

TITLE 17 PUBLIC UTILITIES AND UTILITY SERVICES
CHAPTER 1 UTILITIES GENERAL PROVISIONS
PART 3 FUTURE TEST YEAR PERIOD FILING REQUIREMENTS IN SUPPORT OF RATE SCHEDULES FOR INVESTOR-OWNED UTILITIES

17.1.3.1 ISSUING AGENCY: New Mexico Public Regulation Commission.
[17.1.3.1 NMAC – N, 2-14-13]

17.1.3.2 SCOPE: The data requirements specified in this rule shall apply to the investor-owned utilities doing business in New Mexico that tender a new rate schedule or rate schedule based on a future test year period where the future test year period is not the 12 consecutive months following the last day of the base period.

A. Where the commission has promulgated a rule for filing requirements in support of rate schedules for investor-owned electric, gas, water or sewer utilities in New Mexico, and a provision of the rule is inconsistent with a provision in this rule, the provision in this rule shall apply.

B. Where the commission has promulgated a rule for filing requirements in support of rate schedules for investor-owned electric, gas, water or sewer utilities in New Mexico, and a provision of the rule is silent with respect to the subject matter of a provision of this rule, the provision of this rule shall apply.

[17.1.3.2 NMAC – N, 2-14-13]

17.1.3.3 STATUTORY AUTHORITY: Sections 8-8-4, 8-8-15, 62-3-1 through 62-3-3, 62-6-4A, 62-6-4.3, 62-6-14, 62-6-16, 62-6-17, 62-6-26, 62-6-26.1, 62-6-28, 62-8-1, 62-8-6, 62-8-7, 62-9-1B, 62-9-2B, 62-13-13.2, 62-16-6, and 62-17-6 NMSA 1978.

[17.1.3.3 NMAC – N, 2-14-13]

17.1.3.4 DURATION: Permanent.

[17.1.3.4 NMAC – N, 2-14-13]

17.1.3.5 EFFECTIVE DATE: February 14, 2013, unless a later date is cited at the end of a section.

[17.1.3.5 NMAC – N, 2-14-13]

17.1.3.6 OBJECTIVE: The purpose of 17.1.3 NMAC is to define and specify the different or additional minimum data requirements to be filed in support for a tendered new rate schedule or rate schedule based on a future test year period which will supersede, supplement, or otherwise change the provision of a rate schedule required to be on file with this commission. This rule is intended to provide for a complete and comprehensive rate case filing that, by including full explanations and justifications of changes in items between the adjusted base period, linkage data and future test year period as required by this rule should minimize the amount of discovery needed by commission staff (hereafter “staff”) and intervenors to analyze a filing. This rule shall in no way, however, be construed to place any limits on discovery by staff and intervenors, nor to limit the utility’s burden of proof under Section 62-8-7A NMSA 1978.

[17.1.3.6 NMAC – N, 2-14-13]

17.1.3.7 DEFINITIONS: In addition to the definitions in 17.1.2 NMAC, 17.9.530 NMAC, 17.10.630 NMAC, 17.12.1 NMAC, 17.12.730 NMAC, 17.12.780 NMAC, 17.13.1 NMAC, 17.13.930 NMAC and 17.13.980 NMAC, as used in this rule:

A. “adjusted base period” means a utility’s base period data that includes fully explained annualizations, normalizations and adjustments for known and measureable changes and regulatory requirements that occur within the base period; the primary purpose of including the adjusted base period year with these changes in the filing is to provide staff and intervenors the ability to test the validity of the information in the future test year period;

B. “base period” means a historical 12-month period terminating (1) at the end of a quarter and (2) no earlier than 150 days prior to the date of filing;

C. “cost center” means a department, division, or organizational grouping of departments or divisions at which operating expense planning and evaluation takes place;

D. “cost driver” means a factor that influences or contributes to the expense of a business activity or operation; a business activity or operation may have more than one cost driver attached to it;

E. “data rules” means rules 17.1.2 NMAC, 17.9.530 NMAC, 17.10.630 NMAC, 17.12.1 NMAC, 17.12.730 NMAC, 17.12.780 NMAC, 17.13.1 NMAC, 17.13.930 NMAC, and 17.13.980 NMAC;

F. “elements of cost” means types of cost such as labor, materials, outside services, contract costs, important clearings, and all other types of cost combined as one category;

G. “future test year period” means a 12-month period beginning no later than the date the proposed rate change is expected to take effect;

H. “linkage data” means a specific and detailed description of all line items for the period of time between the end of the base period and the beginning of the future test year period required by this rule to create a verifiable link between future test year period data and base period data; linkage data does not constitute a test period and is provided for the purpose of validating the information contained in the future test year period;

I. “major plant additions” means plant for which the utility is required to file:

(1) an application for a certificate or public convenience and necessity; or

(2) prior notice with the commission pursuant to 17.5.440 NMAC;

J. “material change” or “material variance” means a change or variance in cost between the adjusted base period and the future test year period for a cost center if budget estimates are being used and for a uniform system of accounts (USOA) account otherwise that:

(1) exceeds 6% and \$100,000 total company for investor-owned electric utilities;

(2) exceeds 6% and \$100,000 total company for investor-owned gas utilities with 250,000 or more customers;

(3) exceeds 6% and \$1,000 total company for investor-owned gas utilities with fewer than 250,000 customers;

(4) exceeds 6% and \$1,000 total company for investor-owned water utilities; and

(5) exceeds 6% and \$1,000 total company for investor-owned sewer utilities;

K. “this rule” means 17.1.3 NMAC;

L. “total company” means the costs of the utility’s total operation without regard to jurisdiction. [17.1.3.7 NMAC – N, 2-14-13]

17.1.3.8 INCORPORATION INTO REQUIRED DATA REQUEST SCHEDULES: The minimum data standard requirements contained in the schedules in 17.9.530 NMAC, 17.10.630 NMAC, 17.12.730 NMAC and 17.13.930 NMAC shall be incorporated into any rate case application made under this rule, except:

A. for 17.9.530 NMAC schedules P-2(f), P-3(f), P-4(f), P-5(c)(iii), P-5(d)(ii), P-7(b)(ii), and P-10(e), the utility shall file the data for five years beyond the base period; and

B. for 17.10.630 NMAC schedules Q-2(f), Q-3(f), Q-4(h), Q-5(f) and Q-7(e), the utility shall file the data for five years beyond the base period.

[17.1.3.8 NMAC – N, 2-14-13]

17.1.3.9 FAILURE TO COMPLY: The failure of the utility to fulfill the data requirements specified in this rule shall constitute sufficient cause for the commission to reject the utility’s filing pursuant to 17.1.210 NMAC. [17.1.3.9 NMAC – N, 2-14-13]

17.1.3.10 VARIANCES:

A. Pursuant to 17.1.2 NMAC and 17.1.210 NMAC, a utility unable to comply fully with any data request contained in this rule due to good and sufficient cause shall give notice in writing to the commission of the utility’s inability to comply with the provisions of such data request at least 30 days prior to the actual filing of the minimum data requirements filing package.

B. Upon receipt of such notification and after consideration by the commission of the utility’s stated reasons for failure to comply fully with the provisions of the data request, the commission shall within 15 days notify the utility in writing of its decision concerning the utility’s notice of its inability to comply with the commission’s data filing requirements.

[17.1.3.10 NMAC – N, 2-14-13]

17.1.3.11 ELECTRONIC FILING REQUIRED: Base period, linkage data and future test year period data filed to support the rate application must be provided in fully functional electronic format so that amounts in schedules and supporting work papers required by this rule and the commission’s data rules can be traced with relative ease to supporting, detailed data.

A. Fully functional electronic format allows staff and intervenors to make adjustments that would carry through to the jurisdictional revenue requirement.

B. If the inputs to the fully functioning electronic support for the future test year period are fed by systematic calculations within other programs that are not downloadable to fully functioning and executable spreadsheets, the utility will rerun such supporting programs for input changes reasonably required by the staff or intervenors so as to be able to capture the impact of such proposed input changes on the future test year period jurisdictional cost of service model.

C. The utility shall identify any data that is not provided in fully functional electronic format and provide the reason why the data is not provided in fully functional electronic format.
[17.1.3.11 NMAC – N, 2-14-13]

17.1.3.12 CONTENTS OF RATE APPLICATION BASED ON FUTURE TEST YEAR PERIOD: The rate application shall include:

A. a base period;

B. an adjusted base period;

C. a future test year period and;

D. verifiable information for the linkage data to allow commission staff and intervenors to assess the validity of the information contained in the future test year period described in Sections 15, 16, 17 and 18 of this rule;

E. all filed data and all data provided in response to discovery shall specify whether the amounts provided are total, jurisdictional, or based on some other identified and described method.

[17.1.3.12 NMAC – N, 2-14-13]

17.1.3.13 HISTORIC DATA REQUIRED: The rate application shall present operating results and financial data that are prepared in the normal course of business for the three years preceding the base period.

[17.1.3.13 NMAC – N, 2-14-13]

17.1.3.14 SUPPORTING TESTIMONY AND EXHIBITS REQUIRED: The required data shall be accompanied by testimony and exhibits explaining and justifying quantities, assumptions, expectations, activity changes, etc. and verifying that the amounts used to support the future test year period are the utility's most recently available data.

[17.1.3.14 NMAC – N, 2-14-13]

17.1.3.15 CONFORMITY WITH UNIFORM SYSTEM OF ACCOUNTS REQUIRED: The base period, adjusted base period and future test year period, including rate base, shall be presented in conformity with the applicable USOA accounts prescribed by commission rule.

[17.1.3.15 NMAC – N, 2-14-13]

17.1.3.16 BASE PERIOD, ADJUSTED BASE PERIOD, LINKAGE DATA AND FUTURE TEST YEAR PERIOD REQUIRED DATA: In addition to the requirements of Section 15 of this rule, base period, adjusted base period, linkage data and future test year period results and expectations shall be presented as set forth in this section. If budget estimates are used, the results and expectations shall be presented by cost center and elements of cost. In addition, the base period, the adjusted base period, the linkage data and the future test year period shall be presented by cost categories in at least the following detail set forth in this section.

A. Revenues. Revenues shall be detailed by the accounts prescribed in the applicable commission rate classes by month. The utility shall also provide a breakdown of sales revenue by service classification and related volumes. For electric, water and sewer utilities, as has been the history in New Mexico, base period revenue shall not be weather normalized.

B. Operating expenses. Operation and maintenance expenses shall be broken down at least by USOA accounts and elements of cost, on both a total company and jurisdictional basis. In providing linkage data, the utility shall provide summary information using the future test year period jurisdictional allocators to provide a reasonable approximation of jurisdictional amounts for appropriate comparison purposes.

(1) The USOA accounts shall be further subdivided to the level necessary to identify the appropriate cost drivers and adequately demonstrate where the variations between base period and future test year period occur.

(2) Each subdivision-level estimate shall then be detailed into elements of cost.

(3) Any expenses for which the utility is not seeking recovery or which are excluded from recovery by the commission's data rules or commission order shall be clearly identified.

(4) Depreciation, operating taxes and income taxes shall be detailed in schedules breaking these items down into sufficient detail to be useful for making projections.

C. Rate base. Rate base shall be presented on both a total company and jurisdictional basis.

(1) For a future test year period that begins at least 12 months after the end of the base period, the average rate base shall be used, utilizing the projected 13-month average of the future test year period. In providing linkage data, the utility shall provide summary information using the future test year period jurisdictional allocators to provide a reasonable approximation of jurisdictional amounts for appropriate comparison purposes.

(2) Rate base shall be shown in the detail required by the commission's data rules for base period presentations.

(3) Major plant additions and retirements from the end of the base period shall be separately identified, indicating actual or estimated in-service dates.

D. Cost of capital.

(1) The required information shall be supplied at least for the base period, the linkage data, the future test year period and the adjusted base period.

(2) There shall also be comparable data for two subsequent calendar years; for example, if the future test year period ended December 31, 2010, projections shall be made for calendar years 2011 and 2012 ("forward-looking data").

(a) If the utility determines the forward-looking data needs to be protected to comply with SEC requirements, the filing shall clearly state the utility has made this determination.

(b) The forward-looking data shall be provided by the utility in discovery if requested to persons who have signed a confidentiality agreement in accordance with the protective order.

(3) To ensure that a complete and useful record is compiled, the following information shall be submitted at the time of the filing:

(a) estimated short-term debt balances and available lines of credit;

(b) external financing requirements, including:

(i) projected issues of debt; and

(ii) preferred and common equity, including sources such as dividend reinvestment and

employee stock purchase plans as well as public offerings; and

(c) projected capitalized ratios and a statement of the utility's objectives.

(4) The equity and debt amounts for the future test year period shall be based upon an average calculated in the same manner as the rate base.

(5) Estimates of interest and preferred dividend coverages shall be computed in accordance with the applicable bond indenture or certificate of incorporation.

(6) The computations of ratios of earnings to fixed charges (or earnings to fixed charges and preferred dividends) normally found in SEC registration statements for public security issues shall be included.

[17.1.3.16 NMAC – N, 2-14-13]

17.1.3.17 FUTURE TEST YEAR PERIOD ESTIMATES SHALL BE FULLY EXPLAINED: The future test year period estimates shall be fully explained and linked to the historic base period and any linkage data.

A. For any material changes between base period and future test year period, cost drivers shall be separately identified, explained and justified as well as linked to the historical base period and any linkage data.

(1) For example, for operation and maintenance expenses, changes in prices and in activity levels (e.g. number of employees, etc.) shall be fully explained and separately detailed by USOA account and elements of cost (segregated between labor and non-labor) and, if budget estimates are used, referenced to budget documentation by cost center.

(2) For revenues, taxes and rate base, an analysis of the change between the historical and forecast period shall be made that distinguishes between volume and cost/price changes to the extent practicable.

(3) For non-plant items, any material change shall be separately identified, explained and justified.

B. All assumptions of changes in cost/price inputs because of inflation or other factors or changes in activity levels due to modified work practices or other reasons shall be separately developed.

C. Staff and other parties in rate cases should be able to retrace projections back to their historical source, or the new basis for the estimate should be fully understandable.

D. All assumptions, escalation factors, contingency provisions and changes in activity levels shall be quantified and properly supported.

[17.1.3.17 NMAC – N, 2-14-13]

17.1.3.18 FUTURE TEST YEAR PERIOD ESTIMATES SHALL BE SUPPORTED AND

JUSTIFIED: The future test year period may be established by utilizing adjustments, forecasts, budgets or other reasonable methods; provided, however, that all future test year values, whether at the USOA account or sub-account level or at the cost center level, shall be fully described, justified, and supported through linkage data.

A. If budget estimates are used, the estimates shall still be fully supported, explained and justified in the context of this rule, with full budget process documentation. If a company uses a budget it shall:

- (1) substantiate how it derived its estimates, starting with the base period; and
- (2) the support provided shall allow staff and intervenors to evaluate the company's budget numbers in the future test period.

B. In addition, for each cost center if budget estimates are used or for each USOA account otherwise, future test year period expenditure estimates shall include side-by-side comparisons, with:

- (1) a column showing actual expenditures during the base period;
- (2) a column showing the estimated expenditures during the future test year period;
- (3) a column showing the variance between the two; and
- (4) a column providing an explanation (or a reference to the written testimony requirement under

Subsection D of this section) for the differences between the base period data and the future test period estimates, including occurrences which took place in the linkage data.

C. Underlying the requirements contained in Subsection B of this section of this rule is the premise that estimated amounts frequently have origins in actual past amounts or in past experience.

D. In addition to the information required under Paragraph (4) of Subsection B of this section, material changes from base period to linkage data and future test year period amounts shall be fully explained in written testimony.

[17.1.3.18 NMAC – N, 2-14-13]

17.1.3.19 CHANGES TO INITIAL RATE APPLICATION:

A. During the rate proceeding, the commission shall consider the utility's proposed revisions, if any, to the originally filed future test year period. The utility shall timely notify the commission, staff and intervenors of any proposed revisions due to errors, changes in law or other changed circumstances that decrease or increase its requested revenue requirements by an amount that materially affects its original filing and shall provide detailed sufficient explanations for the proposed revisions. For purposes of this section, "materially affects" means proposed revisions that decrease or increase the utility's originally filed jurisdictional revenue deficiency or surplus by five percent (5%) or more.

B. If the utility's proposed revisions materially affect its original filing, it shall file a modification of its original filing with the commission. Modifications shall be approved only by order of the commission. If the commission approves the modification, the original filing shall be rendered incomplete, and the suspension period of the proposed rates shall start anew. Any approved modification that results in an increase to rates above the amount that was originally filed shall require the utility to issue a new notice to customers consistent with the law.

C. Revisions provided by the utility through errata or in response to discovery requests that do not require the filing of a modification by the utility shall be incorporated into a comprehensive list (with detailed sufficient explanations for the revisions) filed and served on a date that: 1. is established by the presiding officer in the procedural schedule; 2. provides reasonable notice to all parties; and 3. is before the date staff and intervenor direct testimony is due to be filed under the procedural schedule. Such revisions shall be presented as adjustments to the utility's original presentation (rather than as a revised presentation) so that the adjustments are verifiable between the original presentation and the revised figures.

D. Nothing contained in this section shall be construed to prevent a utility from presenting revisions to its original filing through rebuttal testimony in response to staff or intervenor testimony or to correct errors discovered after the filing of the comprehensive list of revisions provided for in this section. The utility shall promptly notify the commission, staff and intervenors of any such errors.

[17.1.3.19 NMAC – N, 2-14-13]

HISTORY OF 17.1.3 NMAC: [RESERVED]