participants do the ground work in developing alternatives to EPE's continuing the status quo." EPE has no such requirement of PAG participants, who have been invited since the initial PAG meeting to submit resource proposals if

they wish to do so. EPE even developed a resource template to simplify that process for PAG participants.

Conclusion

EPE appreciates the information provided in the PAG Letter, which will assist in developing demand-side resources for evaluation in the IRP process. The PAG process provides a valuable opportunity for discussion and interaction between EPE experts and the public in development of the 2018 IRP Report, and differences in opinion and preferences are appreciated. As noted above, EPE's IRP analysis will consider demand-side resources on an equal and comparable basis with other resource options, as required in the IRP rule, in developing the most cost effective portfolio of resources to supply the energy needs of customers.