



# 2024 PNM Rate Change Webinar

March 8, 2023



# Housekeeping

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You will receive an email with the presentation from today's webinar, and you can find it on [PNM.com/business-events](https://www.pnm.com/business-events).



The primary purpose of this session is to provide you with information regarding an important PNM filing, the 2024 Rate Change.



We are committed to answering all submitted questions. If we are unable to get to them today, we will provide a response after the presentation.

# Who We Are

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## PUBLIC SERVICE COMPANY OF NEW MEXICO

- **Our core mission is to provide reliable, low-cost, safe and environmentally responsible energy to our customers**
- Founded in 1917
- Only New Mexico business on the NYSE
- Annual revenues \$1.4B
- Employs 1,500 New Mexicans
- Gives over \$4M from shareholders to local non-profits annually





# Serving New Mexicans for Over 100 Years

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- 530,000 customers in 40 communities
- Over 15,000 miles of transmission and distribution lines
- Currently the PNM generation portfolio is 61% carbon free
- PNM plans to be carbon free five years ahead of schedule while maintaining affordable rates



# Agenda

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Introductions

How rate changes work

What we ask for in the filing

2024 Rate Change drivers

What we invest in

When to expect an increase in rates

Customer class impacts

Rate schedules overview

How PNM determines rates

Introducing the Time-of-Day Rate pilot

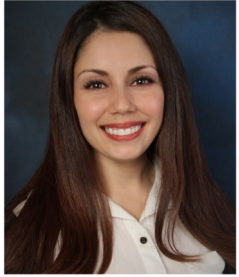
Rate review timeline

Q & A

Survey

# Today's Speakers

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## **ELISHA SAAVEDRA**

### **DIRECTOR OF CUSTOMER MARKETING**

Elisha Saavedra is a New Mexico native, having grown up in Albuquerque's South Valley. She currently serves as the Director of Customer Marketing for PNM where she oversees Economic Development, Large Account Management and Business Customer Marketing. In this role, she is responsible for ensuring that existing and prospective large customers have a first-class, customized, and seamless experience working with PNM. Helping others is Elisha's greatest passion. She enjoys partnering with community stakeholders and collaborating with prospective and current customers, to assist them in navigating the electric service process.



## **RAY SANDOVAL**

### **DIRECTOR OF CORPORATE COMMUNICATIONS & BRAND MANAGEMENT**

Ray Sandoval is the Director of Corporate Communications and Brand Management. In this role, Sandoval directs the internal and external corporate communications strategy while leading key initiatives to benefit PNM customers and community engagement. He also manages the external awareness on the company's corporate sustainability and environmental leadership. Sandoval earned a law degree from Boston University and holds a bachelors of arts in political science from American University.



## **STELLA CHAN**

### **DIRECTOR OF PRICING & LOAD RESEARCH**

Stella Chan directs the development of pricing options, including economic development incentive rate and new customer programs and products. Stella's team was responsible for designing the green tariff for the Meta data center, which incentivized Facebook to locate in New Mexico. At her direction, PNM also developed PNM Solar Direct, a leading-edge program designed to help governmental and large commercial customers to meet their sustainability goals. Stella holds an MBA and bachelor's degree in finance from the University of Houston.

# How Do Rate Changes Work?

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- This 2024 Rate Change filing asks the New Mexico Public Regulation Commission (NMPRC) to look at the annual amount it takes to run the utility
- All investments and savings are considered in total
- This is the first requested full rate review since 2016
- As a regulated utility, PNM is required to obtain approval from the NMPRC for any rate changes
- Once approved, PNM is able to implement the approved changes
- PNM expects these changes to go into effect on customer's bills in early 2024



# How Do Rate Changes Work? (cont'd)

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- PNM has managed operating costs and delayed potential rate increases to help customers during these difficult financial times
  - Delayed two planned rate increases
  - Average monthly bill increase for residential customers will be approximately 75 cents per month





# How Do Rate Changes Work? (cont'd)

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- Energy transition to carbon free is keeping rates affordable
- Savings from exiting coal plants is significantly offsetting the investments we've made to ensure customers have power when they need it
- PNM is currently 61% carbon free generation
- Less than 1% increase in customer's total bill (the average monthly increase for residential customers will be 75 cents per month)



# How Do Rate Changes Work? (cont'd)

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- Explanation of the 9.7% Base Rate Increase vs. 0.9% Total Bill Impact
  - The base rate doesn't reflect additional savings in fuel costs
  - Six years of growth and investments, less than 1% increase in your total bill



# How Do Rate Changes Work? (cont'd)

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- Customers will see an average annual increase that is much less than the current inflation rate
- This is in line with our commitment to invest in our grid while keeping costs reasonable



# What Are We Asking For?

The increased costs of providing electric service are driven by a variety of factors. Some of the drivers behind this rate change include:

- Needed investments in transmission, distribution and generation facilities for six years of operations, covering 2019 through 2024
- PNM is focused on expanding and updating its current infrastructure which is crucial to a successful energy transition
- Substantial cost reductions from closing the San Juan coal plant reduce PNM operating costs and therefore reduced the overall rate increase impact





# Improving Our Customer Service Experience

- Fee-free payment options for residential (Rates 1A/1B) and small business customers (Rates 2A/2B), removing service fees when choosing certain payment options
- Adding fee-free bill payment services at all Western Union payment locations
- Increased efforts to engage with customers and obtain their feedback
- Identification of the unique needs and desires of various customer segments (low income, small, mid-size and large)
- Increased staffing and training in call centers to make it easier for customers to reach PNM and have their questions answered
- A new rate option to empower customers to control their bill (a new Time of Day (TOD) rate)



# 2024 Rate Change Drivers

DRIVER	\$ IN MILLIONS
Recovery of investments from 2018 to 2024	\$119.7
Closed San Juan generation station	\$(98.3)
Expiration of Palo Verde nuclear generating leases	\$(40.5)
Replacement resources – battery demand charges	\$45.4
Adjustment to depreciation rates, including shortening of gas plants useful lives	\$19.3
Increases to operating costs, reflecting current inflation (reflects cost change from 6 years)	\$57.2
Revenue credits (Transmission revenues)	\$(24.8)
Increased sales growth since last filing reduces requested increase	\$(24.7)
Change in overall cost of capital, reflecting higher requested earned return, offset by lower cost of debt	\$2.7
Other – primarily the end of State Excess Deferred Income Tax Amortization	\$7.8
<b>Total 2024 Rate Change</b>	<b>\$63.8</b>

# What Are We Investing In?

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- PNM is committed to keeping electricity reliable, safe and sustainable
- \$2.6 billion of investments to support the grid and ensure reliability as we transition to carbon-free energy
- This includes critical upgrades to modernize equipment and taking steps to sustainable energy and protecting the grid from cyber threats



# What Are We Investing In? (cont'd)

- This plan includes enhanced customer service tools enabling faster response times to customer inquiries such as outage information and payment options
- Energy transition to carbon-free is keeping rates affordable
- Savings from exiting coal plants and managing the business through difficult financial times have significantly offset the investments we've made, keeping power affordable





# When Can We Expect an Increase in Rates?

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- New rates won't go into effect until approximately early 2024
- PNM has managed operating costs and delayed potential rate increases to help customers during these difficult financial times



# Customer Class Base Rate Impacts

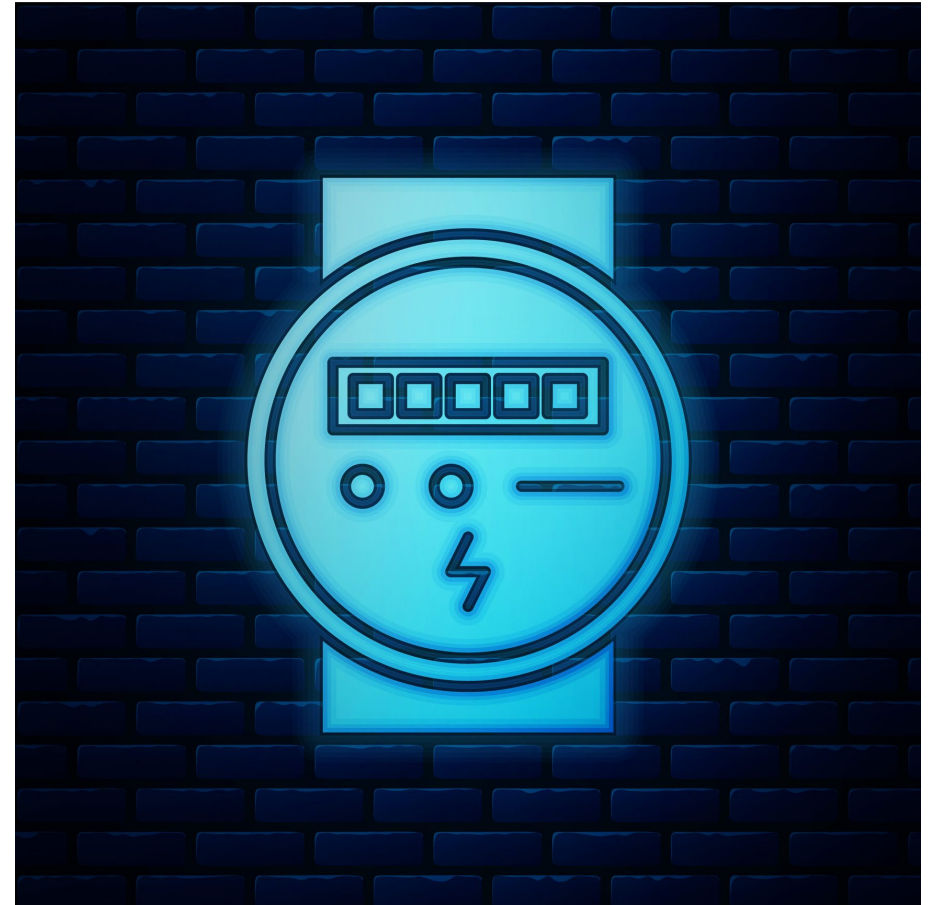
RATE	CUSTOMER CLASS	% CHANGE
1	Residential	9.65%
2	Small Power	7.90%
3B/3D	General Power	7.90%
3C/3E	General Power Low LF	7.90%
4B	Large Power	7.90%
5B	Large Service (8 MW)	7.90%
10A/B	Irrigation	8.77%
11B	Water/Sewage Pumping	9.65%

RATE	CUSTOMER CLASS	% CHANGE
15B	Universities (115 kV)	7.90%
30B	Manufacturing (30 MW)	7.90%
33B	Lg. Svc. (Station Power)	7.90%
35B	Lg. Svc. (3 MW)	7.90%
36B	Renewable Energy Res.	7.90%
6	Private Area Lighting	7.90%
20	Streetlighting	9.65%

# Rate Schedules

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- Customers who use their energy similarly are grouped into one rate schedule
- All customers under the same rate schedule pay the same rates
- To view the current rates, go to [pnm.com/rates](https://pnm.com/rates)
- For more information and updates as we move forward in the process, go to [pnm.com/2024RateChange](https://pnm.com/2024RateChange)



# How Does PNM Determine the Rates?

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- Total company costs are divided up into “buckets” of costs
- Each “bucket” of costs is further divided up among the rate schedules
- The charges for each rate schedule are derived from the costs that are assigned



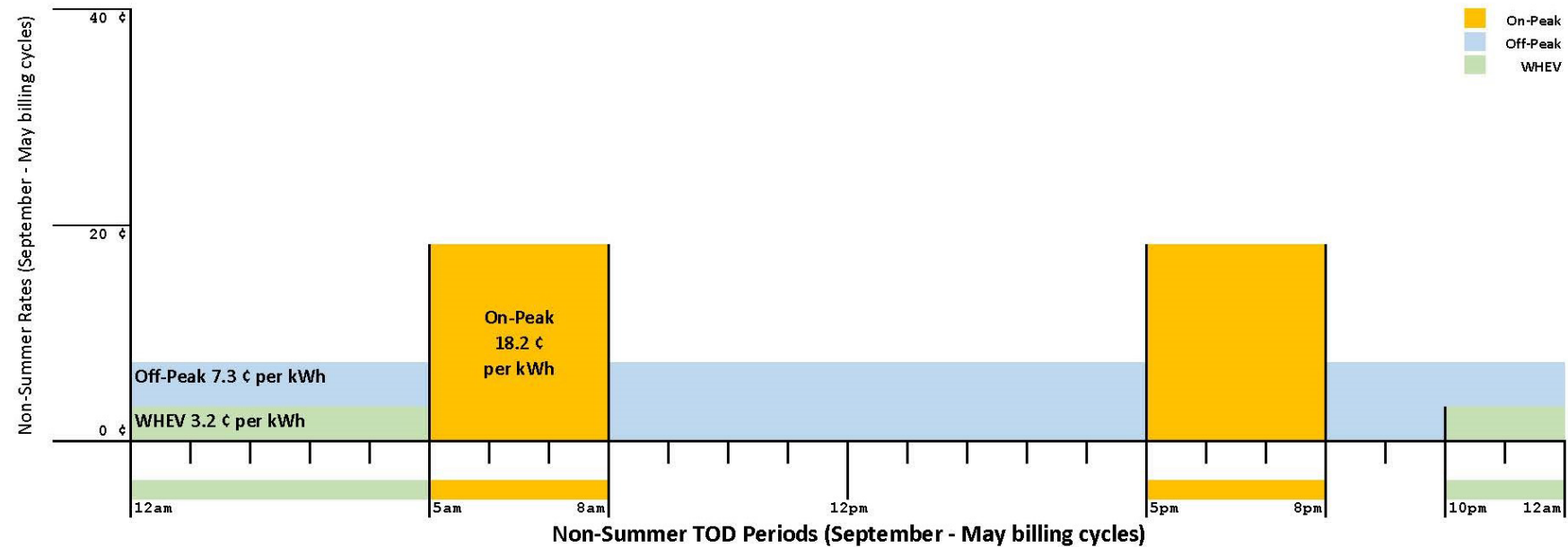
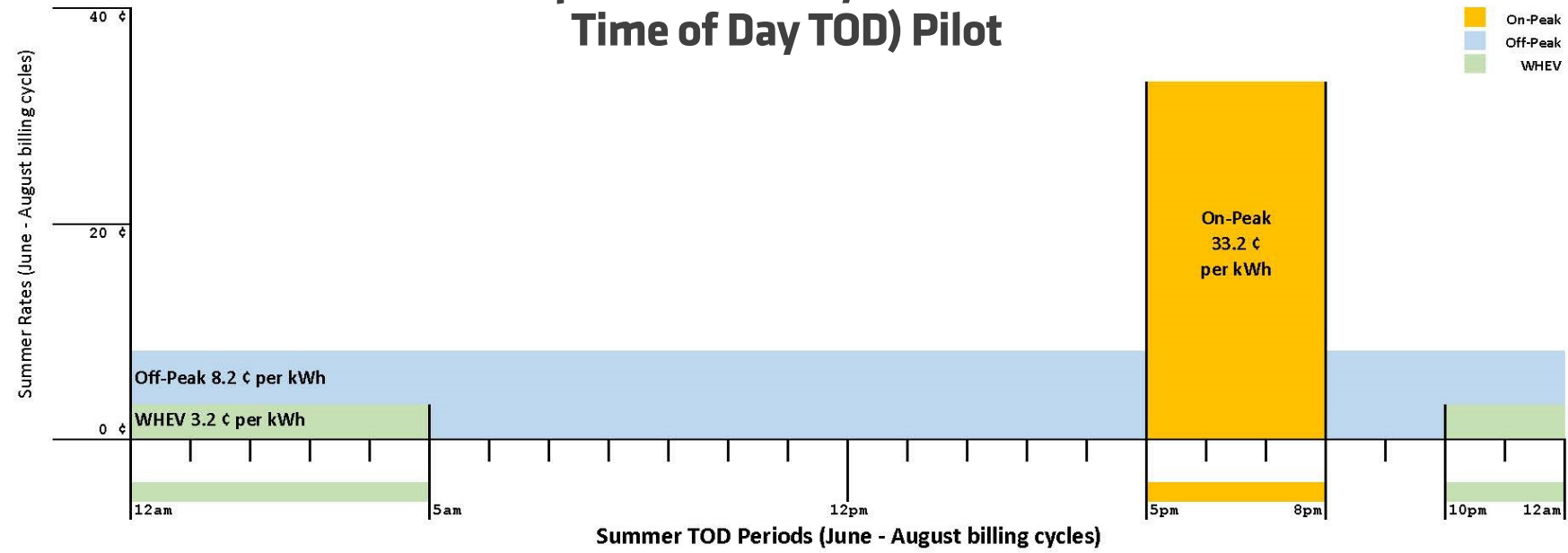


# Introducing Time of Day (TOD) Rate Pilot

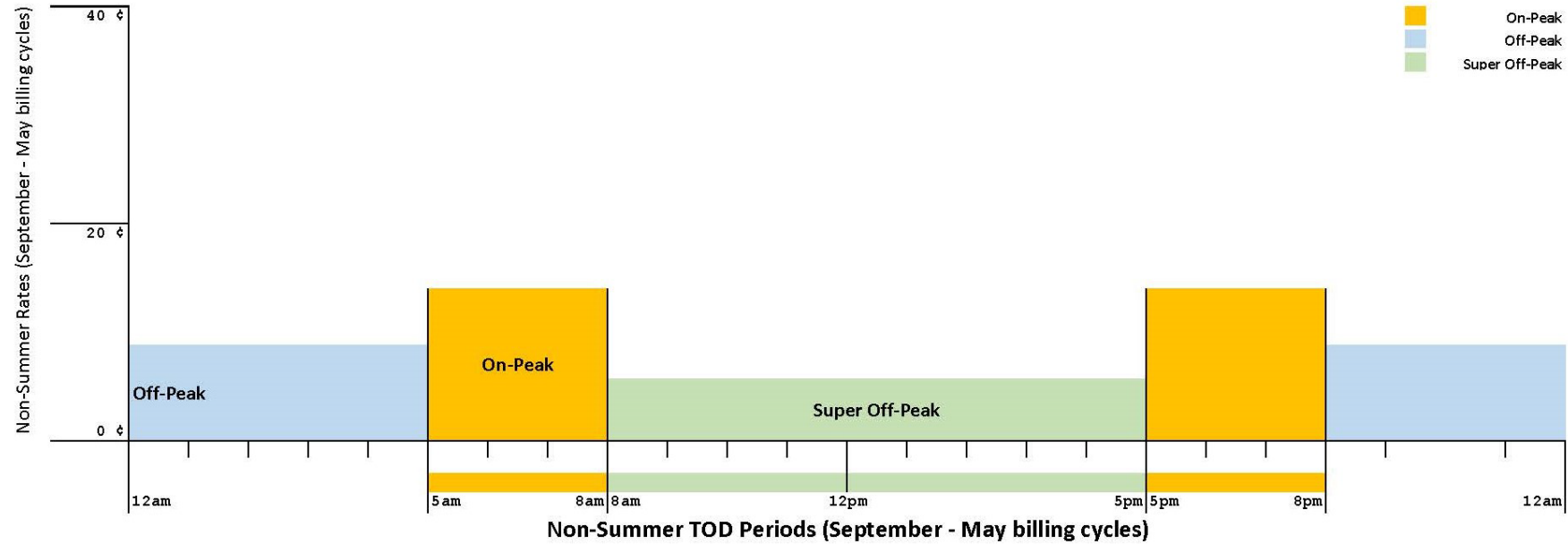
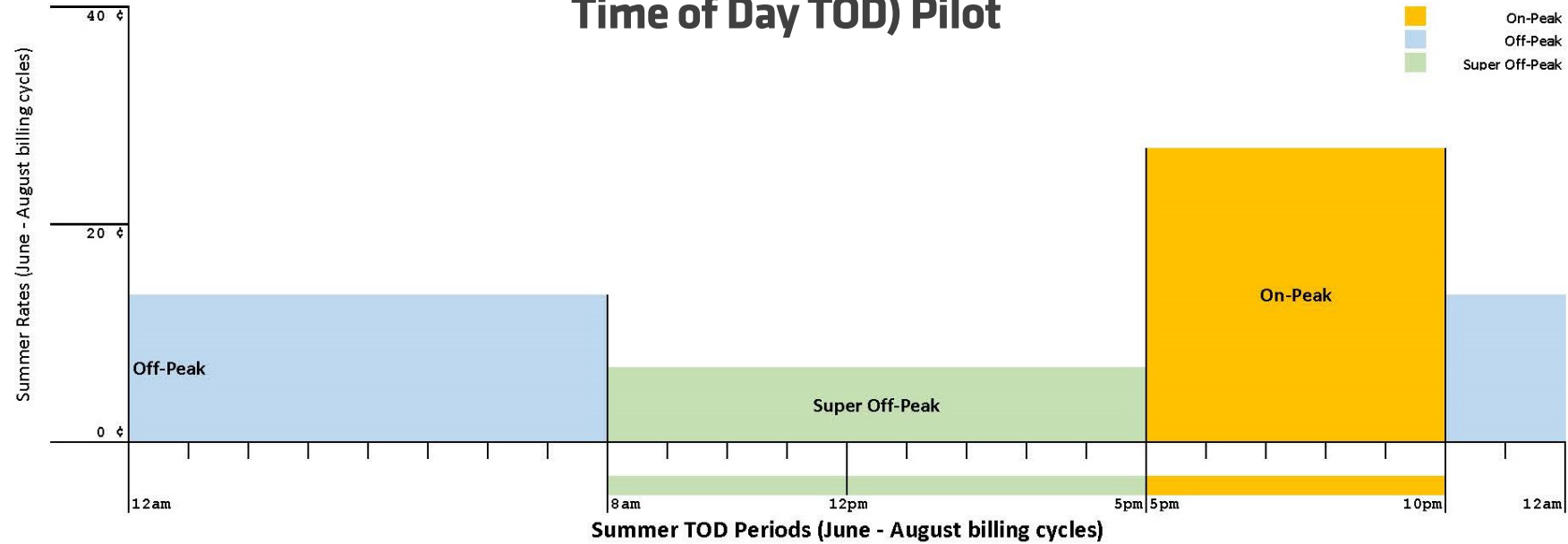
- Time of Day (TOD) Pilot is similar to our existing Time of Use (TOU) rate, but with different time periods
- The TOD pilot is available for 7,500 residential customers
- The TOD pilot is available for 2,500 non-residential customers



# Proposed Weekday Residential Time of Day (TOD) Pilot



# Proposed Weekday Non-residential Time of Day (TOD) Pilot



# Rate Review Timeline

- Summer 2023: Public hearings begin
- Q4, 2023: Expected decision
- Early 2024: New rates updated on customer's bills\*

\*Timing of new rates are estimated. Final rate implementation subject to NMPRC decision.

For more information and updates as we move forward in the process, go to [pnm.com/2024RateChange](https://pnm.com/2024RateChange)





# We Are Here to Help

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- Reducing generation costs through the energy transition will help to keep customer's bill affordable
- Improved customer-oriented services to address the needs of our customers, such as:
  - Fee-free payments
  - Increased payment location options



# Programs & Contact Information

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- PNM offers many programs for you to conserve energy and save money on your electric bill
- **Energy Efficiency Programs** PNM Quick Saver, Retrofit Rebates, PNM Building Tune-up and rebates for contractors and property owners can all help you take advantage of savings
- **Energy Demand Response** Balance your energy use during times of high demand while saving money with PNM Power Saver® for small business and PNM Peak Saver® for large business.
- **Budget Billing** This program gives you more predictable energy bills, paying a similar amount every month



# Programs & Contact Information (cont'd)

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For more information on these or other programs offered by PNM, or if you have further questions, you may contact us at:



For information on Energy Efficiency Programs and Energy Demand Response, go to:

[pnm.com/bizrebates](http://pnm.com/bizrebates)

For information on Budget Billing, go to:

[pnm.com/budget-billing1](http://pnm.com/budget-billing1)



You may email us at: [AccountManagement@pnmresources.com](mailto:AccountManagement@pnmresources.com)



You may call us at the PNM Business Customer Service Center: [\(888\) 245-3659](tel:(888)245-3659)

# Questions?

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You may submit your questions through  
the WebEx chat or reach us directly at  
[AccountManagement@pnmresources.com](mailto:AccountManagement@pnmresources.com)





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# Thank you for attending!

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You can access a copy of this presentation at [pnm.com/business-events](https://pnm.com/business-events). We appreciate and value your feedback. You will be sent a link to participate in a short survey regarding this presentation. Thank you again for your time.