

**NMPRC CASE No. 06-00340-UT
AMMENDED PREPARED DIRECT TESTIMONY OF
PAUL E. LEONIS**

1 **Q. Please state your name and business address.**

2 A. Paul E. Leonis. My business address is the New Mexico Public Regulation
3 Commission (“NMPRC” or “Commission”), Marian Hall, 224 East Palace Avenue,
4 Santa Fe, NM 87501.

5

6 **Q. What is your position with the Commission?**

7 A. I am employed by the New Mexico Public Regulation Commission as a Utility
8 Economist in the Economics Bureau of the Utilities Division.

9

10 **Q. Please summarize your education background.**

11 A. I earned a Bachelor of Science in Business and Economics from the University of
12 Central Florida in 1992 and a Master of Arts in Environmental Economics and
13 Econometrics from the University of New Mexico in 1996.

14

15 **Q. Please summarize your professional experience.**

16 A. I joined the Commission Staff August 26, 2006, but have previously worked as
17 Commission Staff from July of 1997 until October of 1999. After leaving the
18 Commission in 1999, I was employed in Colorado as a faculty member for Pikes
19 Peak Community College and Colorado State University and other regional
20 colleges teaching economics, technology and business courses. In 2003 I
21 returned to employment with the State of New Mexico as an Environmental

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1 Scientist and Specialist with the Air Quality Bureau of the New Mexico
2 Environment Department involved in work relating to technical and regulatory
3 evaluation of air quality permits for mining, manufacturing, oil and gas, and
4 electric generating facilities and operations throughout the state of New Mexico.
5

6 **Q. Have you previously testified before this Commission?**

7 A. Yes. See Exhibit A for a list of cases in which I have filed testimony.
8

9 **Q. What is the purpose of your testimony?**

10 A. To review Public Service Company of New Mexico's ("PNM") "Annual Renewable
11 Energy Portfolio Report for 2005 ("2005 Report") and 2007 Annual Renewable
12 Energy Portfolio Procurement Plan ("2007 Plan") filed on September 1, 2006 by
13 PNM with respect to the Renewable Energy Act ("Act"), specifically NMSA § 62-
14 16-4, and the Commission's Renewable Energy For Electric Utilities Rule
15 (17.9.572 NMAC or "Rule 572") and to present Staff's recommendations
16 regarding the 2007 Plan.
17

18 **Q. What are the reporting requirements of Rule 572?**

19 A. By September 1 of each year until 2012, and thereafter as determined necessary
20 by the Commission, each public utility must file with the Commission an annual
21 renewable portfolio procurement plan. (17.9.572.16 NMAC) In addition, each

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1 public utility must file with the Commission a report regarding its renewable
2 energy generation and or purchases of renewable energy during the prior
3 calendar year. (17.9.572.17 NMAC)

4 The portfolio procurement plan is to include: (1) the cost of procurement in the
5 next calendar year for any new renewable energy resource required to comply
6 with the renewable portfolio standard; (2) the amount of renewable energy the
7 public utility plans to provide in the calendar year commencing sixteen (16)
8 months later, to satisfy the percentages specified in the rule, less any reductions
9 authorized by the rule or by law; (3) an explanation and exhibits demonstrating
10 how the amount specified in Paragraph (2) was determined; (4) the reductions, if
11 any, to the renewable portfolio standard for procurements for nongovernmental
12 customers with consumption exceeding ten (10) million kilowatt hours per year
13 and/or due to the reasonable cost threshold, including an explanation and
14 exhibits demonstrating how the reduction was determined; (5) testimony and
15 exhibits that demonstrate that the proposed procurement is reasonable as to its
16 terms and conditions considering price, costs of interconnection and
17 transmission, availability, dispatchability, any renewable energy certificate values
18 and diversity of the renewable energy resource; or (6) demonstration that the
19 plan is otherwise in the public interest. The Annual Renewable Energy Portfolio
20 Report is an itemization of all renewable energy generation and/or renewable
21 energy purchases during the prior calendar year.

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Q. Please summarize PNM’s 2007 Plan and 2005 Report filing.

A. PNM’s 2007 Plan:

(1) seeks approval and recovery of procurement [costs for calendar year 2008](#) ~~for the next calendar year (2007)~~ for a biomass Purchased Power Agreement (“PPA”) between PNM and Western Water and Power Production, LLC (“WWPP”) to comply with the renewable portfolio standard;

(2) provides testimony and exhibits demonstrating the amount of renewable energy PNM plans to provide in the calendar year (16) sixteen months later (2008) to satisfy PNM’s RPS requirement consistent with Rule 572, including RPS reductions to procurements for large nongovernmental customers;

(3) provides testimony and exhibits demonstrating that the costs of procurement of the renewable energy associated with the PPA between PNM and WWPP are reasonable and recoverable in rates;

PNM’s 2005 Report for calendar year 2005 includes:

(1) PNM’s Summary of Monthly Renewable energy Certificates Activity for the calendar year 2005;

(2) PNM’s testimony and exhibits documenting participant levels and RECs sales for PNM’s voluntary Sky Blue Program;

(3) PNM’s testimony and exhibits documenting generation (by source), purchase, and retirements; of RECs for 2005; and

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1 (4) PNM's exhibits containing documentation of all corresponding REC
2 certificates (generator attestations) for calendar year 2005.

3
4 **Q. Please summarize PNM's other requests filed with its 2007 Plan filing.**

5 A. PNM included in its 2007 Plan and 2005 Report filing two additional requests:

6 (1) testimony and exhibits discussing the imputed debt issue associated
7 with the biomass PPA capacity payments and a proposal by PNM that seeks a
8 "return on imputed equity equal to 50% of the imputed debt" (Direct, Wendy
9 Carlson, p.5, ll.14-15); and

10 (2) testimony and exhibits seeking approval from the Commission to
11 remove the annual participation limit from its Small PV program.

12
13 **Q. Does PNM's 2007 Plan demonstrate that PNM will meet its RPS REC
14 requirement as a percentage of retail sales for the calendar year
15 commencing sixteen (16) months later (2008) as required by the Act?**

16 A. Yes. PNM's 2007 Plan demonstrates, as verified by Staff, that PNM will be able
17 to procure renewable energy equivalent to 6% and 7% of its New Mexico
18 jurisdictional retail sales for the calendar years 2007 and 2008, respectively, to
19 meet its RPS requirements for RECs as required by the Act, specifically NMSA §
20 62-16-4 and Rule 572. PNM Exhibit__(LW2) demonstrates that PNM will meet
21 its REC requirements for 2007 and 2008 with RECs from existing wind (New

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1 Mexico Wind Energy Center) and solar resources (Small PV Program). PNM's
2 RPS requirement for 2007 is estimated at 541,348 MWh and 650,359 MWh for
3 2008.

4 These amounts reflect the inclusion of TNMP loads and adjustments for large
5 nongovernmental customers for 2008. For 2007, PNM projects it will purchase a
6 total of approximately 316,971 MWh of RECs that were generated in 2007,
7 combined with the use of available banked RECs of approximately 955,738 MWh
8 from 2006 to meet PNM's 2007 RPS REC requirement. For 2008, PNM projects
9 that it will purchase a total of approximately 373,792 MWh of RECs that were
10 generated in 2008, combined with the use of available banked RECs of
11 approximately 731,355 MWh from 2007 to meet PNM's 2008 RPS REC
12 requirement. (See PNM Exhibit_(LW_2) and spreadsheet identifying generated
13 RECs provided by PNM, Staff Exhibit_PEL_1)

14
15 **Q. The Commission's Rule 572 requires a public utility to post their Annual**
16 **Renewable Energy Portfolio Plan on the utility's website (17.9.572.16**
17 **NMAC). Has PNM complied with this requirement for its 2007 Plan?**

18 A. Yes. PNM's 2007 Plan has been posted to their website at the following URL:
19 <http://www.pnm.com/regulatory/> .

20

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1 **Q. Does Staff have a recommendation to the Commission regarding PNM's**
2 **Annual Renewable Energy Portfolio Report for 2005?**

3 A. Based on Staff's review of PNM's 2005 Report, Staff believes PNM has provided
4 sufficient documentation to satisfy the requirements of 17.9.572.17.D. NMAC.

5
6 **Q. Please describe the technology and facility configuration proposed for**
7 **WWPP's Biomass Project and PPA with PNM?**

8 A. The PPA between PNM and WWPP a purchased power agreement for capacity
9 and energy from WWPP's Estancia Basin Biomass Project ("Biomass Project").
10 WWPP has proposed a direct-fired biomass plant utilizing bubbling fluidized bed
11 ("BFB") boiler technology primarily firing small diameter timber and wood waste
12 as fuel stock from forest and rangeland areas and watershed restoration projects.
13 The boiler's steam will power a steam driven turbine generator. (See Appendix
14 6.1 of Direct Testimony of PNM's Hugh W. Smith)

15
16 **Q. Section 62-16-3(D)(1) of the Act and 17.9.572.7.D. NMAC (Rule 572) defines**
17 **"renewable energy" as energy generated by use or means of "low or zero**
18 **emissions generation technology..." and thereby establishes a low**
19 **emissions criterion. Does the PPA's underlying biomass technology,**
20 **WWPP's Biomass Project, meet the renewable energy criterion of the Act**

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1 **and Rule 572 that the energy be generated by a low emissions or zero**
2 **emissions generating technology?**

3 A. Yes. Staff believes that technology underlying the PPS is a low emissions
4 technology and is an industry accepted technology for the proposed renewable
5 energy resource (small diameter timber fuel stock). BFB technology is an
6 industry proven technology for biomass conversion projects and is generally
7 produces lower emissions than other direct fired biomass technologies for a
8 given fuel stock due to its design.

9
10 **Q. What is the basis for Staff's above assessment and conclusion that WWPP**
11 **Biomass Project meets the renewable energy criterion of the Act and Rule**
12 **572?**

13 A. Because the Act and Rule 572 doesn't define a specific technology or set an
14 emission threshold, Staff interpreted that the criterion is solely technology based
15 and requires technologies that are considered mature, commercially proven
16 coupled with pollution control technologies that are state-of-the-art at the time of
17 evaluation.

18 Staff's research of BFB technology as a low emission, mature, and commercially
19 viable, appropriate technology with respect to biomass conversion. Specifically,
20 in the Northeast region of the nation where biomass is utilized to a large extent,
21 Staff found the clearest discussion and evaluation has been performed by

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1 Commonwealth of Massachusetts Division of Energy Resources. The result of
2 its evaluation of biomass combustion technologies, is contained in several case
3 by case Advisory rulings by the Commonwealth of Massachusetts Division of
4 Energy Resources, where they have defined and approved BFB technology as a
5 low emission technology for the purpose of RPS eligibility. (See Staff
6 Exhibit_(PEL_2)).

7
8 **Q. Please characterize WWPP's Estancia Basin Biomass Project's emissions.**

9 A. Staff interpreted that the "emissions" referred to in the Act and Rule 572 are
10 regulated air emissions, (not greenhouse gas emissions, as they are not a
11 regulated emission at this time) pursuant to NMAC and/or under the Federal
12 Clean Air Act ("CAA"). WWPP's Biomass Project's facility configuration as
13 proposed would be categorized as a major source under Title V of the CAA for
14 the criteria pollutants Nitrogen Dioxide ("NOx") and Carbon Monoxide ("CO"), as
15 the annual estimated emission rates are greater than 100 tons per year
16 respectively. (See WWPP Biomass Project's NMED Air Quality Permit
17 Application Provided in PNM's Interrogatory Response Staff 1-1, Staff
18 Exhibit_(PEL_3)

19 Based on WWPP's proposed emission levels stated in its Air Quality Permit
20 Application, this facility requires a Construction permit pursuant to 20.2.72 NMAC
21 (New Source Review or "NSR") and an Operating permit pursuant to 20.2.70

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1 NMAC. WWPP's Biomass Project will also use state-of-the-art pollution control
2 technologies for control of NOx emissions and Sulfur Dioxide, as well controls for
3 particulate emissions (PM10 and TSP).

4
5 **Q. Did Staff rely on the level of emissions identified in WWPP's air permit**
6 **application and/or applicable Federal or State regulations in its evaluation**
7 **of the criterion for low emissions for the underlying technology of the**
8 **PPA?**

9 A. No. Staff's evaluation did not rely specifically on any level of emissions identified
10 in WWPP air quality permit application or NMAC or Federal 40 CFR air quality
11 rules or regulations for a definition of low emissions to evaluate the WWPP
12 Biomass Project's generating technology as low emissions. As stated in Staff's
13 above interpretations\assumptions regarding the low emissions criteria, Staff
14 relied only on the stated technology, as the Act and Rule 572 do not address a
15 specific emission level.

16 Furthermore, when new stationary sources of air emissions are reviewed by
17 state new source review sections of air quality bureaus, such as the New Mexico
18 Environment Department's Air Quality Bureau, the sources evaluated generally
19 based on the whether the source is minor or major source of emissions,
20 applicable State or Federal regulations and the type of pollutants. The term "low
21 emissions" is absent from the analysis or review – the analysis determines

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1 whether a source is a major or minor source for criteria pollutants, HAPs, or State
2 air toxics, what State or Federal regulations apply, and whether the source meets
3 applicable ambient air standards (National and State) for its particular location.
4 Generally speaking the issuance of a permit does not characterize the facility
5 (source) technology as low or high emissions technology, it only provides the
6 facility the right to emit pollutants at specified level at an hourly, daily or annual
7 rate and operate in accordance with its permit and any and all applicable State or
8 Federal regulations at its specified location.

9
10 **Q. Section 62-16-4(c) of the Act required the Commission to establish a**
11 **reasonable cost threshold (“RCT”) above which a public utility is not**
12 **required to add renewable energy to its electric energy supply portfolio**
13 **pursuant to the renewable portfolio standard (“RPS”) of Section 62-16-4.**
14 **On December 14th 2004 the Commission adopted the recommended**
15 **decision of the Hearing Examiner in NMPRC Case No. 04-00253-UT as**
16 **which established a two-prong RCT. The overall customer rate increase**
17 **was set at no more than 1% in 2006, and no more than an additional 0.2%**
18 **per year until capped at 2.0% for each year beginning 2011 and beyond.**
19 **The other prong, an individual resource threshold, was capped \$0.049 per**
20 **kWh for wind and hydro resources; \$0.06254 per kWh for biomass and**
21 **geothermal resources; and \$0.15 per kWh for solar projects sized at 10 kW**

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1 **and under, and \$0.10 per kWh for solar projects over 10 kW in size. Do the**
2 **PPA's costs meet both prongs of the RCT?**

3 A. PNM has demonstrated that for each of the years 2008 through 2016, the sum of
4 energy and capacity payments is below the individual RCT resource threshold for
5 biomass of \$0.06254 per kWh levelized cost of \$62.54 per MWh
6 (\$0.06254/kWh). PNM also demonstrated that a levelized basis the PPA's energy
7 and capacity payments would be equivalent to the individual RCT resource
8 threshold for biomass (Direct, Laurie Williams, Exhibit_(LW_5)).

9 The overall customer rate impact, as estimated in PNM Exhibit_(LW_6), remains
10 below the RCT for the calendar years 2006 through 2011 (Biomass PPA is
11 included beginning in calendar year 2009). The overall rate impact was
12 determined by using a blended REC cost for all of PNM's renewable resources,
13 including the proposed Biomass Project PPA. The rate impact for 2009, when the
14 Biomass Project is proposed to integrated is estimated at 1% - the RCT threshold
15 for 2009 is 1.6%. The Biomass Project PPA costs used in the blended REC cost
16 were the estimated year by year costs per kWh specified in the PPA. (See PNM
17 Exhibit_(LW_6) and Staff Exhibit_(PEL_4), spreadsheet for PNM Exhibit_(LW_6)
18 identifying the blended REC cost provided by PNM)

19
20 **Q. What are the assumptions of PNM's levelized cost calculation for the PPA's**
21 **energy and capacity payments?**

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1 A. The capacity and energy payments (in total comprise a non-uniform costs that
2 vary over the life of the contract) were converted to a series of constant
3 payments. The levelized cost of \$0.06254/kWh demonstrated by PNM in Ms.
4 Laurie Williams' testimony is based on a constant payment for the life of the
5 contract (20 years) with an assumed discount rate of 8.67%. The costs of
6 procurement (sum of the capacity and energy payments) for the years 2017
7 through 2028 exceed the individual RCT resource threshold for biomass. (See
8 PNM Exhibit_(LW_5))
9

10 **Q. Does Staff recommend that the Commission approve PNM's 2007 Plan and**
11 **~~its recovery of costs related to the proposed procurement of renewable~~**
12 **~~energy through the PPA with WWPP?~~**

13 A. Staff recommends that the Commission approve PNM's 2007 Plan; however,
14 Staff has the following recommendations to the Commission regarding the
15 [Biomass Project](#). ~~PPA and PNM request for recovery of costs for the PPA~~
16 ~~contained in the 2007 Plan:~~

17 (1) The Biomass Project, when installed and operational, utilizes BFB
18 technology, the pollution control technologies, and the fuel identified in its air
19 quality permit application(s); and

20 (2) WWPP Biomass Project facility remains compliant, throughout the
21 duration of the PPA, with any and all requirements of its issued air quality permits

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1 pursuant to 20.20.72 NMAC (Construction Permits\NSR) and 20.2.70 NMAC
2 (Operating Permits);

3 (3) Staff recommends that a method of tracking be established or a periodic
4 compliance report (that includes any NMED Notice of Violations) be provided to
5 the Commissions to ensure that (1) and (2) above are achieved.

6 ~~(4) Staff recommends that the Commission approve the procurement costs~~
7 ~~for the PPA, but Staff believes that the Commission should be aware that this~~
8 ~~approval is based on a levelized evaluation of the PPA and the currently~~
9 ~~established RCT, and that in future years, specifically beyond 2016, the~~
10 ~~contracted costs (estimated payments for capacity and energy) would exceed the~~
11 ~~currently established RCT.~~

12
13 **Q. What is the basis for Staff's recommendations regarding the [Biomass](#)**
14 **[Project and PPA and the levelized methodology for meeting the RCT?](#)**

15 **A.** With respect to (1) above, Staff's research regarding the Center For Resource
16 Solutions ("CRS") Green-E National Standards regarding green certification for
17 facilities has found that at a minimum this type of certification requires that
18 facilities subject to NSR must be in compliance with all state and/or federal
19 laws/rules regarding emissions. (See Section II.C. of CRS's National Standards
20 attached as Staff Exhibit_(PEL_5))

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1 With respect to (2) and (3) above, Staff has a concern regarding changes to a
2 facility's technologies or fuel stock over time. Staff believes that the PPA does
3 not contain language sufficient to track changes to the facility that may impact
4 RPS eligibility (such as conversion technologies, BFB or other) for the duration of
5 the PPA. The PPA contain contains language only with respect to the fuel stock
6 not the specific low emissions technology.

7 Staff believes that tracking of such facility changes is important and relevant, as
8 the facility could be compliant with its air permits through NMED approved
9 changes or revisions, but not meet the low emissions criterion of the Act and
10 Rule 572.

11 ~~With respect to (4) above, Staff's believes that in the absence of clear direction of~~
12 ~~an appropriate methodology for determining compliance with the RCT, the~~
13 ~~levelized methodology~~ [as proposed by PNM](#) is a reasonable approach. ~~the~~ [It is](#)
14 [Staff's understanding that the](#) Order in NMPRC Case No. 04-00253-UT, did not
15 specify a particular approach or methodology for determining compliance with the
16 RCT [and that the Act states the Commission "In establishing and modifying the](#)
17 [reasonable cost threshold, the commission shall take into account:...the overall](#)
18 [diversity, reliability, availability, dispatch flexibility, cost per kilowatt-hour and life](#)
19 [cycle cost on a net present value basis of renewable energy resources available](#)
20 [from suppliers"](#) (NMSA 1978 § 62-16-4 (C)(4)).

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1 **Q. Does Staff's have any further recommendations regarding eligibility for**
2 **energy from future biomass [projects](#) PPAs or self-build options?**

3 A. Yes. Staff believes that it is reasonable to evaluate future biomass [projects](#) PPAs
4 on a case by case basis for eligibility, as was WWPP's Biomass Project,
5 however, Staff would support a clarification of eligible technologies and perhaps
6 emissions standards for specific pollutants that would provide an efficient and
7 streamlined process for evaluation of such facilities on a going forward basis.

8 Staff believes that such a clarification could be accomplished by the Commission
9 adopting as a requirement that the energy acquired by utilities under PPA's for
10 RPS compliance be certified by Green-E. The CRS Green-E standards, has
11 established regional emission rate standards for biomass resources for tradable
12 RECs and competitive programs for the New England, Mid-Atlantic States and
13 New York. (See page 4 of CRS Green-E Nation Standards for Tradable
14 Renewable Certificates and page 4, lines 6-29, of CRS's Green-E Competitive
15 Electricity Standard, attached as Staff Exhibit_(PEL_6)). This type of certification
16 could provide the necessary tracking for eligibility issues for biomass resources.

17 Establishing or adopting an explicit standard (such as an eligible technology list)
18 for low emissions biomass technologies and perhaps an emission rate standard
19 for specified pollutants (as contained in the CRS Green-E Standards) would be in
20 the public's interest and in the interest of an effective application of the Act and
21 Rule 572 for several reasons:

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1 (1) Public awareness of the nature of biomass combustion emissions
2 relative to zero emissions technologies such as wind and solar;

3 (2) Proper and efficient evaluation and screening of different biomass
4 facilities with different technologies; and

5 (3) While eligible fuel stocks are identified to some extent in the Act and
6 Rule 572, an emissions standard would provide a consistent approach to
7 evaluating and allowing different fuel stocks and their compliance with the low
8 emissions criterion.

9 (4) A third party audit and certification would ensure that changes to the
10 facility that might impact its low emissions status are tracked over time and would
11 provide additional benefits of an independent audit.

12
13 **Q. What is PNM's imputed debt argument as it relates to the WWPP biomass**
14 **project PPA?**

15 A. PNM is proposing that its equity structure be adjusted to reflect PNM's stated
16 addition of "imputed debt" as a result of entering into a ~~its~~ biomass PPA with
17 WWPP. PNM argues that because the proposed ~~its~~ PPA with WWPP contains
18 capacity payments, that this portion of the agreement constitutes imputed debt
19 and therefore PNM is proposing to the Commission that it receive a return on
20 imputed equity equal to 50% of the imputed debt.

21

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1 **Q. Please state Staff's position regarding PNM's imputed debt argument**
2 **related to its biomass PPA with WWPP.**

3 A. Staff believes that PNM's argument and request for an adjustment should be
4 addressed in PNM's future rate case proceedings and not within the scope of
5 PNM's 2007 Plan.

6
7 **Q. What is PNM proposing with respect to its Small PV program as approved**
8 **by the Commission in the Final Order On Recommended Decision NMPRC**
9 **Case No. 05-00356?**

10 A. PNM is proposing to remove the annual subscription cap for its Small PV
11 program. In the Direct Testimony of PNM's Mr. Patrick Scharff, Mr. Scharff states
12 that subscription rates by new customers interconnecting small PV systems has
13 been "significantly above projected levels" (Direct, Scharff, p.3, l.9) and that the
14 annual limitation should be removed to allow PNM to determine a "normal"
15 annual rate of demand. (Direct, Scharff, p.4, l.7)

16 Mr. Scharff also states that PNM is proposing to keep the total number of
17 systems limited as PNM is not proposing a change to the total budget. (Direct,
18 Scharff, p.4, l.9) Mr. Scharff goes on to argue that such an annual limitation and
19 waiting list would "confuse" customers about the availability of the program and
20 create a disincentive to participate in the program.

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1 **Q. What is Staff's position and recommendation regarding PNM's proposal to**
2 **eliminate the annual subscription cap for its Small PV Program?**

3 A. Staff could potentially support a temporary variance to the annual limit of
4 participants to "smooth" the process of subscribing over time and allow for more
5 data collection, as Staff is aware that the program is new and a waiting list may
6 not be well taken by potential participants that have expended resources for
7 installations and planning of systems. Furthermore, Staff understands that PNM
8 is not requesting a change to the amount of marketing and education approved in
9 the Final Order in NMPRC Case No. 05-00356-UT, nor the removal of the limit of
10 total participants.

11 However, Mr. Scharff's testimony states that as of July 31, 2006, existing system
12 participants (30 customers) represent 49kW and new system participants (52
13 customers) for a total of 148 kW are currently in the program (Direct, Scharff, p.5,
14 ll.9-13) and that participating systems have not yet exceeded 171 kW for both
15 new and existing systems for 2006 (Direct, Scharff, p.8, ll.5-6).

16 Staff believes its support for a temporary variance, would be contingent upon the
17 following:

18 (1) PNM should quantify its 2006 actual demand for participation above the limit
19 for new systems and provide evidence of any waiting list(s) to date for 2006.

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1 (2) PNM should provide its subscription data for the calendar year 2006 and a
2 revised estimate of when the program will reach its maximum total
3 participation for the 12 year program in its 2008 Plan to be filed in 2007.
4

5 **Q. Please summarize Staff's conclusions and recommendations regarding**
6 **PNM's 2007 Plan and 2005 Report.**

7 A. Staff's conclusions and recommendations are summarized as follows:

8 (1) Staff believes that PNM has met the reporting requirements of
9 17.9.572.16 NMAC and 17.9.572.17 NMAC for its 2007 Plan and 2005 Report;

10 ~~(2) Staff believes the procurement costs associated with the PPA meet both~~
11 ~~prongs of the RCT, are reasonable and recoverable through rates established in~~
12 ~~PNM's future rate proceedings and the Commission should approve the~~
13 ~~procurement costs, with consideration of Staff's recommendations regarding the~~
14 ~~use of a levelized methodology to meet the RCT.~~

15 (3) Staff believes that the underlying technology of the Biomass PPA
16 (BFB) meets the definition of a low emissions generating technology;

17 (4) Staff believes that PNM has demonstrated it will be able to procure
18 renewable energy as required by the Act for the calendar year 2007~~8~~ (and by
19 [Rule 572](#) for the calendar year 200~~87~~) to meet its RPS obligations;

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1 (54) Staff would support clarification of eligible technologies and perhaps
2 emissions standards for specific pollutants to provide an efficient and streamlined
3 process for future evaluation of biomass technologies;

4 (65) Staff recommends that the Commission ~~consider~~ approving PNM's
5 2007 Plan ~~and its PPA with WWPP, with the above considerations.~~

6
7 **Q. Please summarize Staff's conclusions and recommendations regarding the**
8 **imputed debt issue included in PNM's 2007 Plan and 2005 Report filing.**

9 A. Staff believes that PNM's argument and request for an equity adjustment
10 regarding PNM's proposal for imputed debt, as a result of the proposed biomass
11 PPA, should be addressed in PNM's future rate case proceedings and not within
12 the scope of PNM's 2007 Plan.

13
14 **Q. Please summarize Staff's conclusions and recommendations regarding**
15 **PNM's request to remove the annual limit on participants in PNM's Small**
16 **PV Program.**

17 A. Staff believes it could support a temporary variance to remove the annual
18 participant limit for PNM's Commission approved Small PV Program, however
19 this support would be contingent upon receiving evidence of need and future
20 reporting of data for the program as identified previously in this testimony.

21

**NMPRC CASE No. 06-00340-UT
AMMENDED PREPARED DIRECT TESTIMONY OF
PAUL E. LEONIS**

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

2 **A.** Yes.