

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

San Diego Gas & Electric Company)	Docket No EL97-54-002
v.)	EL99-21-000
Public Service Company of New Mexico)	(Phase II)

**PREPARED DIRECT TESTIMONY
OF
PATRICK R. CROWLEY**

WITNESS FOR THE STAFF
OF THE
FEDERAL ENERGY REGULATORY COMMISSION
OFFICE OF ADMINISTRATIVE LITIGATION

WASHINGTON, DC
March 24, 2000

statistical methods of long-term forecasting, econometrics, environmental economics, and urban economics.

I began work at the Commission in 1979 as an Industry Economist in the Pipeline Rates Division of the Office of Pipeline Rates. There, I analyzed tariff changes relating to the rates, terms & conditions of service, and rate designs for gas pipeline rate filings and certificate applications. I also prepared pipeline depreciation studies, long-term forecasts of natural gas reserves and production prospects, mortality studies of plant investment and retirements, cost behavior studies comparing theoretical and actual usage of pipeline facilities, Mcf/mile studies, and testimony with supporting exhibits.

Q. PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES AT THE COMMISSION.

A. In 1998, I transferred to the Office of Electric Power Regulation, which is now the Office of Administrative Litigation. My responsibilities in OAL are to review and prepare cost-of-service studies, exhibits, and testimony on rate changes and applications involved in both natural gas and electric rate proceedings before the Commission.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE COMMISSION?

A. Yes, I filed testimony in the following rate cases:

Black Marlin Pipeline Company, Docket No. RP81-67-000;

Tarpon Transmission Company, Docket No. RP84-82-000;

National Fuel Gas Supply Corporation, Docket No. RP86-136-000;

Pacific Gas Transmission Company, Docket No. RP87-62-000;

Sea Robin Pipeline Company, Docket No. RP88-181-000;

Natural Gas Pipeline Company of America, Docket No. RP88-209-000;

Paiute Pipeline Company, Docket No. RP88-227-000;

Southwest Gas Storage Company, Docket No. RP89-60-000; and

Montana Power Company, Docket No. ER98-2382-001.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to develop Staff's rates for the disputed charges under the Power Sales Agreement (PSA). I am sponsoring Exhibit S-13 showing the annual revenue requirements of the Public Service Company of New Mexico (PNM) as reflected in Exhibit PNM-12, the calculation of the demand rate as derived by Staff witness Craig Deters, the incorporation of the 5 mill adder as explained by Staff witness Sharon Logan, the associated revenues received from SDG&E, and the over or under-recovery of revenues over the life of the contract.

Q. PLEASE EXPLAIN THE SOURCE OF THE REVENUE REQUIREMENT FIGURES SHOWN ON LINES 2 AND 3 OF EXHIBIT S-13.

A. Lines 2 and 3 of Exhibit S-13 reflect the cost of service production and transmission related demand revenue requirement as proposed by PNM witness Thomas Sategna in PNM-12.

Q. ARE THE UNDERLYING METHODOLOGY OR COST LEVELS INCORPORATED IN THE REVENUE REQUIREMENT AN ISSUE IN THIS PROCEEDING?

A. No. PNM witness Thomas Sategna states in Exhibit PNM-1, page 17, that the primary disagreement in this proceeding is the derivation of the denominator in the development of the rates. SDG&E's exhibits, as noted by SDG&E witness James Magill at page 4, lines 24 - 27, reflect revenue requirements drawn from data supplied by PNM.

Mr. Sategna states on page 17, line 12 - 18, that PNM provided costs of service to SDG&E "in an attempt to avoid having to litigate the cost support numbers, specifically the numerator portion of this issue." Although PNM provided cost of service figures to SDG&E to support its revenue requirements, it did not provide testimony or exhibits which address cost of service issues other than the Palo Verde writeoffs and revenue credits associated with off system sales.

Q. WHY HAVE YOU ELECTED TO USE PNM's REVENUE REQUIREMENTS AS SHOWN IN REVISED EXHIBIT PNM-12 RATHER THAN SDG&E's REVENUE REQUIREMENT AS SHOWN IN REVISED EXHIBIT SD-4?

A. The Production Revenue Requirements in Exhibit PNM-12 reflect the removal of revenue credits associated with off-system sales to the Los Angeles County Area Control and Account No. 447 Sales Demand. SDG&E's Revised Exhibit SD-4 does not reflect the removal of these revenue credits in its revenue requirements. Incorporating the revenue credits reduces the revenue requirements and therefore increases the difference between the derived benchmark demand charge and the contract demand charge, and, in turn, increases potential over-collections. Removing the revenue credits has the opposite effect: increasing revenue requirements, decreasing the difference between the derived benchmark demand charge and the contract demand charge, and in turn, decreasing potential over-collections. The removal of the revenue credits is addressed by Staff witness Deters in Exhibit S-8.

Q. PLEASE EXPLAIN THE SOURCE OF THE DENOMINATOR FIGURES SHOWN ON LINES 6 AND 7 OF EXHIBIT NO. S-13.

A. The denominators used to derive the demand charges were provided to me by Staff witness Craig Deters in Exhibit S-8.

Q. PLEASE EXPLAIN THE DERIVATION OF THE BENCHMARK DEMAND CHARGES SHOWN ON LINES 10 THROUGH 15 OF EXHIBIT NO. S-13.

A. The Benchmark Demand Charges reflect a recalculation of annual demand charges based on SDG&E's share of the demand-related revenue requirement burden. Therefore, line 10 reflects the production revenue requirements on line 2 divided by the

production capacity on line 6. Similarly, the transmission revenue requirements on line 3 are divided by the transmission load on line 7. Line 12 is the derived total demand charge on an annual basis and line 13 is the derived total demand charge on a monthly basis. Line 14 is the Salt River Project related demand charge directly assigned to SDG&E as shown in Exhibit PNM-12. Line 15 is the total demand charge.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

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**WORKPAPERS IN SUPPORT OF
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