

To PNM Customers:

The enclosed document is required by the New Mexico Public Regulation Commission (“NMPRC”). The purpose of the document is to provide notice for PNM’s proposed regulatory disincentive rate adjustment mechanism filing.

- The notice:
- describes the Public Regulation Commission process to consider this request.
  - describes how you can participate in this process if you choose to do so.

If you **do** wish to participate in the regulatory process, the attachment provides details on how to take part.  
If you **do not** wish to participate in the regulatory process, you are not required to do anything.

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

<b>IN THE MATTER OF THE PETITION OF PUBLIC</b>	)	
<b>SERVICE COMPANY OF NEW MEXICO, PURSUANT</b>	)	
<b>TO THE EFFICIENT USE OF ENERGY ACT AND THE</b>	)	
<b>PUBLIC UTILITY ACT, FOR APPROVAL OF A RATE</b>	)	
<b>ADJUSTMENT MECHANISM TO REMOVE REGULATORY</b>	)	
<b>DISINCENTIVES AND ORIGINAL RIDER NO. 52,</b>	)	<b>Case No. 20-00121-UT</b>
	)	
<b>PUBLIC SERVICE COMPANY OF NEW MEXICO,</b>	)	
	)	
<b>Petitioner.</b>	)	
	)	

**NOTICE OF PROCEEDING AND HEARING**

**NOTICE** is hereby given by the New Mexico Public Regulation Commission (“Commission” or NMPRC) of the following matter:

On May 28, 2020, Public Service Company of New Mexico (PNM) filed a Petition for Approval of a Rate Adjustment Mechanism to Remove Regulatory Disincentives and Original Rider No. 52 (“Petition”) along with supporting testimony and exhibits. The Petition seeks approval of a revenue per customer decoupling mechanism PNM names in Advice Notice No. 568 “Original Rider No. 52 - Shared Cost of Service Rider.”

PNM is proposing to apply the Shared Cost of Service Rider to all residential (Rate 1A Residential and Rate 1B - Residential Service TOU) and small power (Rate 2A - Small Power and 2B - Small Power TOU) customers. PNM asks the Commission to issue a final order approving the Petition by December 31, 2020. If approved in accordance with PNM’s preferred timeline, the Shared Cost of Service Rider would take effect on January 1, 2021, and customers would see a bill impact beginning January 1, 2022, through the form of a monthly Shared Cost of Service Charge.

The monthly Shared Cost of Service Charge will be based on the difference between the authorized fixed costs per customer approved for recovery by the Commission in PNM’s last litigated general rate case, Case No. 15-00261-UT, and the actual fixed costs recovered through base rates. PNM will accumulate these monthly fixed cost reconciliations for twelve consecutive months in Shared Cost of Service Deferral accounts for the applicable rate classes. Based upon this annual difference, PNM will have either over-recovered its fixed costs and will credit the overage to customers in the following year, or conversely, PNM will have under-recovered its fixed costs and will collect an amount that reflects this under-charge for each of the customer classes subject to the decoupling mechanism over the course of a subsequent twelve-month period. The ending balance in the Shared Cost of Service Deferral accounts at the end of the twelve months is divided by the annual forecasted number of customers for each customer class that are subject to the Shared Cost of Service Rider to calculate the Shared Cost of Service Charge. However, PNM proposes to limit the recovery of under-collection to three percent of forecasted revenue for each customer class. By contrast, any over-collection that is due to customers will not have a limit. By authorizing PNM to collect a pre-established amount of revenue toward fixed cost recovery regardless of the actual sales revenues received during any year, PNM claims it will be indifferent to the usage levels of the customers to which the decoupling mechanism applies.

PNM claims that under current rate structures for the residential and small power customer classes, PNM collects a significant share of its fixed costs through volumetric (per-kWh) rates. These two customer classes recover fixed costs through a monthly fixed customer charge and energy charge that is applied to monthly usage. PNM states that, historically, a significant portion of the fixed costs for these two classes of customers has been recovered through the energy charge as compared to other customer classes. PNM alleges it has not identified the same issues related to fixed cost recovery within other customer classes. PNM asserts that other customer classes that have a demand charge in addition to the monthly customer charge are able to recover additional fixed costs through the demand charge.

PNM states that it is proposing to use the cost of service from its last fully litigated general rate case, Case No. 15-00261-UT, to determine the authorized fixed costs per customer approved for recovery by the Commission because this is the last general rate case from which a revenue per customer approved by the Commission can be derived consistent with a litigated cost of service. If approved, the Shared Cost of Service Rider will continue in effect until it is terminated or suspended by the Commission; the authorized fixed costs per customer would be reset in future general rate cases.

PNM also requests approval in the Petition to create a regulatory asset in order to record the consulting, legal, and regulatory expenses associated with seeking regulatory approval of the Petition. PNM proposes to collect these one-time expenses, which the company estimates to be approximately \$350,000, through the Shared Cost of Service Rider over the first year that decoupling charges (or credits) are reflected on customer bills.

PNM claims that whether customers receive a credit (in the event PNM over-collects its fixed costs) or a charge (in the event PNM under-collects its fixed costs) through the Shared Cost of Service Rider in any given year depends on several factors. PNM explains that when factors such as energy efficiency, distributed generation, mild weather, and the economy reduce energy usage and contribute to the under-recovery of PNM’s fixed costs, PNM will be allowed to collect money from customers under the Shared Cost of Service Rider. At the same time, when extreme weather (such as a hot summer or a very cold winter) occurs, and/or where there is an increase in beneficial end-uses of electricity (such as electric heat pumps, grid-enabled water heaters, and electric vehicles), PNM may over-collect its fixed costs due to increased energy sales. If this were to occur, PNM would credit customers on their bills.

For illustrative purposes, PNM calculated the historical annual deferral amounts as if the Shared Cost of Service Rider had been in effect for 2017 through 2019. PNM states that these historical amounts show that PNM over-collected fixed costs from small power customers by \$1,397,223 in 2017, \$2,655,190 in 2018, and \$87,189 in 2019, meaning these customers would have received a credit through the Shared Cost of Service Rider to return the over-collection in each year had the rider been in effect. According to PNM’s calculations, historically, PNM under-collected fixed costs from residential customers by \$7,488,266 in 2017, \$2,522,429 in 2018, and \$5,051,250 in 2019, meaning these customers would have received a charge through the Shared Cost of Service Rider to recover the under-collection in each year had the rider been in effect.

PNM submits that it is difficult to predict what the actual bill impacts under the Shared Cost of Service Rider might be in 2022 considering the potential impact of COVID-19 on the economy and customer usage patterns in 2021. The amount recovered or credited through the Shared Cost of Service Rider in 2022 will be based on actual fixed cost recovery in 2021. Based on “normal” conditions, PNM estimates an under-collection of fixed costs from residential customers by \$14.95 million in 2021 for illustrative purposes. Because this amount is approximately \$1.7 million dollars higher than the three percent limitation of class revenue before taxes and fees, \$1.7 million dollars would be carried over in the Shared Cost of Service Deferral Account for recovery in a future year. The estimated maximum that could be recovered in 2022 under the three percent limitation is \$13.2 million. For small power customers, PNM estimates an under-collection amount of approximately \$907,000 in 2021 for illustrative purposes. The resulting bill impact on residential customers in 2022 would be \$2.28 per customer per month after the three percent limitation is applied. The resulting bill impact for small power customers would be \$1.38 per customer per month. PNM emphasizes that this projected bill impact for residential and small power customers is for informational purposes only; the final rate design may vary the rates ultimately charged to each class and for each consumption level.

In addition, PNM estimates recovery of the regulatory asset in 2022 will result in a \$0.05 charge to residential and small power customers. Under the illustrative example above, there would be no resulting bill impact on residential customers in 2022 due to the application of the three percent limitation. Any amount above the three percent limitation would

be carried over in the Shared Cost of Service Deferral Account for recovery in a future year. However, for small power customers, if the regulatory asset is approved, the resulting bill impact in 2022 would be \$1.43 per customer per month in the illustrative example above.

PNM asserts the Shared Cost of Service Rider satisfies the goals and terms of the Efficient Use of Energy Act, NMSA 1978, §§ 62-17-1 to -11 (2005, as amended through 2019), which requires the Commission to “identify and remove regulatory disincentives or barriers for public utility expenditures on energy efficiency and load management measures in a manner that balances the public interest, consumers’ interests and investors’ interests” and to, “upon petition by a public utility, remove regulatory disincentives through the adoption of a rate adjustment mechanism that ensures that the revenue per customer approved by the commission in a general rate case proceeding is recovered by the public utility without regard to the quantity of electricity . . . sold by the public utility.” PNM further asserts the Shared Cost of Service Rider is “just and reasonable” as required of utility rates under the Public Utility Act, NMSA 1978, §§ 62-1-1 to -7 (1909, as amended through 1993), 62-2-1 to -22 (1887, as amended through 2013), 62-3-1 to -5 (1967, as amended through 2019), 62-4-1 (1998), 62-6-4 to -28 (1941, as amended through 2018), 62-8-1 to -13-16 (1941, as amended through 2019).

On June 10, 2020, the Commission issued its Initial Order in this case. Among other things, the Initial Order commenced this proceeding to consider the Petition and appointed the undersigned Hearing Examiner to preside over this matter. The Initial Order also suspended Original Rider No. 52 and Advice Notice No. 568 for a period of nine months subject to further order of the Commission. Accordingly, the current suspension period expires on February 28, 2021.

Further information regarding this case can be obtained by contacting the Commission at the physical addresses and telephone numbers provided below or accessing the Commission’s website at the Internet address also provided below. All inquiries, correspondence, written comments, and other communications concerning this matter shall refer to Case No. 20-00121-UT. Additional details regarding the procedural requirements for this proceeding are set forth in the Procedural Order issued by the Hearing Examiner on June 29, 2020.

The present procedural schedule for this case is as follows:

- (1) Any motion to dismiss this proceeding shall be filed by July 13, 2020.
- (2) Responses to any motion to dismiss shall be filed by August 7, 2020.
- (3) Any person desiring to become a party (“intervenor”) in this case shall file a motion for leave to intervene in conformity with Rules 1.2.2.23(A) and 23(B) NMAC by no later than September 4, 2020.
- (4) Staff of the NMPRC’s Utility Division (“Staff”) shall file, and any intervenor may file, direct testimony on or before September 11, 2020.
- (5) Any rebuttal testimony shall be filed on or before October 2, 2020.
- (6) A prehearing and status conference shall be held on October 6, 2020 at 2:00 p.m. MDT via the Zoom video conference platform. A Zoom invitation shall be sent in due course to those on the Certificate of Service (“Official Service List”) issued in accordance with 1.2.2.10(C)(4) NMAC as well as, if not already on the service list, all individuals who have filed testimony on behalf of any party in the case.
- (7) A public comment hearing in this matter shall be held on October 8, 2020 commencing at 10:00 a.m. MDT. The public comment hearing shall be conducted via the Zoom platform. Therefore, persons interested in providing public comment must request a Zoom invitation by e-mailing Ana Kippenbrock at Ana.Kippenbrock@state.nm.us by no later than 5:00 p.m. MDT on October 5, 2020. Public comments shall be limited to 3 minutes per speaker. In lieu of public comment interested persons may also submit written comments to the Commission at the address specified below. Comments shall not be considered as evidence in this case.
- (8) The evidentiary hearing of this matter shall be held on October 13, 2020 commencing at 9:30 a.m. MDT and shall continue, if necessary, on October 14, 2020. The hearing will be held either: (i) at the Commission’s offices in the P.E.R.A. Building, 1120 Paseo de Peralta, Ground Floor Hearing Room or (ii) via the Zoom platform in whole or in part depending on potential COVID-19 mitigation restrictions, guidelines, and related safety concerns. If and when the evidentiary hearing is conducted via Zoom, access to and participation in the hearing shall be limited to party-participants (i.e., counsel, witnesses, and other representatives of PNM, intervenors, and Staff), the Commissioners, and other Commission personnel. The Commission will endeavor to provide other interested persons access to the hearing via audio streaming over the internet.

Interested persons should contact the Commission at (505) 690-4191 for confirmation of hearing dates, times, places, and settings since hearings are occasionally rescheduled or, if deemed not required or necessary, canceled at the discretion of the Hearing Examiner or Commission.

Written comments, which shall reference Case No. 20-00121-UT, must be sent to the Commission at the following address:

New Mexico Public Regulation Commission  
Attn: Records Management Bureau, Room 406  
P.E.R.A. Building  
P.O. Box 1269  
Santa Fe, NM 87504-1269

The Commission’s Records Management Bureau may be reached at the following telephone number: (505) 827-6968.

Interested persons may examine PNM’s Petition and all other pleadings, testimony, exhibits, and other documents in the public record for this case on the Commission’s website at <https://edocket.nmprc.state.nm.us> or at the offices of PNM at the following address:

Public Service Company of New Mexico  
414 Silver Ave. SW  
Albuquerque, NM 87102  
Telephone: (505) 241-2700

Anyone filing pleadings, testimony, and other documents shall follow the Commission’s temporary NMPRC Electronic Filing Policy, available at <http://nmprc.state.nm.us>, toward the top of the page and to the right of “NEW!” All filings shall be served on the parties of record and Staff on the date of filing as specified in the most recently issued Official Service List. Accordingly, unless otherwise requested, ordered, or arranged for, parties shall serve all pleadings, testimony, and other filings by e-mail only by no later than 5:00 p.m. Mountain Prevailing Time (MPT) on the date filed.

All filings shall be e-mailed to the Hearing Examiner on the date filed at [anthony.medeiros@state.nm.us](mailto:anthony.medeiros@state.nm.us) by no later than 5:00 p.m. MPT. Such e-mailing shall include the Word or other native version of the filing (e.g., Excel or Power Point) if created in such format. Any filings not e-mailed to the Hearing Examiner in compliance with the requirements of this Order are subject to being summarily rejected and stricken from the record in the Hearing Examiner’s discretion.

The procedural dates and requirements established by the Hearing Examiner are subject to further order or ruling of the Hearing Examiner or Commission. The Commission’s Rules of Procedure under 1.2.2 NMAC shall apply in this case except as modified or varied by order of the Hearing Examiner or Commission. The Rules of Procedure and other NMPRC rules are available online at the New Mexico Commission of Public Records, State Records Center and Archives website at <http://www.srca.nm.gov/nmac-home/nmac-titles>.

ANY PERSON WITH A DISABILITY REQUIRING SPECIAL ASSISTANCE IN ORDER TO PARTICIPATE IN THIS PROCEEDING SHOULD CONTACT THE COMMISSION AT (505) 827-4500 AT LEAST 24 HOURS PRIOR TO THE COMMENCEMENT OF ANY HEARING CONDUCTED IN THIS MATTER.

**ISSUED** at Santa Fe, New Mexico this **29th** day of **June 2020**.

**NEW MEXICO PUBLIC REGULATION COMMISSION**

***/s/ Anthony F. Medeiros***

**Anthony F. Medeiros**  
**Hearing Examiner**