

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF PUBLIC SERVICE)
COMPANY OF NEW MEXICO'S)
RENEWABLE ENERGY ACT PLAN)
FOR 2022 AND PROPOSED 2022 RIDER)
RATE UNDER RATE RIDER NO. 36,)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)
)
)
Applicant.)
_____)**

Case No. 21-00____-UT

DIRECT TESTIMONY

OF

HEIDI M. PITTS, Ph.D

June 1, 2021

ACRONYM / ABBREVIATION	DESCRIPTION
Commission or NMPRC	New Mexico Public Regulation Commission
kWh	kiloWatt hour
NM AREA	New Mexico Affordable Renewable Energy Alliance
PNM or Company	Public Service Company of New Mexico
Rider 36	Rider No. 36 Renewable Energy
REA	Renewable Energy Act
REC	Renewable Energy Certificate
RPS	Renewable Portfolio Standard

**DIRECT TESTIMONY OF
HEIDI M. PITTS, Ph.D
NMPRC CASE NO. 21-00____-UT**

1 **I. INTRODUCTION AND PURPOSE**

2 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

3 **A.** My name is Heidi M. Pitts. I serve as a Lead Pricing Analyst for Public Service
4 Company of New Mexico (“PNM”). My business address is 414 Silver SW,
5 Albuquerque, NM 87102.

6
7 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL
8 QUALIFICATIONS.**

9 **A.** I have a B.A. in Spanish from the University of Kansas as well as an M.A. and Ph.D.
10 in Economics from the University of New Mexico. My dissertation was written about
11 water utility issues. I began work at PNM since April of 2019 as a Senior Pricing
12 Analyst. In January 2021 I was promoted to Lead Pricing Analyst, where I am
13 responsible for providing rate design, pricing analysis, and marginal costing for PNM.
14 Prior to assuming my current responsibilities at PNM, I worked for five years as a Staff
15 Economist at the New Mexico Public Regulation Commission. A statement of my
16 professional qualifications is attached as PNM Exhibit HMP-1.

17
18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

19 **A.** My testimony addresses the following:

20 1. The development of the 2022 rate for the 20th Revised Rider No. 36 –
21 Renewable Energy Rider (“Rider 36”) of \$0.0083408/kWh. PNM proposes to

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1 implement this rider rate on January 1, 2022, pursuant to Advice Notice No.
2 579 filed concurrently herewith;

3 2. The bill impact of proposed 2022 Rider 36 rate on residential and small power
4 customers;

5

6 **Q. ARE YOU SPONSORING ANY EXHIBITS IN ADDITION TO PNM EXHIBIT**
7 **HMP-1?**

8 **A.** Yes, I am sponsoring the following additional exhibits:

- 9 • PNM Exhibit HMP-2: Derivation of the Rider 36 rate for calendar year 2022.
- 10 • PNM Exhibit HMP-3: Impacts of Rider 36 on Residential and Small Power
11 customers at various usage levels.
- 12 • PNM Exhibit HMP-4: PNM's 20th Revised Rider 36, which is attached for
13 convenient reference.

14

15 **II. DERIVATION OF THE PROPOSED 2022 RIDER 36 RATE**

16 **Q. WHAT DATA WERE USED IN DEVELOPING THE RIDER 36 RATE?**

17 **A.** The rate is derived from the projected 2022 revenue requirements from RPS resources
18 and projected sales in 2022. PNM witness Thomas S. Baker sponsors the estimated renewable
19 energy annual revenue requirement of \$66,901,332 to be recovered through Rider 36 (see
20 Exhibit TSB-2). The projected energy sales are from PNM's current load forecast. Energy
21 sales forecasts for the 2022 voluntary programs were provided by PNM witness Shane
22 Gutierrez.

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1 **Q. WHAT VOLUNTARY PROGRAMS DOES PNM OFFER?**

2 **A.** In 2022, PNM will have three voluntary programs: (i) Rider No. 30 – Renewable
3 Energy Program (PNM Sky Blue); (ii) Rate No. 36B – Special Service Rate-Renewable
4 Energy Resources; and (iii) Rider No. 50 – Voluntary Solar Renewable Energy
5 Program-PNM Solar Direct for Governmental and Large Commercial Customers
6 (PNM Solar Direct).

7

8 **Q. DO THE PROJECTED 2022 SALES USED TO DETERMINE THE RATE**
9 **INCLUDE SALES TO VOLUNTARY PROGRAM CUSTOMERS?**

10 **A.** No. The projected retail sales used to calculate the proposed Rider 36 rate are net of
11 projected voluntary renewable energy programs from the three programs described in
12 the previous question.

13

14 **Q. HOW WAS THE PROPOSED RIDER 36 RATE FOR 2022 DEVELOPED?**

15 **A.** PNM's Rider 36 rate is billed on a per kWh basis. The 2022 revenue requirement is
16 divided by the projected retail energy sales net of voluntary program sales for 2022.
17 For 2022, the proposed Rider 36 rate is \$0.0083408/kWh, which represents a decrease
18 of \$0.0001408/kWh from the current rider rate of \$0.0084816/kWh.. PNM Exhibit
19 HMP-2 shows the calculation of the proposed Rider 36 rate.

20

21 **Q. HOW IS RIDER 36 ASSESSED?**

22 **A.** Rider 36 is assessed on a service rendered basis. PNM proposes that Rider 36 will go
23 into effect on January 1, 2022. Should Rider 36 change within a billing period, charges

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1 billed on a service rendered basis are billed on a prorated basis based upon the days of
2 service for old and new rates.

3

4 **Q. WHAT IS THE BILL IMPACT OF THE PROPOSED RIDER 36 RATE**
5 **CHANGE ON THE RESIDENTIAL AND SMALL POWER RATE CLASSES?**

6 **A.** Rider 36 rate is assessed as a per kWh charge, so the bill impact on each customer will
7 vary with usage. The current bill and proposed bills were calculated using current rates
8 for Schedule 1A Residential and 2A Small Power rates, as well as Rider 23, the fuel
9 clause. Rider 36 current and proposed rates were used to calculate the net impact on
10 bills. See PNM Exhibit HMP-3 for the bill impact. For residential customers, the
11 impact ranges from -\$0.01 to -\$0.28 as shown for usage levels between 50 kWh and
12 2,000 kWh per month. An average residential customer using 600 kWh per month will
13 pay -\$0.09 less per month. For small power customers, the bill impact ranges from -
14 \$0.07 to -\$2.11 per month depending upon kWh use. An average small power customer
15 using 1,500 kWh per month will pay \$-0.21 less per month.

16

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 **A.** Yes.

GCG#528271

HEIDI M. PITTS: EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Heidi M. Pitts

Address: Public Service Company of New Mexico
414 Silver Ave SW
Albuquerque, New Mexico 87102

Position: Lead Pricing Analyst

Education: University of Kansas, BA in Spanish
University of New Mexico, MA and Ph.D. in Economics

Employment: Public Service Company of New Mexico, April 2019 to present
Lead Pricing Analyst, January 2021 to present
Senior Pricing Analyst, April 2019 – January 2021

New Mexico Public Regulation Commission, April 2014 – April 2019
Staff Economist
NM Representative at CAWG Southwest Power Pool

Center for Development and Disability, University of New Mexico, Jan. 2011 – April 2014
Health Policy Analyst

University of New Mexico, Department of Economics, Jan. 2008 – December 2010
Research Assistant on grant conducting economic valuation surveys on
residential customers of ABCWUA

Testimony Filed Before the New Mexico Public Regulation Commission:

<u>Case Number</u>	<u>Proceeding/Subject Matter</u>
14-00150-UT	Public Service Company of New Mexico, Underground Rider City of Rio Rancho
14-00158-UT	Public Service Company of New Mexico, 2015 Renewable Energy Portfolio Procurement Plan
14-00273-UT	New Mexico Gas Company, 2015-16 Energy Efficiency Program
14-00337-UT	Public Service Company of New Mexico, Underground Rider City of Albuquerque
15-00038-UT	Raton Natural Gas Company, Revision to Retail Natural Gas Rates
15-00280-UT	El Paso Electric Company, Issuance of long-term debt financing
15-00127-UT	El Paso Electric Company, Revision to Retail Electric Rates
15-00295-UT	New Mexico Gas Company, 2016 Energy Efficiency Program
15-00247-UT	Raton Natural Gas Company, 2016 Energy Efficiency Program
15-00261-UT	Public Service Company of New Mexico, Revision to Retail Electric Rates
15-00312-UT	Public Service Company of New Mexico, AMI Application
16-00207-UT	Public Service Company of New Mexico, Issuance of pollution control bonds and revolving credit facility
16-00096-UT	Public Service Company of New Mexico, 2017 Energy Efficiency Program
16-00021-UT	Zia Natural Gas Company, 2016-17 Energy Efficiency Program
16-00185-UT	El Paso Electric Company, 2017 Energy Efficiency Program

16-00270-UT	Raton Natural Gas Company, 2016-17 Energy Efficiency Program
16-00331-UT	South Hills Water Company, Approval of loan from Bank of Albuquerque
17-00022-UT	NOPR to amend IRP Rule to include energy storage resources
17-00126-UT	Public Service Company of New Mexico, Issuance of senior unsecured notes and revolving credit facility
17-00044-UT	Southwestern Public Service Company, Application for CCN for Sagamore and Hale Wind Projects and Bonita PPA
17-00046-UT	NOPR Investigation into various commission utility ratemaking policies and methodologies
17-00076-UT	Public Service Company of New Mexico, 2018 Energy Efficiency Program
17-00129-UT	Public Service Company of New Mexico, 2018 Renewable Energy Portfolio Procurement Plan
17-00261-UT	Notice of Inquiry, Investigation into feasibility of PNM joining Southwest Power Pool
17-00255-UT	Southwestern Public Service Company, Revision to Retail Electric Rates
18-00044-UT	Lea County Electric Cooperative, Inc., Application for Continued Participation in the Southwest Power Pool
18-00018-UT	Zia Natural Gas Company, Revision of Retail Electric Rates
18-00158-UT	Public Service Company of New Mexico, 2019 Renewable Energy Portfolio Procurement Plan
18-00256-UT	Public Service Company of New Mexico, Approval of revolving credit facility extensions
18-00038-UT	New Mexico Gas Company, Revision of Retail Electric Rates
18-00261-UT	Public Service Company of New Mexico, Western Energy Imbalance Market
18-00124-UT	Epcor Water New Mexico Inc., Adjustment of Water Rates for Clovis District
20-00124-UT	Public Service Company of New Mexico, 2021 Renewable Energy Portfolio Procurement Plan
20-00237-UT	Public Service Company of New Mexico, Transportation Electrification Program

PNM Exhibit HMP-2
Renewable Energy Rider No. 36

2022 Renewable Energy Rider Rate Calculation

<u>Line No.</u>	<u>Description</u>	<u>Unit</u>	<u>Source</u>	<u>Total</u>
1	Revenue Requirement	(\$)	Exhibit TSB-2	\$ 66,901,332
2	Net Retail Sales*	kWh		8,021,016,202
3	Rider 36 rate, proposed to go into effect 1/1/2022	\$/kWh	Line 1 / Line 2	<u>\$0.0083408</u>

* net retail sales are net of forecast voluntary renewable energy programs

PNM
Renewable Energy Rider 36
Bill Impact Comparison, Current vs Proposed Rider

A	B	C	D	E
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Residential Schedule 1A

Line No.	Usage (kWh)	Average Monthly Bill, Current Rider 36 (\$)	Average Monthly Bill, Proposed Rider 36 (\$)	Proposed Rider 36 Net Impact (\$)	Proposed Rider 36 Total Bill Impact (%)
1	0	\$7.11	\$7.11	\$0.00	0.00%
2	50	\$12.61	\$12.60	(\$0.01)	-0.08%
3	100	\$18.10	\$18.09	(\$0.01)	-0.06%
4	150	\$23.60	\$23.58	(\$0.02)	-0.08%
5	200	\$29.10	\$29.07	(\$0.03)	-0.10%
6	250	\$34.59	\$34.56	(\$0.03)	-0.09%
7	300	\$40.09	\$40.05	(\$0.04)	-0.10%
8	400	\$51.08	\$51.02	(\$0.06)	-0.12%
9	500	\$63.74	\$63.67	(\$0.07)	-0.11%
10	600	\$78.07	\$77.98	(\$0.09)	-0.12%
11	750	\$99.55	\$99.45	(\$0.10)	-0.10%
12	800	\$106.72	\$106.60	(\$0.12)	-0.11%
13	900	\$121.04	\$120.92	(\$0.12)	-0.10%
14	1,000	\$137.11	\$136.97	(\$0.14)	-0.10%
15	1,200	\$169.24	\$169.07	(\$0.17)	-0.10%
16	1,600	\$233.50	\$233.27	(\$0.23)	-0.10%
17	2,000	\$297.75	\$297.47	(\$0.28)	-0.09%

Small Power Schedule 2A

Line No.	Usage (kWh)	Average Monthly Bill, Current Rider 36 (\$)	Average Monthly Bill, Proposed Rider 36 (\$)	Proposed Rider 36 Net Impact (\$)	Proposed Rider 36 Total Bill Impact (%)
1	0	\$15.77	\$15.77	\$0.00	0.00%
2	500	\$80.09	\$80.02	(\$0.07)	-0.09%
3	1,000	\$144.41	\$144.27	(\$0.14)	-0.10%
4	1,500	\$208.73	\$208.52	(\$0.21)	-0.10%
5	2,000	\$273.05	\$272.76	(\$0.29)	-0.11%
6	3,000	\$401.68	\$401.26	(\$0.42)	-0.10%
7	4,000	\$530.32	\$529.76	(\$0.56)	-0.11%
8	5,000	\$658.96	\$658.25	(\$0.71)	-0.11%
9	7,000	\$916.23	\$915.25	(\$0.98)	-0.11%
10	9,000	\$1,173.51	\$1,172.24	(\$1.27)	-0.11%
11	12,000	\$1,559.42	\$1,557.73	(\$1.69)	-0.11%
12	15,000	\$1,945.33	\$1,943.22	(\$2.11)	-0.11%

2049TH REVISED RIDER NO. 36
CANCELLING 198TH REVISED RIDER NO. 36

RENEWABLE ENERGY RIDER

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DESCRIPTION: This Rider is established to recover Renewable Portfolio Standard (“RPS”) compliance costs.

APPLICABILITY: All PNM customers.

TERRITORY: All territory served by the Company under PNM Electric Services tariffs.

RENEWABLE ENERGY COSTS TO BE RECOVERED: The dollar amounts to be collected pursuant to this Rider shall be determined by the RPS compliance costs approved in PNM’s annual Renewable Energy Procurement Plans, and will be collected from PNM customers to whom the this Rider applies.

RIDER RATES: This Rider, where applicable, shall be added to each customer’s bill and applied as a per kilowatt-hour (kWh) charge for all kWh consumed by a customer. The Rider rate consists of the sum of two components, a RPS Compliance Component and an Earning Test Component as follows:

RPS Compliance Component:

	Amount to be recovered	Rate
Renewable Energy Rate for Calendar Year 2022 4 :	\$66,901,332 66,742,915	\$0.00 834088 4816 per kWh

x

EARNINGS TEST COMPONENT: PNM will file an adjustment pursuant to this Rider as a separate component if PNM’s return on equity (“ROE”) exceeds 10.075%, based on data presented in conformance with 17.3.510.12(B) NMAC (“Rule 510”). The amount of the adjustment will be equal to the revenue reduction that would have resulted in an earned ROE of 10.075%. The Rule 510 filing to determine if an adjustment is applicable will be made no later than April 1, of each year, based on the previous calendar year results. The adjustment, if applicable, will be applied to customers’ bills over an eight month period beginning with bills rendered May 1, and continuing through the end of the calendar year.

ANNUAL RECONCILIATION FILING: This Rider shall be adjusted annually to account for new Commission-approved procurements and changes in revenue requirements related to amortization, depreciation, accumulated deferred income tax (“ADIT”), property taxes and other relevant factors. The Company shall annually file with

Advice Notice No. ~~579~~~~577~~

/s/ Mark Fenton
Mark Fenton
Executive Director, Regulatory Policy and Case Management
GCG #~~527689~~

2049TH REVISED RIDER NO. 36
CANCELLING 198TH REVISED RIDER NO. 36

RENEWABLE ENERGY RIDER

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the Commission a report to reconcile the amounts to be collected pursuant to this Rider. The report will be due by February 28 of each year, and will adjust the Rider to reconcile actual RPS compliance costs for the previous year with actual Rider revenues, and to account for new Commission-approved procurements for the current calendar year. The previous year's compliance costs will include revenue requirements of Company-owned renewable facilities, the costs of renewable energy PPAs, the purchase of RECs used for RPS compliance, and any other RPS compliance cost approved by the Commission.

The report also will true-up the previous calendar year Renewable Energy Rider collections. The report will contain:

- a. a summary of the Rider Rate for the previous calendar year;
- b. a detailed listing of collections pursuant to this Rider, for the previous calendar year by affected customer class;
- c. calculation of the Rider Rate to be applied in the current calendar year, including over/under collections from the previous calendar year;
- d. a summary of annual projected sales revenue and any other relevant data used to estimate the Rider Rate.

Advice Notice No. 579,577

/s/ Mark Fenton
Mark Fenton
Executive Director, Regulatory Policy and Case Management
GCG #527689

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF PUBLIC SERVICE)
COMPANY OF NEW MEXICO'S)
APPLICATION FOR APPROVAL OF ITS)
RENEWABLE ENERGY ACT PLAN)
FOR 2022 AND PROPOSED 2022 RIDER)
RATE UNDER RATE RIDER NO. 36)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO)
)
Petitioner.)
_____)**

Case No. 21-_____-UT

SELF AFFIRMATION

HEIDI M. PITTS, Lead Pricing Analyst, Public Service Company of New Mexico,
upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read
the foregoing **Direct Testimony of Heidi Pitts** and it is true and correct based on my personal
knowledge and belief.

DATED this 1st day of June, 2021.

/s/ Heidi M. Pitts
HEIDI M. PITTS