

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF PUBLIC SERVICE )  
COMPANY OF NEW MEXICO'S )  
ABANDONMENT OF SAN JUAN )  
GENERATING STATION UNITS 1 AND 4 )**

**Case No. 19-00018-UT**

**REBUTTAL TESTIMONY  
OF  
MICHAEL J. SETTLAGE**

**November 15, 2019**

**REBUTTAL TESTIMONY  
OF MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00018-UT**

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

2 **A.** My name is Michael J. Settlage. I am a Lead Pricing Analyst for Public Service  
3 Company of New Mexico ("PNM"). My business address is 414 Silver Avenue  
4 SW, Albuquerque, New Mexico 87102.

5

6 **Q. HAVE YOU FILED PRIOR TESTIMONY IN THIS PROCEEDING?**

7 **A.** Yes. I filed direct testimony in support of PNM's Consolidated Application on  
8 July 1, 2019.

9

10 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 **A.** The purpose of my testimony is to provide comments and background on PNM's  
12 proposed Energy Transition Act cost recovery. This rebuttal testimony is  
13 submitted in response to direct testimony filed by New Mexico Affordable  
14 Reliability Energy Alliance ("NM AREA") Witness James R. Dauphinais on  
15 October 18, 2019, to direct testimony filed by New Mexico Public Regulation  
16 Commission Utility Division Staff ("Staff") Witness Anthony R. Sisneros on  
17 October 18, 2019, and to direct testimony filed by Western Resource Advocates  
18 ("WRA") Witness Douglas J. Howe.

19

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1 **Q. DID YOU REVIEW THE DIRECT TESTIMONY OF STAFF WITNESS**  
2 **SISNEROS AND WRA WITNESS HOWE?**

3 **A.** Yes. On page 14 through page 16 of his direct testimony, Staff Witness Sisneros  
4 discusses the Energy Transition Charge types. On pages 6 and 7, WRA Witness  
5 Howe discusses Energy Transition Charges for Residential 1A customers.

6  
7 **Q. DOES STAFF RECOMMEND ADOPTION OF PNM'S PROPOSED**  
8 **CHARGE TYPES?**

9 **A.** Yes. On Page 14, lines 1-15, Staff Witness Sisneros recommends that if the  
10 Energy Transition Act is applicable, PNM's proposed charge types be approved.

11

12 **Q. BOTH STAFF WITNESS SISNEROS AND WRA WITNESS HOWE**  
13 **DISCUSS PNM'S PROPOSED CHARGE TYPE FOR RESIDENTIAL 1A**  
14 **CUSTOMERS. WHAT ARE THE ADVANTAGES OF A BLOCK**  
15 **CHARGE COMPARED TO A NON-BLOCK CHARGE?**

16 **A.** Residential 1A customers do not typically have demand metering, thus a demand  
17 based charge is not feasible. Some Residential 1A customers have distributed  
18 generation and have zero or negative consumption some months and would  
19 bypass consumption based charges in those months. PNM's proposed block  
20 customer charge balances simplicity and customer understanding with non by-  
21 passability and Energy Transition Charge recovery that increases with high  
22 monthly usage.

23

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1 **Q. STAFF WITNESS SISNEROS SUPPORTS PNM'S PROPOSED**  
2 **CUSTOMER BLOCK CHARGE. WRA WITNESS HOWE**  
3 **RECOMMENDS A SINGLE PER CUSTOMER CHARGE FOR**  
4 **RESIDENTIAL 1A CUSTOMERS. PLEASE COMPARE PNM'S**  
5 **PROPOSAL TO A SINGLE CUSTOMER CHARGE.**

6 **A.** While simpler, a single non-block customer-based charge where every customer  
7 would pay the same charge would not reflect any differences in usage within the  
8 customer class. A single non-block charge would be higher than the proposed  
9 first block charge and would result in higher cost for low usage customers.

10

11 **Q. WRA WITNESS HOWE STATES THAT THE PROPOSED BLOCK**  
12 **CHARGE IS A NEW TARIFF METHODOLOGY FOR PNM. HOW DOES**  
13 **PNM'S BLOCK CHARGE COMPARE TO THE RESIDENTIAL 1A**  
14 **TARIFF METHODOLOGY?**

15 **A.** PNM's Residential 1A customers have been served by a three-block system since  
16 Case No. 07-00077-UT became effective in 2008. The 450 kWh size blocks have  
17 been used since Case No. 10-00086-UT. PNM's proposed block charge uses the  
18 existing kWh block sizes, and with one step, is simpler than the Residential 1A  
19 rate structure that has two steps. PNM's proposed block charge follows the  
20 existing block structure to which Residential 1A customers are accustomed.

21

22 **Q. STAFF NOTES CONCERNS ABOUT THE AVAILIABILTY OF**  
23 **EXISTING COMMISSION AND STAFF RESOURCES TO REVIEW**

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1           **TRUE-UPS IN STAFF WITNESS SISNEROS TESTIMONY ON PAGE 19.**

2           **WHAT DOES PNM PROPOSE TO ADDRESS THESE CONCERNS?**

3    **A.**    Once the true-up process is established, the Energy Transition Charge true-up  
4           process will be similar to other periodic adjustments, such as the fuel clause.  
5           These reviews are formulaic in nature to ensure accurate mathematical  
6           calculations. To assist these reviews, PNM will provide the functional electronic  
7           work papers. Providing functional electronic workpapers allows Staff to easily  
8           check the formulas and calculations that support the revisions to the customer  
9           charges.

10  
11   **Q.    DID YOU REVIEW THE DIRECT TESTIMONY OF NM AREA**  
12           **WITNESS DAUPHINAIS WHO COMMENTS ON PNM'S PROPOSED**  
13           **RIDER TO RECOVER ENERGY TRANSITION ACT COSTS?**

14   **A.**    Yes. In his direct testimony on page 31 line 17 through page 32 line 2, he  
15           expresses a concern that PNM's proposal does not provide detail about how it will  
16           develop its forecast billing determinants.

17  
18   **Q.    HOW DO YOU RESPOND TO NM AREA WITNESS DAUPHINAIS'**  
19           **CONCERN ABOUT PNM'S ENERGY TRANSITION CHARGE**  
20           **PROPOSAL?**

21   **A.**    As described in my direct testimony on pages 16 through 25, PNM's proposed  
22           Energy Transition Charge recovery process uses the most recent approved  
23           production allocation methodology approved by the Commission to allocate the

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1 periodic revenue requirement for the charges, in accordance with Section 62-18-  
2 6(A) of the Energy Transition Act. Each time PNM updates the customer  
3 charges, PNM will use its most current forecast of customer class and rate  
4 schedule energy and customer counts. These are the same forecasts that PNM  
5 uses for other annual processes such as the Renewable Energy Rider 36 filing.  
6 The Energy Transition Charge is subject to adjustment every six months, which  
7 will account for over- or under-collections that result from differences between  
8 forecasted and actual usage over time. The use of the most current data in the  
9 adjustment process mitigates swings in charges and accommodates shifts in cost  
10 allocations between customer classes.

11  
12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 **A.** Yes, it does.

14  
*GCG#526359*

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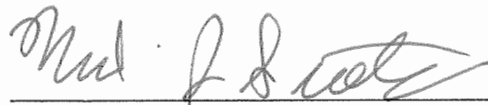
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**AFFIDAVIT**

STATE OF NEW MEXICO                    )  
  ) ss  
COUNTY OF BERNALILLO                )

**MICHAEL J. SETTLAGE, Lead Pricing Analyst with Public Service Company of New Mexico**, upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing **Rebuttal Testimony of Michael J. Settlage** and it is true and correct based on my personal knowledge and belief.

SIGNED this 14 day of November, 2019.



**MICHAEL J. SETTLAGE**

SUBSCRIBED AND SWORN to before me this 14<sup>th</sup> day of November, 2019.



NOTARY PUBLIC IN AND FOR  
THE STATE OF NEW MEXICO

My Commission Expires:

1.21.2020