

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF PUBLIC SERVICE)
COMPANY OF NEW MEXICO'S)
CONSOLIDATED APPLICATION FOR)
APPROVALS FOR THE ABANDONMENT,)
FINANCING, AND RESOURCE REPLACEMENT)
FOR SAN JUAN GENERATING STATION)
PURSUANT TO THE ENERGY TRANSITION ACT)**

Case No. 19-00195-UT

REBUTTAL TESTIMONY

OF

MICHAEL J. SETTLAGE

January 13, 2020

**REBUTTAL TESTIMONY
OF MICHAEL J. SETTLAGE
NMPRC CASE NO. 19-00195-UT**

1 **Q. PLEASE STATE YOUR NAME AND POSITION.**

2 **A.** My name is Michael J. Settlage. I am a Principal Pricing Analyst for Public
3 Service Company of New Mexico (“PNM” or “Company”).

4

5 **Q. ARE YOU THE SAME MICHAEL J. SETTLAGE THAT SUBMITTED**
6 **DIRECT TESTIMONY ON JULY 1, 2019?**

7 **A.** Yes.

8

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
10 **PROCEEDING?**

11 **A.** I respond to the direct testimony submitted by New Mexico Affordable Reliable
12 Energy Alliance (“NM AREA”) witness James R. Dauphinais. Specifically, I
13 address Mr. Dauphinais’ recommendations regarding PNM Rider No. 8,
14 Incremental Interruptible Power Rate (“IIPR”), and recovery of purchased power
15 agreement (“PPA”) and energy storage agreement (“ESA”) costs through a
16 demand charge allocation in the fuel and purchased power cost adjustment clause
17 (“FPPCAC”).

18

19 **Q. IS ANOTHER PNM WITNESS SUBMITTING REBUTTAL TESTIMONY**
20 **IN RESPONSE TO MR. DAUPHINAIS’ DIRECT TESTIMONY?**

21 **A.** Yes. PNM Witness Nicholas Phillips is submitting rebuttal testimony that
22 responds to Mr. Dauphinais’ testimony on PNM Scenario 1 as well as Mr.

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1 Dauphinais’ testimony on the use of the IIPR in resource planning. I am
2 addressing the IIPR only to explain that the New Mexico Public Regulation
3 Commission (“Commission”) has already established a procedure for addressing
4 the rider in PNM’s next general rate case. The Commission should not amend
5 that procedure here as NM AREA recommends.

6

7 **Q. DO YOU HAVE A GENERAL OBSERVATION REGARDING MR.**
8 **DAUPHINAIS’ DIRECT TESTIMONY?**

9 **A.** Yes. NM AREA is attempting to inject issues that are unrelated to PNM’s
10 Consolidated Application – IIPR and recovery of demand-related PPA costs –
11 into this case. NM AREA is free to raise these issues and advocate its positions
12 on them in an appropriate future general rate or rulemaking case. It would be
13 premature for the Commission to issue an order on NM AREA’s proposed general
14 ratemaking issues here when they were not raised in the Consolidated Application
15 and were not included in the public notice published for the case.

16

17 **Q. WHAT PROCEDURE HAS THE COMMISSION APPROVED**
18 **REGARDING IIPR?**

19 **A.** In PNM’s 2015 general rate case, Case No. 15-00261-UT, the Commission put
20 the parties and Staff on notice that it would consider in PNM’s next general rate
21 case whether the IIPR should be discontinued in light of the facts that PNM made
22 no interruptions under the rider rate in 2014 or 2015 and had projected it would
23 not make any interruptions under the rider rate in the future test period year of

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1 2017.¹ In PNM's most recent general rate case, Case No. 16-00276-UT, the
2 Commission approved a stipulation that maintained the IIPR rider, but required
3 that prior to July 1, 2019:

4 PNM and its IIPR customers will meet to discuss the concerns set
5 forth by the Commission in the Final Order in Case No. 15-00261-
6 UT with respect to the IIPR, and will jointly propose any changes
7 required to address the Commission's concerns in PNM's next
8 general rate case. If after making a good faith effort to resolve their
9 differences, PNM and the IIPR customers are unable to agree on a
10 joint proposal to present in the next PNM rate case, each party
11 reserves its rights to make separate proposals to the Commission.²

12
13 **Q. WHAT IS NM AREA RECOMMENDING IN THIS CASE?**

14 **A.** Rather than following the approved agreement, NM AREA recommends that the
15 Commission, as a condition of approving PNM Scenario 1, order PNM to file
16 testimony in its next general rate case in support of reforming and expanding the
17 IIPR. NM AREA also recommends that PNM be required to file a report in its
18 next general rate case describing the IIPR reforms, PNM's work with customers
19 regarding the IIPR, and how the IIPR will be used in resource planning.³

20
21 **Q. DOES PNM AGREE WITH NM AREA'S RECOMMENDATIONS?**

22 **A.** No. NM AREA represents a portion of the PNM customers that participate in the
23 IIPR and was a signatory to the stipulation approved in Case No. 16-00276-UT.
24 PNM has been working with NM AREA as required by the stipulation, but the

¹ Corrected Recommended Decision at 209.

² Modified Revised Stipulation in Compliance with and Conforming to Commission's Orders Granting Conditional Approval at ¶ 17.

³ Dauphinais Direct at 16.

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1 parties have not agreed to a joint proposal. NM AREA's recommendation is
2 contrary to the Commission's final order approving ¶ 17 of the Modified Revised
3 Stipulation in Case No. 16-00276-UT because it would require PNM to support
4 NM AREA's current position on the IIPR before the parties have completed their
5 good faith efforts to resolve their differences. The recommendation is also
6 contrary to the approved stipulation's provision that expressly reserves PNM's
7 right to make a separate proposal regarding IIPR issues in the next rate review
8 filing.

9
10 **Q. SHOULD THE COMMISSION MAKE ANY DETERMINATIONS**
11 **REGARDING IIPR IN THIS CASE?**

12 **A.** No. The IIPR should be addressed in a general rate case, as the signatories agreed
13 and the Commission approved in Case No. 16-00276-UT. NM AREA has not
14 provided a reasonable basis for departing from the procedure established in that
15 case. Further, NM AREA's recommendation does not permit the Commission to
16 examine public interest considerations regarding the need for or appropriateness
17 of continuing the IIPR. No agreement has been reached between NM AREA and
18 PNM on whether the IIPR should be continued; nor has PNM been given time to
19 consider whether an expanded IIPR, as NM AREA proposes, would be in
20 customers' and PNM's interest. The Commission should reject NM AREA's
21 premature recommendations regarding the IIPR.

22

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1 **Q. DOES PNM AGREE WITH NM AREA’S RECOMMENDATION THAT**
2 **CAPACITY CHARGES UNDER THE ARROYO AND JICARILLA**
3 **ENERGY STORAGE AGREEMENTS BE RECOVERED ON A DEMAND**
4 **BASIS, USING THE LATEST COMMISSION-APPROVED**
5 **PRODUCTION COST ALLOCATOR SUCH THAT THEY ARE**
6 **ALLOCATED TO CUSTOMER CLASSES LARGELY IN THE SAME**
7 **MANNER THEY WILL BE ALLOCATED TO CUSTOMER CLASSES**
8 **ONCE THEIR COST RECOVERY IS MOVED TO BASE RATES?⁴**

9 **A.** No. Recovering ESA capacity charges on a demand basis is inconsistent with
10 how PNM recovers costs through its fuel and purchased power cost adjustment
11 clause (“FPPCAC”), on a per kWh basis. The Commission’s FPPCAC Rule, at
12 17.9.551.9 NMAC, specifically provides that a utility may recover capacity costs
13 through its FPPCAC with Commission approval. NM AREA has not proposed a
14 mechanism for recovery of the capacity charges that would be consistent with
15 PNM’s FPPCAC.

16
17 **Q. IS PNM PROPOSING TO RECOVER THE CAPACITY CHARGES**
18 **THROUGH THE FPPCAC FOR THE LIFE OF THE ESAS?**

19 **A.** No. As described in PNM Witness Henry Monroy’s Direct Testimony, at page
20 62, PNM is proposing to flow the capacity charges under the ESAs through the
21 FPPCAC only until PNM reflects the abandonment of the San Juan Generating

⁴ Dauphinais Direct at 18.

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1 Station in its base rates. At that time, PNM proposes that the capacity charges
2 could be recovered through base rates. The appropriate proceeding to address
3 class cost allocation and rate design issues is during a general rate case when base
4 rates are developed.

5
6 **Q. DOES PNM AGREE WITH NM AREA'S ASSERTION THAT**
7 **RECOVERY OF DEMAND-RELATED PPA COSTS IN GENERAL**
8 **SHOULD BE ADDRESSED IN PNM'S NEXT GENERAL RATE CASE?⁵**

9 **A.** No. The Commission should not require parties to address general PPA cost
10 recovery issues in a future proceeding. As with the IPPR issue, NM AREA's
11 general ratemaking proposals are unrelated to the requested approvals in PNM's
12 Consolidated Application and would be contrary to the ratemaking treatment the
13 Commission has already approved for PNM's existing PPAs and Rule 17.9.551
14 NMAC, which allows for the ratemaking treatment that applies to the two PPAs
15 PNM is seeking approval of here. As Mr. Dauphinais acknowledges, recovery of
16 demand-related PPA costs through a demand charge rather than the FPPCAC or
17 renewable rider may require an amendment to 17.9.550 NMAC, or the
18 development of an entirely new renewable rate adjustment mechanism through a
19 general ratemaking proceeding. NM AREA is free to raise such broad issues on
20 its own in a future general rate case or rulemaking petition.

21

⁵ Dauphinais Direct at 19.

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

2 **A. Yes, it does.**

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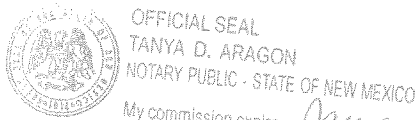
3

SIGNED this 20th day of December, 2019.



MICHAEL J. SETTLAGE

SUBSCRIBED AND SWORN to before me this 30th day of December, 2019.



My commission expires January 31, 2023



NOTARY PUBLIC IN AND FOR
THE STATE OF NEW MEXICO

My Commission Expires:

January 31, 2023