

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY'S)
APPLICATION FOR APPROVAL OF)
ELECTRIC ENERGY EFFICIENCY AND)
LOAD MANAGEMENT PROGRAMS AND)
PROGRAM COST TARIFF RIDERS)
PURSUANT TO THE NEW MEXICO PUBLIC) Case No. 07-____-UT
UTILITY ACT AND EFFICIENT USE OF)
ENERGY ACT,)
)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
)
Applicant.)

DIRECT TESTIMONY

of

DANIEL S. AHRENS

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Commission or NMPRC	New Mexico Public Regulation Commission
disincentives	disincentives to energy efficiency and load management programs
EUEA	New Mexico Efficient Use of Energy Act, as amended by Senate Bill 418
NSP	Northern States Power Company
Plan	Energy Efficiency and Load Management Plan
Rider	Energy Efficiency Tariff Rider
Sierra	Sierra Pacific Power Company
SPS	Southwestern Public Service Company
Tracker	SPS's proposed cost tracking mechanism
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

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I. INTRODUCTION AND QUALIFICATIONS

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name Daniel S. Ahrens. My business address is 1225 Seventeenth Street, Suite 1000, Denver, Colorado 80202.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am filing testimony on behalf of Southwestern Public Service Company (“SPS”), an electric utility subsidiary of Xcel Energy Inc. (“Xcel Energy”).

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am employed by Xcel Energy Services Inc. (“XES”). My job title is Pricing Consultant, Pricing and Planning.

Q. PLEASE BRIEFLY OUTLINE YOUR RESPONSIBILITIES AS PRICING CONSULTANT.

A. My duties include performing cost and rate design analysis in addition to various regulatory filings for the Xcel Energy operating companies.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I received a Bachelors of Science degree in Economics in 1985 and a Masters of Science degree in Economics in 1988, both from the University of Wyoming. I have attended a number of classes and seminars, including the National

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1 Association of Regulatory Utility Commissioners studies program at Michigan
2 State University, and the Edison Electric Institute transmission-pricing course at
3 the University of Wisconsin.

4 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

5 A. I began my professional career in 1989 with the Minnesota Attorney General, as a
6 Rate Analyst in the Residential and Small Business Utilities Division. I was
7 responsible for reviewing and analyzing utility filings in both the energy and
8 telecommunications industries.

9 In 1993, I joined the Minnesota Department of Public Service, where I
10 was a Senior Analyst responsible for the review of energy filings concerning such
11 matters as Public Utility Regulatory Policy Act avoided costs, competitive
12 all-source bidding, economic development pricing, review of large power
13 contracts, as well as the preparation, submittal and defense of cost-of-service
14 studies and rate design analyses.

15 In 1996, I joined Sierra Pacific Power Company (“Sierra”) as a Senior
16 Regulatory Economist. In 1997, I was promoted to Staff Economist. While at
17 Sierra, I performed analysis and sponsored testimony concerning the

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1 identification of competitive services and the unbundling of rates for electric
2 services, as well as developed prices for natural gas transportation services.

3 In 1998, I joined Energy and Resource Consulting Group as a Senior
4 Consultant. My responsibilities included rate design and cost-of-service analyses.
5 I managed several projects that included prudence reviews, and public interest
6 reviews related to utility restructuring.

7 In December 2000, I joined XES as a Principal Pricing Analyst,
8 responsible for various rate design, cost of service and other regulatory matters.
9 In March 2003, I was promoted to my current position, Pricing Consultant.

10 **Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY AUTHORITIES?**

11 A. I have testified before regulatory authorities in California, Colorado, Minnesota,
12 Nevada, Texas, Wyoming and the City of New Orleans.

13 **II.**

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ASSIGNMENT

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

3 **A.** I will describe: (1) SPS’s proposed energy efficiency rate design and Energy
4 Efficiency Tariff Rider (“Rider) for recovery of its energy efficiency and load
5 management program costs; (2) SPS’s proposal to mitigate disincentives to
6 energy efficiency and load management programs (“disincentives”) through the
7 recovery of a percentage of the future shared savings under the Rider; and (3)
8 SPS’s proposed mechanism to track program costs and revenues (“Tracker”).

9 **Q. ARE YOU PROVIDING ANY ATTACHMENTS WITH YOUR**
10 **TESTIMONY?**

11 **A.** Yes. I am submitting the following Attachments:

- 12 • Attachment DSA-1 Calculation of the Proposed Percentage Rate
- 13 • Attachment DSA-2 Illustrative Tracker
- 14 • Attachment DSA-3 Bill Impact Calculations
- 15 • Attachment DSA-4 Rider.

16

III.

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1 **ENERGY EFFICIENCY TARIFF RIDER AND COST RECOVERY**

2 **Q. WHAT IS SPS'S COST RECOVERY PROPOSAL?**

3 A. SPS is seeking approval to:

- 4 • recover its 2007 and 2008 Energy Efficiency and Load Management Plan
5 ("Plan") program costs through a tariff rider, as authorized by Section
6 62-17-6(A) of the New Mexico Efficient Use of Energy Act as amended by
7 Senate Bill 418, ("EUEA");
- 8 • mitigate disincentives through the recovery of a percentage of future savings
9 as a component of its proposed Rider; and
- 10 • annually true up cost recovery under the tariff rider through a Tracker
11 mechanism.

12 **Q. WHAT IS INCLUDED IN PROGRAM COSTS?**

13 A. Program costs include the total costs SPS expects to incur in 2007 and 2008 to
14 implement its energy efficiency and load management programs. The 2007
15 program costs are included with the 2008 program costs in order to recover the
16 program design and product development expenditures incurred prior to
17 implementation of the programs. SPS witness Debra L. Sundin provides a
18 summary of the costs that SPS is proposing to recover.

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1 **Q. PLEASE DESCRIBE SPS'S PROPOSED RIDER.**

2 A. SPS is proposing to recover 2007 and 2008 program costs through a Rider which
3 will become effective beginning in the first full calendar month after the
4 Commission order becomes final. SPS's proposed Rider is designed to recover
5 \$1,819,720 for budgeted program costs for 2007 and 2008. As discussed by Ms.
6 Sundin, SPS budgeted \$112,000 for 2007 program costs and \$1,707,720 for 2008
7 program costs.

8 The monthly Energy Efficiency charge is computed as a percentage of the
9 customer's bill (i.e. service availability charges, commodity charges, and when
10 applicable, demand charges) exclusive of taxes and franchise fees. To recover the
11 budgeted program costs of \$1,819,720 for 2007 and 2008, within calendar year
12 2008, SPS calculated a 0.695 percentage be applied to the customer's bill over a
13 12-month period beginning January 1, 2008. The percentage was calculated by
14 taking the forecasted 2007 and 2008 combined budget of \$1,819,720 and dividing
15 this by \$261,830,562, which represents the present rate revenues for 2006 as
16 identified in SPS's pending rate case before the New Mexico Public Regulation
17 Commission ("NMPRC" or "Commission"). Attachment DSA-1 shows the
18 details of this calculation.

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1 **Q. PLEASE EXPLAIN HOW THE RIDER WILL BE IMPLEMENTED BY**
2 **SPS.**

3 A. For illustrative purposes, SPS has calculated its proposed Rider based on a
4 12-month program schedule beginning January 1, 2008. SPS has calculated the
5 proposed Rider in this manner to provide the Commission a more representative
6 description of the total costs associated with implementing SPS's proposed
7 programs over a full calendar year, and to provide a comparison with other
8 utilities that have proposed 12-month programs. The calculation includes
9 budgeted program costs for 2007 and calendar year 2008 and provides an estimate
10 of the monthly percentage charge to be recovered over a full 12 month period
11 (2008).

12 Following Commission approval of the Plan and its associated programs,
13 SPS will recalculate the monthly percentage charge to reflect the actual 2007
14 program costs and the budgeted program costs for the remaining months of 2008
15 from the date of implementation. The adjusted program costs will be divided by
16 the present rate revenues for the months in which the programs are in effect to
17 calculate the monthly percentage charge. As explained below, SPS is proposing a

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1 Tracker to account for any over or under recoveries, such that SPS will only
2 recover actual costs.

3 **Q. AT THE CONCLUSION OF SPS'S PENDING RATE CASE (CASE**
4 **NO. 07-00319-UT), WILL SPS FILE TO UPDATE THE RIDER PERCENT**
5 **AS A RESULT OF THE BASE RATE REVENUE REQUIREMENT THE**
6 **COMMISSION ULTIMATELY APPROVES?**

7 A. Yes. Because the Rider percentage is calculated by dividing the projected
8 program costs for a given calendar year by the total annual revenues, if total
9 annual revenues change, so too should the percentage applied under the Rider.
10 When the Commission approves the rate case revenue requirement, SPS proposes
11 to file an advice notice and updated Rider to reflect the revenue requirement the
12 Commission approves. SPS proposes that the revised Rider percentage take effect
13 at the same time new base rates are implemented.

14 **Q. IS SPS PROPOSING TO RECOVER OTHER CHARGES UNDER ITS**
15 **PROPOSED RIDER?**

16 A. Yes. Although disincentive mitigation costs will not be incurred until after the
17 energy efficiency and load management programs are in place, and the reduction
18 to consumption is realized and verified by the Independent Evaluator, SPS is

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1 seeking approval in this proceeding to recover a portion of its disincentive
2 mitigation costs through a shared savings mechanism included in the proposed
3 Rider. Refer to Ms. Sundin's direct testimony for a detailed description and
4 explanation of the proposed shared savings mechanism.

5 **Q. DOES SPS'S PROPOSED RIDER INCLUDE RECOVERY OF ANY**
6 **SHARED SAVINGS IN THE FIRST YEAR?**

7 A. No. SPS is requesting approval of the method for recovering shared savings
8 beginning in 2010. For program years 2008 and 2009, the Rider will be
9 calculated based solely on projected program costs, adjusted to reflect the ending
10 balance in the Tracker account. However, beginning in 2010, SPS proposes that
11 the Rider include a charge to collect 15 percent of the shared savings, representing
12 the net benefits associated with energy efficiency and load management
13 investments received by the shareholders in 2008. If the Commission approves
14 SPS's proposal to mitigate disincentive, SPS will include a calculation of the
15 shared savings for approval in conjunction with its August 1, 2009 program status
16 report. SPS proposes to include the shareholder portion of the shared savings in
17 its Rider beginning January 1, 2010.

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1 To provide a simplified example, if the 2008 Plan costs from the Total
2 Resource Cost calculation were \$80, and the supply-side costs that would have
3 been incurred but for the Plan were \$100, SPS would add \$3 (= $(\$100-\$80)*0.15$)
4 to the Tracker to recover the shareholders' percentage of the shared savings.
5 Therefore, SPS would begin recovering the shared savings for the 2008 program
6 year upon approval and implementation of the Rider filed with the August 1,
7 2009, program status report.

8 **Q. PLEASE DESCRIBE THE TRACKER.**

9 A. SPS proposes to use a Tracker to record costs and revenues associated with its
10 energy efficiency and load management programs. The Tracker will assist SPS
11 and the Commission in ensuring that program costs are recorded appropriately
12 and facilitate year-to-year reconciliations of under and over-recoveries.

13 The Tracker will record monthly energy efficiency and load management
14 portfolio expenditures and revenues collected through the Rider. Deviations
15 between expenditures and revenues in any given month will be assessed carrying
16 charges. If SPS's expenditures exceed its revenues, then the carrying charges will
17 be negative (SPS earns interest), whereas if the revenues exceed expenditures, the

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1 carrying charges will be positive (SPS pays interest). Refer to Attachment DSA-2
2 for an illustrative example of the proposed Tracker.

3 **Q. IS SPS PROPOSING TO INCLUDE A CARRYING CHARGE IN**
4 **CALCULATING ANY OVER- OR UNDER-RECOVERY IN THE**
5 **TRACKER?**

6 A. Yes. SPS proposes to use the Commission approved customer deposit rate of
7 4.68 percent to calculate carrying charges.

8 **Q. DOES XCEL ENERGY HAVE EXPERIENCE WITH SIMILAR**
9 **TRACKING MECHANISMS IN ITS OTHER JURISDICTIONS?**

10 A. Yes. SPS's affiliated operating company, Northern States Power Company, has
11 successfully used such a Tracker for over a decade to track the costs and revenues
12 associated with its energy efficiency and load management programs.

13 **Q. IS SPS PROPOSING TO FILE ANNUALLY TO TRUE-UP REVENUES**
14 **AND COSTS INCLUDED IN THE RIDER?**

15 A. Yes. SPS anticipates filing Advice Notices and updates to its Rider to reflect the
16 balance in the Tracker account in conjunction with its annual program status
17 report on August 1st of each year. This would be consistent with §62-17-6(C)
18 NMSA, which states: "The commission shall approve utility reconciliations of the

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1 tariff rider annually based upon recovery of the reasonable costs of the utility's
2 programs.” SPS anticipates that its initial filing will be filed on or before August
3 1, 2008, and then annually thereafter.

4 **Q. HOW WILL SPS ASSURE THAT LARGE CUSTOMERS ARE NOT**
5 **PAYING RIDER AMOUNTS GREATER THAN \$75,000 PER CALENDAR**
6 **YEAR?**

7 A. SPS will use its billing system to track the \$75,000 per year cap by customer
8 premise. Once the \$75,000 cap amount is reached, the billing system will stop
9 billing the customer under the Rider.

10 **Q. IS SPS PROVIDING FOR EXEMPTIONS FROM THE RIDER FOR**
11 **LARGE CUSTOMERS?**

12 A. Yes. Large customers may receive exemptions or refunds up to 70 percent of the
13 Rider: (1) if the customer demonstrates that it has exhausted all cost-effective
14 energy efficiency measures; or (2) to offset a Self-Direct project, respectively.
15 Refer to the Ms. Sundin’s testimony and SPS’s Plan for a more detailed
16 discussion of the exemptions provided under the Rider.

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1 **Q. HAS SPS DEVELOPED AN AVERAGE CUSTOMER IMPACT STUDY?**

2 A. Yes. Attachment DSA-3 shows how the proposed Rider will impact the average
3 customer in each rate class. Below is a table that summarizes this information.

4 **Table 1: Average Customer Impact for 2008**

<u>Rate Schedule</u>	<u>Avg. Monthly Bill*</u> <u>(Present)</u>	<u>Proposed Rider Percentage</u>	<u>Resulting Rider Charge</u>	<u>Proposed Total Bill</u>
Residential Lighting (Schedule 520) @ 500 kWh	\$44.42	0.695%	\$0.31	\$44.73
General Non Demand (Schedule 614) @ 750 kWh	\$85.52	0.695%	\$0.59	\$86.11
General Service (Schedule 614) @ 50 kW, 20,000 kWh	\$1,455.00	0.695%	\$10.11	\$1,465.11
Large General Service (Schedule 704) @ 50 kW, 20,000 kWh	\$132,768.00	0.695%	\$922.74	\$133,690.74

5 * These monthly average bills exclude taxes and franchise fees

6 **Q. HAVE YOU PREPARED TARIFF SHEETS FOR THE PROPOSED**
7 **RIDER?**

8 A. Yes. The tariff sheets are included as Attachment DSA-4.

9 **IV.**

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CONCLUSION

2 **Q. WERE ATTACHMENTS DSA-1 THROUGH DSA-4 PREPARED BY YOU**
3 **OR UNDER YOUR DIRECT SUPERVISION?**

4 **A. Yes.**

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

6 **A. Yes.**

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

Daniel S. Ahrens being first duly sworn on oath, deposes and states that he is the witness identified in the foregoing prepared testimony, that he has read the testimony and is familiar with its contents, and that the facts set forth are true to the best of his knowledge, information, and belief.

SUBSCRIBED AND SWORN TO before me this _____ day of September, 2007.

Notary Public
My Commission Expires: _____