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December 11, 2014

Ms. Melanie Sandoval
Records Bureau Chief
New Mexico Public Regulation Commission
1120 Paseo de Peralta
Santa Fe, NM 87501

Re: Application for Revision to Rates in Case No. 14-00332-UT
And Advice Notice No. 507

Dear Ms. Sandoval:

Pursuant to the requirements of 17.1.210.11(B) and 17.9.530.9 NMAC, Public Service Company of New Mexico ("PNM"), hereby submits its request for an increase in retail electric rates. Included in this filing are the original plus five copies of PNM's Application for Revision of Retail Electric Rates, Proposed Form of Notice to Customers, Advice Notice No. 507, proposed Rate Schedules, PNM's Direct Testimony and Exhibits and a Certificate of Service.

An original and five copies of PNM's Advice Notice No. 507 are attached along with a filing fee of \$26.00. Advice Notice No. 507 contains the proposed and revised base rate tariffs for PNM. PNM has filed the Advice Notice with an effective date of January 10, 2015, in order to start the suspension period at that time. PNM understands that the Commission will suspend the effectiveness of the new rates pending hearing in accordance with NMSA 1978, § 62-8-7(C) (2011). PNM further understands that new rates based on a Test Period beginning January 1, 2016, may not go into effect before January 1, 2016. The rate schedules filed with the Advice Notice reflect the rates proposed to recover the full amount of the requested revenue requirements.

PNM's filing uses a twelve month Base Period ending June 30, 2014, and a twelve month Test Period of calendar year 2016. A variance was obtained from the Commission by Order issued November 13, 2014, to extend the Base Period 150-day time limit, permitting this case to be filed no later than December 12, 2014, using this Base Period. At the time PNM filed for this variance, this case was identified as Case No. 14-00332-UT, and the application fee of \$25.00 was paid. It is PNM's understanding that this Application will proceed under this case number with the caption.

The Test Period shows an annual revenue requirement for PNM of \$983,316,658, representing a revenue increase of \$107,441,397 for an approximate 12.27% increase. As such, current rates are insufficient to provide PNM with a reasonable opportunity to earn a reasonable return on its property used to provide reliable electric service to the public. The filing seeks a return on equity of 10.5%. The requested base rate increase combined with other rate changes scheduled to take effect by January 1, 2016, represent an average bill increase of approximately 7.69%.

Notice of the proposed changes will be given as required by NMAC 17.1.210 and 17.9.530. Additional documents submitted in support of the proposed rate increases are as follows:

- Executive Summary, Application, Form of Notice to Customers and Advice Notice
- Rule 530 Schedules A - Q

- Direct Testimony and Exhibits of PNM witnesses Ortiz, Monroy, Chan, Hansen, Eden, Olson, Johnson, Hevert, Faruqui, Watson, Peters, Aguirre, Harland, Vavruska-Marcum, Sanchez, Larsen

In compliance with 17.2.210.11(B) NMAC, PNM is serving a copy of this Application, including the Advice Notice, on the Attorney General and all counsel of record and pro se parties in PNM's last electric rate case. PNM is providing the Certificate of Service with a hard copy of the entire filing. Additionally, three DVD's are being provided: 1) DVD of the Transmittal letter, Executive Summary, Application, Advice Notice, Form of Notice to Customers, Rule 530 Schedules, Testimony and Exhibits and Certificate of Service; 2) DVD of PNM Exhibits HEM-2 and HEM-3 (revenue requirements and workpapers) in fully functional electronic format consistent with 17.1.3.11 NMAC; and 3) DVD of Rule 530 Schedule K-4 (Allocation of Rate Base to rate classes) in fully functional electronic format.

All notices, pleadings, documents and other communications regarding this case should be sent to:

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Please conform the extra copy of the Application and the Advice Notice for our files and return it with our courier. If you have any questions, please contact me at 505-241-2561.

Sincerely,



Gerard Ortiz
Vice President, PNM Regulatory Affairs

Enclosures