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NMPRC Chairman Hall  
New Mexico Public Regulation Commission  
1120 Paseo de Peralta  
Santa Fe, NM 87501

November 4, 2013

RE: Case No. 13-00310-UT  
Comments from the New Mexico Utility Shareholders Alliance (NMUSA)

Dear Chairman Hall:

On behalf of investors in New Mexico's economy, we respectfully urge the N.M. Public Regulation Commission (PRC) to address the removal of barriers and disincentives for utilities that result from energy efficiency programs during the upcoming rulemaking on the Efficient Use of Energy Act.

State law says:

*"The commission shall, upon petition or its own motion, identify regulatory disincentives or barriers for public utility expenditures on energy efficiency and load management measures and ensure that they are removed in a manner that balances the public interest, consumers' interests and investors' interests."*

This requirement has yet to be adequately addressed. Essentially all of the New Mexico investor-owned utilities have filed regulatory cases before the Commission requesting the removal of energy efficiency related disincentives; however there has been no consensus on how to quantify and address the disincentive and the Commission has not approved a specific mechanism or provided specific directions to utilities. We believe the rulemaking provides the perfect opportunity AND that it is both long overdue and in everyone's interest to address it now.

Here is the problem as we understand it: The more effective a utility energy efficiency program is, the greater the under-recovery of that utility's costs to build the infrastructure to reliably serve its customers.

Despite some differences between utilities, the vast majority of a residential and small commercial utility bill is based on energy use such as kilowatt-hours. This includes not only the costs that decline as energy use drops, such as fuel costs, but also the fixed costs that don't change with lowered use, which are the costs to keep their systems ready to serve.

While it is certainly fair that if customers use less energy they should pay less, it is also true that utilities must make constant investments to keep service safe, reliable and

affordable. Appropriate and timely cost-recovery of that investment is important for any business.

That is the barrier or disincentive referred to in the law. If cost-effective energy efficiency programs protect the environment and lower energy bills - and the law recognizes that good energy efficiency programs are in the public interest - then it pays to have a sustainable model to support them. The Efficient Use of Energy Act (EUEA) requires these programs to be cost-effective. It's also important during this process to limit a customer's cost impact.

NMSA 1978, Section 62-3-1(B) requires the PRC to balance 'the public interest, the consumers' interests and investors' interests.' While we recognize this is a challenge, we strongly support the Commission's focus on this principle as we believe everyone will win if it's done successfully.

As citizens and utility customers, we benefit when utilities are held accountable for serving us well. We also benefit when utilities have the right financial framework to operate because good utility service is fundamental to a vibrant economy and our quality of life. Certainly individuals and organizations will be motivated to invest in these businesses if they have a reasonable expectation of getting a fair return.

In providing a good financial framework, it is important to also address incentives for utility companies that are successfully achieving positive results under the EUEA. While incentives have always been an option, they have not been successfully used and need to be addressed at this time.

We encourage the Commission to provide specific direction and guidelines that will allow utilities to make filings that result in the removal and cost recovery of energy efficiency disincentives while also being allowed incentives to make this program beneficial for all.

Thank you for the opportunity to provide these comments.

Sincerely,



Carla J. Sonntag  
Executive Director

Cc: Vice Chair Valerie Espinoza  
Commissioner Pat Lyons  
Commissioner Theresa Becenti-Aguilar  
Commissioner Karen Montoya  
Mr. Nick Guillen, NMPRC Bureau Chief, Records Management