

3. On August 7, 2015, VS filed its Motion to Dismiss EPE's Partial Requirements Customer Class Proposal and Supporting Brief ("VS Motion to Dismiss"). In the VS Motion to Dismiss, VS argued that the PR Rate Class proposal violates certain portions of 17.9.570 NMAC, and that the proposal should be dismissed from this case.

4. On August 17, 2015, EPE filed its Response to the TASC Motion to Dismiss, and on August 19, 2015, EPE filed its Response to the VS Motion to Dismiss. EPE opposed both motions on a number of grounds.

5. On August 17, 2015, Staff of the Commission's Utility Division ("Staff") filed its Response to the TASC Motion to Dismiss and VS Motion to Dismiss ("Staff Response"). Staff supported the motions to dismiss, and Staff requested that the Commission grant the motions.

6. Replies and Sur-Replies were also filed by TASC, VS, and EPE, respectively, in this matter.

7. On September 8, 2015, the hearing examiner in this matter, Elizabeth C. Hurst, issued her Order on Motions to Dismiss, denying both the TASC Motion to Dismiss and the VS Motion to Dismiss.

8. In the Order on Motions to Dismiss, Ms. Hurst ruled that the motions failed to meet the applicable burden of proving that the PR Rate Class proposal was "either patently deficient in form or a nullity in substance." *See* Order on Motions to Dismiss, pp. 23-27. Ms. Hurst found that the motions presented matters of fact to be decided after evidentiary hearing. *Id.*, p. 27.

9. Ms. Hurst rejected TASC's arguments concerning NMSA 1978, § 62-13-13.2 on the ground that the statute's rate rider method of collecting costs is not an exclusive method. *Id.*, p. 25.

10. Ms. Hurst also rejected VS's arguments, under 17.9.570.12(B)(1) NMAC, concerning the treatment of "supplementary power" on the basis that there is no evidence in the record as to the amount of supplementary power that distributed generation ("DG") customers or any other customers purchase. *Id.*, pp. 25-26.

11. Ms. Hurst also rejected the argument of TASC and VS that, as a matter of law, the PR Rate Class proposal violates 17.9.570.14(C)(1) NMAC by imposing a different "rate structure." *Id.*, p. 26. Ms. Hurst found that the "in accordance with" language of the rule indicated that the rates in the PR Rate Class did not need to be identical to those in the Residential Service Rate class. *Id.* Ms. Hurst also cited EPE's testimony indicating that the PR Rate Class is structured with a monthly charge and an energy charge, like the ordinary residential class. *Id.*, pp. 26-27. Ms. Hurst found that the issues raised by TASC and VS concern questions of fact to be developed at hearing, not matters of law appropriate for decision on motions to dismiss. *Id.*, p. 27.

12. On September 11, 2015, TASC filed its Motion to Permit Interlocutory Appeal of Order on Motions to Dismiss and for Limited Suspension of Deadline to File Direct Testimony.

13. On September 11, 2015, VS filed its Motion to Permit Interlocutory Appeal of Order on Motions to Dismiss and Supporting Brief ("VS Motion to Permit Appeal").

14. On September 14, 2015, Ms. Hurst denied the motions in her Order Denying Motions to Permit Interlocutory Appeal and Denying Request to Stay Procedural Schedule ("Order Denying Appeals"). In the Order Denying Appeals, Ms. Hurst reaffirmed the rulings she made in the Order on Motions to Dismiss, and found that TASC and VS had failed to meet either applicable standard for interlocutory appeal stated in Commission Rule 1.2.2.31(B)(1) NMAC. *See* Order Denying Appeals.

15. On September 17, 2015, TASC filed its Appeal of Ms. Hurst's Order Denying Motions to Permit Interlocutory Appeal of Order on Motions to Dismiss and Denying TASC's Request for Limited Suspension of Deadline to File Direct Testimony ("TASC Appeal"), and VS filed its Appeal of the Hearing Examiner's Order Denying Motions for Interlocutory Appeal and Supporting Brief ("VS Appeal").

16. The TASC Appeal and VS Appeal are appeals of Ms. Hurst's Order Denying Permission to Appeal, pursuant to 1.2.2.31(B)(5) NMAC.

17. In the TASC Appeal, TASC also requested that the Commission decide the appeal prior to September 30, 2015, the due date for intervener and Staff direct testimony, or in the alternative, suspend the testimony deadline until 30 days after the Commission's decision on the appeal. *See* TASC Appeal, ¶ 31.

18. On September 25, 2015, VS and TASC filed motions requesting oral argument before the Commission. EPE opposed the motions. Other parties to the case variously supported the motions or took no position, as recited in the motions themselves.

19. On September 30, 2015, the Commission granted the motions requesting oral argument.

20. On October 7, 2015, oral argument was held before the Commission pursuant to the above order. Counsel for TASC and VS argued in support of their appeals of the Order Denying Motions, and Staff also argued in support of the appeals. Counsel for EPE argued in opposition to the appeals. In addition, the Commission questioned counsel for the parties.

21. Commission Rule 1.2.2.31(B)(1) NMAC requires that the party seeking interlocutory appeal must demonstrate that: (a) the ruling involves a controlling question of law or policy as to which there is substantial ground for difference of opinion and that an immediate

appeal to the commission from the ruling may materially advance the ultimate disposition of the proceeding; or (b) circumstances exist which make prompt commission review of the contested ruling necessary to prevent irreparable harm to any person.

22. The Commission has jurisdiction over the parties and the subject matter of this proceeding.

23. The Commission finds that the TASC Appeal and the VS Appeal should be granted.

24. The Commission finds that it should enter different rulings than those entered by the hearing examiner in the Order on Motions to Dismiss and the Order Denying Appeals.

25. Further, Ms. Hurst's rulings in the Order on Motions to Dismiss and subsequent Order Denying Appeal involve a controlling question of law or policy as to which there is substantial ground for difference of opinion and that an immediate appeal to the commission from the ruling may materially advance the ultimate disposition of the proceeding, pursuant to Commission Rule 1.2.2.31(B)(1)(a) NMAC.

26. The controlling question is whether or not Commission Rule 17.9.570 NMAC prohibits EPE from charging higher rates to its proposed PR Rate Class than the customers within the class would be charged if they did not interconnect qualifying facilities. That question raises purely legal issues, and does not require the resolution of any factual issues in a hearing. The Commission finds that 17.9.570 NMAC prohibits EPE from doing so.

27. With regard to 17.9.570.14(C)(1) NMAC, TASC and VS argue that the language of this portion of the rule requires that EPE charge the same rates and other charges to the proposed PR Rate Class customers as Residential Service Rate customers. The Commission finds that this interpretation of 17.9.570.14(C)(1) NMAC is correct.

28. 17.9.570.14(C)(1) NMAC provides: “Customers shall be billed for service in accordance with the rate structure and monthly charges that the customer would be assigned if the customer had not interconnected a qualifying facility.” The Commission agrees with VS that the phrase “in accordance with”, as construed by the courts in New Mexico means “consistent with” all applicable provisions and “not repugnant to *any* of them.” VS Motion to Permit Appeal at 3, *citing Johnson v. Franke*, 1987-NMCA-029 ¶ 12, 734 P.2d 804, 806 (emphasis in original). Applying that definition to 17.9.570.14(C)(1), the Commission finds that, under that rule, net metered customers such as those within the PR Rate Class should be charged the same rates and charges that are charged to EPE’s Residential Service Rate customers. Indeed, EPE characterizes its own witness’s testimony in this case as “acknowledg[ing] . . . that [17.9.570.14(C)(1)] requires the same ‘rate structure’ and ‘monthly charges’” as those charged under its Residential Service Rate. EPE’s Surreply to Reply of Vote Solar, p. 4. Although EPE is proposing to charge the same customer charge under the PR Rate Class Rate that it is proposing under the Residential Service Rate, its proposed higher energy charge under the PR Rate Class Rate cannot be said to be “in accordance with” the Residential Service Rate.

29. The Commission has previously interpreted the language of 17.9.570.14(C)(1) NMAC to that effect in Commission Case No. 2847, titled “In the Matter of the Adoption of a Rule to Allow Net Metering for Customer-Owned Renewable Energy, Distributed Generation and Alternative Technology Generation Resources.” In the Recommended Decision of the Hearing Examiner, issued June 2, 1999 (“RD in Case 2847”), which was later adopted in the final order of the Commission, the hearing examiner stated, in relevant part, as follows:

The method of calculating net metering billings is set out in section II and is a substantial amendment to the original rule. The electricity generated by the

customer would continue to offset electricity supplied to the customer by the utility. *A customer is required to pay the otherwise applicable energy rate and to pay monthly minimum charges which would have been paid absent the qualifying facility.*

RD in Case 2847, pp. 20-21 (italics added). By referring to the “otherwise applicable energy rate”, the Commission was referring to the rate the customer would have paid had it not owned the qualifying facility. If the Commission had intended to mean any other rate expressly made applicable to owners of qualifying facilities (such as the PR Rate Class rate), the Commission would have simply referred to the “applicable rate”. Thus, the Commission has interpreted its rule to require that customers with net metered qualifying facilities should pay the same rates and minimum charges as they would pay had they not interconnected qualifying facilities.

30. This interpretation of 17.9.570.14(C)(1) NMAC is consistent with one of the stated objectives of 17.9.570.14 NMAC, namely to “encourage the use of small-scale customer-owned renewable or alternative energy resources in recognition of the beneficial effects the development of such resources will have on the environment of New Mexico.” 17.9.570.6(B) NMAC. By preventing utilities from charging higher rates and additional charges to customers with qualifying facilities, the rule encourages customers to adopt distributed generation measures such as solar panels. The rule raises the economic value of distributed generation for customers. The rule also improves the predictability of the economic value of such generation for customers considering installation of a qualifying facility because the rule allows such customers to estimate the costs and benefits based upon rates already applicable to such customers.

31. TASC and VS also point to the language in 17.9.570.10(C)(2) NMAC, which states that “the qualifying facility shall be billed for the net energy delivered from the utility *in*

accordance with the tariffs that are applicable to the qualifying facility absent the qualifying facility's generation” 17.9.570.10(C)(2) NMAC (italics added). This provision, like 17.9.570.14(C)(1) NMAC, applies to customers with net metering. Consistent with 17.9.570.14(C)(1) NMAC, the language of 17.9.570.10(C)(2) NMAC indicates that customers with qualifying facilities, like those within the PR Rate Class, should be billed under the Residential Service Rate tariff

32. The VS Motion to Dismiss shows that Rule 570 prohibits charging DG customers a different rate for supplementary power, and otherwise prohibits separate rates. EPE’s primary response from the perspective of statutory construction is that its proposal complies with Rule 17.9.570.12(B)(1) NMAC because “Rate No. 2 customers would be ‘entitled to supplementary power under the same retail rate schedules (Rate No. 2) that would be applicable to those retail rate customers (Rate No. 2) having power requirements equal to the supplementary power requirements of the qualifying facility’.” EPE’s Response to VS Motion to Dismiss, p. 4. EPE’s interpretation of 17.9.570.12(B)(1) would render it an inconsequential tautology; under EPE’s reading of the rule, customers are entitled to supplementary power at whatever rate they would pay if 17.9.570.12(B)(1) did not exist. The Commission should reject any interpretation that would render part of its rules meaningless. *See State v. Herbstman*, 1999-NMCA-014, 126 N.M. 683, 974 P.2d 177, 182 (“We will reject an interpretation of a statute that makes parts of it mere surplusage or meaningless.”).

33. Moreover, EPE’s proposal to charge residential DG customers a different rate for supplementary power misapprehends the purpose and intent of 17.9.570.14(C)(1) NMAC, and, more importantly, violates that rule. To understand the purpose of 17.9.510.14(C)(1) NMAC, it must first be recognized that the federal Public Utility Regulatory Policies Act (“PURPA”) and

rules promulgated pursuant to PURPA by the Federal Energy Regulatory Commission (“FERC”), specifically 18 C.F.R. § 292.305(b), expressly require utilities to provide to qualifying facilities supplementary, backup, and maintenance power. In response to 18 C.F.R. § 292.305(b), the Commission promulgated 17.9.570.12 NMAC, which requires utilities to provide supplementary, backup and maintenance power. The Commission’s definitions of those services are identical to the definitions of the services required under 18 C.F.R § 292.305(b). *See* 17.9.510.7 NMAC and 18 C.F.R § 292.101. Supplementary power is defined as “power which is regularly used by a consumer, supplied by the electric utility, in addition to that power which may be supplied by a qualifying facility 17.9.570.7(N) NMAC. Backup power is defined as “electric energy or capacity or both supplied by an electric utility during an unscheduled outage of the qualifying facility to replace energy ordinarily supplied by a qualifying facility’s own generation equipment”. 17.9.510.7(B) NMAC. Maintenance power is defined as “power supplied by an electric utility during scheduled outages of the qualifying facility”. 17.9.570.7(F) NMAC. “[T]hese three forms of power cover all possible operating conditions.” *Oglethorpe Power Corp., et al.*, 35 FERC ¶ 61069, 61137, Order Denying Request for Rehearing and Granting in Part Request for Rehearing (April 21, 1986). Supplementary power applies when the qualifying facility is operating, whereas backup and maintenance power apply when the facility is not operating. *Id.* at ¶ 61138.

34. When the Commission promulgated the simplified net metering rules for qualifying facilities of 10 kW or less, the Commission did not include any reference to these three types of power for the simple reason that it was not necessary. Under 17.9.510.14(C)(2) NMAC, if the electricity supplied by the utility exceeds electricity generated by the customer during the billing period, the customer is billed for the net energy supplied by the utility. If the

qualifying facility is operating normally during a billing period, the net energy supplied during that period is, as a matter of law, supplementary power. If the qualifying facility is not operating during that period because of an unscheduled or scheduled outage, the net energy supplied during that period is, as a matter of law, backup or maintenance power, as applicable. But because all three types of power must be provided at the same rates – the same customer charge and energy rates that would be assigned to the customer had the customer not interconnected qualifying facilities – there is no need to specify what type of power is being provided by the utility at any point in time. Under net metering, the amount to be billed for any net energy supplied by the utility is determined simply by subtracting the amount generated by a qualifying facility, *if any*, from the amount delivered by the utility, and multiplying that net amount by the appropriate rate.

35. As discussed above, the RD in Case 2847 makes clear that all net energy supplied by a utility pursuant to 17.9.510.14 NMAC must be provided at the rate that would be charged had the customer not interconnected a qualifying facility. Because that net energy is supplementary power during periods in which the qualifying facility operates normally, EPE's proposal to charge residential DG customers a rate that is different from the rate charged to all other residential customers contravenes 17.9.510.14(C)(1) NMAC.

36. In 2010, New Mexico adopted a statute, NMSA 1978, § 62-13-13.2, addressing the recovery of potential cost differentials between customers with distributed generation (called "interconnected customers" in the statute) and customers without distributed generation. The statute provides a method for Commission approval of recovery of such costs through rate riders. NMSA 1978, § 62-13-13.2(A). The statute requires a detailed analysis of any additional costs to the utility arising from interconnection, specifically, ancillary and standby service costs, as well

as benefits such as avoided renewable energy certificate procurement costs and reduced capital investment costs. NMSA 1978, § 62-13-13.2(A). The New Mexico Legislature provided the rate rider method of recouping such cost differentials in recognition of the lack of an alternative method in the Commission's rules existing at the time the statute was enacted, including 17.9.570 NMAC.

37. Interpreting 17.9.570 NMAC to prohibit any rate differential between customers with qualifying facilities and those without qualifying facilities is also consistent with the PURPA, as amended, 16 U.S.C. § 824 *et seq.*, and the rules promulgated by FERC pursuant to PURPA, as amended, 18 C.F.R. § 292 *et seq.*

38. PURPA requires FERC to prescribe rules for the encouragement of cogeneration and small power production and requires state regulatory authorities to implement FERC's rules. *Massachusetts Institute of Technology v. Massachusetts Dept. of Pub. Utilities*, 941 F.Supp. 233, 235 (D. Mass. 1996) (citing PURPA at 16 U.S.C. § 824a-3(a) & 3(f)). One of the stated objectives of Commission Rule 17.9.570 NMAC is to implement the FERC rules pursuant to PURPA. 17.9.570.6(C) NMAC.

39. During the oral argument in this case, EPE contended that 18 C.F.R § 305(a)(2) ("Section 305(a)(2)") requires the Commission to allow EPE to charge residential customers owning qualifying facilities a different rate from other residential customers if it can be shown that there are different load or other cost-related characteristics between those two groups of customers. Upon review of the matter, the Commission rejects EPE's contention.

40. Section 305(a)(2) provides that rates for sales of energy to qualifying facilities "which are based on accurate data and consistent systemwide costing principles shall not be considered to discriminate against any qualifying facility to the extent that such rates apply to the

utility's other customers with similar load or other cost-related characteristics." To understand the meaning of Section 305(a)(2), the section must be read in conjunction with 18 C.F.R. §292.305(a)(1)(ii) ("Section 292.305(a)(1)(ii)"), which immediately precedes Section 305(a)(2). Section 292.305(a)(1)(ii) provides that rates for sales to qualifying facilities "[s]hall not discriminate against any qualifying facility in comparison to rates for sales to other customers served by the electric utility." Reading these two sections together, Section 305(a)(2) merely states a utility, such as EPE, would not violate Section 305(a)(1)(ii)'s prohibition against discrimination against qualifying facilities by charging a qualifying facility rates different from those charged other customers if the utility were to make the showings required by Section 305(a)(2). While Section 305(a)(2) gives EPE a path to avoid violating Section 305(a)(1)(ii), nothing in that section can be read to also give EPE a path to avoiding the requirements of 17.9.570.14 NMAC that it charge residential qualifying facility owners the same rate charged to other residential customers.

41. The foregoing view of Section 305(a)(2) is supported by its underlying purpose. 18 C.F.R. §292.305, of which Section 305(a)(2) is a part, was promulgated pursuant to Section 210 of PURPA, which provides that FERC "shall prescribe . . . such rules as it determines necessary to encourage cogeneration and small power production . . .". 16 U.S.C.A §824a-3(a). Small power production includes qualifying facilities. Sections 305(a)(1)(ii) and (a)(2) accomplish that mandate by protecting qualifying facilities against discrimination (i.e., higher rates), and permitting (but not requiring) utilities to charge them higher rates only in limited, carefully prescribed circumstances. EPE's assumption that Section 305(a)(2) trumps the requirement under 17.9.570.14(C)(1) NMAC that utilities charge qualifying facilities the *same* rate as other residential customers would turn Section 305(a)(2) on its head.

IT IS THEREFORE ORDERED:

A. The Appeal by The Alliance for Solar Choice of Order Denying Motions to Permit Interlocutory Appeal of Order on Motions to Dismiss and Denying TASC's Request for Limited Suspension of Deadline to File Direct Testimony is hereby GRANTED consistent with this Order.

B. Vote Solar's Appeal of the Hearing Examiner's Order Denying Motions for Interlocutory Appeal is hereby GRANTED consistent with this Order.

C. This Order is effective immediately.

D. A copy of this Order shall be served upon all parties listed on the attached certificate of service via email, if the email addresses are known, and if not known, by regular mail.

ISSUED under the Seal of the Commission at Santa Fe, New Mexico, this 28th day
of October, 2015.

NEW MEXICO PUBLIC REGULATION COMMISSION


KAREN L. MONTOYA, CHAIR

Voted No
LYNDA LOVEJOY, VICE CHAIR


VALERIE ESPINOZA, COMMISSIONER

VoTud no
PATRICK H. LYONS, COMMISSIONER


SANDY JONES, COMMISSIONER

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF)
EL PASO ELECTRIC COMPANY OF NEW)
MEXICO FOR REVISION OF ITS RETAIL) Case No. 15-00127-UT
ELECTRIC RATES PURSUANT TO ADVICE)
NOTICE NO. 236)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing **Order Granting Interlocutory Appeals**, issued October 28, 2015, was sent on October 28, 2015, as indicated below, to the following:

Via Email to:

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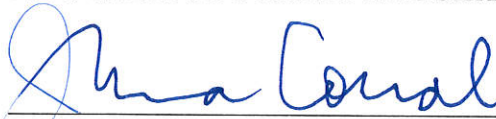
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DATED this 28th day of October, 2015.

NEW MEXICO PUBLIC REGULATION COMMISSION



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