

**CASE NO. 05-00352-UT
PREPARED DIRECT TESTIMONY
OF R. PRASAD POTTURI**

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

2 A. My name is R. Prasad Potturi. My address is the New Mexico
3 Public Regulation Commission ("Commission" or "NMPRC"),
4 Marian Hall, 224 E. Palace Avenue, Santa Fe, New Mexico
5 87501.

6

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

8 A. I am the Electrical Engineering Bureau Chief in the Utility Division.

9

10 **Q. Please describe your educational background and**
11 **experience.**

12 A. I received my Master of Business Administration in 1985; my
13 Master of Science in Electrical Engineering in 1976; and my
14 Bachelor of Electrical Engineering degree in 1968. I have been
15 employed by the Commission for over 23 years, most of the time
16 as Electrical Engineering Manager. Prior to that I worked for
17 electric utilities for the most part as engineering manager for 13
18 years in the areas of system planning, power plant operation and
19 coal fired power plant design. I am a registered professional
20 engineer in the State of New Mexico (Certificate No. 6568), a
21 member of the Institute of Electrical & Electronics Engineers

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1 (IEEE) and a member of the National Society of Professional
2 Engineers.

3

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

5 A. Yes, Appendix A shows the cases in which I have furnished
6 testimony.

7

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

9 A. The purpose of my testimony is to present Utility Division Staff's
10 (Staff) recommendations in this case.

11

12 **Q. Please provide Staff's recommendation on Issue #1
13 contained in the Hearing Examiner's (HE) Notice in this case.**

14 A. Issue #1 in the Notice reads: "Whether a public utility has
15 discretion to acquire, or not to acquire, RECs from a QF from
16 which it purchases renewable energy under NMPRC Rule
17 17.9.570 NMAC".

18 Staff believes that 62-16-5 (B) (1) (a)2 NMSA 1978 of the
19 Renewable Energy Act (REA) gives public utilities this discretion.
20 This discretion should be exercised in a prudent manner. This
21 can ensure that certificates from QFs are acquired by a public

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1 utility only to meet its Renewable Portfolio Standard (RPS)
2 obligation. If the public utility exercises its discretion under the
3 REA not to acquire RECs when it buys QF energy, as required by
4 federal law, the price to be paid should be avoided cost calculated
5 pursuant to NMPRC Rule 17.9.570.11, subsections A-D. If a
6 public utility exercises its discretion to acquire RECs along with
7 the QF energy, then the price paid for the combination should be
8 less than or equal to the Reasonable Cost Threshold (RCT)
9 established by the Commission in its latest RCT docket. Today,
10 RCT values are as contained in the Commission's Final Order
11 dated December 14, 2004, in NMPRC Case No. 04-00253-UT.

12
13 **Q. Please address Issue #2.**

14 **A.** Issue #2 reads: "Whether it is reasonable and prudent for a
15 public utility to pay value for RECs, whether or not acquired with
16 the associated energy".

17 Staff believes that pursuant to the provisions of 62-16-5-(B) (1) b
18 of the REA, it is reasonable and prudent for a public utility to pay
19 value for RECs purchased to satisfy its RPS requirements, even
20 if it does not buy the associated energy, if it satisfies the following
21 requirements:

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- 1 (1) It should be the least cost option for the public utility;
- 2 (2) The associated energy must meet the requirements of
- 3 62-16-3 (E); 62-16-4-(A) (1) and 2; and, 62-16-5 (B) (1)
- 4 (b) and (c) of the REA. Together, these statutory
- 5 provisions require that the associated energy be
- 6 delivered in New Mexico (unless the Commission
- 7 determines that there is a regional market for
- 8 exchanging RECs) and sold to retail customers of public
- 9 utilities in New Mexico.

10 If a public utility buys RECs with the associated energy, then

11 the price paid for RECs plus energy must be reasonable,

12 prudent and should be less than or equal to the RCT set by

13 the Commission.

14

15 **Q. Please address Issue #3.**

16 A. Issue # 3 reads: "Whether renewable energy consumed on-site

17 by a QF is energy energy "contracted for delivery" and thus

18 usable to meet a utility's renewable portfolio standard".

19 62-16-5 (B) (1) (b) provides, "...transfers and use of the certificate

20 by a public utility for compliance with the renewable energy

21 portfolio standard shall require the electric energy represented by

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1 the certificate to be contracted for delivery in New Mexico unless
2 the Commission determines that there is a regional market for
3 exchanging renewable energy certificates”.

4 Staff reads the question to mean whether renewable energy
5 consumed on-site by a QF in New Mexico could result in RECs
6 that could be used to satisfy a public utility’s RPS requirements.

7 62-16-3 (E) defines RPS to mean “the percentage of retail sales
8 by a public utility to electric consumers in New Mexico that is
9 required by Renewable Energy Act to be supplied by renewable
10 energy”.

11 One could argue that if a QF consumes all the renewable energy
12 generated, then no energy is delivered in New Mexico and there
13 is no retail sale by the public utility, so no RECs are generated.

14 Keeping in view that both the Legislature and the NMPRC
15 encourage renewable energy generation, while protecting retail
16 ratepayers excessive cost imports, Staff recommends that RECs
17 can be recognized if the utility and the QF enter into a
18 simultaneous buy-sell agreement providing for the RECs to be
19 transferred to the public utility. In this arrangement, the QF sells
20 the entire output to the utility which simultaneously sells the same
21 quantity of energy to the QF. The QF can then be paid for the