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18-00312-UT

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October 1, 2018

FILED IN OFFICE OF

OCT - 1 2018

Ms. Melanie Sandoval  
Records Manager  
New Mexico Public Regulation Commission  
1120 Paseo de Peralta  
Santa Fe, NM 87504

NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

***RE: NMPRC Case 18-00312-UT; Raton Natural Gas Company's Application for Approval of 2018-2019 Energy Efficiency Program Plan and Raton Natural Gas Company's Advice Notice 54***

Ms. Sandoval:

Enclosed for filing is Raton Natural Gas Company's (RNG) Application for Approval of its 2018-2019 Energy Efficiency Program Plan, and its Advice Notice No. 54. Advice Notice No. 54 is the Company's proposed Second Revised Rate No. 6, the Company's Energy Efficiency Rider, for collection of its projected 2018-2019 Energy Efficiency Plan costs.

Enclosed with this cover letter are the following documents:

- RNG's 2018-2019 Energy Efficiency Plan Application
- Proposed Form of Notice to Customers
- Advice Notice No. 54, along with a Table of Contents for all of RNG's rates
- Direct Testimony of David N. Link, and supporting Exhibits

The following designated corporate representatives and legal counsel for RNG should receive all notices, discovery requests, objections and responses, briefs, and all other documents related to this case:

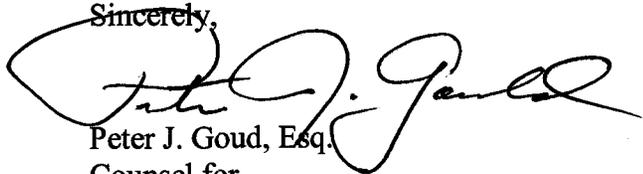
David N. Link, President & General Manager  
Raton Natural Gas Company  
223 N. Guadalupe Street # 306  
Santa Fe, New Mexico 87501-1868.  
Tel: 505.984.0282  
Fax: 575.613.7226  
Email: [dlink@ratongas.com](mailto:dlink@ratongas.com)

Peter J. Gould, Esq.  
P.O. Box 34127  
Santa Fe, NM 87594  
Tel: 505.988.4804  
Cell: 505.690.2966  
Email: pgouldlaw@gmail.com

Attached please find an original and five (5) copies of RNG's Application with supporting documents, Advice Notice No. 54 and the Certificate of Service in this matter. Enclosed also is a check for the filing fees in this matter.

Please accept this for filing and date stamp the additional copies for the Company's records.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter J. Gould". The signature is written in a cursive style with a large, looping initial "P".

Peter J. Gould, Esq.  
Counsel for  
Raton Natural Gas Company

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )  
RATON NATURAL GAS COMPANY FOR )  
APPROVAL OF ITS 2018-2019 ENERGY )  
EFFICIENCY PROGRAM PLAN AND FOR )  
APPROVAL OF A PROGRAM COST RATE RIDER )  
PURSUANT TO THE EFFICIENT USE OF )  
ENERGY ACT AND 17.7.2 NMAC, )  
RATON NATURAL GAS COMPANY, )  
APPLICANT. )**

Utility Case No. 18-00312-UT

FILED IN OFFICE OF

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NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

**RATON NATURAL GAS COMPANY'S APPLICATION  
FOR APPROVAL OF ITS 2018-2019 ENERGY EFFICIENCY PLAN AND FOR  
APPROVAL OF ADJUSTMENTS TO ITS PROGRAM COST RATE RIDER**

Raton Natural Gas Company ("RNG") respectfully applies to the New Mexico Public Regulation Commission ("Commission or NMPRC") for its approval of the following 2018-2019 Energy Efficiency Plan, pursuant to the New Mexico Public Utility Act ("PUA"); the New Mexico Efficient Use of Energy Act ("EUEA"); the Commission's Energy Efficiency Rule, 17.7.2 NMAC ("Rule"); the Commission's Order Adopting Recommended Decision, issued March 29, 2017 ("Final Order") in RNG's last energy efficiency ("EE") program application, NMPRC Docket No. 16-00270-UT and the Commission's Procedural Order Extending Deadline, issued on August 17, 2018 in that same matter.

RNG requests the necessary approvals and authorizations to add three new Residential EE programs, and three new Commercial EE programs to its existing programs. RNG is also asking for approval of the Second Revised Rate No. 6, as shown in Advice Notice

No. 54, which is included in this Application. Second Revised Rate No. 6 includes RNG's Commercial customers and reflects the expenses for the 2018-2019 EE programs.

RNG's existing EE plan is strictly residential and has two main components, which include: 1) Continued execution of the Public Education Program, including local forums on home insulation and energy efficiency measures; and 2) Continuation of the low-flow showerhead program.

In this Application, RNG is seeking approval to the following three new Residential measures: 1) A Water Heating program which will provide incentives and rebates for the installation of high efficiency rated natural gas water heaters; 2) A Space Heating program that will provide incentives and rebates for the installation of high efficiency natural gas space heating appliances and energy conservation devices; and 3) An Income Qualified program that includes a package of residential weatherization and other energy efficiency offerings for RNG's low-income customers.

RNG is also seeking approval of the following new Commercial measures: 1) A Water Heating program which will provide incentives and rebates for the installation of high efficiency rated commercial natural gas water heaters, including low-flow pre-rinse spray valves for restaurants; 2) A Space Heating program that will provide incentives and rebates for the installation of high efficiency commercial natural gas furnaces and free commercial grade programmable thermostats; and 3) Free energy efficiency assessments. All these 2018-2019 programs are fully described and supported in the Direct Testimony of David N. Link which is included with this Application.

In support of this Application, RNG states the following:

## **I. BACKGROUND**

1. RNG is a public utility subject to the jurisdiction of the Commission and has served the Raton community since 1963. RNG provides natural gas distribution service to approximately 3,000 customers, of which approximately 88% are residential customers.

2. The EUEA provides that the Commission will direct public utilities to evaluate and implement cost-effective programs that reduce energy demand and consumption. NMSA 1978, § 62-17-5(B). Public utilities must obtain the Commission's approval of energy efficiency and load management programs before implementation. NMSA § 62-17-5(E). The EUEA authorizes a public utility that undertakes cost effective energy efficiency and load management programs to recover the costs of all programs through an approved tariff rider or in base rate, or by a combination of the two. NMSA § 62-17-6(A).

3. RNG's present energy efficiency program was approved by the Commission in NMPRC Case No. 16-00270-UT. Pursuant to the Final Order in that case, RNG respectfully asks the Commission to grant the necessary approvals and authorizations so that it may implement the proposed 2018-2019 Energy Efficiency Plan program revisions and budget no later than the start of the first quarter of 2019. This schedule would allow RNG to start providing the benefits of its revised and improved energy efficiency programs to its customers at the earliest possible date.

## **II. PROPOSED REVISIONS TO ENERGY EFFICIENCY PROGRAM**

4. As noted above, RNG proposes to continue its current Residential EE programs and add the following three new Residential measures: 1) A Water Heating program which will provide incentives and rebates for the installation of high efficiency rated natural gas water heaters; 2) A Space Heating program that will provide incentives and rebates for the installation of high efficiency natural gas space heating appliances and energy conservation devices; and 3) An Income Qualified program that includes a package of energy efficiency offerings for RNG's

low-income customers. In addition, RNG is proposing to offer a suite of new Commercial measures, which include: 1) A Water Heating program which will provide incentives and rebates for the installation of high efficiency rated commercial natural gas water heaters and installation of commercial low-flow pre-rinse spray valves for restaurants; 2) A Space Heating program that will provide incentives and rebates for the installation of high efficiency commercial natural gas furnaces; and 3) Free energy efficiency assessments. RNG is also proposing to revise its Energy Efficiency Rate Rider, Rate Rider No. 6. The details of these revisions are provided in Advice Notice No, 54, which describes RNG's Second Revised Rate No. 6.

5. The benefits of the modified and additional programs are expected to exceed the costs of the programs over the life of programs. The modified programs and additional program are designed to provide all residential and commercial customers the opportunity to participate, obtain benefits gained from increased energy efficiency, and potentially realize other economic benefits. The proposed Second Revised Rate No. 6 allows for recovery of costs associated with the proposed 2018-2019 Energy Efficiency Plan. RNG's base rates are not currently designed to recover these costs.

6. RNG also has continued to review and evaluate other utilities' programs through the Public Advisory process and to determine whether any might be applicable in the RNG customer environment. In accordance with the EUEA's requirements and the Commission's authorization, the program modifications described below are determined to be the best components applicable in Raton, New Mexico. RNG's proposed 2018-2019 Energy Efficiency Plan incorporates revisions and additions to its existing residential programs and new commercial programs; includes input from other utility programs in the State of New Mexico, from

Commission Staff, the New Mexico Energy Minerals and Natural Resources Department and other consultants; and reflects RNG's consideration of the best interest of the purpose of RNG's Energy Efficiency Program, the EUEA, and RNG's customers.

### III. PROGRAM COST TARIFF RIDER

7. The EUEA authorizes gas public utilities offering cost effective energy efficiency and load management programs to recover all program costs through an approved tariff rider not to exceed three percent (3%) of customers' bills estimated for the plan year.

8. RNG's energy efficiency programs will result in incremental costs that RNG's current authorized rates and charges are not designed to recover.

9. RNG proposes to recover these costs from the residential and commercial customer classes who are eligible to participate in the efficiency programs.

10. RNG's estimated total program budget for its 2018-2019 Energy Efficiency Program is \$21,432. This amount is far less than the total amount RNG would be eligible to receive if it were to seek the maximum 3% of revenues afforded by the EUEA. In addition, RNG is not seeking to earn a profit on its EE programs in this filing, even though such a profit is allowed by Section 62-17-5.F of the EUEA. RNG proposes the following tariff rate rider to recover that \$13,075 budget:

Rate Class	Proposed Rate Per Ccf
Residential Customers	\$0.0055
Commercial Customers	\$0.0055

11. Pursuant to the requirements of 17.7.2.8 NMAC, *Public Utility Filing Requirements for Annual Applications and Annual Reports*; 17.7.2.9 NMAC, *Residential Programs*; 17.7.2.13 NMAC, and *Filing Requirements for Cost Recovery*; 17.7.2.14 NMAC, RNG is filing the following documents concurrently with this Application providing the required information:

1. Copy of RNG's Advice Notice No. 54 containing Revised Rate No. 6, Energy Efficiency Rate Rider
2. Direct Testimony of David N. Link and Exhibits
3. Proposed Form of Notice to Customers

#### **IV. OTHER MATTERS**

12. RNG includes and incorporates, as if fully set forth in this Application, the Direct Testimony and Exhibits of David N. Link, served herewith. RNG will serve copies of this Application, Advice Notice No. 54, the supporting Direct Testimony of Davide N. Link and Exhibits, and the Proposed Form of Customer Notice on Commission Staff and all the parties to its prior approved energy efficiency case.

13. The following designated corporate representatives and legal counsel for RNG should receive all notices, discovery requests, objections and responses, briefs, and all other documents related to this case:

David N. Link, President & General Manager  
Raton Natural Gas Company  
223 N. Guadalupe Street # 306  
Santa Fe, New Mexico 87501-1868.  
Tel: 505.984.0282  
Fax: 575.613.7226  
Email: dlink@ratongas.com

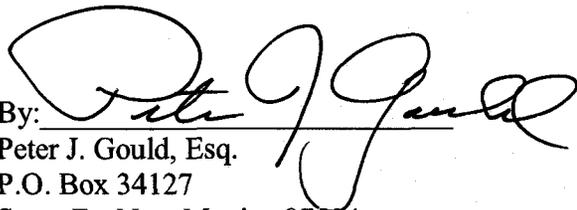
Peter J. Gould, Esq.  
P.O. Box 34127  
Santa Fe, NM 87594  
Tel: 505.988.4804  
Cell: 505.690.2966  
Email: pgouldlaw@gmail.com

#### **V. REQUESTED APPROVALS FOR THE IMPLEMENTATION OF ENERGY EFFICIENCY PROGRAMS AND RECOVERY OF PROGRAM COSTS**

To implement the proposed programs, RNG requests that the Commission make the following findings and grant the following approvals:

- A. Pursuant to Section 62-17-5(C) of the EUEA, RNG requests the Commission to determine that the proposed energy efficiency programs are cost effective and appropriate as provided by the statute;
- B. Pursuant to Section 62-17-6 of the EUEA and Sections 17.7.2.13.A and C NMAC of the Rule, RNG requests approval of recovery of its Program Year 2018-2019 budgeted costs of \$21,432 going forward, through the proposed Second Revised Rate No. 6;
- C. Pursuant to Section 62-17-6(A) of the EUEA, Section 62-8-1 of the PUA, and 17.7.2.13.C and D of the Rule, RNG requests the Commission to determine that its proposal to recover the cost of the new and modified energy efficiency programs, and those previously approved programs that will be continued, is just and reasonable and does not recover any costs currently being collected in base rates.
- D. RNG also requests the Commission to grant the relief requested in the Verified Motion for Variances filed this same date with the Commission in this docket.
- E. Any other authorizations, variances, and approvals as are necessary and proper under the circumstances.

Respectfully submitted this 1<sup>st</sup> day of October 2018

By:   
Peter J. Gould, Esq.  
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**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

IN THE MATTER OF THE APPLICATION OF )  
RATON NATURAL GAS COMPANY FOR )  
APPROVAL OF ITS 2018-2019 ENERGY )  
EFFICIENCY PROGRAM PLAN AND FOR ) Utility Case No. 18-00\_\_-UT  
APPROVAL OF A PROGRAM COST RATE RIDER )  
PURSUANT TO THE EFFICIENT USE OF )  
ENERGY ACT AND 17.7.2 NMAC, )  
RATON NATURAL GAS COMPANY, )  
APPLICANT. )

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NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

**PROPOSED FORM OF NOTICE TO CUSTOMERS**

Notice is hereby given by the New Mexico Public Regulation Commission (“Commission”) of the following:

On October 11, 2018, Raton Natural Gas Company (“RNG”) has filed with the Commission an Application requesting approvals and authorizations necessary to implement its 2018-2019 Energy Efficiency Program Plan.

The Application requests approval to: continue its current Residential EE programs and add the following three new Residential measures: 1) A Water Heating program which will provide incentives and rebates for the installation of high efficiency rated natural gas water heaters; 2) A Space Heating program that will provide incentives and rebates for the installation of high efficiency natural gas space heating appliances and energy conservation devices; and 3) An Income Qualified program that includes a package of residential weatherization and other energy efficiency offerings for RNG’s low-income customers.

The Application also seeks approval to add four new Commercial measures, which include:

1) A Water Heating program which will provide incentives and rebates for the installation of high

efficiency rated commercial natural gas water heaters; 2) A Water Conservation program that will offer free energy assessments and installation of commercial low-flow pre-rinse spray valves for restaurants; 3) A Space Heating program that will provide incentives and rebates for the installation of high efficiency commercial natural gas furnaces; and 4) Free commercial grade programmable thermostats as part of the Space Heating program.

The New Mexico Efficient Use of Energy Act allows RNG to recover its prudent and reasonable costs incurred as a result of implementing, funding, and administering energy efficiency programs through a tariff rider. RNG proposed to recover its program costs through its Second Revised Rate No. 6, its Energy Efficiency Rate Rider as a per ccf rate. RNG is requesting that the proposed programs and overall portfolio annual budget of \$21,432 be approved for the 2018-2019 Program Years.

The proposed Energy Efficiency Rate Rider will be applicable to all customer classes eligible to participate in RNG's energy efficiency programs, including all residential and commercial customers. The proposed Energy Efficiency Rate Rider rate is \$0.0033 per ccf.

Utility bills vary with the amount of gas consumed in each month. The following table compares, for different levels of consumption, the present bill and the anticipated bill (including the proposed new \$0.0033 per ccf Energy Efficiency Rate Rider surcharge. Below is a comparison of the present bill and the anticipated monthly bill for residential customers at various levels of consumption, including the Cost of Gas Component and excluding applicable taxes and fees<sup>1</sup>:

Monthly Average Bill Comparison

Rate Class	Proposed EE Rate Rider \$/ccf	Average Bill Usage ccf	Without EE Rate	With EE Rate	Increase \$	Increase %
Residential	\$.0055	80	\$49.00	\$49.43	\$.43	.88%

<sup>1</sup> For illustration purposes, this table reflects the current Cost of Gas in September 2018 bills.

Commercial	\$.0055	412	\$185.00	\$186.85	\$1.85	1.00%
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The bill comparisons are for informational purposes only. The impact of the proposed new Energy Efficiency Rate Rider will vary according to individual customer usage. In addition, the tariff rider ultimately approved by the Commission may vary the rate rider charges to each eligible customer class approved in this case or in future applications of the tariff rider.

The Commission has assigned Case No. 18-00 \_\_\_-UT to this proceeding, and all inquiries or written comments concerning this proceeding should refer to that case number.

The Hearing Examiner has established the following schedule for this case:

- A. This Notice will be published in a newspaper of general circulation in the Raton, New Mexico area, on or before, \_\_\_\_\_, 2018.
- B. Any person who desires to become a part to this case must file a Motion for Leave to Intervene, pursuant to 1.2.2.23 NMAC, on, or before, \_\_\_\_\_, 2018.
- C. The Commission Utility Staff shall, and Interveners may, file Direct Testimony on, or before, \_\_\_\_\_, 201\_.
- D. Any rebuttal testimony must be filed on, or before, \_\_\_\_\_, 201\_.
- E. A public hearing will begin at 9:30 am on \_\_\_\_\_, 201\_ and will continue on to \_\_\_\_\_, 201\_, if necessary, at the Commission's offices, P.E.R.A. Building, P.E.R.A. Building, 1120 Paseo de Peralta, Santa Fe, New Mexico.
- F. The procedural dates and requirements provided herein are subject to further order of the Commission or the Hearing Examiner. Interested persons should contact the Commission for confirmation of the hearing date, time, and place since hearings are occasionally rescheduled.
- G. The Commission's Utility Division Procedures, 1.2.2 NMAC, will apply to this proceeding

except as modified by order of the Commission or the Hearing Examiner.

- H. Any interested person may appear at the time and place of hearing and make an oral or written comment pursuant to Rule 1.2.2.23(F) NMAC without becoming an intervener. Such comments will not be considered as evidence in this case.
- I. Any person with a disability requiring special assistance in order to participate in this proceeding should contact the offices of the Commission at least 24 hours prior to the commencement of the hearing.
- J. Any person may examine RNG's filing in this case, together with any exhibits and related papers that may be filed, at RNG's office, located at 1360 South Second Street, Raton, New Mexico 87740, during regular business hours (telephone 575-445-3613) or at the Commission's offices, 1120 Paseo de Peralta, Santa Fe, New Mexico 87501 (telephone 888-427-5772). You can obtain further information regarding this case at the Commission's website, <http://www.nmprc.state.nm.us>.
- K. Any person filing pleadings or testimony shall serve copies by e-mail or U.S. mail on all parties, Commission Staff, and the Hearing Examiner.
- L. Any person whose testimony has been pre-filed shall attend the hearing and submit to examination under oath.

**I S S U E D** at Santa Fe, New Mexico, this \_\_\_\_\_.

**NEW MEXICO PUBLIC REGULATION COMMISSION**

\_\_\_\_\_  
Hearing Examiner

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**RATON NATURAL GAS COMPANY**

NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

**ADVICE NOTICE NO. 54**

**October 1, 2018**

**Page 1 of 1**

Raton Natural Gas Company hereby gives notice to the public and the New Mexico Public Regulation Commission of the filing and publishing of the following changes in its tariff schedules, which are attached hereto:

<u>Rate No.</u>	<u>Title of Sheet</u>	<u>Canceling Rate No.</u>	<u>Date Effective</u>
	Table of Contents Rules	Advice Notice No. 54 Table of Contents—Rates	November 1, 2018 X
Second Revised Rate No. 6	Energy Efficiency Rate Rider	First Revised Rate No. 6	November 1, 2018 X

Advice Notice No. 54



David N. Link  
President  
Raton Natural Gas Company

OCT - 1 2018

**RATON NATURAL GAS COMPANY**  
**TABLE OF CONTENTS**  
**RATES**  
**Page 1 of 1**

NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

Advice Notice 54

October 1, 2018

Raton Natural Gas Company hereby gives notice to the public and to the Commission of the filing of the following schedules, which are attached hereto:

Seventh Revised Rate No. 1	Residential Service	
Third Revised Rate No. 2	Miscellaneous Fees and Charges	
Second Revised Rate No. 3	Transportation Service	
First Revised Rate No. 4	Commercial Service	
Second Revised Rate No. 5	Purchased Gas Adjustment Clause	
Second Revised Rate No. 6	Energy Efficiency Rate Rider	X

Advice Notice No. 54



David N. Link  
President  
Raton Natural Gas Company

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NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

**RATON NATURAL GAS COMPANY  
SECOND REVISED RATE NO. 6  
ENERGY EFFICIENCY RATE RIDER  
REPLACING FIRST REVISED RATE NO. 6**

Page 1 of 3

I. DESCRIPTION This Energy Efficiency Rate Rider is a mechanism for recovery of costs associated with energy efficiency programs approved by the New Mexico Public Regulation Commission.

II. APPLICABILITY This Rider shall be applicable to all of RNG's customers that have an opportunity to participate in the Commission-approved energy efficiency programs. X

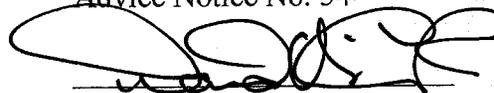
III. TERRITORY All of the Company's service areas.

IV. MONTHLY SURCHARGE Subject to the limitations and exemptions contained in Section 62-17-6 and 62-17-9 of the Efficient Use of Energy Act, NMSA 1978, Sections 62-17-1 through 62-17-11 and the New Mexico Public Regulation Commission's Energy Efficiency Rule, 17.7.2 NMAC, an energy efficiency surcharge shall be added to each residential customer's monthly bill. The surcharge shall be calculated by multiplying ccf billed by the Commission-approved total factor for the surcharge.

A. Elements of the Surcharge Factor: Rulings by the New Mexico Public Regulation establish the amounts to be collected through this rate rider mechanism, as well as the period for the beginning of such collections. Initially, the Surcharge Factor will be calculated to collect the Rate Rider No. 6 Program Amounts. During subsequent collection periods, the Surcharge Factor will consist of the Rate Rider No. 6 Program Amounts Factor for the newly approved energy efficiency budget period plus Rate Rider No. 6 Reconciliation Amounts Factor calculated to collect from or refunded to customers any amounts under-collected or over-collected for approved energy efficiency program costs from the preceding period or periods.

1. Rate Rider No. 6 Amounts Factor: The annual energy efficiency program plan budget costs approved by the Commission will be

Advice Notice No. 54



David N. Link

President

Raton Natural Gas Company

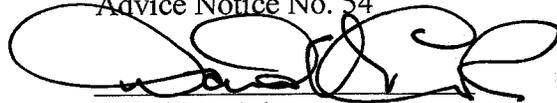


**RATON NATURAL GAS COMPANY  
SECOND REVISED RATE NO. 6  
ENERGY EFFICIENCY RATE RIDER  
REPLACING FIRST REVISED RATE NO. 6**

**Page 3 of 3**

V. OTHER CONDITIONS Service under this Rate is subject to all applicable laws and orders, and to the Company's Rules and Regulations on file with the New Mexico Public Regulation Commission.

Advice Notice No. 54



David N. Link

President

Raton Natural Gas Company

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )  
RATON NATURAL GAS COMPANY FOR )  
APPROVAL OF ITS 2018-2019 ENERGY )  
EFFICIENCY PROGRAM PLAN AND FOR )  
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ENERGY ACT AND 17.7.2 NMAC, )  
RATON NATURAL GAS COMPANY, )  
APPLICANT. )**

Utility Case No. 18-00312-WT

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NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

**DIRECT TESTIMONY**

**OF**

**DAVID N. LINK**

**October 1, 2018**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE**  
2 **RECORD.**

3 A. My name is David N. Link, and my business mailing address is 223 N. Guadalupe  
4 Street, Box 306, Santa Fe, New Mexico, 87501.

5  
6 **Q. WHAT IS YOUR POSITION WITH RATON NATURAL GAS COMPANY**  
7 **AND WHAT ARE YOUR QUALIFICATIONS AND BACKGROUND?**

8 A. I currently serve as President and General Manager of Raton Natural Gas  
9 Company and have served in that role since July 1, 2002.  
10 Before I began working with Raton Natural Gas Company, and since 1970, I  
11 worked in both the regulated and unregulated portions of the telecommunications  
12 industry. Throughout the 1970's, 1980's and 1990's, I held a number of executive  
13 positions with corporations such as ATT, Kentron International (Division of LTV), MCI  
14 International, MCI and Telecommunications Consulting International (TCI). My  
15 experience has primarily been in the executive management, planning, engineering,  
16 operations and regulatory arenas.

17 I received a Bachelor of Science in Electrical Engineering from Texas Tech  
18 University in 1970. Subsequently, I completed graduate level courses of study in  
19 Utility Regulation and Industrial Engineering at Iowa State University and St.  
20 Mary's University, respectively. I became a registered Professional Engineer in the State  
21 of Texas in July 1974. I have also been recognized as the Young Engineer of the  
22 Year for the Bexar County Chapter (San Antonio) of TSPE, a member of NSPE, a  
23 Member of IEEE, a Director of the Texas Tech University Industrial Advisory

1 Board, a Director of the Builders Exchange of Texas, President of the Bexar  
2 Chapter of TSPE (500 Members in 1978) and a member of the New Mexico Gas  
3 Association.

4

5 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THE**  
6 **NEW MEXICO PUBLIC REGULATION COMMISSION?**

7 **A.** Yes, I have testified before the New Mexico Public Regulation Commission  
8 (NMPRC) prior to this proceeding. I have testified in the following cases related to  
9 Raton Natural Gas Company: 03-00264 UT, 05-00429 UT, 07-00318 UT, 09-00389 UT,  
10 13-00389 UT, 15-00038-UT, 15-00247-UT, 16-00270-UT, 17-00307-UT, and 18-00274-  
11 UT.

12

13 **Q. PLEASE DESCRIBE RATON NATURAL GAS AND ITS OPERATING**  
14 **CHARACTERISTICS.**

15 **A.** Raton Natural Gas ("RNG") is a small, privately held, public utility providing  
16 natural gas service to the City of Raton, New Mexico. Of its approximately 3,000  
17 customers, residential customers comprise 88% of the customer base by number of  
18 customers, and the remaining 12% are small commercial customers including churches,  
19 small businesses, hospitals and local government agencies.

20 RNG's customer base is characterized by firm service customers who are reliant  
21 on their natural gas service for heating, cooking, and similar needs. Consequently, the  
22 dominant factor in the annual variation of RNG demand is determined by weather.

23

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 **A.** The purpose of my testimony is to:

3 First, provide a review of RNG's current energy efficiency programs, specifically  
4 its residential Programs consisting of: (a) Sponsorship of the RNG Energy Efficiency  
5 Education Program with Raton Public Schools as well as annual local forums on home  
6 insulation and energy efficiency measures; and (b) Implementation of the low-flow  
7 showerhead program.

8 Second, my testimony will review RNG's proposed changes to its existing  
9 programs, specifically to implement a smorgasbord of residential and commercial  
10 programs.

11 Third, my testimony will support the changes to Revised Rate No. 6, the  
12 Company's energy efficiency rate rider, which are shown in Advice Notice No. 54.

13

14 **Q. PLEASE PROVIDE A SUMMARY OF RNG'S APPLICATION.**

15 **A.** Raton Natural Gas ("RNG") is proposing changes to its current energy efficiency  
16 ("EE") program plan which was approved by the New Mexico Public Regulation  
17 Commission ("Commission") in its March 29, 2017 Order Adopting Recommended  
18 Decision in Case No. 16-00270-UT. These changes include adding three new Residential  
19 programs, three new Commercial programs, and updating the energy efficiency tariff rate  
20 rider, RNG's Revised Rate No. 6 for all RNG's customers. To implement some of the  
21 proposed programs, an agreement with EnergyWorks has been established.

22

23

1 **Q. PLEASE DESCRIBE ENERGYWORKS.**

2 **A.** EnergyWorks is a third-party vendor providing various energy efficiency  
3 offerings in New Mexico. At present they have offerings through Zia Natural Gas  
4 Company in Colfax County. RNG has selected EnergyWorks based on the program  
5 details, program costs, and their proven experience with other New Mexico utilities  
6 regulated by the New Mexico Public Regulated Commission.

7 EnergyWorks recommends a community-based approach to implement their  
8 programs. Working with local organizations such as the public-school system and  
9 Sustainable Communities, EnergyWorks and Raton Natural Gas will present an  
10 educational community event for all commercial and residential customers each  
11 year. These types of events have proven to be a successful method to increase program  
12 awareness and participation.

13 EnergyWorks proposes to provide energy efficiency services to commercial and  
14 income-qualified residential customers of Raton Natural Gas Company. Each customer  
15 will receive an Energy Assessment, energy conservation education,  
16 RNG energy efficiency program information, and the installation of energy efficiency  
17 measures. EnergyWorks will develop a Customer Certification Form to be signed by the  
18 customer to verify services and maintain photographic documentation of each  
19 project. EnergyWorks will track multiple data points and provide an annual report for  
20 each program.

21

22

23

1                   **I.   RNG'S CURRENT ENERGY EFFICIENCY PROGRAMS**

2

3   **Q.   WHAT ARE RNG'S EXISTING APPROVED ENERGY EFFICIENCY**  
4 **(EE) PLAN PROGRAM OFFERINGS?**

5   **A.**   The Commission issued a Final Order in NMPRC Case No. 16-00270-UT,  
6 approving a set of energy efficiency programs for RNG's residential customers. The  
7 following is a list of the RNG EE offerings that are currently available to customers: (1)  
8 Sponsorship of the RNG Energy Efficiency Public Education Program with Raton Public  
9 Schools as well as annual local forums on home insulation and energy efficiency  
10 measures, and (2) Provision of the low-flow showerhead residential program.

11

12 **Q.   PLEASE DESCRIBE THE PUBLIC EDUCATION PROGRAM.**

13 **A.**   RNG's 2016-2017 Energy Efficiency Program, which has been continued to the  
14 present time, has hosted forums on energy efficiency measures on local radio as well as  
15 in the public schools and at an annual forum held at the Center for Sustainable  
16 Community facility. Appearances made on morning daily radio shows on KRTN Radio  
17 could reach as much as 85% of the community. Due to the significant community  
18 outreach potential, more emphasis will be placed on the KRTN radio education program.

19       The continued goal of the educational program will be to focus on educating  
20 customers and the community to help them operate their homes and businesses more  
21 efficiently. This will be conducted using more energy efficiency radio spots on KRTN  
22 and the public-school education program.

1 **Q. PLEASE DESCRIBE THE LOW-FLOW SHOWERHEAD PROGRAM.**

2 **A.** The existing RNG Program distributes the Low Flow Showerhead Kit to qualified  
3 customers who have a natural gas water heater. The complete kit contains a low-flow  
4 showerhead, a kitchen aerator, and a bathroom aerator with complete instructions for the  
5 self-install. RNG's Program complies with the Commission's Rule on Residential  
6 Programs, NMAC 17.7.2.9.

7

8

9 **II. PROPOSED PLAN DISCONTINUANCES**

10

11 **Q. WHAT PROGRAMS IS RNG PROPOSING TO DISCONTINUE AND**  
12 **WHY?**

13 **A.** RNG is proposing to discontinue no existing program.

14

15

16 **III. PROPOSED PLAN MODIFICATIONS AND ADDITIONS**

17

18 **Q. WHAT MODIFICATION IS RNG PROPOSING TO MAKE TO ITS**  
19 **CURRENT ENERGY EFFICIENCY PROGRAMS AND WHY?**

20 **A.** The sponsorship of annual local forums on Home Insulation and Energy  
21 Efficiency Programs sponsored by RNG initially were well received. RNG's 2016-2017  
22 Energy Efficiency Program, which has been continued to the present time, has hosted  
23 forums on energy efficiency measures on local radio as well as in the public schools and

1 at an annual forum held at the Center for Sustainable Community facility. Appearances  
2 made on morning daily radio shows on KRTN Radio can reach as much as 85% of the  
3 community. Due to the significant community outreach potential, more emphasis will be  
4 placed on the KRTN radio education program.

5 The continued goal of the educational program will be to focus on educating  
6 customers and the community to help them operate their homes and businesses more  
7 efficiently. This will be conducted using more energy efficiency radio spots on KRTN  
8 and the public-school education program.

9

10 **Q. WHAT ADDITIONS IS RNG PROPOSING TO MAKE TO ITS CURRENT**  
11 **ENERGY EFFICIENCY PROGRAMS AND WHY?**

12 **A.** RNG's 2018-2019 Energy Efficiency Plan proposes to establish a Water Heating  
13 category that includes energy efficiency programs with rebates and incentives for both  
14 residential and commercial customers. This category will incorporate the existing  
15 residential low flow showerhead program.

16 RNG's 2018-2019 EE Plan also proposes to establish the Space Heating category  
17 for two new energy efficiency measures that offer rebates for both residential and  
18 commercial customers. These new programs are designed to encourage customers to  
19 upgrade appliances and install energy conservation devices for natural gas heating needs.

20 EnergyWorks will conduct an Energy Assessment and based on the results,  
21 provide no-cost energy efficiency services to the income qualifying customer. Each  
22 participating commercial customer will receive an Energy Assessment, energy  
23 conservation education, RNG program information and potential services and/or rebates.

1 **Q. WHAT NEW COMMERCIAL PROGRAMS IS RNG PROPOSING?**

2 **A.** RNG is proposing to add Programs for the commercial customers. These  
3 programs will consist of the three programs termed water heating, space heating and  
4 energy assessment.

5

6 **Q. PLEASE DESCRIBE THE WATER HEATING PROGRAM.**

7 **A.** RNG's 2018-2019 Energy Efficiency Plan proposes to establish a Water Heating  
8 category that includes energy efficiency programs with rebates and incentives for both  
9 residential and commercial customers. These programs are designed to encourage  
10 customers to upgrade appliances, to install energy conservation devices, and to  
11 participate in available energy assessments for water heating needs. The Raton  
12 community has minimal new construction and upgrade-construction activity. However, it  
13 is vital that RNG offer energy efficiency programs that directly impact customers the  
14 mostly, such as water heating programs that address energy savings for new and  
15 upgraded appliances, energy saving devices, and energy assessments.

16 The newly proposed Water Heating category in RNG's proposed 2018-2019 EE  
17 Plan consists of the following energy efficiency measures:

18 1. Rebate offerings for the customer installation of highly efficient rated natural gas tank  
19 water heaters for commercial customers;

20 2. Rebate offerings for the customer installation of highly efficient natural gas tankless  
21 water heaters for commercial customers;

1 3. Provision and installation of commercial low-flow pre-rinse spray valves by  
2 EnergyWorks for commercial customers; and

3 All three of the energy efficiency measures above are newly proposed RNG  
4 programs that have therm savings identified in the New Mexico Technical Resource  
5 Manual (“TRM”).

6 Both Items #1 and #2 natural gas water heater program offerings are for both  
7 newly installed or upgraded water heaters.

8 Item # 3, the provision and installation of commercial low-flow pre-rinse spray  
9 valves is a newly proposed program to be implemented by EnergyWorks.

10 RNG proposes these changes consistent with the Commission’s Energy  
11 Efficiency Rule (“Rule”) and under the Efficient Use of Energy Act (“EUEA” or “Act”).  
12 Please refer to Exhibit 1, Table 3 for additional details of the Water Heating category of  
13 newly proposed programs and their associated estimated cost-effectiveness and savings.

14

15 **Q. PLEASE DESCRIBE THE SPACE HEATING PROGRAM.**

16 **A.** RNG’s 2018-2019 EE Plan proposes to establish the Space Heating category for  
17 two new energy efficiency measures that offer rebates for both residential and  
18 commercial customers. These new programs are designed to encourage customers to  
19 upgrade appliances and install energy conservation devices for natural gas heating needs.

20 The newly proposed Space Heating category consists of the following two energy  
21 efficiency measures:

- 1 1. Rebate offerings for the customer installation of highly efficient natural gas furnace
- 2 (AFUE 92 or above) for commercial customers;
- 3 2. Free programmable thermostats for qualified commercial customers.

4 Both energy efficiency measures above (Items #1 and #2) are newly proposed RNG  
5 categories that have therm savings identified in the New Mexico TRM. RNG proposes  
6 rebate incentives for qualified natural gas heater purchases and installations to further  
7 encourage its customers to upgrade current appliances. Please refer to Exhibit 1, Table 3  
8 for additional details of the Space Heating category of newly proposed programs and  
9 their associated estimated cost-effectiveness and savings.

10 RNG proposes these changes consistent with the Commission's Energy  
11 Efficiency Rule ("Rule") and under the Efficient Use of Energy Act ("EUEA" or "Act").

12

13 **Q. PLEASE DESCRIBE THE ENERGY ASSESSMENT PROGRAM.**

14 **A.** Each participating commercial customer will receive an Energy Assessment,  
15 energy conservation education, RNG program information and recommendations for  
16 the installation of qualified energy efficiency measures.

17

18 **Q. WHAT NEW RESIDENTIAL PROGRAMS IS RNG PROPOSING?**

19 **A.** A new program for income qualified residential customers will be initiated  
20 through EnergyWorks. EnergyWorks will recommend specific items or the full Income

1 Qualified package energy efficiency offerings to benefit the customer's specific  
2 residential needs.

3

4 **Q. PLEASE DESCRIBE THE RESIDENTIAL WATER HEATING**  
5 **PROGRAM.**

6 **A.** The residential plan for water heating consists of the following energy efficiency  
7 measures:

8 1. Rebate offerings for the customer installation of highly efficient rated natural gas tank  
9 water heaters for residential customers;

10 2. Rebate offerings for the customer installation of highly efficient natural gas tankless  
11 water heaters for residential customers;

12 3. Free energy efficiency assessments for income qualified residential customers; and

13 4. The existing program consisting of the provision of low flow showerhead kits for  
14 residential customers.

15 RNG proposes these changes consistent with the Commission's Energy  
16 Efficiency Rule ("Rule") and under the Efficient Use of Energy Act ("EUEA" or "Act").  
17 Please refer to Exhibit 1, Table 3 for additional details of the Water Heating category of  
18 newly proposed programs and their associated estimated cost-effectiveness and savings.

19 **Q. PLEASE DESCRIBE THE RESIDENTIAL SPACE HEATING**  
20 **PROGRAM.**

1 A. RNG's 2018-2019 EE Plan proposes to establish the Space Heating category for  
2 two new energy efficiency measures that offer rebates for residential customers. These  
3 new programs are designed to encourage customers to upgrade appliances and install  
4 energy conservation devices for natural gas heating needs.

5 The newly proposed Space Heating category consists of the following two energy  
6 efficiency measures:

- 7 1. Rebate offerings for customer installation of highly efficient natural gas furnace  
8 (AFUE 92 or above) for residential customers;
- 9 2. Programmable Thermostats free for qualified residential customers.

10 Both energy efficiency measures above (Items #1 and #2) are newly proposed  
11 RNG programs that have therm savings identified in the New Mexico TRM. RNG  
12 proposes rebate incentives for qualified natural gas heater purchases and installations to  
13 further encourage its customers to upgrade current appliances.

14 RNG proposes these changes consistent with the Commission's Energy  
15 Efficiency Rule ("Rule") and under the Efficient Use of Energy Act ("EUEA" or "Act").  
16 Please refer to Exhibit 1, Table 3 for additional details of the Space Heating category of  
17 newly proposed programs and their associated estimated cost-effectiveness and savings.

18

19

1 **Q. PLEASE DESCRIBE THE REBATE PROGRAM.**

2 **A.** The rebate program will cover the following EE segments: water heating and  
3 space heating. The various rebates will range in value from \$25 to \$250. The RNG  
4 proposed Plan is to distribute the rebate to customers who have natural gas service, who  
5 have responded to RNG's Energy Surveys, who agree to respond to RNG's survey data  
6 requests after installation, and who agree to onsite inspection requests throughout the  
7 year.

8 **Q. PLEASE PROVIDE MORE DETAIL ON THE LOW INCOME**  
9 **QUALIFIED RESIDENTIAL PROGRAM.**

10 **A.** RNG's 2018-2019 EE Plan proposes to assist the income qualified customer with  
11 a program specifically designed to meet the energy efficiency needs of an income  
12 qualified residence. RNG and EnergyWorks have developed a program that will provide  
13 a free Energy Assessment to the income-qualified resident; based on the results,  
14 EnergyWorks will recommend specific items or the full Income Qualified package  
15 energy efficiency offerings to benefit the resident's specific residential needs.

16 The proposed Income-Qualified Residential Services program includes following  
17 specific measures that are identifiable in the TRM for therm savings: air sealing, duct  
18 sealing, ceiling insulation, programmable thermostat, and water heating conservation  
19 devices, such as low-flow showerhead, aerators, pipe and tank insulation. RNG and  
20 EnergyWorks will collaborate to identify income-qualified customers for the program.

1            RNG proposes these changes consistent with the Commission's Energy  
2 Efficiency Rule ("Rule") and under the Efficient Use of Energy Act ("EUEA" or "Act").

3

4    **Q.    HAVE YOU PREPARED EXHIBITS?**

5    **A.**    Yes, I have. Exhibit DNL-1 is RNG's 2018-2019 Energy Efficiency Plan. It is  
6 attached to my testimony and covers the subjects in greater detail. Exhibit DNL-2 is the  
7 Meeting Minutes that were published of RNG's Public Advisory Process held on October  
8 18, 2017. Exhibit DNL-3 is the EnergyWorks proposal. Exhibit DNL-4 is the RNG  
9 Informal Customer EE survey results. Exhibit DNL-5 is the Program Cost Comparison  
10 to RNG billing revenues. Exhibit DNL-7 is RNG's avoided cost calculation. Exhibit  
11 DNL-8 is RNG estimated volumes, proposed cost recovery, and Second Revised Rate  
12 No. 6. Finally, Exhibit DNL-9 is the impact of Second Revised Rate Rider No. 6 on the  
13 average customer monthly bill.

14

15

16

**III.    PROGRAM DESIGN CRITERIA**

17

18    **Q.    WHAT WAS THE RATIONALE RNG USED IN ITS PROGRAM**  
19 **DESIGN?**

20    **A.**    Given that RNG is the smallest regulated natural gas utility in the state, serving  
21 approximately 3,000 customers, many programs that work for other utilities with larger  
22 customer bases are not practical and do not apply to RNG's customers and operations.

1 Despite this challenge, RNG continues to evaluate its portfolio of energy efficiency  
2 programs to provide current information and programs that reflect the current best  
3 practices regarding energy efficiency to provide energy conservation and savings for its  
4 customer base. For example, recommendations for RNG to implement a low-flow  
5 showerhead kit program were received during RNG's Public Advisory Process. Most  
6 participants expressed that this program had the highest likelihood of success.  
7 Consequently, RNG has evaluated this energy efficiency alternative, designed a program  
8 for its residential customers, and is continuing this program in this 2018-2019 Energy  
9 Efficiency Plan Application. RNG's Public Advisory Process is discussed in more detail  
10 later in my testimony. (See Exhibit DNL-2 for the Public Advisory Process October 18,  
11 2017, Meeting Minutes).

12           Additionally, informal customer surveys in the June 2018 RNG Newsletter and  
13 verbal surveys in our public office by office staff were used as a gauge for program  
14 reception and potential take-up.

15

16 **Q. PLEASE DISCUSS RNG'S SELECTION CRITERIA FOR ITS PROGRAM**  
17 **DESIGN.**

18 **A.** RNG's first criteria for its proposed 2018-2019 Plan was to select programs  
19 within the parameters established by the EUEA and the Commission's Rule. Second, the  
20 programs were designed to provide cost-effective energy savings to RNG's customer  
21 base. Last, the programs were designed to be implemented with minimal administrative  
22 costs and to provide residential and commercial customers with energy efficiency

1 benefits over the life of the program. With Commission approval of this proposed Plan,  
2 RNG is confident that these programs will continue successfully on an annual basis.

3

4 **Q. DOES RNG'S PROPOSED 2018-2019 ENERGY EFFICIENCY PLAN**  
5 **PROGRAM DESIGN MEET THE STATUTORY REQUIREMENTS?**

6 A. Yes, RNG's 2018-2019 Energy Efficiency Plan development sought to meet all  
7 the statutory requirements under the EUEA and the Commission's Rule in 17.7.2 NMAC.

8 First, RNG evaluated the cost-effectiveness of the proposed programs, and  
9 considered whether its programs would reach and benefit low-income customers. As  
10 required by Rule NMGAC 17.7.2.8.H, RNG also considered the expected useful life of  
11 the measures, participation requirements and restrictions, whether the estimated number  
12 of program participants would be large, the estimated economic benefit to the participants  
13 attributable to the measure or program, the estimated annual energy savings, the  
14 estimated energy savings over the life of the program, the estimated annual demand  
15 savings, and program costs.

16 In all cases, RNG's programs satisfy all applicable elements of the rule. RNG's  
17 complete energy efficiency Plan portfolio has met the cost-effectiveness threshold of the  
18 Utility Cost Test ("UCT"), which I discuss in greater detail in later testimony. More than  
19 5% of RNG's funding for programs will be directed toward low income residents. The  
20 programs were selected so that the total portfolio of energy efficiency programs will  
21 provide the opportunity for broad participation among both customer residential and  
22 commercial classes. The Education Program is designed to reach all consumers  
23 throughout the RNG service territory. The Low-Flow Showerhead Kit program offers a

1 cost-effective energy efficiency prescriptive for the residential customer. The total  
2 programs in RNG's 2018-2019 Plan benefit the community with quantifiable energy  
3 efficiency savings, substantial educational and community involvement benefits.

4 RNG has added challenges due to its small size and demographics and is always  
5 mindful of adopting programs that have a proven track record and that are appropriate  
6 based on the program costs, participation rates, and energy savings.

7 RNG is committed to satisfying the policy and data requirements of the EUEA,  
8 the EE Rule, and the Commission's Final Order in Case 15-00270-UT. RNG will  
9 schedule a meeting with the Commission's Utility Staff within thirty (30) days of the  
10 filing of this Application. If Commission Staff determines that it needs additional  
11 information on which to perform its analysis and make its recommendations on this  
12 Application, RNG will supplement the record to provide this additional information.

13

14 **Q. DID RNG VERIFY THAT THE ESTIMATED PLAN YEAR FUNDING**  
15 **PROGRAM COSTS DID NOT EXCEED THREE PERCENT (3%) OF**  
16 **CUSTOMER'S BILLS?**

17 **A.** Yes, RNG verified this pre-filing requirement in NMAC 17.7.2.8 C (2). Exhibit  
18 RNG-1, attached to the 2018-2019 Plan, identifies RNG's total billing revenues,  
19 excluding gross receipts taxes, franchise fees, and inspection and supervision fees. The  
20 proposed 2018-2019 Energy Efficiency Plan total budget costs, including Staff  
21 administration of \$23,930 is 00.913% of RNG's estimated billing revenues of \$2,619,870  
22 for the period of January 1, 2019 through December 31, 2019, based on actual billing  
23 revenue for the period September 1, 2017 through August 31, 2018.

1 **Q. DID RNG CONVENE ANY TYPE OF PUBLIC ADVISORY REVIEW**  
2 **PROCESS TO RECEIVE INPUT FROM THE COMMISSION STAFF, THE**  
3 **ATTORNEY GENERAL, AND OTHER NEW MEXICO UTILITIES TO ENSURE**  
4 **IT WAS ADOPTING THE BEST AND MOST INFORMED APPROACH?**

5 **A.** Yes. RNG convened a Pre-filing Public Advisory Process meeting and invited  
6 representatives of Commission Staff, the New Mexico Attorney General's Office (AG),  
7 the New Mexico Energy Minerals and Natural Resources Department (NMEMNRD), the  
8 New Mexico Mortgage Finance Authority (MFA), New Mexico Gas Company (NMGC),  
9 Zia Natural Gas Company, PNM, Raton's Mayor and City Manager, RPS, and Raton  
10 City Water Department. On October 18, 2017, RNG hosted a conference call to solicit  
11 possible elements of the 2018-2019 Energy Efficiency Programs for RNG. Members of  
12 this group who attended were Commission Staff Member Dr. Heidi Pitts, NMEMNRD  
13 Staff member Ken Hughes, Stephen Casey of NMGC, Ben Crandall of CLEAResult,  
14 Chris Reed an independent consultant and representatives of RNG; Peter Gould, Annette  
15 Martinez, Patricia Link and David Link. RNG considered very carefully the group's  
16 recommendations, which can be referenced in the meeting minutes that were published  
17 and the associated meeting outline, attached as Exhibit DNL-2.

18

19

20 **V. PROGRAM BUDGET COSTS**

21

22 **Q. PLEASE EXPLAIN RNG'S 2018-2019 ENERGY EFFICIENCY PLAN**  
23 **BUDGET COSTS.**

1 A. Table 2, page 16 in the 2018-2019 Plan, (Exhibit DNL-1) lists the proposed Plan  
2 programs and outlines the program cost categories and amounts budgeted for the 2018-  
3 2019 Plan.

4  
5 Staff Administration costs are the costs including estimated labor cost to  
6 administer, track, and report on the proposed programs for regulatory  
7 compliance. The estimated costs also include the estimated RNG personnel  
8 time to distribute low-flow showerhead, programmable thermostats, and rebate  
9 information to the customers. For the Water Heating Program this is estimated at  
10 \$718, for Space Heating \$454, for Income Qualified \$0, for Education \$198, and for non-  
11 program specific \$1,128.

12 Internal Administration costs are the costs that are RNG estimates as direct  
13 expenses related to the program implementation. For the Water Heating Program this is  
14 estimated at \$4,992, for Space Heating \$3,270, for Income Qualified, \$2,700, and for the  
15 Education Program \$350.

16 Promotional costs are the estimated expenses related to the promotional and  
17 marketing expenses related for program implementation. For the Education Program,  
18 and specifically the local forums for residents and commercial businesses, RNG plans to  
19 utilize local radio spots to promote the general energy efficiency topics for community  
20 education and awareness and to inform customers of the local forum programs. The local  
21 radio station in Raton has a listenership of approximately 85%, according to the KRTN  
22 General Manager. RNG is confident that these radio spots will be the most effective tool

1 for promoting the Education Program and energy efficiency awareness. RNG estimates  
2 an annual budget of \$3,640 based on estimates received from the local radio station.

3 Portfolio costs are the last category of Program Costs. Portfolio costs include  
4 costs associated with energy efficiency activities mandated by the EUEA and  
5 Commission's Energy Efficiency Rule 17.7.2 NMAC, including legal expenses and other  
6 costs associated with NMPRC open meetings, NMPRC workshops, as well as  
7 educational activities for the implementation of energy efficiency. Portfolio costs are  
8 non-program specific and represent the costs to implement RNG's Plan program. RNG  
9 retains outside counsel for its regulatory project management. In discussions with RNG's  
10 legal counsel, RNG is estimating an annual budget of \$6,480.

11 RNG's 2018-2019 Energy Efficiency Plan total program estimated costs is  
12 \$21,432, excluding \$2,498 for Staff administration. RNG's current base rates are not  
13 designed to recover the proposed program costs submitted in this 2018-2019 Energy  
14 Efficiency Plan.

15

16 **Q. IS RNG'S APPLICATION REQUESTING CHANGES TO ITS**  
17 **EXISTING EE RATE RIDER, REVISED RATE NO. 6?**

18 **A.** Yes. Included in this filing is Advice Notice 54, which details the changes to its  
19 Revised Rate Rider No. 6 required by the 2018-2019 EE Plan. As the Commission is  
20 aware, the EUEA authorizes natural gas public utilities to recover all program costs  
21 through an approved rate tariff rider not exceeding three percent (3%) of customers'  
22 estimated bills for the plan year. RNG's EE programs will result in incremental costs that

1 RNG's currently authorized rates are not designed to recover. In addition, RNG's current  
2 Revised Rate No. 6 only applies to its residential customers. With the approval of the  
3 2018-2019 EE Plan, Second Revised Rate No. 6 will include RNG's commercial  
4 customers who will be able to participate and benefit from the offered EE Programs.

5 As I discussed earlier, RNG's total program budget for its 2018-2019 EE Program  
6 is \$21,432. To recover these costs, RNG proposes to reset its Revised Rate No. 6 to  
7 \$.0055/ccf to commence the first billing cycle after the Commission approval of this  
8 application. Exhibit DNL-1 Page 24 and Exhibit DNL-8 attached to the 2018-2019 Plan,  
9 outline the projected energy efficiency Plan's costs, affected customer class sales volume,  
10 and calculation of RNG's proposed monthly tariff rate rider to recover the Plan's costs.

11 I explain these proposed 2018-2019 program costs in detail and the impact on the  
12 residential and commercial monthly average bill later in my testimony.

13

14

15

## **VI. PROGRAM BENEFIT ANALYSIS**

16

17 **Q. DESCRIBE THE KEY LEVEL INPUTS FOR THE PROPOSED 2018-2019**  
18 **ENERGY EFFICIENCY PROGRAM BENEFIT ANALYSIS.**

19 **A.** Table 3, page 21 in the 2018-2019 Plan (Exhibit DNL-1) presents the key  
20 program level inputs for the proposed 2018-2019 Energy Efficiency Programs for benefit  
21 analysis.

1 For the Education Programs, in Final Order of Case 15-0024-UT, the Commission  
2 granted to impute a UCT of one (1). RNG is unable to directly quantify or measure  
3 definite energy savings for the proposed community education and outreach programs;  
4 further the New Mexico Technical Resource Manual (“TRM”) has no data regarding  
5 educational or public awareness programs, nor are any readily available within the  
6 industry. Therefore, RNG has “n/a” designated for the Education Programs Annual Unit.  
7 The participation estimates for the elementary education program is 75.

8 For the Low-Flow Showerhead Kits, RNG utilized the TRM to arrive at the 40.4  
9 annual therm savings for each Low-Flow Showerhead Kit. Specifically, Section 4.2.2  
10 assigns a unit therm savings to the low-flow showerhead at 21.9 therms per year; Section  
11 4.3.2 assigns an annual unit therm savings to the low-flow kitchen aerator at 10.5 therms  
12 per year and 8.0 annual therm savings to the bathroom aerator. RNG has estimated  
13 seventy-five (75) residential customers as participants for the Low-Flow Showerhead Kit  
14 Program. Therefore, the total Annual Therms saved is an arithmetic calculation of  
15 participants multiplied by the total Annual Unit Therms.

16 RNG’s avoided costs are those costs avoided by the utility due to energy  
17 efficiency program therm savings. The avoided costs are related to the period in which  
18 the savings occur. For the period of 2019, RNG utilized the NYMEX Futures Henry Hub  
19 price for 2019 from the EIA. This forecasted unit cost of natural gas was included in  
20 RNG’s total estimated 2019 total delivery costs to compute costs to develop a projected  
21 gas cost factor applied to the estimate sales volumes for 2019. RNG’s current cost of  
22 service rates for residential and commercial customers were applied, plus the franchise  
23 fees and gross receipts tax (“GRT”). This unit cost projection provides the total delivered

1 cost to the customer's meter. RNG's avoided cost projection for 2019 is \$.8914/therm.  
2 (see Exhibit DNL-7, attached to the 2018-2019 Plan)

3 The last key level input to determine the total Present Value Benefit is to apply a  
4 net present value ("NPV") factor that will capture the net present value of the energy  
5 savings over the expected life of the measure. RNG utilized its cost of capital granted in  
6 its last general rate case (Case 15-0038-UT) to the estimated life of the low-flow  
7 showerhead kit to derive an NPV factor.

8 The Total Present Value Benefits of the proposed energy efficiency program is  
9 the estimated participants, multiplied by the total annual terms saved, multiplied by the  
10 avoided gas cost/therm, multiplied by a net present value interest factor.

11

12 **Q. HOW DID RNG ESTIMATE THE NUMBER OF PARTICIPANTS FOR**  
13 **EACH OF ITS PROGRAMS?**

14 **A.** Table 1, page 15 in the 2018-2019 Plan (Exhibit DNL-1) details the "Expected  
15 Participation" for each energy efficiency program.

16 As I discussed earlier, the Education Program is a combination of the Education  
17 Program in the elementary school of Raton Public Schools ("RPS") and the sponsorship  
18 of local forums on energy efficiency. Each program conducted at the elementary school  
19 will have an estimated seventy-five (75) students, based on the last meeting with RPS  
20 administrators. RNG reported actual participant numbers with its 2016-2017 Annual  
21 Report filed June 28, 2018.

22

1 Other program participation rates are a result of prior experience within the  
2 community, survey results, and discussions with EnergyWorks.

3  
4  
5 **VII. UCT VALUES**

6  
7 **Q. WHAT ARE THE UCT RESULTS FOR RNG'S PROPOSED ENERGY**  
8 **EFFICIENCY PROGRAMS?**

9 **A.** The UCT is the measure of EE Program cost-effectiveness established in the  
10 EUEA. The Section 62-17-4.K of the EUEA defines the UCT as follows:

11 "utility cost test" means a standard that is met if the monetary costs that are borne by the  
12 public utility and that are incurred to develop, acquire and operate energy efficiency or  
13 load management resources on a life-cycle basis are less than the avoided monetary costs  
14 associated with developing, acquiring and operating the associated supply-side resources.  
15 In developing this test for energy efficiency and load management programs directed to  
16 low-income customers, the commission shall either quantify or assign a reasonable value  
17 to reductions in working capital, reduced collection costs, lower bad-debt expense,  
18 improved customer service effectiveness and other appropriate factors as utility system  
19 economic benefits.

20 This definition of the UCT is specifically incorporated in Section  
21 17.7.2.8(H) of the Commission's EE Rule.

1           The UCT ratios for each of RNG's proposed programs and overall portfolio are  
2 shown in Table 5, page 23, in the 2018-2019 Plan (Exhibit DNL-1). RNG's overall UCT  
3 for its proposed 2018-2019 Energy Efficiency Plan is 2.17. The Education Program was  
4 granted an imputed UCT value of one (1) from the Final Order in Case 15-00247-UT.

5  
6 **Q.    HOW ARE THE UCT VALUES CALCULATED?**

7 **A.**    As can be seen from the statutory language quoted above, the UCT is the ratio of  
8 the present value of savings associated with a given efficiency program and the present  
9 value of costs associated with that program. If the UCT is greater than 1, then the  
10 program has met the statutory test. To determine the overall portfolio UCT, the non-  
11 program specific portfolio costs are included.

12           The UCT for RNG's 2018-2019 Energy Efficiency Plan equals the Total Present  
13 Value Benefits divided by the Total Program Costs.

14

15

16                           **VIII. PROPOSED RATE RIDER AND BILL IMPACT**

17

18 **Q.    PLEASE EXPLAIN RNG'S PROPOSED ENERGY EFFICIENCY RATE**  
19 **RIDER.**

20 **A.**    The EUEA authorizes natural gas public utilities that offer cost-effective energy  
21 efficiency programs to recover all approved program costs through an approved tariff rate  
22 rider. RNG's current rates are not designed to recover the energy efficiency program  
23 costs of \$21,432 identified in RNG's proposed 2018-2019 Energy Efficiency Plan.

1 Exhibit DNL-8, attached to the 2018-2019 Plan, details the calculation of its  
2 proposed Second Revised Rate No. 6 Energy Efficiency Rate Rider. For the proposed  
3 2018-2019 Energy Efficiency Program, RNG proposes a total program cost of \$21,432.  
4 RNG also estimates the 2019 Program Year total residential and commercial sales  
5 volume to be 3,900,000 ccf. RNG proposes in Advice Notice 54 and Second Revised  
6 Rate No. 6 an energy efficiency rate rider of \$0.0055/ccf applied to both residential Rate  
7 1 and commercial Rate 4 customers to be effective the first billing cycle after the  
8 Commission's approval of RNG's Application.

9

10 **Q. WHAT IS THE IMPACT OF RNG'S PROPOSED ENERGY EFFICIENCY**  
11 **RATE RIDER ON THE AVERAGE CUSTOMER BILL?**

12 **A.** RNG proposed a new tariff rate rider in Advice Notice 54 to recover the program  
13 costs associated with proposed 2018-2019 Energy Efficiency Plan. The proposed rate  
14 rider of \$.0055/ccf is to be applied to Rate 1, residential customers, and to Rate 4,  
15 commercial customers. A copy of RNG's filed Advice Notice 54 is included with this  
16 Application.

17 RNG has calculated that the proposed rate rider will increase the average monthly  
18 residential bill by \$.43 or .88% and the average monthly commercial bill will increase by  
19 \$1.85 or 1.00%. Exhibit DNL-9, attached to the 2018-2019 Plan, compares the average  
20 monthly bill for residential and commercial classes with and without the proposed Energy  
21 Efficiency rider.

22

1 **Q. DOES THE EUEA PROVIDE OPPORTUNITY FOR THE COMPANY TO**  
2 **EARN A PROFIT THROUGH INCENTIVES?**

3 A. Yes, Section 62-17-S(F) of the EUEA provides that the Commission shall  
4 "provide public utilities an opportunity to earn a profit on cost-effective energy  
5 efficiency and load management resource development that, with satisfactory  
6 program performance, is financially more attractive to the utility than supply-side  
7 utility resources." The Commission's standards for approval are provided in Section  
8 17.7.2.8(L) of the EE Rule, which provides that the incentive shall:

- 9 (1) be based on the utility's costs;
- 10 (2) be based on satisfactory performance of measures and programs;
- 11 (3) be supported by written testimony and exhibits;
- 12 (4) shall not exceed the product (expressed in dollars) of:
  - 13 (i) its weighted average cost of capital (expressed as a percent),
  - 14 and
  - 15 (ii) its approved annual program costs.

16  
17 **Q. DOES THE REQUESTED RATE RIDER INCLUDE PROVISION FOR**  
18 **INCENTIVES?**

19 A. No, not at this time. RNG is concerned with the potential rate impact on the  
20 consumer and has made every effort to minimize the costs of the program and the  
21 resultant consumer rate impact. RNG anticipates that at some point in the distant future  
22 an incentive program may be investigated.

23

1 **IX. MEASUREMENT AND VERIFICATION**

2  
3 **Q. WHAT MEASUREMENT AND VERIFICATION APPROACH DOES**  
4 **RNG PROPOSE?**

5 **A.** RNG is requesting an extension of the variance approved in 15-00247-UT which  
6 permits RNG to continue to file annual reports prepared by the Company. The costs to  
7 retain a third-party independent program evaluator to provide annual report data to  
8 support RNG's underlying assumptions and estimates, estimated to be more than  
9 \$15,000, would vastly outweigh the benefits of any attempts at third-party reporting.  
10 RNG was granted a variance in Case No. 15-00247-UT from the requirements of  
11 17.7.2.14. C and D NMAC and 17.7.2.15 NMAC to the extent that the Rule requires  
12 quantitative estimation and verification by an independent program evaluator of the  
13 energy and demand savings and cost effectiveness of RNG's proposed programs in  
14 annual reporting.

15 The measurement and verification reports ("M&V Report") prepared by the  
16 Commission's independent evaluator will be filed every three years, beginning in 2021,  
17 as required by the EUEA and the Rule. Section 62-17-8 of the EUEA and Section  
18 17.7.2.14 of the Rule provide that the utility will file an annual report that contains  
19 information on actual and estimated program expenditures, customer participation levels,  
20 estimated energy savings, demand reductions and customer monetary savings resulting  
21 from programs, a qualitative assessment of program effectiveness, and other information.  
22 The Rule also requires utilities to confirm that Commission-approved measures and  
23 programs were installed or implemented, describe any deviation from those

1 protocols, and explain the reasons for any deviations.

2

3

4

**X. RECONCILIATION METHODOLOGY**

5

6

**Q. PLEASE EXPLAIN RNG'S PROPOSED RECONCILIATION**

7

**METHODOLOGY FOR THE ENERGY EFFICIENCY RATE RIDER.**

8

A. The Rate Rider calculation will include a reconciliation factor to allow for the

9

recovery of any over or under collection (overage and underage) from the previous year's

10

program. The Energy Efficiency Rider is the sum of the Energy Efficiency Plan Year

11

Cost Factor and the Energy Efficiency Plan Year Reconciliation Factor. The Energy

12

Efficiency Plan Year Cost Factor is the Plan Year approved budget divided by the

13

projected sales volumes. The Energy Efficiency Plan Year Reconciliation Factor is the

14

dollar amount by which the prior Plan Year was over-recovered or under-recovered

15

divided by the projected sales volumes to arrive at the billing unit amount to apply to

16

customer bills going forward.

17

To calculate the Reconciliation Amount, RNG will track both the actual reported

18

annual revenue from the Energy Efficiency Rate and the actual reported annual expenses

19

from the Energy Efficiency Program. Each year the revenue will be subtracted from the

20

expense and the result will be added to the prior year's balance. The balance at the end

21

of the Plan Year becomes the over-recovered or under-recovered amount. A positive

22

amount is under-recovered, and a negative amount is over-recovered. The amount is

1 divided by the projected sales volumes to determine the Reconciliation Factor. This  
2 treatment is like that used by the natural gas utilities in the PGAC reconciliation process.

3  
4 **Q. DOES THE RECONCILIATION PROCESS YOU DESCRIBED COMPLY**  
5 **WITH STATUTORY AND REGULATORY REQUIREMENTS?**

6 **A.** Yes. my understanding of the Commission's Energy Efficiency Rule ("Rule")  
7 defines "plan year overage" in Section 17.7.2.6 (H) to be the "the public utility's actual  
8 prior plan year expenditures that exceeded the same plan year's actual commission  
9 authorized funding." The Rule also defines "plan year underage" at Section 17.7.2.6 (G)  
10 as "the public utility's actual prior plan year commission authorized funding that  
11 exceeded the same plan year's actual expenditures." In Section 17.7.2.8 (D), the Rule  
12 specifically requires the difference between the actual prior plan year expenditures and  
13 the same plan year's Commission authorized funding. At the end of the Plan year, the  
14 utility's overage or underage is calculated and applied as a unit cost to reconcile the tariff  
15 rider.

16  
17  
18 **XI. RNG'S REQUESTED APPROVALS**

19  
20 **Q. WHAT APPROVALS FROM THE COMMISSION IS RNG REQUESTING**  
21 **IN THIS PROCEEDING?**

22 **A.** RNG requests that the Commission determine that the proposed 2018-2019  
23 Energy Efficiency Plan programs are cost-effective and appropriate. RNG also requests

1 the Commission to approve its proposed 2018-2019 Energy Efficiency Plan programs  
2 and approve RNG's recovery of the program costs of \$21,432 through RNG's proposed  
3 tariff rate rider, pursuant to Section 62-17-6 of the EUEA and 17.7.2.13 A and C NMAC.

4

5 **Q. DOES RNG PROPOSE A SCHEDULE FOR THE 2018-2019 ENERGY**  
6 **EFFICIENCY PLAN?**

7 A. Yes, RNG proposes that, given the likelihood of the approval in late 2018, of the  
8 2018-2019 Energy Efficiency Plan, that the proposed 2018-2019 Energy Efficiency Plan  
9 Programs be initiated on January 1, 2019 or as soon as this new Plan has approval of the  
10 NMPRC.

11

12 **Q. CAN YOU PLEASE OUTLINE THE GUIDEPOSTS OF THE PROPOSED**  
13 **SCHEDULE THROUGH 2022?**

14 A. Yes, the schedule RNG is proposing through 2022 has the following guideposts  
15 and associated timeframes:

16

17	Submit 2018-2019 EE Plan and associated Rate Rider	October 1, 2018
18	Approval of 2018-2019 EE Plan and Rate Rider	Late 2018
19	Initiate 2018-2019 EE Programs and Rate Rider	After NMPRC
20		Approval
21	Submit 2020-2022 EE Plan and associated Rate Rider	October 1, 2019
22	Conclude 2018-2019 EE Programs	After Next Plan
23		Approval

- |   |  |                 |
|---|--|-----------------|
| 1 | Submit 2018-2019 Annual Report, including reconciliation | July 1, 2020    |
| 2 | Initiate 2020-2022 EE Programs and associated Rate Rider | January 1, 2020 |
| 3 | Conclude 2020-2022 EE Programs                           | After Next Plan |
| 4 |  | Approval        |
| 5 | Submit 2020-2022 Annual Report, including reconciliation | July 1, 2023    |

6

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

8 **A.** Yes, it does.

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

IN THE MATTER OF THE APPLICATION OF )  
RATON NATURAL GAS COMPANY FOR )  
APPROVAL OF ITS 2018-2019 ENERGY )  
EFFICIENCY PROGRAM PLAN AND FOR ) Utility Case No. 18-00 \_\_-UT  
APPROVAL OF A PROGRAM COST RATE RIDER )  
PURSUANT TO THE EFFICIENT USE OF )  
ENERGY ACT AND 17.7.2 NMAC, )  
 )  
RATON NATURAL GAS COMPANY, )  
 )  
APPLICANT. )

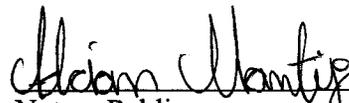
**AFFIDAVIT OF DAVID N. LINK**

STATE OF NEW MEXICO )  
 ) SS  
COUNTY OF SANTA FE )

I, **DAVID N. LINK**, President of Raton Natural Gas, do hereby swear, depose and state as follows: The foregoing Direct Testimony of David N. Link, with all exhibits and attachments thereto, is true and correct based on my knowledge and personal belief.

  
David N. Link

SUBSCRIBED AND SWORN to before me this 1<sup>st</sup> day of October, 2018.

  
Notary Public

My Commission Expires: 6/6, 2022



**2018-2019**

**ENERGY EFFICIENCY PLAN  
RATON NATURAL GAS**

EXHIBIT DNL-1

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## I. EXECUTIVE SUMMARY

Raton Natural Gas (“RNG”) is proposing changes to its current energy efficiency (“EE”) program plan which was approved by the New Mexico Public Regulation Commission (“Commission”) in its March 29, 2017, Order Adopting Recommended Decision in Case No. 16-00270-UT.<sup>1</sup>

RNG is proposing: 1) adding two Direct Install water heater measures with rebates and one water heating conservation services measure to a newly established Water Heating program; 2) adding one Direct Install space heater measure with rebate and one programmable thermostat Self-Install measure to a newly established Space Heating program; and 3) adding a stand alone Income Qualified service program. Additionally, RNG is proposing to continue its current approved Energy Efficiency Plan that consists of a residential low-flow showerhead kit program and a community Education Program. RNG proposes these changes consistent with the Commission’s Energy Efficiency Rule (“Rule”) and under the Efficient Use of Energy Act (“EUEA” or “Act”).

RNG’s proposed 2018-2019 Energy Efficiency (“EE”) Plan’s annual net therm savings is estimated at 8,058 therms with an estimated plan budget of \$23,930, yielding an overall Utility Cost Test (“UCT”) index of 2.17. RNG is proposing to expand its current EE Plan for the residential customers and to implement an energy efficiency program designed for the commercial customers.

The EUEA authorizes a public utility that undertakes a cost-effective energy efficiency program to recover the costs of cost-effective programs through a combination of exiting base rates and approved tariff rider. RNG proposes to recover \$2,498 in its current base rates and the remaining estimated 2018-2019 EE Plan costs of \$ 21,432 through the proposed Second Revised Rate No 6. RNG is asking for approval of Second Revised Rate No. 6 to include RNG’s Commercial customers for the 2018-2019 EE Plan costs.

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<sup>1</sup> See the Order Adopting Recommended Decision in Case No. 16-00270-UT, paragraph F, page 11, “to develop an energy efficiency portfolio of programs to be offered to its commercial class of customers”

## EXHIBIT DNL-1

RNG conducted a Public Advisory Group meeting on October 18, 2017, to discuss its current program and to solicit comments for the EE Plan changes. Members of this group who participated in the Public Advisory Group conference call included Commission Staff, the Energy Minerals and Natural Resources Department (“EMNRD”), CLEAResult Consulting, Inc., and New Mexico Gas Company. RNG has considered and included several of the group’s recommendations for RNG’s 2018-2019 Energy Efficiency Plan. The meeting minutes are attached to David N. Link’s Testimony as Exhibit DNL-2.

## II. OVERVIEW

### A. INTRODUCTION

The following describes and provides the rationale for RNG's proposed 2018-2019 Energy Efficiency Plan. RNG is proposing to add three measures to the newly established Water Heating category; to add two new measures to the newly established Space Heating category; and to add a stand-alone Income Qualified program.

### B. EXISTING PROGRAMS

On March 29, 2017, the Commission issued an Order Adopting Recommended Decision in NMPRC Case No. 16-00270-UT, approving a set of energy efficiency programs for RNG's customers. The following is RNG's Energy Efficiency current offerings available to its customers:

1) Education Program:

This education program is designed for the community at-large to increase customer awareness of energy efficiency measures. RNG sponsors energy efficiency campaigns with educational programs delivered regularly through the local radio station which reaches 85% of the community; through available local forums developed by local businesses or government entities; and through an education program developed for fourth graders in collaboration with the Raton public school system.

2) Low-Flow Showerhead Program:

The Low Flow Showerhead program provides a free kit to RNG residential customers who qualify through a simple application that is available on-line and in-office. The RNG kit includes a low-flow showerhead, a kitchen aerator, and a bathroom aerator with instructions in English and Spanish for self-installation. In its first year's offering, RNG has experienced strong response from its residential customers. RNG is proposing to continue this residential program. As discussed in the next section, "Proposed Changes to Existing Programs", RNG is proposing to administratively list the program in the newly proposed category, Water Heating.

### **III. PROPOSED CHANGES TO EXISTING PROGRAMS**

#### **A. WATER HEATING**

RNG's 2018-2019 Energy Efficiency Plan proposes to establish a Water Heating category that includes energy efficiency programs with rebates and incentives for both residential and commercial customers. These programs are designed to encourage customers to upgrade appliances, to install energy conservation devices, and to participate in available energy assessments for water heating needs. The Raton community has minimal new construction and upgrade-construction activity. However, it is vital that RNG offer energy efficiency programs that directly impact customers the most, such as water heating programs that address energy savings for new and upgraded appliances, energy saving devices, and energy assessments.

The newly proposed Water Heating category in RNG's proposed 2018-2019 EE Plan consists of the following energy efficiency measures:

1. Installation of high efficient rated natural gas tank water heaters for residential and commercial customers with rebate offerings;
2. Installation of high efficient natural gas tankless water heaters for residential and commercial customers with rebate offerings;
3. Commercial Water Heating Conservation Services for commercial customers that include a free energy assessment and installation of commercial low-flow pre-rinse spray valves by EnergyWorks;
4. Low-Flow Showerhead kits free to qualified residential customers.

Three of the four energy efficiency measures above (Items #1, #2, and #3) are newly proposed RNG programs that have therm savings identified in the New Mexico Technical Resource Manual ("TRM"). Both Items #1 and #2 natural gas water heater program offerings are new energy efficiency program introductions for the RNG customers. Not only are the proposed program offerings for newly installed or upgraded water heaters, but

## EXHIBIT DNL-1

both programs also include RNG rebates for qualified purchases and installations.<sup>23</sup> Item # 3, the Commercial Water Heating Conservation Services, is the third newly proposed program to be implemented by a third party, EnergyWorks. RNG has selected EnergyWorks based on the program details, program costs, and their proven experience with other New Mexico utilities regulated by the New Mexico Public Regulated Commission. The Commercial Water Heating Conservation Services program offers free energy assessment and water heating conservation devices for RNG commercial customers. (See Exhibit DNL-3)

RNG proposes to continue the current Low-Flow Showerhead program for residential customers. For the RNG 2018-2019 EE Plan, RNG proposed to move the Low-Flow Showerhead program into the Water Heating category.

Please refer to Table 3 for details of the Water Heating category of newly proposed programs and their associated estimated cost-effectiveness and savings.

### **B. SPACE HEATING**

RNG's 2018-2019 EE Plan proposes to establish the Space Heating category for two new energy efficiency measures that offer rebates for both residential and commercial customers. These new programs are designed to encourage customers to upgrade appliances and install energy conservation devices for natural gas heating needs.

The newly proposed Space Heating category consists of the following two energy efficiency measures:

1. Installation of high efficient natural gas furnace (AFUE 92 and above) for residential and commercial customers with rebate offerings;

---

<sup>2</sup> A qualified purchase is a natural gas water heater storage water tank (with energy factor of .67 or higher) or natural gas tankless water heater. See [https://www.energystar.gov/products/water\\_heaters/residential\\_water\\_heaters\\_key\\_product\\_criteria](https://www.energystar.gov/products/water_heaters/residential_water_heaters_key_product_criteria).

<sup>2</sup> A qualified installation is an installation by a licensed contractor in compliance with state and local New Mexico Construction Industry codes

## EXHIBIT DNL-1

2. Programmable Thermostats free for qualified residential and commercial customers.

Both energy efficiency measures above (Items #1 and #2) are newly proposed RNG programs that have therm savings identified in the New Mexico TRM. RNG proposes rebate incentives for qualified natural gas heater purchases and installations to further encourage its customers to upgrade current appliances. Additionally, RNG proposes to distribute programmable thermostats free as an additional energy conservation measure to qualified residential and commercial customers.<sup>4 5</sup>

Please refer to Table 3 for additional details of the Space Heating category of newly proposed programs and their associated estimated cost-effectiveness and savings.

### **C. INCOME QUALIFIED RESIDENTIAL SERVICES**

RNG's 2018-2019 EE Plan proposes to assist the income qualified customer with a program specifically designed to meet the energy efficiency needs of an income qualified residence. RNG and EnergyWorks have developed a program that will provide a free Energy Assessment to the income-qualified resident. EnergyWorks will conduct this energy assessment and based on the results, EnergyWorks will recommend specific items or the entire Income Qualified package of energy efficiency offerings to benefit the resident's specific residential needs. RNG and EnergyWorks will collaborate to identify income-qualified customers for the program. (See Exhibit DNL-3)

The proposed Income-Qualified Residential Services program includes the following specific measures that are identifiable in the TRM for therm savings: air sealing, duct

---

<sup>4</sup> A qualified purchase is a natural gas heater rated AFUE 92% and above. Annual Fuel Utilization Efficiency (AFUE) 92% and above means that heater converts a full 92% (and above) of natural gas into usable heat. See [https://www.energystar.gov/products/most\\_efficient/furnaces](https://www.energystar.gov/products/most_efficient/furnaces).

<sup>5</sup> A qualified installation is an installation by a licensed contractor in compliance with state and local New Mexico Construction Industry codes.

## EXHIBIT DNL-1

sealing, ceiling insulation, programmable thermostat, and water heating conservation devices, such as low-flow showerhead, aerators, pipe and tank insulation.

### IV. PROGRAM DESIGN

#### A. RATIONALE AND SELECTON CRITERIA

Given that RNG is the smallest regulated natural gas utility in the state, serving approximately 3,000 customers, several energy efficiency programs and incentives that are cost-effective for other utilities with larger customer bases do not meet the cost-effectiveness UCT threshold of one (1) due to the small RNG customer base and throughput. Despite this challenge, RNG's proposed 2018-2019 Energy Efficiency Plan portfolio complies with the EUEA Statute, the Commission's Rule, and Order Adopting Recommended Decision in NMPRC Case No. 16-00270-UT. Along with cost effectiveness, RNG considered the criteria contained in the Commission's Rule and listed below

1. Cost-effectiveness:

The portfolio of programs being proposed has a UCT great than 1.00. The individual programs being proposed also each have a UCT of one ("1") or above.<sup>6</sup>

---

<sup>6</sup> Final Order Case 15-00247 granted an imputed UCT value of one (1) for RNG's education programs

## EXHIBIT DNL-1

2. Additional selection criteria:
- a) System benefits: All of the programs proposed deliver energy efficiency benefits and energy savings for the customer. The total estimated energy savings is estimated at 8,058 therms for all RNG customers, which is an increase of 175% over RNG's current EE Program.
  - b) Participation criteria: The programs were selected to provide participation opportunities for both RNG residential and commercial customers. Incentives for the energy efficiency programs will be available to current RNG customers for the specific measure that applies to a specific class of service, i.e. residential or commercial. RNG personnel will review customer applications to verify customer's natural gas service and other components of the application. Due to the finite number of water and heating conservation devices available for self-install (Low-flow showerhead kits and programmable thermostats), the customer applications will be processed on a first-come, first-served basis. Rebates associated with the Water and Space heating categories, will be issued after RNG personnel's review of customer's qualified appliance purchases and installations. Additional participation criteria in specific energy efficiency programs:
    - i. Low-Flow Showerhead kits will continue to be available to qualified RNG residential customers who complete RNG's application either on-line or in-office. RNG is proposing to administratively list this current program in the newly created Water Heating category.
    - ii. Energy Efficiency Education Program will continue to be implemented as education and outreach programs to address energy efficiency topics and raise awareness for the community at large which includes both residential and commercial customers.

## EXHIBIT DNL-1

- iii. Commercial Water Heating Conservation Services program will be available to all qualified RNG commercial customers who complete RNG's application on-line or in-office. A third party contractor, EnergyWorks, will implement the Commercial Water Heating Conservation Services program that is specifically designed to benefit the small commercial customer's energy needs in RNG's territory.
  - iv. Water Heating and Space Heating program rebate offerings will be available to both residential and commercial customers through online and in-office forms. RNG personnel will review the customer's completed rebate application form to process the associated rebate amount.
  - v. Programmable thermostats will be offered free as self-installation energy conserving devices for qualified residential and commercial customers. RNG will be purchasing the programmable thermostats through EnergyWorks that will benefit residential and commercial buildings. Programmable thermostats will be distributed on a first-come, first-serve basis after RNG personnel review a customer's application to qualify their location.
  - vi. Income Qualified Residential program will be implemented by the third party contractor, EnergyWorks, who has experience working with energy efficiency programs at other regulated utilities in northern New Mexico. RNG will work closely with EnergyWorks to identify RNG's income qualified residential customers who will benefit from the package of weatherization products offered in this program.
3. Projected implementation date: RNG proposes to begin its 2018-2019 Energy Efficiency Plan on January 1, 2019, with Commission approval. This proposed implementation time-period also facilitates the Commission's Annual Energy Efficiency reporting compliance filings.

## EXHIBIT DNL-1

4. Existence of substantial non-energy benefits: the current Low-Flow Showerhead program, the proposed Income Qualified program, and the proposed Commercial Water Heating Conservation Services program are packages that will provide significant non-energy benefits in the form of water savings through the various low flow devices. The Education Program presents and discusses broad energy saving tips that also generate electric savings in a home or commercial location. RNG does not have the expertise or programs to measure the data for these non-natural gas energy benefits.

5. Overall portfolio development considerations: Programs were selected primarily based on consideration of the EUEA and the Rule objectives to provide cost effective energy savings for RNG's customers. RNG is mindful to maintain current programs that are successful with RNG customers; to adopt programs that have a proven track record with other natural gas utilities; to adopt programs that are appropriately based with low program costs, that offer efficiency measures to attract customer participation, and that will meet the statutory UCT cost test.

6. Customer input: RNG conducted customer surveys during the month of June, 2018, utilizing the RNG June Newsletter, telephone surveys direct to commercial customers, and in-office customer visit surveys. The results of the survey provided RNG additional information to assist in the 2018-2019 Energy Efficiency program design and selection. Approximately 40% of the customers responded that they were considering an appliance upgrade in the next five years. Approximately 50% also responded that a cash rebate would be an incentive. The survey results for customer interest in a programmable thermostat were approximately 60%. The summary results of these informal surveys are shown in Exhibit DNL-4.

**B. PUBLIC ADVISORY PROCESS**

RNG convened a pre-filing Public Advisory Process meeting and invited representatives of Commission Staff, the New Mexico Attorney General's Office ("AGO"), the New Mexico Energy Minerals and Natural Resources Department ("NMEMNRD"), New Mexico Gas Company ("NMGC"), Zia Natural Gas Company ("ZIA") the City Manager of Raton, the Manager of Raton Public Service, the Department Head of Raton's Water Department, and the Mayor of Raton.

On October 18, 2017, RNG hosted a conference call to solicit comments and ideas for new elements of RNG's energy efficiency program. Members of this group in attendance were Commission Staff member, Dr. Heidi Pitts; New Mexico Gas Company representative Steve Casey; Ken Hughes of EMNRD; Peter Gould, RNG Regulatory Counsel; and two individual industry consultants. RNG considered very carefully the group's recommendations, which can be referenced in the meeting minutes attached as Exhibit DNL-2.

**C. PROGRAM GOALS**

The primary long-term goal of the portfolio of programs is to introduce lasting structural and behavioral changes in the community, which will result in the increased adoption of energy efficient technologies. This is accomplished by promoting customers to participate in the current Low-Flow Showerhead Program, to increase customer awareness of energy efficiency measures through the Education Programs, and to provide new opportunities for customers' energy efficiencies through participation of the proposed Water Heating, Space Heating, and Income Qualified programs.

Specifically, the Water Heating and Space Heating programs address the Commission's Final Order in Case 16-00270-UT<sup>7</sup> requiring RNG to develop energy efficiency measures for the RNG commercial class of customer. First, the proposed Water Heating program offers to the commercial customer the Commercial Water Heating Conservation Services that includes a free energy assessment and installation of commercial low-flow pre-rinse spray valves. Additionally, this proposed Water Heating program also offers to the commercial customer a rebate for qualified purchase and installation of natural gas tank and tankless water heaters. Second, the proposed Space Heating program offers a rebate for qualified

---

<sup>7</sup> See the Order Adopting Recommended Decision in Case No. 16-00270-UT, paragraph F, page 11

## EXHIBIT DNL-1

purchase and installation of a natural gas space heater to the commercial customer. Additionally, the Space Heating program offers to a qualified commercial customer a free programmable thermostat.

RNG is committed to achieving these goals through active promotional efforts through several channels to increase customers' awareness. Energy Efficiency Promotions will use local news media, customer bill inserts, company's web site, in-office literature, and representation at community forums and in community-based organizations.

### **V. PROGRAM BUDGET, COSTS, BENEFIT ANALYSIS, AND UCT**

RNG is proposing to add three measures to the newly established Water Heating category; to add two new measures to the newly established Space Heating category; and to add a stand-alone Income Qualified program.

The following sections detail the 2018-2019 Energy Efficiency Plan budget, expected participation, costs and benefit analysis for the two programs.

#### **A. PROJECTED PLAN BUDGET AND EXPECTED PARTICIPATION**

Table 1 that follows presents RNG's projected energy efficiency budget of \$23,930 for the Program Year 2018-2019 and expected participation.

The proposed 2018-2019 Energy Efficiency Plan total budget costs of \$23,930 are approximately .91% of RNG's current billing revenues. For the period of September 1, 2017, through August 31, 2018, RNG billed the affected customers \$2,631,243, excluding gross receipts taxes, franchise fees, and inspection and supervision fees. (See Exhibit DNL-5). RNG's proposed 2018-2019 Energy Efficiency Plan budget of \$23,930 is well under the 3% threshold limit.

EXHIBIT DNL-1

Table 1: Projected Plan Budget and Expected Participation

<b>PROGRAM</b>	<b>2018-2019 EXPECTED PARTICIPATION</b>	<b>TOTAL PROGRAM BUDGET</b>
Water Heating	118	\$5,710
Space Heating	57	\$3,724
Income Qualified	18	\$2,700
Education	70	\$4,188
Portfolio Costs	N/A	\$7,608
<b>TOTAL</b>	<b>268</b>	<b>\$23,930</b>

In Table 1, the column, 2018-2019 Expected Participation, is an estimate of participation for the proposed programs. Actual participation will be recorded at the end of the Plan year in addition to actual reported program costs. The column, Total Program Budget, are the estimated costs for complete Plan implementation. For additional detail, please refer to the Program Budget Cost categories in Section B below, the Participation estimates in Section C that follows, and the David N. Link Testimony.

**B. PROGRAM COSTS ALLOCATION**

The 2018-2019 budget is comprised of three categories: internal administration costs, promotional costs, and portfolio costs. Table 2 below and the following section explain the detail in each cost category for RNG's two energy efficiency programs that comprise the 2018-2019 Plan budget.

EXHIBIT DNL-1

Table 2: Projected 2018-2019 Plan Program Costs

<b>Program</b>	<b>RNG Staff Administration Costs in Base Rates<sup>8</sup></b>	<b>Internal Administration</b>	<b>Promotional</b>	<b>Portfolio Costs</b>	<b>Total Cost</b>
Water Heating	\$718	\$4,992	\$0	\$0	\$5,710
Space Heating	\$454	\$3,270	\$0	\$0	\$3,724
Income Qualified	\$0	\$2,700	\$0	\$0	\$2,700
Education	\$198	\$350	\$3,640		\$4,188
Non-Program Specific	\$1,128	n/a	n/a	\$6,480	\$7,608
<b>TOTAL COSTS</b>	<b>\$2,498</b>	<b>\$11,312</b>	<b>\$3,640</b>	<b>\$6,480</b>	<b>\$23,930</b>

<sup>8</sup> Commission's Rule 17.7.2.13 (B) NMAC allows a public utility to seek recovery of costs through a tariff rider or base rates or by a combination of the two.

## EXHIBIT DNL-1

1. RNG Staff Administration: The RNG Staff Administration costs include estimated labor cost to administer, track, and report on the proposed energy efficiency programs for regulatory compliance. These estimated costs also include the estimated RNG personnel time to distribute low-flow showerhead, programmable thermostats, and rebate information to the customers. These costs are currently included in RNG's base rates and are not included in RNG's proposed Second Revised Rate No. 6.

2. Internal Administration: The internal administrative costs are RNG's estimated direct expenses related to the program implementation.

a) Water Heating Program Internal Administrative Estimated Costs:

RNG's estimates internal administrative expenses of \$4,992 for the Water Heating program. The total is comprised of \$2,600 attributed to commercial customers and \$2,392 attributed to residential customers.

Detailed estimated costs:

- i. \$1,100 for the Commercial Water Heating Conservation package as proposed by EnergyWorks. See Exhibit DNL-3.
- ii. \$600 for the rebates offered on estimated participation of commercial customers for natural gas water heaters with .67 or higher EF rating. RNG is proposing a \$100 rebate for each qualified commercial customer's purchase and installation
- iii. \$600 for the rebates offered on estimated participation of residential customers for natural gas water heaters with .67 or higher EF rating. RNG is proposing a \$100 rebate for each qualified residential customer's purchase and installation.
- iv. \$900 for the rebates offered on estimated participation of commercial customers for natural gas tankless water heaters. RNG is proposing \$150 rebate for each qualified commercial customer's purchase and installation.

## EXHIBIT DNL-1

- v. \$900 for the rebates offered on estimated participation of residential customers for natural gas tankless water heaters. RNG is proposing a \$150 rebate for each qualified residential customer's purchase and installation.
- vi. \$892 for the cost of an estimated participation of 75 residential customers for Low-flow Showerhead kits. RNG purchases the Low-flow Showerhead kits for \$11.89 per unit including taxes, shipping, and instructions for self-install.

**b) Space Heating Program Internal Administrative Estimated Costs:**

RNG 's estimates internal administrative expenses of \$3,270 for the Space Heating program. This total is comprised of \$1,860 attributed to commercial customers and \$1,410 attributed to residential customers.

Detailed estimated costs:

- i. \$1,110 for the estimated participation of commercial customers for the Programmable Thermostats. RNG is purchasing the programmable thermostats directly from EnergyWorks at \$44.49 which includes shipping and instructions for self-install.
- ii. \$750 for rebates offered on estimated participation of commercial customers for natural gas heaters with AFUE 92-94.9%. RNG is proposing a \$150 rebate for each qualified commercial customer's purchase and installation.
- iii. \$1,110 for the estimated participation of residential customers for the Programmable Thermostats. RNG is purchasing the Programmable Thermostats directly from EnergyWorks at \$44.49 which includes shipping and instructions for self-install.
- iv. \$300 for rebates offered on estimated participation of residential customers for natural gas heaters with AFUE 92-94.9%. RNG is proposing a \$150 rebate for each qualified residential customer's purchase and installation.

## EXHIBIT DNL-1

**c) Income Qualified Internal Administrative Estimated Costs:**

RNG's estimates internal administrative expenses of \$2,700 for the Income Qualified program as proposed and to be implemented by EnergyWorks. (See Exhibit DNL-3).

**d) Education Program:**

RNG estimates internal administrative expenses of \$350 for educational materials to be used in the elementary school program. See Exhibit DNL-6 for sample materials and costs.

**3. Promotional costs:**

The promotional costs are the estimated expenses related to the promotional and marketing expenses related for program implementation:

**a) RNG's estimated promotional costs of \$3,640 for the Education Program:**

- i. \$3,640 annually for the local radio spots to promote energy efficiency issues, energy efficiency events in the community and to raise public awareness for energy savings. affecting both residential and commercial customers.<sup>9</sup>

**4. Portfolio costs:**

The portfolio costs are the estimated expenses related to RNG's implementation of the 2018-2019 Plan and are non-program specific.

**a) RNG's estimated portfolio costs of \$6,480 for the 2018-2019 Plan:**

- i. \$6,840 for estimated outside legal costs to represent RNG in the filing and case management of its 2018-2019 Energy Efficiency Plan Application.

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<sup>9</sup> Local Radio station KRTN has 85% listenership in the City of Raton. Estimate provided to RNG by KRTN's General Manager.

**C. BENEFIT ANALYSIS**

The EUEA and the Commission's Rule establish the Utility Cost Test ("UCT") as the standard to determine cost-effectiveness of an energy efficiency program. If the ratio of present value benefits or savings to the program costs is greater than one ("1"), then the program meets the cost-effectiveness measurement. RNG has estimated its proposed 2018-2019 Energy Efficiency Plan overall UCT at 2.17.

Key inputs for benefit analysis are listed in Table 3 below. These program level inputs are the fundamental component required for the UCT calculation, which is the standard index used to determine the cost-effectiveness. RNG has utilized the New Mexico Technical Resource Manual ("TRM") dated September 6, 2013, to arrive at the annual therm savings for each specific proposed energy efficiency measure. RNG has listed the expected participation levels for each specific proposed energy efficiency measure. For the newly proposed energy efficiency measures, expected participation values are based on survey results with RNG's customer base, discussions with EnergyWorks, and the participant cost of a specific measure. For the existing energy efficiency programs, expected participation values are based on the current participation levels, survey results from the existing programs, and input from public school administrative officials coordinating with RNG for the education program. Annual therms saved is an arithmetic calculation of Expected Participation values multiplied by the Annual Unit Therm Savings. RNG has utilized the New Mexico Technical Resource Manual ("TRM") dated September 6, 2013, to arrive at the measure life or functional life for each specific proposed program.

EXHIBIT DNL-1

Table 3: Key Inputs for Benefit Analysis

<b>Program</b>	<b>Annual Unit Therm Savings</b>	<b>Expected Participation</b>	<b>Annual Therms Saved</b>	<b>Measure Life</b>
<b><u>Water Heating Program:</u></b>	<b>201</b>	<b>118</b>	<b>4,446</b>	
Commercial Conservation kit	34.72	19	660	8
Water Heater (.67 or higher)	18	12	216	11
Tankless	45	12	540	20
Low-flow showerhead kit	40.4	75	3,030	8
<b><u>Space Heating Program:</u></b>	<b>266</b>	<b>57</b>	<b>2,867</b>	
92% or above AFUE Furnace	88.1	7	616.7	18
Programmable thermostat	45	50	2,250	11
<b><u>Income Qualified:</u></b>	<b>41.40</b>	<b>18</b>	<b>745</b>	
Income Qualified Residential	41.40	18	745	10
<b><u>Education Program:</u></b>				
Education Program	n/a	70	n/a	n/a

EXHIBIT DNL-1

Table 4 below continues the UCT calculation by determining the Program Present Value Benefits of each proposed energy efficiency plan category. RNG's Avoided Costs are those costs avoided by the utility due to energy efficiency program therm savings and include gross receipts tax and franchise fees. The avoided costs are related to the period in which the savings occur. For the period of 2018-2019, RNG utilized the NYMEX Henry Hub price from the EIA Short-Term Energy Outlook 2018 . This unit cost was added to RNG's estimated 2018-2019 total delivery costs to develop a projected gas cost factor applied to the estimated volumes for 2018-2019, plus RNG's cost of service rates, plus the franchise fees and gross receipts tax ("GRT"). RNG's avoided cost projection for 2018-2019 is \$.8914/therm. (See Exhibit DNL-7). Total Present Value Benefits includes a net present value factor to represent the present value of savings over the life of the low-flow showerhead kit program. RNG used the cost of capital approved in its last general rate case (NMPRC Case 15-00038-UT) over the specific estimated life of the energy measures. The estimated participants, multiplied by the total annual therms saved, multiplied by the avoided gas cost/therm, multiplied by a net present value interest factor yields the Total Present Value Benefits.

Table 4: RNG Program Present Value Benefits

<b>Program</b>	<b>Annual Unit Therm Savings</b>	<b>Expected Participation</b>	<b>Annual Therms Saved</b>	<b>Avoided Costs</b>	<b>Total Present Value Benefits</b>
Water Heating	201	118	4,446	\$3,963	\$24,708
Space Heating	266	57	2,867	\$2,555	\$18,726
Income Qualified	41.40	18	745	\$664	\$4,314
Education	n/a	70	n/a	n/a	\$4,188
<b>TOTAL</b>	<b>508</b>	<b>268</b>	<b>8,058</b>	<b>\$7,182</b>	<b>\$51,936</b>

**D. UCT CALCULATIONS**

In summary, Table 5 below lists for each program category, Present Value Benefits (See Table 4) and Program Costs (See Table 2). The UCT for each proposed program category is calculated dividing the Total Present Value Benefits by the Total Program Costs. The UCT of 2.17 is calculated for RNG's 2018-2019 Energy Efficiency full portfolio of programs and includes the non-program specific Portfolio Costs.

Table 5: UCT Calculations

<b>Program</b>	<b>Total Present Value Benefits</b>	<b>Total Program Costs</b>	<b>UCT</b>
Water Heating	\$24,708	\$5,710	4.33
Space Heating	\$18,726	\$3,724	5.03
Income Qualified	\$4,314	\$2,700	1.60
Education	\$4,188	\$4,188	1.00
Non-Program Specific Portfolio Costs	n/a	\$7,608	n/a
<b>Total EE Portfolio</b>	<b>\$51,936</b>	<b>\$23,930</b>	<b>2.17</b>

**VI. ENERGY EFFICIENCY RATE RIDER**

On September 26, 2018, the Commission's Final Order in Case 18-00274-UT approved RNG's Advice Notice 53 reconciling RNG's current EE Plan costs. First Revised Rate No. 6 at \$.0045/ccf will remain in effect until the Commission approves a tariff change.

## EXHIBIT DNL-1

The Commission's Rule allows the utility to recover the program costs "either through an approved tariff rider, in base rates or by combining recovery through a tariff rider and base rates."

For the 2018-2019 RNG EE Plan application, RNG proposes Advice Notice 54 to recover program costs of \$21,432 through Second Revised Rate No. 6 at \$.0055/ccf. The proposed Second Revised Rate rider will be applied to RNG's Rate 1, residential customers, and to RNG's Rate 4, commercial customers.

Exhibit DNL-8 details the proposed 2018-2019 Plan program costs for recovery and estimated sales volume. In compliance with the Commission's Rule, RNG will calculate and file a reconciliation factor at the end of the first year to allow recovery for any overage or underage from the previous year's approved programs

Exhibit DNL-9 compares the average monthly bill for residential and commercial classes with and without the proposed Energy Efficiency Second Revised Rate No. 6.

**RATON NATURAL GAS COMPANY (RNG) 2018 ENERGY EFFICIENCY (EE) PLAN  
PUBLIC ADVISORY MEETING  
October 18, 2017  
Telephonic Meeting**

**The Telephonic Meeting was called to order at 11:05 am by David Link, RNG's President.**

**Public Advisory Group Members:**

**David Link, President of RNG**

**Patricia Link, RNG**

**Dr. Heidi Pitts, NMPRC Staff**

**Ken Hughes New Mexico Energy Minerals and Natural Resources Department (EMNRD)**

**Stephen Casey, NM Gas Company (NMGC)**

**Ben Crandall, Consultant with ClearResult**

**Chris Reed, Consultant**

**Peter Gould, RNG Regulatory Counsel**

**Annette Martinez, Assistant to Mr. Gould**

**1. Opening Statement**

Mr. Link opened the meeting at 11:05 am MDT by summarizing RNG's energy efficiency achievements in 2016 and 2017. Mr. Link's opening remarks were accompanied by several pages of slides, which are attached to these minutes as Attachment A.

RNG filed its 2016-2017 EE Plan on October 11, 2016. The case was docketed as NMPRC Case 16-00270-UT. The Commission approved the 2016-2017 Plan on March 29, 2017 with a budget of \$11,337.00. In conjunction with this budget, the Commission also approved RNG's Energy Efficiency Rider (Original Rate No. 6) of \$0.43/ccf. The Commission approved this Rider for residential customers only, having found that the approved programs did not provide specific benefits for RNG's commercial customers. The approved programs included the following: (1) a streamlined education program that consists of an annual energy efficiency presentation in the Raton elementary school and local forums which include regular public service announcements on local AM radio that highlight energy efficiency issues; and (2) a low flow showerhead program that will distribute one hundred (100) low flow showerhead kits, free of charge, to qualified customers. In its Final Order, the Commission imputed a Utility Cost Test (UCT) of 1.0 to the educational program. RNG's projections are that the low flow showerhead program will result in a system wide savings of 4,380 Therms per year and 32,320 Terms over the expected life of the showerhead kits. The projected UCT for this program is 3.68. The cost per Therm saved is projected to be \$0.27

Mr. Link reported that as of the date of the Advisory Committee meeting, RNG had already presented its in-school educational program to seventy-five (75) Raton 4<sup>th</sup> graders using a third-party program curriculum developer. A description of this successful program is provided in the October 2017 RNG newsletter, *The RNG Pipeline*. A copy of that newsletter is attached to these minutes as Attachment B. RNG intends to continue its approved educational program in 2018.

## EXHIBIT DNL-2

By the end of August 2017, RNG had also successfully distributed seventy-five (75) of the approved 100 low flow showerhead kits to its residential customers. As part of its initial launch of this program, RNG purchased three hundred (300) kits. RNG intends to distribute 100 kits in both 2018 and 2019 as the program continues.

Mr. Link also provided an overview of RNG's potential Commercial EE programs. As Mr. Link noted, the Commission in its Case 16-00270 Final Order ordered RNG, in consultation with its Public Advisory Group, to develop and propose a portfolio of EE programs for its commercial customers. Mr. Link stated that RNG is considering the following trial programs for its approximately three hundred (300) commercial customers: (1) prescriptive rebates for high efficiency boilers, tankless water heaters, high efficiency space heating and thermostats; (2) commercial low flow kits; and (3) commercial building efficiency assessments. Mr. Link noted that the majority of its commercial accounts were restaurants, hotels and motels.

### **2. Discussion and Responses from Advisory Group**

Mr. Hughes asked about RNG's method of distributing the residential low flow showerhead kits. Mr. Link responded that they are provided on a first-come-first-served basis to customers who request the kits. Customers can apply on-line or at RNG's business office. The customer must have a gas-fired hot water heater and be willing to complete a short survey to qualify for the kit. Dr. Pitts asked about customer follow-up. Mr. Link responded that RNG intends to follow up the kit distribution with a phone call to each recipient to determine whether the kit has been installed and to obtain other feedback and program suggestions from the customers.

Dr. Pitts had several questions about RNG's Rider No. 6 collections to date and any proposed reconciliation factor. Mr. Link responded that due to billing software issues, Rider No. 6 did not begin to appear on bills until June. At the time of the Public Advisory Group meeting, RNG had only a couple of months of data about collections under the Rider. Due to the fact that the rate had started in the summer – a period of traditionally low throughput – RNG did not have enough data to project whether Rider No. 6 collections would be sufficient to recover the entire budgeted costs of the approved programs. RNG intends to propose a reconciliation factor with the filing of its 2018 EE Program, which is currently scheduled for January 1, 2018.

Mr. Casey indicated that his company files its reconciliation factor on July 1<sup>st</sup> to coincide with its fiscal year. Dr. Pitts suggested that given the timing of RNG's Rider, it might be more efficient to follow NMGC's schedule for filing a reconciliation factor. The possibility of RNG seeking a variance or an extension of the current January 1, 2018 filing date for the 2018 EE Program was discussed.

In response to a question from Mr. Hughes about which of the commercial programs RNG thought would be the most feasible, Mr. Link responded that the utility had just begun to evaluate the potential of the possible programs and did not have any data to report as yet.

Mr. Casey stated that his company has had success with its commercial rebate programs. He stated that the key is to start small and gradually expand offerings as customer response and participation develops. Dr. Pitts asked Mr. Casey to provide more detail on NMGC's rebate

## EXHIBIT DNL-2

programs. Mr. Casey explained that under NMGC's rebate program contractors received set rebates on selected appliances and equipment once they provided invoices proving up their purchases. The rebates ranged from \$100 to \$1000, depending on the equipment purchased. NMGC is looking at simplifying the program for contractors by working with suppliers to provide the rebate in the form of a discount at the point of sale. Mr. Casey indicated that it is unlikely that Raton, given its size, would have the suppliers needed to make such a rebate work. He suggested that RNG should consider working with suppliers from Albuquerque or Pueblo, Colorado.

Mr. Link also elaborated on a potential low flow kit program for commercial customers. He stated that the primary market would be for hotels and motels in the Raton area. Any program would have to have enough flexibility to be specifically tailored to the needs of each business. He indicated that many of the local hotels and motels may have already installed low flow equipment on their own. He stated that this was an issue that needed to be explored further. Dr. Pitts suggested that RNG consider other types of customers such as senior centers, YMCAs and the local schools. Mr. Casey suggested that RNG also look at other governmental buildings such as City and County offices. He also suggested that there might be a need for low flow spray valves for cafeterias and restaurants.

Mr. Link also shared his thoughts about energy assessments for commercial buildings. He again emphasized the need for flexibility and that such a program would need to be tailored to meet the individual customer's needs. Mr. Casey emphasized the need to have reliable, independent contractors for such a program. He stated that the key for such programs is to have thorough, reliable "before" assessment to compare to the building's performance after energy efficiency improvements are made. This is essential to show program cost-effectiveness. During the discussion, Mr. Link was asked about the situation with the local hospital. Mr. Link stated that he believed that the hospital had gone through a renovation in 2008, but that there might be improvements that could be explored. Mr. Casey suggested the possibility of a boiler "tune up" as there have been recent improvements in boiler technology. Mr. Cramer suggested that RNG might need outside help in canvassing its service area to locate potential commercial customers for this program. He suggested looking to resources in Santa Fe and Albuquerque for such assistance.

Mr. Link emphasized that any commercial program would have to be approved on a trial basis with the costs allocated across all commercial accounts. Dr. Pitts agreed with Mr. Link on that point. She noted that the commercial sector of RNG's customer base is small at only 10% of the accounts. She stated that Staff appreciates that it will take some work to determine which commercial programs can be cost-effective for these customers. Mr. Hughes stated that his Department will work with RNG to facilitate the participation of public entities in any commercial program. He stated that public entities might be more willing than private business to look at measures that had long pay back periods.

Mr. Link asked Dr. Pitts for her comments on the 2016-2017 Budget Compliance worksheet that he had included in his slides. Dr. Pitts stated that the worksheet looked good to her. She suggested that it be filed as a compliance filing in the 2016 docket. Mr. Gould indicated that he would work with Staff legal counsel on the compliance issue.

## EXHIBIT DNL-2

Mr. Link thanked all of the members of the Public Advisory Group for their participation and their suggestions. He stated that RNG would stay in touch as it began to finalize its proposals for a commercial energy efficiency program.



**Energy Efficiency Services Proposal**  
**September 2018**

**EnergyWorks**

EnergyWorks, LLC  
300 S Water Street  
Las Cruces, NM 88001  
575-524-2300  
[www.EnergyWorksUSA.com](http://www.EnergyWorksUSA.com)



# EnergyWorks

## Commercial Energy Efficiency Services

EnergyWorks will provide energy efficiency services to commercial customers of Raton Natural Gas Company. The limited number of commercial customers will require developing a five year strategy for program implementation. Coordination of services and customers within a multiyear plan will be an important factor in achieving the energy savings goals each year.

EnergyWorks recommends implementing Commercial Water Heating Conservation Services for the first two years. These measures are cost-effective and have a clear deemed savings from the New Mexico Technical Resource Manual. Each participating commercial customer will receive an Energy Assessment, energy conservation education, RNG program information and the installation of qualified Water Heating Conservation Services. Additional measures will be introduced as part of the multiyear plan.

EnergyWorks and Raton Natural Gas will collaborate to identify and contact commercial customers that will benefit from the energy efficiency services. The proposed program is:

\$1,100.00 Annual Budget

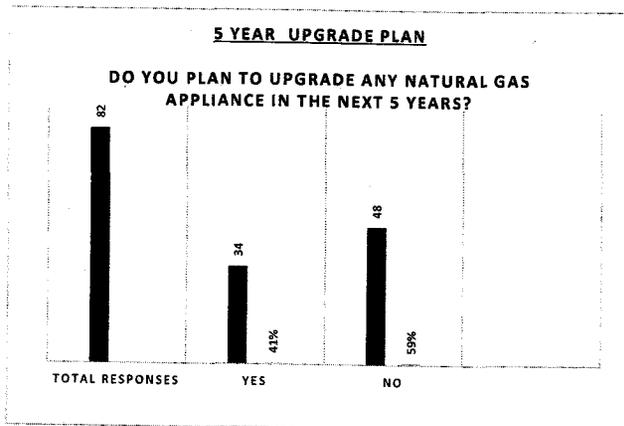
X-TBD Therms Annual Savings Goal

4 - 8 commercial customers per year

Sample Commercial Customer	1.0 GPM Aerator	1.25 GPM Pre-rinse Spray Valve	Annual Therm Savings
Restaurant	3	1	321.67
Elementary School	12	1	240.2
General Commercial	2	0	97.8
Total			659.67

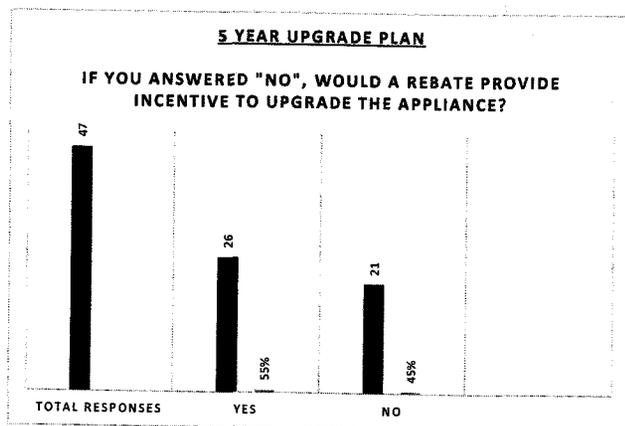
**Question #1: Within the next five years, do you plan to replace or upgrade any natural gas appliance for a more energy efficient model?**

Total Responses	82	
Yes	34	41%
No	48	59%



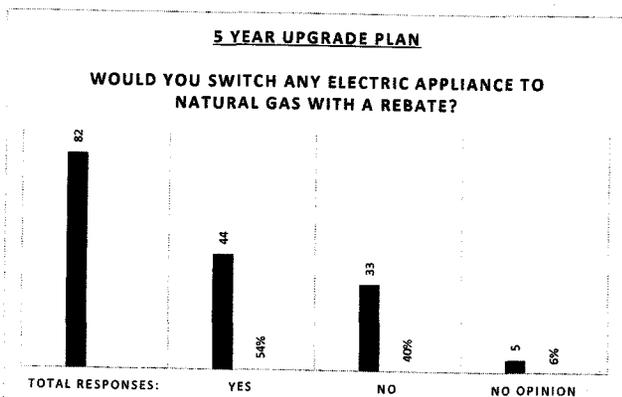
**Question #2: If your answer is no, would a rebate provide incentive to do so?**

Total Responses	47	
Yes	26	55%
No	21	45%



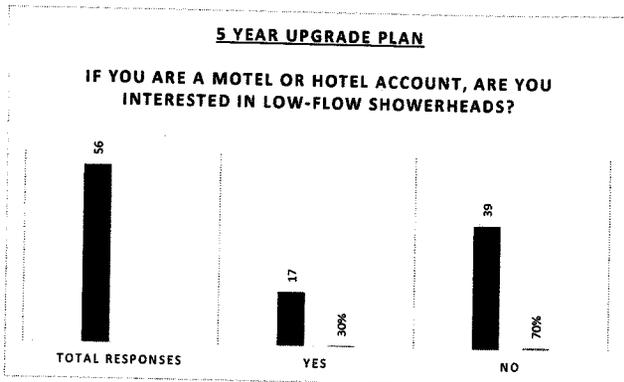
**Question #3: Would you switch any electric appliance to natural gas with a rebate?**

Total Responses:	82	
Yes	44	54%
No	33	40%
No Opinion	5	6%



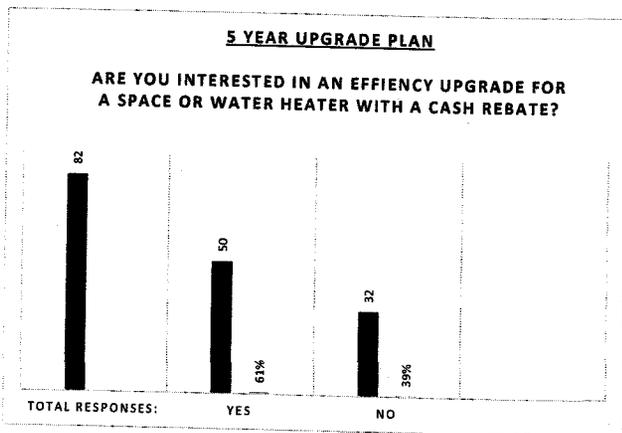
**Question #4: If you are a motel or hotel account, are you interested in low-flow showerheads?**

Total Responses	56	
Yes	17	30%
No	39	70%



**Question #5: Are you interested in an efficiency upgrade to space or water heater with a cash rebate?**

Total Responses:	82	
Yes	50	61%
No	32	39%



**Question #6: Are you interested in a programmable thermostat?**

Total Responses:	82	
Yes	48	59%
No	26	32%
No Opinion	8	10%

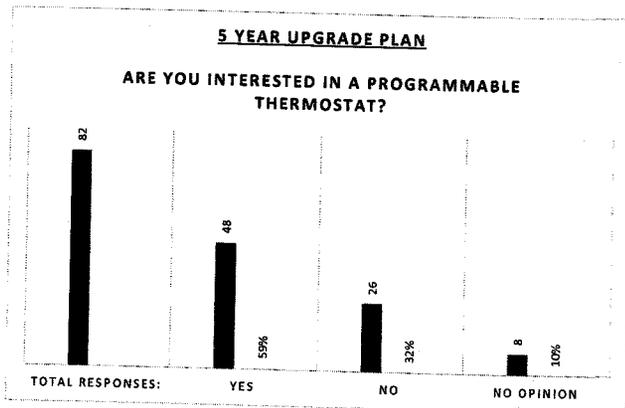


EXHIBIT DNL-5

**Raton Natural Gas Company  
2018-2019 Energy Efficiency Program Year  
3% Billing Revenues**

Billing Revenues - Sept 17 to Aug 18	\$2,631,243
3% Maximum	\$78,937
RNG 2018-2019 Proposed EE Budget	\$23,930
Percentage of Billing Revenues	0.91%



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## Learning About Your Environment

Grades 3-6, #35650

Count on Kato the Safety Cat to make environmental concepts kid-friendly. Challenging puzzles and games inform youngsters how they can help protect the environment and conserve energy.

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No imprint	\$1.42	\$1.31	\$1.08	\$1.02	\$0.84	\$0.73
With imprint	\$1.96	\$1.56	\$1.12	\$1.06	\$0.88	\$0.77

Length: 16 pages; Item Size: 8 1/8"w x 10 5/8"h; Imprint area: 4"w x 3/4"h; Color: as shown; Imprint color: black

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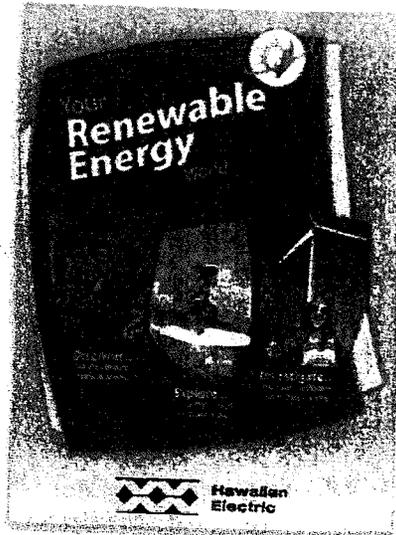
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## Your Renewable Energy World™

Grades 4-6, #37030

Help kids become smart energy users who "get" how our energy choices affect climate change and natural resources. Using this activity booklet, kids will discover why utilities are exploring alternatives to traditional power plants, explore renewable energy resources (solar, wind, hydro, ocean, biomass, geothermal), investigate the advantages and challenges of these renewable resources, build their energy vocabulary, and learn how to save energy at home.

Quantity	100	250	500	1,000	5,000	10,000
No imprint	\$1.42	\$1.31	\$1.08	\$1.02	\$0.84	\$0.73
With imprint	\$1.96	\$1.56	\$1.12	\$1.06	\$0.88	\$0.77

Length: 16 pages; Item Size: 8 1/8"w x 10 5/8"h; Imprint area: 4"w x 1"h; Color: as shown; Imprint color: black

Made in America

Teacher's guide is available.

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Quantity (no commas):

100

**Raton Natural Gas Company  
2018-2019 Energy Efficiency Program Year  
Avoided Delivered Costs Calculation**

Year	Purchased Gas Cost \$/therm	RNG Cost of Service \$/therm	Avoided Gas Cost \$/therm	FF & GRT Rate \$/therm	Avoided Gas Cost with FF& GRT \$/therm
Notes	(1) (2)	(3)		(4)	
2019	0.4346	0.3577	0.7923	0.0991	0.8914

1. NYMEX Henry Hub EIA 2019 Forecast = \$3.23
2. Includes projected upstream transport costs
3. Average RNG delivered gas Btu 98153
4. Franchise Fee + GRT=.125028

EXHIBIT DNL-8

**Raton Natural Gas Company**  
**2018-2019 Energy Efficiency Program Year**  
**Proposed Second Revised Rate No. 6 Rate Rider Recovery Costs Applied to RNG Rate 1 and Rate 4**

		\$/ccf
Proposed 2018-2019 EE Budget effective 1/1/19 for Second Revised Rate No. 6 Recovery Costs	\$21,432	
Estimated RNG 2019 Volumes ccf	3,900,000	
<hr/>		
Proposed Second Revised Rate No. 6 applied to RNG Rate 1 and Rate 4		\$0.0055

**Raton Natural Gas Company**  
**2018-2019 Energy Efficiency Program Year**  
**Average Monthly Bill Impact for Second Revised Rate No. 6**

	<b>Proposed EE Rate Rider \$/ccf</b>	<b>Average Monthly Bill Usage ccf</b>	<b>Without EE Rate</b>	<b>With EE Rate</b>	<b>Increase \$</b>	<b>% Increase %</b>
Residential	\$0.0055	78	\$48.59	\$49.02	\$0.43	0.88%
Commercial	\$0.0055	336	\$185.26	\$187.11	\$1.85	1.00%

## Notes:

Does not include  
FF or GRT

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

IN THE MATTER OF THE APPLICATION OF )  
RATON NATURAL GAS COMPANY FOR )  
APPROVAL OF ITS 2018-2019 ENERGY )  
EFFICIENCY PROGRAM PLAN AND FOR ) Utility Case No. 18-00312-UT  
APPROVAL OF A PROGRAM COST RATE RIDER )  
PURSUANT TO THE EFFICIENT USE OF )  
ENERGY ACT AND 17.7.2 NMAC, )  
RATON NATURAL GAS COMPANY, )  
APPLICANT. )

FILED IN OFFICE OF

OCT - 1 2018

NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of RNG's Application for Approval of its 2018-2019 Energy Efficiency Plan and its Advice Notice No. 54, issued October 1, 2018 was sent by me on the same date to the following and in the manner indicated below:

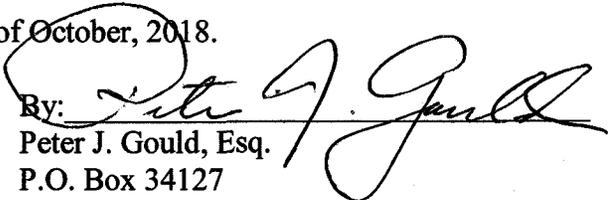
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DATED this 1<sup>st</sup> day of October, 2018.

By: 

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