

Control Number: 38306



Item Number: 62

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**SOAH DOCKET NO. 473-10-4451
PUC DOCKET NO. 38306**

TEXAS-NEW MEXICO POWER	§	BEFORE THE STATE OFFICE
COMPANY'S REQUEST FOR	§	
APPROVAL OF AN ADVANCED	§	OF
METERING SYSTEM (AMS)	§	
DEPLOYMENT AND AMS	§	ADMINISTRATIVE HEARINGS
SURCHARGES	§	

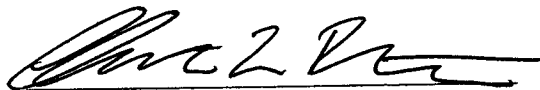
**CITIES SERVED BY TEXAS-NEW MEXICO POWER COMPANY'S
RESPONSE TO COMMISSION STAFF'S FIRST
REQUEST FOR INFORMATION**

COMES NOW, the Cities Served by Texas-New Mexico Power Company ("Cities") and file this response to Commission Staff's ("Staff") First Request for Information to Cities Served by Texas-New Mexico Power Company received on July 12, 2010. Pursuant to SOAH Order No. 2, responses to Requests for Information ("RFIs") are due in ten (10) days, and these are therefore being timely filed. The responses to these RFIs may be treated by all parties as if they were filed under oath.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE
& TOWNSEND, P.C.**

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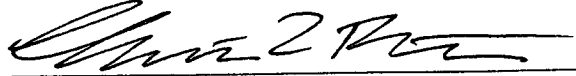
CHRISTOPHER L. BREWSTER
State Bar No. 24043570

EILEEN L. McPHEE
State Bar No. 24060273

**ATTORNEYS FOR CITIES SERVED BY
TEXAS-NEW MEXICO POWER COMPANY**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was transmitted by e-mail, fax, hand-delivery and/or regular, first class mail on this 22nd day of July, 2010 to the parties of record.

A handwritten signature in cursive script, appearing to read "Chris L. Brewster", written over a horizontal line.

CHRISTOPHER L. BREWSTER

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-1 Please provide a summary of all rate case expense amounts included for recovery as part of the TNMP's Request for Approval of an Advanced Metering System Deployment and AMS Surcharges. The amounts should be grouped by vendor. Please indicate which amounts are incurred and which amounts are estimates and attach supporting invoices and receipts for all requested rate case expenses incurred to date. Please provide monthly updates of this summary and supporting documentation as additional rate case expense amounts are incurred.

RESPONSE

Consistent with the established practice in Commission ratemaking proceedings, Cities will present TNMP with invoices for rate case expenses for reimbursement on a monthly basis. Pursuant to discussions between Cities and Staff, Cities will provide Staff with a copy of each such submittal on a monthly basis.

Prepared by: Christopher L. Brewster
Sponsored by: Christopher L. Brewster

CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION

GS-1-2 Please provide a detailed schedule of, and justification for each individual whose hourly billing rate is \$400 an hour or greater. The schedule should include the vendor name, individual's name, individual's title, number of hours billed, and specific work hours.

RESPONSE

None.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-3 Please provide an affidavit signed by each consultant stating that the rate charged is the normal hourly billing rate charged by the consultant, is comparable to the hourly rate charged by other consultants for similar services provided to other Texas utilities, and is the normal hourly billing rate charged by the consultant for services to non-regulated entities.

RESPONSE

Pursuant to agreement between the parties, Cities may answer the request as if it stated: "Please provide an affidavit signed by each consultant stating that the rate charged is the normal hourly billing rate charged by the consultant, and is comparable to the hourly rate charged by other consultants for similar services." Please find attached an affidavit executed by Lane Kollen.

ATTACHMENT:

Affidavit of Lane Kollen, executed July 19, 2010.

Prepared by: Christopher L. Brewster
Sponsored by: Lane Kollen

SOAH DOCKET NO. 473-10-4451
PUC DOCKET NO. 38306

TEXAS-NEW MEXICO POWER
COMPANY'S REQUEST FOR
APPROVAL OF AN ADVANCED
METERING SYSTEM (AMS)
DEPLOYMENT AND AMS
SURCHARGES

§
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§
§
§
§

BEFORE THE
STATE OFFICE OF
ADMINISTRATIVE HEARINGS

AFFIDAVIT OF LANE KOLLEN

STATE OF GEORGIA §
§
COUNTY OF FULTON §

My name is Lane Kollen. I am a consultant with J. Kennedy and Associates, Inc. ("Kennedy"). I am over the age of 18 years and am not disqualified from making this affidavit. My statements are true and correct.

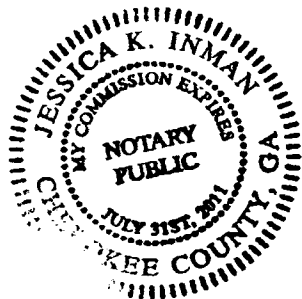
1. I have been retained by the Cities Served by Texas-New Mexico Power Company ("Cities") in connection with Docket No. 38306 concerning Texas-New Mexico Power Company's Request for Approval of an Advanced Metering System ("AMS") Deployment and AMS Surcharge.

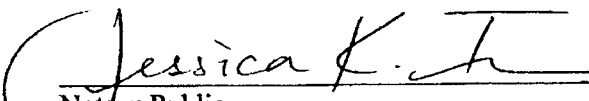
2. My billings to Cities for work performed in connection with this docket are based on an hourly rate of \$208. This rate is the same or less than the hourly rates charged by Kennedy for my services to other clients for similar services. This rate is at the low end of the range of hourly rates charged by other consultants with similar experience providing similar services.

FURTHER, AFFIANT SAYETH NOT.


Lane Kollen

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, on this 20th
of July, 2010.




Notary Public

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-4 Please provide a detailed schedule of, and justification for, any charges included in requested rate case expenses which result from a single person billing in excess of 12 hours per day.

RESPONSE

None to date.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-5 Please provide a detailed schedule of all hotel or lodging charges. This schedule should provide the nightly room rate for each stay, shown separately from other charges.

RESPONSE

None to date.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-6 Please provide a schedule of, and justification for, any charges included in requested rate cases expenses which result from the use of noncommercial aircraft. Also, please provide a detailed narrative comparing the total cost per person flying on non-commercial aircraft to the cost per person for commercial airfare (based on the same travel date and itinerary).

RESPONSE

None to date.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-7 Please provide a schedule of, and justification for, any charges included in requested rate case expense which result from first class air travel.

RESPONSE

None to date.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-8 Please provide a schedule of, and justification for, any charges included in requested are case expenses which result from luxury items, such as limousine services, sporting events, alcoholic beverages, gourmet coffee, bottle water, hotel movies, or other entertainment.

RESPONSE

None to date.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-9 Please provide a schedule of, and justification for, any charges included in requested rate case expenses resulting from meals which cost in excess of \$25 per person per meal.

RESPONSE

None to date.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-10 Please describe in detail your selection procedure for consultants. For each category of consultant (legal, accounting, engineering, etc.), state whether your selection procedures include provisions for:

- a) review of prior work products of each consultant
- b) determination that the rate does not exceed the normal hourly billing rate charged by vendor to other clients
- c) an analysis of the rates charged by comparable consultants for similar services provided to other Texas utilities
- d) competitive bidding for each contract - If competitive bidding is used, please describe the factors considered in evaluation and acceptance of bids.

RESPONSE

Counsel for Cities have long experience in litigating rate cases and surcharge request proceedings such as this one. These proceedings necessarily require Cities to retain and work closely with experts such as Mr. Kollen. When selecting consultants, Cities first consider the nature and level of expertise needed to assist Cities with the review and potential intervention in the case. When choosing consultants, Cities look to the following:

a) Cities rely on their prior experience working with consultants and their review of prior work products from consultants. Cities have worked with Mr. Kollen in the other AMS cases for Oncor, CenterPoint, AEP TCC and AEP TNC. Therefore, Cities are very familiar with the prior work product of Mr. Kollen.

b) Cities regularly participate in reimbursable cases such as this proceeding. Cities regularly employ consultants such as Mr. Kollen to render similar services. Cities' experience in such proceedings allowed Cities to make the determination that Mr. Kollen's rate does not exceed the normal hourly billing rate charged by Mr. Kollen to other clients. Mr. Kollen's affidavit, provided in response to question GS-1-3, affirms this.

c) Pursuant to agreement between Cities and Staff, Cities may answer this request as if it referred to "an analysis of the rates charged by comparable consultants for similar services." Cities regularly participate in reimbursable cases such as this proceeding. Cities' experience in such proceedings allowed Cities to make the determination that Mr. Kollen's rate does not exceed the rates charged by comparable consultants for similar services. Rather, Mr. Kollen's rate is on the low end of the range of rates charged by comparable consultants for similar services.

d) Due to the specialized nature of AMS cases and Mr. Kollen's experience in evaluating every AMS application in Texas to date, competitive bidding was not used to select a consultant for this particular proceeding.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-11 Prior to submission of rate case expenses to the Commission, have the Cities performed a detailed review of all rate case expenses (including internal expenses, as well as outside consultants' expenses) to:

- a) determine that invoice terms and amounts are in agreement with contract specifications;
- b) determine that contract limits have not been exceeded;
- c) determine that adequate supporting documentation was provided for each charge for professional or secretarial services, travel expenses, and miscellaneous expenses (consistent with documentation requirements specified above);
- d) verify the mathematical accuracy of each invoice;
- e) determine that the calculation of the charges and rates are reasonable;
- f) determine that the individual charges and rates are reasonable;
- g) determine that the amount of each service (e.g. number of hours billed) is reasonable;
- h) determine that there is no double-billing of charges;
- i) determine that each invoice was approved for payment by an appropriate person before payment was actually made?

For each item listed above, please describe in detail the procedures for making a determination.

RESPONSE

Because cities have yet to file their direct case, Cities have not submitted any expenses to the Commission. However, Cities are aware of the need to keep rate case expenses to a reasonable level and control of expenses is a part of the process. Prior to Cities' standard practice of monthly submission of rate case expenses to the utility, Cities subject rate case expense invoices to two levels of review. First, Cities' attorneys review the bills for consistency with the contract, for reasonableness, and for other issues, listed below. Cities' attorneys have long experience in regulatory matters and are aware of the time and expense requirements to try ratemaking proceedings. After Cities' rate case attorneys approve the invoices, the rate case attorneys submit the invoices to the City of Lewisville, acting for the city members of the coalition. The foregoing review process is consistent with the following requirements:

- a) Cities' reviews determine that invoice terms and amounts are in agreement with the contract specifications;
- b) Cities' reviews determine that contract limits (if any) have not been exceeded;

CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION

- c) Cities' reviews determine that adequate supporting documentation was provided for each charge for professional or secretarial services, travel expenses, and miscellaneous expenses, supported by adequate documentation;
- d) Cities' reviews verify the mathematical accuracy of each invoice;
- e) Cities' reviews determine that the calculation of the charges and rates are reasonable;
- f) Cities' reviews determine that the individual charges and rates are reasonable;
- g) Cities' reviews determine that the amount of each service (e.g. number of hours billed) is reasonable;
- h) Cities' reviews determine that there is no double-billing of charges;
- i) Cities' reviews determine that each invoice was approved for payment by an appropriate person before payment was actually made.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-12 Prior to submission of rate case expenses to the Commission, was a detailed review of all rate case expenses (including internal expenses, as well as outside consultants' expenses) performed to determine that the charges are properly included in the AMS request? Please describe in detail the procedures for making such determination.

RESPONSE

See Cities' Response to Staff First RFI GS-1-11.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-13 For all exceptions noted upon any review of the rate case expenses performed as described in items 1-11 and 1-12 above, please provide the following information:

Vendor ID
Invoice No.
Explanation of Exception
How Cleared

RESPONSE

None.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-14 Are payments to outside consultants delayed or invoices rejected if adequate supporting documentation is not provided? Please explain.

RESPONSE

Yes. Please refer to Cities' Response to Staff's First RFI GS-1-11. If an invoice does not have adequate supporting documentation, Cities would delay submission of such invoice to TNMP for reimbursement and would delay payment to such consultant. However, such occasion has not occurred in this proceeding.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-15 Is any amount or retainer withheld from payments to outside consultants? If yes,
please provide details.

RESPONSE

No.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-16 Have any outside parties (e.g. independent auditors) or internal auditors performed a review of the requested rate case expenses? If yes, please describe the review performed and provide copies of the working papers prepared during this review.

RESPONSE

No.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-17 Do the Cities have any procedures for evaluating total costs for rate case expenses (actual vs. budgeted costs)? If so, please describe these procedures.

RESPONSE

Cities have not set an estimated or budgeted total cost for case expenses. The total expense of the case is difficult to estimate, as it will depend on factors out of Cities' control, such as the complexity of TNMP's request in the proceeding, the novelty of the issues posed by the request and the need to respond to actions taken by other parties.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-18 For all requested rate case expenses, please provide details of any instances in which more than one law firm or other consultant was engaged to provide similar services for the same aspect of the filing. Please provide evidence that such charges did not result from a duplication of services.

RESPONSE

Cities have retained only one law firm and one consultant to provide services related to this proceeding.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-19 Please list individually by entity, person and amount, any salaries, wages, employee benefits, or other payroll-related items which are included in requested rate case expenses.

RESPONSE

None.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-20 Are any Cities' or consultant internal overhead charges included in requested rate case expenses? If yes, provide a schedule by type of overhead expense showing the total amount included in rate case expenses and a detailed description of how the amount was determined (e.g. based on actual costs, based on market prices, etc.). Provide justification for any charges in excess of actual costs.

RESPONSE

No.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-21 Please identify and list any charges included in the requested rate case expenses which are contingent upon a certain outcome. For example, any payments, bonuses or incentives based on a specific event or result would be included in this schedule. Conversely, any reimbursement the Cities will receive due to a negative outcome would also be included.

RESPONSE

None.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-22 For all estimated amounts please provide an explanation of the basis for the estimated expense requested and when the estimated expense is expected to be incurred.

RESPONSE

As is the established practice, Cities will provide an estimate in this proceeding for participating in appeals, as necessary and depending on the outcome of this case. Due to the preliminary stays of this proceeding, Cities have made no such estimate to date.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen

**CITIES' RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

GS-1-23 Do any of the items identified in response to GS-1-22 represent estimates for expenses anticipated to appeal this docket? Yes, please specify

RESPONSE

See response to GS-1-22.

Prepared by: Lane Kollen, Christopher L. Brewster
Sponsored by: Lane Kollen