

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**PUBLIC SERVICE COMPANY OF NEW MEXICO'S)
NOTICE OF FILING OF "RENEWABLE ENERGY)
PROCUREMENT PLAN FOR 2006")
_____)**

Case No. 05-00356-UT

REBUTTAL TESTIMONY

OF

PATRICK K. SCHARFF

**PUBLIC SERVICE COMPANY OF NEW MEXICO
REBUTTAL TESTIMONY OF PATRICK K. SCHARFF
NMPRC UTILITY CASE NO. 05-00356-UT**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.**

2 **A.** My name is Patrick K. Scharff. My address is Public Service Company of New Mexico
3 ("PNM"), 4201 Edith Blvd. NE, Albuquerque, New Mexico 87107. I am the Manager of
4 Distribution Planning and Distributed Resources at PNM.

5

6 **Q. HAVE YOU PREVIOUSLY FILED DIRECT TESTIMONY IN THIS CASE?**

7 **A.** Yes. On September 1, 2005, I filed Direct Testimony in support of the Small PV
8 Program proposed in PNM's Renewable Energy Portfolio Procurement Plan for 2006
9 ("2006 Plan").

10

11 **Q. PLEASE STATE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.**

12 **A.** The purpose of my rebuttal testimony is to respond to issues relevant to PNM's proposed
13 Small PV Program. I address the recommendation of Mr. James Brack, witness for the
14 Staff of the New Mexico Public Regulation Commission ("Commission" or "NMPRC"),
15 that the Commission withhold its approval of PNM's proposed Small PV Program until a
16 final determination is made in Case 05-00352-UT. My rebuttal testimony also addresses
17 several recommendations made by Mr. Benjamin Luce, witness for the Coalition for
18 Clean Affordable Energy ("CCA"), concerning proposed modifications to PNM's
19 proposed Small PV Program. My rebuttal testimony does not address the many other
20 factual assertions and proposals made by Mr. Luce that are not necessary for the
21 Commission to consider in order to determine whether to approve the Small PV Program.

22

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1 **Q. MR. BRACK STATES THAT PNM’S PROPOSED SMALL PV PROGRAM MAY**
2 **BE IMPACTED BY THE COMMISSION'S FINAL DETERMINATION IN CASE**
3 **NO. 05-00352-UT. DOES PNM AGREE?**

4 **A.** No. PNM does not believe that its proposed Small PV Program will be impacted by the
5 Commission's final determination in Case No. 05-00352-UT because the PV systems that
6 will be eligible to participate in the Small PV Program are only those PV systems
7 covered by Rule 571. PNM’s Petition for Declaratory Order in Case No. 05-00352-UT,
8 filed on August 31, 2005, concerns PV systems larger than 10 kW that are only covered
9 by Title 17.9.570 NMAC ("Rule 570").

10

11 Under the provisions of Rule 571.11(C), if the electricity generated by a PV system that
12 is 10 kW or smaller during a billing period exceeds the electricity supplied to the
13 customer, PNM has the option of either purchasing the net excess energy from the
14 Qualifying Facility (“QF”) or simply providing a kilowatt-hour (“kWh”) credit for the net
15 excess energy which is carried forward from month to month. For all its customers
16 covered by Rule 571, PNM does not pay for excess energy supplied to PNM at the end of
17 each billing period, but applies a credit that is carried forward from month to month in
18 accordance with the procedure in Rule 571.11.C(2). Pursuant to Rule 571.11(D), the
19 customer is only paid for excess energy supplied to PNM when the customer leaves the
20 system, if there is a net excess at that time. Consequently, PNM does not purchase
21 energy from QFs covered by Rule 571 during the term of the net metering contract.
22 However, under Rule 570, utilities must purchase the net energy exported from QFs that
23 are not 10 kW or smaller at avoided cost.

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New Mexico statute at §§ 62-16-1 through 62-16-10 NMSA 1978 (Repl. Pamp. 2004) ("the Renewable Energy Act" or "REA") and Title 17.9.572 NMAC ("Rule 572") provides that renewable energy certificates ("RECs") generated by a QF are owned "by the public utility purchaser of the renewable energy unless retained by the generator through specific agreement" § 62-16-5(B)(1) NMSA; 17.9.572.13(B)(1) NMAC. PNM's Petition for Declaratory Order in Case No. 05-00352-UT requests the Commission to issue an order declaring (1) that PNM has discretion to determine whether to acquire RECs from QFs from which it purchases renewable energy under NMPRC Rule 570, and (2) that it is reasonable and prudent for PNM to pay value for RECs, whether or not acquired with the associated energy. Since, under Rule 571, PNM does not purchase the excess energy generated by the 10 kW or smaller QFs eligible to participate in PNM's proposed Small PV Program, the REC ownership provision applicable to purchases of renewable energy from QFs in § 62-16-5(B)(1) NMSA 1978 does not come into play and the Commission's final determination in Case No. 05-00352-UT will not impact the Program. Therefore, PNM does not believe that it is necessary for the Commission to delay its approval of the proposed Small PV Program until the determination in Case No. 05-00352-UT has been made.

Q. DOES PNM AGREE WITH CCAE WITNESS LUCE, PAGE 8, LINE 13, THAT THE VALUE OF DISTRIBUTED, ON-PEAK, GRID-TIED PHOTOVOLTAICS IS VERY SITE SPECIFIC?

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1 **A.** Yes. Although PNM has not identified any specific location on its system where
2 distributed photovoltaics might possibly have values as high as those quoted in Mr.
3 Luce’s testimony, PNM agrees that the total value of any distributed resource is very
4 specific to the resource location and specific technical circumstances concerning its
5 deployment.

6
7 **Q.** **DOES PNM AGREE WITH CCAE’S PROPOSED MODIFICATIONS TO PNM’S**
8 **PROPOSED PV PROGRAM?**

9 **A.** No. PNM does not agree with any of CCAE’s proposed modifications.

10
11 **Q.** **PLEASE EXPLAIN WHY PNM DISAGREES WITH CCAE’S PROPOSAL TO**
12 **PAY MORE FOR EACH REC BY SHORTENING THE DURATION OF THE**
13 **PROGRAM.**

14 **A.** CCAЕ proposes that by shortening the initial term of the program, PNM could pay 13.2
15 cents per REC instead of the proposed 11 cents per REC. PNM disagrees with this
16 proposal because shortening the initial 12 year program to 10 years would require
17 program fixed costs to be spread over a fewer total number of RECs, which would
18 increase the cost per REC. To keep total program costs to less than the 15 cents per kWh
19 required by the Renewable Cost Threshold ("RCT") set by the Commission in Case No.
20 04-00253-UT, PNM would have to pay less per REC, not more, during a ten year
21 program.

22

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1 **Q. DOES PNM AGREE WITH CCAE’S ASSERTION THAT CUSTOMER**
2 **INFORMATION SYSTEM AND CUSTOMER EDUCATION COSTS SHOULD**
3 **NOT BE INCLUDED IN THE COST PER KWH CALCULATION FOR**
4 **COMPLIANCE WITH THE RCT?**

5 **A.** No. It is PNM’s understanding of the Renewable Energy Act, Rule 572 and the
6 Commission's order adopting the RCT that all incremental costs of acquiring a renewable
7 resource are included when determining if the cost of the renewable energy resource
8 complies with the RCT. The program information, customer education and CIS
9 modification costs are required for the Small PV Program to succeed and would not be
10 incurred but for the proposed PV program.

11
12 However, if the Commission determines that such incremental program costs should not
13 be included in the calculating the REC costs for purposes of RCT compliance, these
14 incremental program costs should still receive the same regulatory asset treatment as the
15 direct costs of purchasing RECs in order to ensure that PNM recovers all reasonable costs
16 of complying with the renewable portfolio standard as required by § 62-16-4(A)(3)
17 NMSA and Rule 572(12).

18
19 **Q. DOES PNM AGREE WITH CCAE’S SUGGESTION THAT PNM’S PROPOSED**
20 **SMALL PV PROGRAM “...SIMPLY ACCEPT ALL COMERS FOR THE**
21 **PROPOSED DURATION OF THE 12 YEAR PROGRAM....”?**

22 **A.** No. Without an annual budgeted amount for REC purchases under the Small PV
23 Program, PNM would not be able to calculate the total amount of its expenditures for

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1 renewable resources in order to determine whether the RCT requirements regarding the
2 impact on overall customer rates is satisfied. In addition, the REA and Rule 572 require
3 PNM to file annual renewable energy portfolio procurement plans and to obtain
4 Commission approval for specified costs for acquisition of renewable resources. CCAE's
5 proposed modification appears to call for an open-ended level of expenditures for RECs
6 from small PV systems. PNM estimates, however, that its proposed budget will
7 accommodate all likely annual participants. If the number of applicants consistently
8 exceeds PNM's proposed annual budgets during the first years of the Small PV Program,
9 it could be the result of the REC purchase price being higher than necessary to achieve
10 the Program's goals or a greater market than estimated. If the annual number of
11 applicants consistently exceeds the proposed budget, the Program could be modified in a
12 future Renewable Energy Portfolio Procurement Plan filing to either increase the annual
13 budget or to reduce the amount paid per REC.

14
15 **Q. CCAE'S TESTIMONY REFERS TO THE "PROPOSED 12-YEAR DURATION**
16 **OF THE PROGRAM." DOES PNM INTEND TO TERMINATE THE SMALL PV**
17 **PROGRAM AFTER THE INITIAL 12 YEAR PERIOD?**

18 **A.** PNM has not determined if the proposed Small PV program should be terminated after
19 the twelfth year. As stated in my Direct Testimony, PNM considers its proposed PV
20 program to be the initial stage of a much longer-term sustainable program. During its
21 seventh year PNM will assess whether to continue the Small PV program beyond the
22 twelfth year and will file a recommendation concerning continuation of the program
23 beyond the twelfth year in its 2012 Renewable Energy Procurement Plan filing.

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1 Although PNM is asking for approval to initially implement the program for 12 years at
2 11 cents per REC plus program costs, the contracts with individual customers will be on a
3 year-to-year basis.

4
5 **Q. DOES PNM AGREE WITH THE ASSERTION IN MR. LUCE’S TESTIMONY AT**
6 **PAGE 15, LINE 14, THAT THE LEVEL OF THE “...TOTAL INCENTIVE PER**
7 **CUSTOMER DECREASES LINEARLY TO ZERO OVER THE LIFETIME OF**
8 **THE PROGRAM...”?**

9 **A.** No. Although a participant who enters the program during the twelfth year of the
10 proposed PV program will obviously receive less in total REC payments than a customer
11 that enters the program during the first year, the total value of the REC payments in the
12 twelfth year will not be zero. If the proposed PV program is extended beyond 12 years
13 the later participants will have the same opportunity for future REC payments as early
14 participants.

15
16 **Q. DOES PNM AGREE WITH CCAE’S SUGGESTION THAT ADVERTISING**
17 **COSTS BE LIMITED TO \$50,000?**

18 **A.** No. In PNM’s experience \$350,000 for program information and consumer education
19 materials over a 12-year period is very low cost marketing. PNM will be able to provide
20 necessary program information and educational materials at such a low cost by taking
21 advantage of PNM’s existing customer communication channels as well as by developing
22 new collateral materials such as brochures, video clips and solar calculators. Although
23 industry participants may provide potential customers with information regarding PV

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1 systems that they are marketing, they should not be customers' sole or main source for
2 information about the PV Program itself.

3
4 **Q. CCAE, AT PAGE 14 LINES 18-22 OF MR. LUCE'S TESTIMONY, SUGGESTS**
5 **THAT COSTS TO MODIFY PNM'S CUSTOMER INFORMATION SYSTEM**
6 **("CIS") ARE NOT CURRENTLY WARRANTED. PLEASE EXPLAIN WHY**
7 **PNM HAS INCLUDED FUNDING FOR CHANGES IN ITS CIS IN THE COSTS**
8 **FOR THE SMALL PV PROGRAM.**

9 **A.** My Direct Testimony, at pages 10-11, explains that PNM's existing CIS and billing
10 systems are not currently able to utilize the kWh data from the REC meter to calculate the
11 dollar amount to be credited to a net metering customer each billing period. The CIS and
12 billing systems are also not able to either generate a refund to the customer for the total
13 amount, if the REC purchase balance is greater than \$20.00, or to track the balance that
14 will be credited to the following month's bill, if the balance is less than \$20. Also,
15 neither system is currently capable of generating the necessary invoices that will be sent
16 to customers to document REC sales. Simply stated, changes to the CIS are essential for
17 PNM to undertake a sustainable PV program.

18
19 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

20 **A.** Yes.

21
22 GCG #82875