

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF PUBLIC SERVICE)
COMPANY OF NEW MEXICO’S APPLICATION)
FOR APPROVAL OF PURCHASED POWER)
AGREEMENTS, ENERGY STORAGE)
AGREEMENTS, AND CERTIFICATES OF PUBLIC)
CONVENIENCE AND NECESSITY FOR SYSTEM)
RESOURCES IN 2026,)
)
PUBLIC SERVICE COMPANY OF NEW MEXICO,)
)
Applicant)
_____)**

Case No. 23-00xxx-UT

**DIRECT TESTIMONY
OF
HENRY E. MONROY**

October 25, 2023

**NMPRC CASE NO. 23-____-UT
INDEX TO THE DIRECT TESTIMONY OF
HENRY E. MONROY**

**WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO**

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PNM Exhibit HEM-1

Educational Background and Relevant Employment
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I. INTRODUCTION AND PURPOSE

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Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A. My name is Henry E. Monroy. I am the Vice President, Regulatory and Corporate Controller for Public Service Company of New Mexico ("PNM" or "Company"). My business address is 414 Silver SW, Albuquerque, NM 87102. A description of my position and background is included in PNM Exhibit HEM-1. The exhibit also includes a list of cases in which I have provided testimony at the New Mexico Public Regulation Commission ("Commission" or "NMPRC").

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL QUALIFICATIONS.

A. My educational background and relevant employment experience are summarized in PNM Exhibit HEM-1 attached to my testimony. PNM Exhibit HEM-1 also includes a list of cases before the New Mexico Public Regulation Commission ("NMPRC" or "Commission") where I have provided testimony.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony supports PNM's requests for approval of a Long Term Purchased Power Agreement ("PPA") for the Quail Ranch solar project and approvals of Long-Term Energy Storage Agreements ("ESAs") for the Sky Ranch II, Route 66 and Quail Ranch battery projects pursuant to 17.9.551 NMAC and addresses the Rule 551 requirements. My testimony further supports PNM's request for approval of a certificate of public convenience and necessity ("CCN") pursuant to NMSA 1978, Section 62-9-1 and 17.1.2.9

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1 NMAC for the Sandia Substation battery energy storage project (“Sandia BESS”). My
2 testimony identifies statutory, rule and prior order requirements for an application of this
3 type, including addressing the requirement for filing of a certified copy of PNM’s articles
4 of incorporation and notice of franchise approval.

5
6 I will summarize how the resources identified in this application address PNM’s system
7 requirements including achieving an industry standard of 0.1 Loss of Load Event
8 (“LOLE”). My testimony will also address the requirements of NMSA 1978, Section 62-
9 9-3, 17.5.440, 17.3.580 NMAC and will address PNM’s commitment to timely filing
10 reports.

11
12 My testimony summarizes the cost recovery pursuant to current rates and riders as well as
13 the net public benefit standard. Finally, I introduce PNM’s other witnesses that support
14 PNM’s application.

15

16 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

17 **A. My testimony is organized into the following sections:**

- 18 Part II. Requirements to be addressed in this Application
- 19 Part III. Financial and accounting considerations for Resource Selections
- 20 Part IV. 17.5.440
- 21 Part V. Cost Recovery
- 22 Part VI. Conclusion

23

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1 **Q. WHO ARE THE OTHER WITNESSES PROVIDING DIRECT TESTIMONY IN**
2 **THIS CASE ON BEHALF OF PNM?**

3 A. Jeremy Heslop – PNM witness Jeremy Heslop describes and supports the resources PNM
4 is proposing in this application, and addresses many of the Rule 551 requirements for the
5 PPA and ESAs for which PNM seeks approval.

6 R. Brent Heffington – PNM witness R. Brent Heffington provides background and
7 description of, and estimated costs of and timing for, PNM’s proposed utility-owned
8 Sandia BESS. Mr. Heffington also provides project design benefits and addresses statutory
9 requirements for approval of a CCN for an energy storage facility.

10 Nicholas L. Phillips – PNM witness Nicholas Phillips discusses the analysis performed by
11 PNM that resulted in the portfolio of resources for which PNM seeks approval in this
12 application and describes how the resources support PNM’s transition to carbon free supply
13 in a safe and reliable manner.

14 Nicholas Wintermantel – PNM witness Nick Wintermantel discusses PNM’s resource
15 adequacy assessment for 2026 and LOLE utilized as part of the 2026 request for proposals
16 (“RFP”) to ensure that resource adequacy metrics are met.

17 Roger Nagel – PNM witness Roger Nagel describes Aion Energy LLC’s role in and support
18 of PNM’s 2026 all-resource RFP, and provides details on the goals of the RFP, the process
19 involved in the RFP and the selection of resources, and the fairness of the RFP.

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1 Thomas Duane – PNM witness Thomas Duane describes transmission and interconnection
2 facilities and attendant costs associated with the PPA and ESAs, as well as the PNM-owned
3 Sandia BESS, that are the subject of this application.

4 Tim Nichols – PNM witness Tim Nichols discusses rating agencies’ treatment of lease
5 liabilities associated with long-term fixed payment obligations in calculating credit
6 metrics; the impact of imputed debt on PNM’s capital structure; and how PNM calculated
7 potential impact of imputed debt associated with ESAs considered in PNM’s 2026 all-
8 resource RFP.

9 Tom Feldman – PNM witness Thomas Feldman discusses imputed debt and its impacts on
10 financial integrity, balancing PPAs and ESAs with utility owned resources, and PNM’s
11 consideration of imputed debt in evaluating RFP proposals. Mr. Feldman also makes
12 recommendations for addressing issues associated with imputed debt for PNM’s specific
13 situation.

14

15 **II. REQUIREMENTS TO BE ADDRESSED IN THIS APPLICATION**

16 **Q. WHAT APPROVALS IS PNM SEEKING IN THIS CASE?**

17 **A.** PNM seeks approval of one PPA, three ESAs, and a CCN. Specifically, PNM seeks
18 approval of: the Quail Ranch PPA; the ESAs for the Quail Ranch, Sky Ranch II and Route
19 66 projects; and the CCN for the Sandia BESS, an engineer, procure, construct (“EPC”)
20 project to be owned by PNM. Copies of the agreements are attached to PNM Witness

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Jeremy Heslop’s testimony as exhibits. PNM Table HEM-1 below summarizes the PPA and ESA’s PNM is requesting approval for in this proceeding.

PNM Table HEM-1

Name/Description	Type	MW	Term	\$/MWh	Commercial Operation Date	County Location	Counterparty	Developer	Annual Revenue Requirement (\$ in millions)
Quail Ranch Solar	PPA	100 MW	20 Years	\$29.84	11/2/2025	Bernalillo	Quail Ranch Solar LLC	Clenera	\$8.4
Quail Ranch Energy Storage	ESA	100 MW / 4 HR	20 Years	\$49.20	11/2/2025	Bernalillo	Quail Ranch Energy Storage LLC	Clenera	\$14.7
Sky Ranch Energy Storage II	ESA	100 MW / 4 HR	21 Years	\$28.04	2/1/2026	Valencia	Sky Ranch Storage II LLC	Nextera	\$15.7
Route 66 Storage	ESA	49.5 MW / 4 HR	18 Years	\$48.95	2/1/2026	Cibola	Route 66 Energy Storage LLC	Nextera	\$8.1

** Sky Ranch Energy Storage II and Route 66 Storage contract come to term contemporaneously with the co-located solar facility.

The Sandia BESS is an EPC between PNM and DEPCOM Power, Inc., a Delaware Corporation. DEPCOM will contract to build a 60 MW, 4-hour battery storage facility to be located near PNM’s existing Sandia Substation in Bernalillo County. The Sandia BESS, including transmission upgrades, is estimated to cost \$131.4 million, and is expected to be in service in April 2026. The first-year, full year annual revenue requirement associated with the Sandia BESS is estimated to be \$8.6 million, which includes the return of Investment Tax Credits given back to customers over a five-year period. These selections are the result of a competitive RFP process and the outcomes are supported by an independent evaluator, as discussed by PNM Witness Nagel.

Q. WHY IS PNM FILING THIS APPLICATION?

A. PNM is requesting Commission approval of new resources to meet peak load requirements in 2026. PNM is seeking to add approximately 100 MW of solar and 310 MW of energy storage batteries (250 MW through ESAs and 60 MW through utility owned batteries) in order to meet system requirements. These resources will serve to move PNM to an industry standard of 0.1 LOLE which has previously been adopted by the Commission as a

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1 reasonable planning standard in Case Nos. 21-00215-UT and 21-00033-UT. This
2 Application seeks a portfolio of resources that PNM has determined to provide cost
3 effective and reliable service while keeping on track to meet PNM's target of carbon-free
4 generation by 2040. This filing addresses the need to evaluate the impact of imputed debt
5 associated with fixed-price ESAs, to ensure the lowest-cost portfolio is achieved for our
6 customers. Finally, this application includes a utility owned battery which was selected as
7 part of the lowest-cost portfolio. The benefits of utility owned batteries are also discussed,
8 as PNM believes a mix of utility owned batteries and batteries contracted provide an
9 optimal future resource mix for our customers, assuming cost-effective thresholds are met.

10
11 **Q. IS SYSTEM RELIABILITY AN IMPORTANT CONSIDERATION IN THE**
12 **SELECTION OF REPLACEMENT RESOURCES?**

13 **A.** Yes. System reliability is a critical consideration in choosing replacement and other
14 resources. PNM has an obligation to provide safe and reliable service to customers. In
15 2023 PNM hit two new consecutive peaks, on July 17 and July 18 with a new peak of 2,131
16 MW. This demonstrates the impact that weather can have on PNM's system and the need
17 to ensure adequate capacity and resources are available to our customers to meet these
18 peaks. PNM witnesses Phillips and Wintermantel discuss the importance of system
19 reliability and how the selected resources help with PNM's system reliability.

20
21 **Q. WHAT ARE THE BENEFITS OF HAVING A MIX OF UTILITY OWNED**
22 **BATTERY RESOURCES ALONG WITH BATTERIES CONTRACTED UNDER**
23 **ESA?**

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1 A. As a utility owned resource, the Sandia Substation BESS will provide PNM with the
2 discretion to operate, maintain and control energy storage systems so as to ensure reliable
3 and efficient service to its customers. With the company ownership of the asset, all O&M
4 and ongoing capital decisions remain with the company to ensure the continued safe and
5 reliable operation of the facility for the benefit of PNM's customers and these decisions
6 are subject to local regulatory oversight to ensure that the public interest standard is met.
7 Furthermore, regulatory oversight could enhance reliability by requiring different
8 performance standards over time whereas performance standards for third-party contracts
9 are designated in the contract and would require contractual amendments to modify. PNM
10 will retain the benefits of the batteries on its system beyond the 20-year proposed
11 depreciable life. Said differently, ownership provides for residual benefits of the battery
12 system at no additional cost to customers (other than ongoing maintenance) as opposed to
13 contractual ESAs that give PNM no right to the benefits of the resource after the 20-year
14 agreements expire. Utility ownership provides for more certainty on development of the
15 project and ongoing maintenance of the facility. ESAs provide this certainty through
16 contractual terms that may result in future disputes if they arise; such disputes are avoided
17 on a utility owned project. Utility ownership provides PNM the ability to operate the asset
18 more flexibly than third-party contracts and modify how it operates the facility for new
19 uses in the future that may not be known today whereas third party contracts would not
20 allow for operations outside the contractual parameters without an amendment to the
21 contract. This is especially important to consider given the multiple uses for BESS, this
22 being a new technology that PNM is still learning to optimize within its portfolio, and
23 recognizing that the system will transform to carbon free by 2040 it is impossible to know

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1 with certainty today how batteries will be utilized as we approach and become a carbon
2 free system. Utility ownership also ensures that any tax benefits from the Inflation
3 Reduction Act or other available incentives will be passed on to PNM’s customers, whether
4 known today, or that may become available to the project later in its life. Under utility
5 ownership, the financial health of the owner of the asset is under regulatory oversight
6 whereas regulators would not have the ability to address issues regarding a third-party
7 except through contractual remedies, if available. Finally, utility owned projects provide
8 for increased property values and result in increased property taxes returned to the
9 communities. These inherent benefits are critical as PNM moves towards its carbon-free
10 goal and to have a mix of utility owned and contracted resources to achieve this goal. Also,
11 as I stated earlier, the utility owned option is also part of the least-cost portfolio.

12
13 ESAs provide the technical benefits of storage without the upfront costs of utility
14 ownership. As discussed, however, ESAs inherently carry the risks of contract disputes and
15 a definitive end date. When combined with the certainty provided through utility
16 ownership, both of these options help to balance the near- and long-term storage needs as
17 well as the near- and long-term risks.

18
19 **Q. IS PNM SEEKING A FINAL ORDER IN THIS PROCEEDING TO ENSURE**
20 **DELIVERABILITY OF RESOURCES TO MEET SUMMER OF 2026 NEEDS?**

21 **A.** Yes. PNM is requesting approval of these resources no later than May 1, 2024. PNM is
22 requesting approval for all proposed agreements within the six-month approval window
23 afforded the ESA to ensure deliverability of projects for summer 2026. Approval by this

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1 date will ensure a non-appealable final order is achieved to provide notification to the
2 developers to begin construction of the PPA and ESA facilities pursuant to the Guaranteed
3 Start Dates included in the agreements as well as the notice to proceed included in the EPC
4 contract for the utility owned Sandia BESS project. I discuss the applicable timelines under
5 Commission rules later in my testimony.

6
7 **Q. ARE THERE ESTABLISHED REGULATORY STANDARDS FOR APPROVAL**
8 **OF PPAs, ESAs, AND CCNs?**

9 **A.** Yes, the Commission reviews and approves PPAs and ESAs pursuant to 17.9.551 NMAC.
10 The Commission grants CCNs pursuant to the controlling statute, NMSA 1978, Sections
11 62-9-1 to 62-9-7.

12
13 **Q. WHAT GENERAL STANDARDS APPLY FOR APPROVING PPAs AND ESAs?**

14 **A.** Rule 551 requires that an electric utility obtain the Commission's written approval before
15 becoming irrevocably bound by a PPA with a term of five years or more. The Quail Ranch
16 PPA and the Quail Ranch, Route 66 and Sky Ranch II ESAs are each over five-year term
17 agreements, thereby requiring the Commission's approval. Rule 551.8 sets out
18 informational requirements that PNM must address for each PPA and ESA in its
19 application. In Case No. 15-00083-UT, the Commission found that the standard for
20 approval is a "modified version of the 'public convenience and necessity' standard for
21 CCNs." To approve PNM's proposed PPAs and ESAs, the Commission must find that
22 PNM has satisfied the information requirements of Rule 551.8 and that the agreements are

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1 needed, reasonable, and in the public interest, using the CCN principle that there be a “net
2 public benefit.”

3
4 **Q. DO YOU ADDRESS ANY OF THE RULE 551 REQUIREMENTS IN YOUR**
5 **TESTIMONY?**

6 **A.** Yes. Rule 551.8(D)(4) requires that the utility provide “an explanation of how the electric
7 utility proposed to recover from ratepayers the costs incurred and an estimate of the effect
8 on rates to customers.” Rule 551.9(A) provides that, unless otherwise authorized by the
9 Commission, energy costs incurred under a PPA are recoverable through a utility’s fuel
10 and purchased power cost adjustment clause and capacity costs are recoverable through
11 base rates. I will more fully address these requirements of Rule 551 later in my testimony.

12
13 **Q. IS PNM’S APPLICATION BEING FILED WITHIN THIRTY DAYS OF THE**
14 **EXECUTION OF THE PPAs AND ESAs?**

15 **A.** Yes, the Quail Ranch PPA was signed on October 24, 2023. The Quail Ranch ESA was
16 signed October 24, 2023. The Sky Ranch II ESA was signed September 27, 2023. The
17 Route 66 ESA was signed September 27, 2023. PNM is requesting approval of the PPA
18 and ESAs in this application submitted October 25, 2023, within 30 days of the execution
19 of these agreements.

20
21 **Q. HAS PNM SUBMITTED EVIDENCE THAT THE SKY RANCH II, ROUTE 66,**
22 **AND QUAIL RANCH PROJECTS SATISFY THE REQUIREMENTS OF RULE**
23 **551?**

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1 **A.** Yes. PNM’s Application, testimony, and exhibits satisfy all informational and filing
2 requirements of Rule 551.8. Please see PNM Exhibit 1 to the Application for a table
3 showing where each provision of Rule 551 is addressed in PNM’s testimonies.
4

5 **Q. DOES RULE 551 PROVIDE A TIMEFRAME FOR A COMMISSION DECISION**
6 **IN THIS CASE?**

7 **A.** Yes. The Commission’s rule for approval of purchased power agreements at 17.9.551.10
8 NMAC directs that the Commission shall issue a final order on an application for approval
9 of a PPA or ESA within six months of the date the application is filed, or the application is
10 deemed approved.
11

12 **Q. IS PNM SEEKING APPROVAL OF THIS APPLICATION WITHIN SIX**
13 **MONTHS?**

14 **A.** Yes. PNM is requesting approval of the PPA and ESAs within the six-month timeframe as
15 set out in Rule 551. PNM is also requesting approval for the Sandia BESS CCN within this
16 same time period to ensure availability of these resources to meet summer peak of 2026.
17 Section 62-9-1(D) of the Public Utility Act (“PUA”) provides the Commission “shall
18 approve” a CCN for an energy storage system that meets specific requirements. As
19 discussed in PNM Witness Heffington’s testimony, the Sandia BESS project meets all the
20 requirements outlined in Section 62-9-1(D). As a result, PNM believes that approval of the
21 Sandia BESS within the six months is appropriate to ensure availability of these resources
22 to customers by summer 2026.
23

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1 **Q. WHAT GENERAL STANDARDS APPLY FOR GRANTING A CCN IN NEW**
2 **MEXICO?**

3 **A.** Section 62-9-1 of the Public Utility Act (“PUA”) establishes the general standard for
4 issuance of CCNs and requires that, “[n]o public utility shall begin construction or
5 operation of any public utility plant or system or of any extension of any plant or system
6 without first obtaining from the commission a certificate that public convenience and
7 necessity require or will require such construction or operation.” Section 62-9-1(A) does
8 not require a CCN for the extension of any plant or system within areas that a utility serves
9 that are necessary in the ordinary course of its business.

10

11 **Q. ARE THERE SPECIFIC CRITERIA APPLICABLE TO CCN APPLICATIONS**
12 **FOR ENERGY STORAGE FACILITIES?**

13 **A.** Yes. Section 62-9-1(D) of the Public Utility Act specifically governs the CCN criteria to
14 be met for an energy storage system, which is defined as, “methods and technologies used
15 to store electricity.” The BESS project is a battery storage system used to store electricity.

16

17 **Q. WHAT ARE THE SPECIFIC REQUIREMENTS PURSUANT TO SECTION 62-9-**
18 **1(D) FOR APPROVAL OF AN ENERGY STORAGE SYSTEM SUCH AS THE**
19 **SANDIA BESS PROJECT?**

20 **A.** Section 62-9-1(D) states that the Commission shall approve an application for a CCN for
21 an energy storage system that meets the following criteria:

22 (1) reduces costs to ratepayers by avoiding or deferring the need for investment in
23 new generation and for upgrades to systems for the transmission and distribution of
24 energy;

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1
2 (2) reduces the use of fossil fuels for meeting demand during peak load periods and
3 for providing ancillary services;
4

5 (3) assists with ensuring grid reliability, including transmission and distribution
6 system stability, while integrating sources of renewable energy into the grid;
7

8 (4) supports diversification of energy resources and enhance grid security;
9

10 (5) reduces greenhouse gases and other air pollutants resulting from power
11 generation;
12

13 (6) provides the public utility with the discretion, subject to applicable laws and
14 rules, to operate, maintain and control energy storage systems so as to ensure
15 reliable and efficient service to customers; and
16

17 (7) is the most cost effective among feasible alternatives.
18

19 **Q. BASED ON YOUR READING, DOES SECTION 62-9-1(D) MODIFY THE**
20 **GENERAL REQUIREMENTS FOR ISSUANCE OF A CCN FOR AN ENERGY**
21 **STORAGE SYSTEM SUCH AS THE SANDIA BESS PROJECT?**

22 **A.** Yes. Section 62-9-1(D) requires that the Commission, "...shall approve an application for
23 a CCN" for an energy storage system if the project satisfies the seven criteria that are listed.
24 Although I am not an attorney, I believe that the use of the word "shall" indicates that
25 approval of an energy storage project is non-discretionary under those circumstances.
26 PNM's Application meets this statutory criteria for approval of the Sandia BESS project.
27 In his direct testimony, PNM witness R. Brent Heffington confirms that the seven criteria
28 listed in Section 62-9-1(D) have been fully satisfied. In addition, PNM's Application for
29 the Sandia BESS project also satisfies the more general CCN requirements.
30

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1 **Q. DOES THE SANDIA BESS PROJECT ALSO MEET THE MORE GENERAL CCN**
2 **STANDARDS LISTED IN SECTION 62-9-1?**

3 **A.** Yes, the Commission equates “public convenience and necessity” with the public interest
4 and found that the CCN statute implies there must be a net public benefit in order to grant
5 a CCN.¹ PNM must demonstrate that the resource it proposes is the most effective resource
6 among feasible alternatives.²

7
8 The Sandia BESS project will assist in reducing costs to customers compared to the next
9 best alternatives ensuring diversification, reducing fossil fuel requirements by allowing for
10 storage of solar generation that would otherwise be curtailed, contributing to grid reliability
11 by meeting customer needs and forecasted load growth, and helping to ensure that PNM
12 can provide safe and reliable service for its customers. These benefits serve all PNM
13 customers as well as the public interest.

14
15 **Q. DOES THE PUBLIC UTILITY ACT HAVE OTHER GENERAL**
16 **REQUIREMENTS FOR ISSUANCE OF A CCN?**

17 **A.** Yes. Section 62-9-6 requires that a corporation applying for a CCN have its articles of
18 incorporation on file with the Commission. PNM previously filed its current articles of
19 incorporation with the Commission, and they are located in the record of Case No. 13-

¹ See, e.g., Case No. 19-00349-UT, Recommended Decision at 16 (Nov. 16, 2020).

² *Id.* at 16-17 (citing Case No. 15-00261-UT, Corrected Recommended Decision (Aug. 15, 2016), Case No. 13-00390-UT, Final Order (Dec. 16, 2015), Case No. 15-00205-UT, Order Partially Granting PNM Motion to Vacate and Addressing Joint Motion to Dismiss (Dec. 22, 2015), and Case No. 2382, Final Order Approving Recommended Decision (Nov. 20, 1995)).

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1 00390-UT, in PNM Exhibit GTO-2 to the December 20, 2013, Direct Testimony of Gerard
2 T. Ortiz. PNM requests that the Commission take administrative notice of this exhibit in
3 the Commission's records.

4
5 Section 62-9-1 also requires evidence, as the Commission may require, demonstrating the
6 consent and franchise of the municipality where construction and operation of a new
7 facility will occur. PNM witness Heffington confirms that the site for the Sandia BESS
8 project is within the Albuquerque municipal boundary. PNM has a franchise agreement
9 with the City of Albuquerque, and PNM will obtain all necessary governmental permits
10 and comply with all applicable zoning and building requirements with respects to the
11 construction and operation of the Sandia BESS project.

12
13 **Q. IS LOCATION APPROVAL FOR THE SANDIA BESS PROJECT FROM THE**
14 **COMMISSION REQUIRED?**

15 **A.** No, location approval is not required pursuant to Section 62-9-3 of the Public Utility Act.
16 The Sandia BESS project has no plants designed for or capable of operation at a capacity
17 of three hundred thousand kilowatts or more, nor is it a transmission line project that falls
18 within the location statute.

19
20 **Q. ARE ALL OF THE PROJECTS CONSISTENT WITH PNM'S MOST RECENT**
21 **INTEGRATED RESOURCE PLAN ("IRP")?**

22 **A.** Yes. PNM filed its most recent IRP in January 2021. The Commission reviewed it in the
23 context of Case No. 21-00033-UT and accepted it as meeting the requirements of the IRP

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1 Rule on July 13, 2022. As noted by PNM witness Phillips, although these projects are not
2 specifically referenced in PNM’s 2020 IRP, similar resource additions of similar capacity
3 are called for in the plan.

4
5 **Q. DOES NMSA 1978, SECTION 62-9-1(C) ESTABLISH A TIMEFRAME FOR**
6 **APPROVALS OF CCNS?**

7 **A.** Yes. Section 62-9-1(C) of the Public Utility Act requires that the Commission issue an
8 order granting or denying an application for a CCN within nine months of the initial filing
9 date or the application is deemed approved. The Commission may extend this nine-month
10 statutory period for an additional six months for good cause shown.

11
12 **Q. GIVEN THE DIFFERENT TIMEFRAMES FOR ESA AND PPA APPROVAL**
13 **VERSUS CCN APPROVAL, UNDER WHAT TIMEFRAME IS PNM SEEKING**
14 **APPROVAL OF THIS APPLICATION?**

15 **A.** Although the CCN statute provides for a nine-month approval process, a provision in the
16 Sandia BESS agreement requires an unappealable order approving the agreement by no
17 later than June 1, 2024, in order to achieve a commercial operation date (“COD”) prior to
18 the 2026 summer peak season. This provision would require the issuance of a Commission
19 Final Order approving the CCN by May 1, 2024. PNM is requesting that the Commission
20 issue a procedural schedule in this investigation that would allow a final order within that
21 timeframe, in order to preserve the benefits of the current Sandia BESS agreement and help
22 ensure operation of the battery for the 2026 summer peak.

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**III. FINANCIAL AND ACCOUNTING CONSIDERATIONS FOR
RESOURCE SELECTION**

Q. PLEASE DESCRIBE THE PURPOSE OF AND RESOURCES SOUGHT THROUGH PNM’S 2026 TO 2028 GENERATION RESOURCES RFP.

PNM’s 2026 to 2028 Generation Resources RFP sought to acquire bulk transmission level and distribution level capacity and demand side management resources to serve PNM’s forecasted system needs consistent with the plan outlined in its 2020 Integrated Resource Plan filed on January 29, 2021 (“2020 IRP”). PNM has committed to being 100% carbon-free by 2040, five years ahead of the date mandated by New Mexico’s Energy Transition Act (“ETA”).³ PNM issued the RFP for capacity and energy resources that can guarantee the delivery of new, incremental, firm capacity pursuant to the quantities and timing detailed in Figure 1.

Figure 1

In Service Date	Capacity (up to)
5/1/2026	500 MW
5/1/2027	400 MW
5/1/2028	500 MW

The objective of the RFP evaluation was to fairly and competitively select those projects that bring the most value to PNM’s customers while, consistent with the objectives of the PUA, the ETA, and NMPRC Rule 17.7.3 of the NMAC (the “IRP Rule”), preferring

³ See NMSA § 62-16-4 (mandating that “no later than January 1, 2045, zero carbon resources shall supply one hundred percent of all retail sales of electricity in New Mexico.”).

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1 resources with the least environmental impacts, those that maximize employment of New
2 Mexico workforce, including minority and woman-owned businesses, and those that utilize
3 apprentices for the project construction.⁴ Further details on the RFP development process,
4 implementation, and results are provided in the direct testimony of PNM witnesses Jeremy
5 Heslop, Roger Nagel, and Nicholas L. Phillips.

6
7 **Q. HOW DID PNM EVALUATE THE PPA AND ESA PROPOSALS IT RECEIVED**
8 **IN RESPONSE TO THE RFP?**

9 A. As discussed by PNM witness Nagel, first PNM screened out responses that did not comply
10 with the RFP minimum requirements. Second, PNM evaluated and ranked the remaining
11 proposals based on project pricing as well as non-price considerations (i.e., project
12 viability, contributions to PNM system reliability, local employment benefits,
13 environmental attributes, and OSHA safety records). Third, PNM undertook a further
14 assessment of a short-list of proposals that involved portfolio system modeling, additional
15 in-depth evaluation of price and non-price factors, and due diligence assessing the ability
16 of the project to achieve its stated schedule. From the final short-list, PNM selected a
17 preferred combination of alternatives on which to move forward with negotiations with the
18 respective bidders.

19
20 **Q. HOW DID PNM SELECT THE PROJECTS PRESENTED IN THIS**
21 **APPLICATION?**

⁴ See PNM 2026 to 2028 Generation Resources RFP at 39-40.

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1 **A.** As addressed by PNM witness Phillips, PNM must add new resources to its system by the
2 2026 summer peak season to meet resource adequacy needs. PNM issued an all-resource
3 RFP in November 2022 to procure the resources necessary to meet these needs. PNM
4 evaluated RFP bids based on the production cost modeling analysis discussed by PNM
5 witness Phillips. As part of the RFP evaluation process, PNM made efforts to account for
6 all potential costs associated with the RFP bids, including costs associated with the
7 accounting treatment for ESAs.

8

9 **Q. HOW DID THE ACCOUNTING TREATMENT FOR ESAS AFFECT RFP**
10 **EVALUATION PROCESS?**

11 **A.** During the RFP review process, a determination was made that GAAP accounting will
12 treat fixed-price ESAs as “lease liabilities,” which credit rating agencies typically
13 reclassify as debt on a utilities balance sheet. As explained more fully in the testimony of
14 PNM witnesses Nichols and Feldman, lease liabilities and the associated imputed debt
15 cause increased cost to PNM’s customers and adversely impact PNM’s credit metrics. The
16 initial RFP bids from standalone battery energy storage projects were presented as fixed-
17 price ESAs, which would have resulted in lease liabilities and imputed debt. As a result,
18 PNM requested modified bids through the RFP for volumetric ESA pricing to evaluate
19 which agreement structures presented the lowest-cost resources to customers as the
20 volumetric pricing contract structure avoids creating imputed debt and resultant increased
21 costs. PNM evaluated the volumetric-priced ESA bids against the fixed-price ESA bids
22 including the cost associated with imputed debt to determine the lower cost option to
23 customers.

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Q. HOW DID PNM CALCULATE THE LEASE LIABILITY ASSOCIATED WITH THE FIXED PRICE ESAS?

A. As explained above, fixed price ESAs are classified as lease liabilities. The lease liability represents the present value of any fixed payments required by the lease after removing non-lease components of the contract. In the case of a fixed price ESA, these non-lease components represent reimbursement or payment of the lessor’s costs, including embedded O&M costs, property tax expense (if any, depending upon the use of Industrial Revenue Bonds), battery cell augmentation, etc. Initially, PNM estimated the non-lease components for an ESA to be approximately 30% of the fixed contract price. PNM developed the estimated 30% non-lease component based on an evaluation of a hypothetical utility-owned project that aligned assumptions as best possible with third-party contract parameters. To measure the lease liability associated with a fixed price ESA, PNM calculated the present value of the fixed payments, less the 30% non-lease expenses, using its incremental borrowing rate comparable with that of the lease term, on the lease commencement date. PNM Exhibit TN-1 sponsored by PNM witness Nichols provides a detailed example showing how PNM calculated ESA-related lease liability.

Q. HAS PNM DETERMINED THE NON-LEASE COSTS ASSOCIATED WITH FIXED PRICE ESAs THAT WENT OPERATIONAL IN THE THIRD QUARTER OF 2023?

A. Yes. PNM has completed the analysis of the Arroyo Solar ESA and Jicarilla I Solar Battery and determined that under those agreements, approximately 25% of the fixed price ESA

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1 was determined to be non-lease components. This further supports the notion that the 30%
2 estimate that was used in the evaluation of the RFPs was a conservative estimate, as
3 decreasing the percentage associated with non-lease cost results in increasing the lease
4 liability, which increases the cost of imputed debt.

5
6 **Q. HOW DOES INCREASED LEASE LIABILITY INCREASE COSTS TO PNM'S**
7 **CUSTOMERS?**

8 **A.** PNM is required to maintain adequate debt to equity ratios to ensure financial security to
9 customers. Increased imputed debt would require PNM to increase its equity to ensure
10 PNM's credit metrics remain investment grade. This increased equity need results in
11 higher costs to customers that must be considered when evaluating resources needed to
12 serve our customers.

13
14 **Q. HOW DOES INCREASED LEASE LIABILITY AFFECT PNM'S FINANCIAL**
15 **CONDITION.**

16 **A.** PNM witnesses Nichols and Feldman discuss how increased lease liability associated with
17 fixed price ESAs results in imputed debt on PNM's balance sheet. The rating agency S&P
18 includes the imputed debt when calculating the utility's financial ratios and can
19 significantly impact the utility's credit metrics. The additional leverage may lead to lower
20 utility credit metrics that may cause borrowing capacity to be restricted or may lead to
21 increased costs of capital. PNM witnesses Nichols and Phillips present more details
22 regarding how PNM calculated the potential financial impact of imputed debt associated
23 with fixed price ESA bids received through the initial RFP.

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Q. WHY DID PNM SEEK MODIFIED BIDS TO INCLUDE VOLUMETRIC PRICING FOR ESAS?

A. PNM requested modified bids with volumetric pricing to understand the cost to customers when comparing the present value of revenue requirement for the fixed price ESA bids—including the costs associated with imputed debt—versus a volumetric price ESA option. PNM witness Phillips describes how PNM compared the fixed price ESA option versus the volumetric price option in its modeling analysis. As PNM witness Phillips discusses in his testimony, the volumetric pricing structure resulted in lower costs to customers and a lower overall net present value of revenue requirement when compared against the fixed-price ESA structure including imputed debt. The ESAs proposed in this Application all reflect volumetric pricing.

Q. PLEASE DESCRIBE THE VOLUMETRIC PRICING STRUCTURE REFLECTED IN THE ESAS.

A. Volumetric pricing means that capacity under the ESA is priced based on use, rather than a fixed price per month regardless of use. This is more fully described in the testimony of PNM witnesses Nicholas Phillips and Roger Nagel. Importantly, the volumetric pricing structure avoids any lease liability—and related dept imputation—associated with the ESA.

Q. ARE PNM’S PREVIOUSLY APPROVED ESAS FIXED OR VOLUMETRIC PRICED?

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1 **A.** PNM previously presented eight ESAs for Commission approval, although three projects
2 have defaulted and will not be built. All of these previous ESAs included fixed price
3 payments. At the time these ESAs were presented for approval, the accounting treatment
4 of these arrangements was still evolving, in part due to the inherent nature of the emerging
5 battery technology and in part because the Financial Accounting Standard Board had
6 recently made substantial changes to the lease accounting rules (GAAP). Under the
7 previous accounting rules, the critical determination in lessee accounting was the
8 classification of the lease as either operating or capital, because lease assets and liabilities
9 were recognized on the balance sheet only for capital leases. Under the new rules, effective
10 January 2019, a lessee recognizes lease assets and liabilities for all leases, whether
11 classified as operating or financing (formerly capital). Whether a contract met the scope
12 definition of a lease, therefore became the new test to determine whether an arrangement
13 was included on the balance sheet. PNM and the utility industry as a whole now believe
14 these ESAs will meet the definition of a lease and result in lease liabilities and debt
15 imputation.

16

17 **Q. IS THE CONCERN OF IMPUTED DEBT RELATED TO FIXED PRICE**
18 **CONTRACTS RELEVANT TO PPAS AS WELL?**

19 **A.** No. PPAs typically do not meet the scope definition of a lease under current GAAP because
20 PNM does not have dispatch rights and, therefore, does not have the right to direct the use
21 of the solar facilities. Rather, the third-party developer has the right to direct the use of the
22 asset and will receive all its economic benefit. Nevertheless, under GAAP, variable lease
23 payments are not included when measuring a lease asset and liability on the balance sheet.

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Q. WHAT POTENTIAL IMPACT IS PNM EXPECTING FROM ITS PREVIOUSLY APPROVED ESAS?

A. PNM estimates that the previously executed and approved ESAs will result in an estimated \$545 million of lease liabilities and debt imputation by the ratings agencies as indicated in PNM Exhibit TN-2 of PNM witness Nichols’ testimony. The lease liabilities associated with the previously approved ESAs and the impacts to PNM’s credit metrics as the result of the imputed debt underscores the need to assess the impacts of imputed debt on our customers. Moving forward with a volumetric price structure for the ESAs presented in this case avoids additional lease liabilities and imputed debt.

Q. WHAT SHOULD BE THE COMMISSION’S CONCERN REGARDING ESAS GOING FORWARD?

A. Although PNM was able to negotiate volumetric rates for the ESAs presented in this case, similar options may be limited going forward. Through RFPs to date, developers have indicated they would need to have co-located solar production facilities associated with the storage battery to develop a volumetric charge. This would inherently limit the potential projects available to serve our customers. To provide additional options for ESA contracting without risking additional imputed debt, the Commission should establish a predictable and dependable approach for cost recovery. This could include providing for greater certainty of recovery through rate riders, which would decrease the amount of imputed debt assigned by S&P combined with increasing the equity balance in the capital structure to accommodate the impact of the imputed debt. As discussed in PNM witness

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1 Feldman’s testimony, the credit rating agencies factor in the certainty of regulatory cost
2 recovery into imputed debt calculations. Therefore, memorializing a reliable cost recovery
3 mechanism is critical to mitigate the cost consequences of imputed debt. PNM is not
4 requesting any cost recovery for the previously approved fixed-priced ESAs in this
5 proceeding, nor is it proposing for rate rider recovery for these agreements in this
6 proceeding, but may request recovery in future proceedings to ensure customer rates reflect
7 the costs of providing of service. It is not necessary to resolve this issue in this proceeding
8 as none of the proposed resources in this filing present additional costs associated with
9 imputed debt.

IV. 17.5.440 NMAC

11 **Q. WILL PNM NEED TO PROVIDE ANY NOTICES IN RELATION TO THESE**
12 **PROJECTS IN COMPLIANCE WITH 17.5.440 NMAC?**

13 **A.** Yes. Rule 440 requires PNM to file a notice providing specific project information,
14 including cost estimates, prior to the beginning of construction. PNM will provide the
15 appropriate Rule 440 Notices for the relevant projects when it is timely to do so.

V. COST RECOVERY

19 **Q. HOW DOES PNM PLAN TO RECOVER THE COSTS ASSOCIATED WITH**
20 **THESE PROJECTS?**

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1 **A.** PNM will recover the energy costs associated with the Quail Ranch PPA through PNM’s
2 Fuel and Purchased Power Cost Adjustment Clause (“FPPCAC”) in accordance with Rule
3 551.9(A). PNM will seek recovery of the ESA costs and the Sandia BESS in a PNM
4 general rate review filing where PNM seeks to adjust its base rates.

5

6 **Q.** **WHAT IS THE PROJECTED OVERALL CAPITAL COST OF THE SANDIA
7 BESS PROJECT?**

8 **A.** PNM currently estimates the overall capital costs of the Sandia BESS Project to be
9 approximately \$131.4 million. PNM witness Heffington provides the details of what
10 comprises this total cost.

11

12 **Q.** **HOW DOES PNM PLAN TO ACCOUNT FOR ANY DIFFERENCE IN THE COST
13 OF THE SANDIA BESS PROJECT FROM WHAT IS ESTIMATED IN THIS
14 CASE?**

15 **A.** To the extent the actual costs of the project are different from the estimated cost of
16 \$131,368,219, PNM would provide the information required by the Cost Overrun Rule
17 (17.3.580 NMAC) to request recovery of these costs in its next rate case.

18

19 **Q.** **IS APPLICATION OF THE COMMISSION’S COST OVERRUN RULE IN 17.3.580
20 NMAC TO THE ESTIMATED COST OF THE SANDIA BESS PROJECT
21 REASONABLE?**

22 **A.** Yes, I believe so. Although the Cost Overrun Rule applies to an “electric generating plant”
23 as defined in 17.3.580.7(E) NMAC, the Sandia BESS Project will provide system capacity,

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1 as do generation plant additions. Therefore, PNM believes that application of Rule
2 17.3.580 NMAC to the BESS Project is consistent with the objectives of the rule. The
3 estimated capital cost of the BESS Project does not include any amount for contingencies.
4

5 **Q. IS PNM SEEKING ANY SPECIFIC RATEMAKING TREATMENT IN THIS**
6 **CASE FOR THE PROJECTS PURSUANT TO SECTION 62-9-1(B) OF THE**
7 **PUBLIC UTILITY ACT?**

8 **A.** No, PNM is not seeking specific ratemaking treatment in this case. As I stated earlier,
9 PNM will seek inclusion of the Sandia BESS in a PNM general rate review filing where
10 PNM seeks to adjust its base rates.

VI. CONCLUSION

12 **Q. IN CONCLUSION, WHAT IS PNM REQUESTING?**

13 **A.** PNM seeks approval of: the Quail Ranch PPA; the ESAs for the Quail Ranch, Sky Ranch
14 II and Route 66 battery storage projects; and a CCN for the Sandia BESS Project. These
15 agreements are the result of a competitive RFP process and reasonable in price. They are
16 necessary for PNM to meet its 2026 peak load requirements, and they are consistent with
17 PNM's IRP. The independent evaluator supports PNM's selection of these projects, and
18 PNM respectfully requests the Commission's approval.
19

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 **A.** Yes.

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GCG#531705

Résumé of Henry Monroy

PNM Exhibit HEM-1

Is contained in the following 4 pages.

HENRY E. MONROY
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Henry E. Monroy

Address: PNM Resources Inc.
MS 1015
414 Silver SW
Albuquerque, NM 87102

Position: Vice-President, Regulatory and Corporate Controller

Education: Bachelor of Accountancy, New Mexico State University, 2001
Certified Public Accountant in the State of New Mexico, December 2012

Employment: Employed by PNMR Services Company since 2003.
Positions held within the Company include:

Vice President, Corporate Controller
Controller, Utility Operations
Director, Cost of Service and Audit Services
Director, Cost of Service and Corporate Budget
Director, Utility Accounting
Manager, Cost of Service
Senior Manager, Derivative Accounting
Manager, Energy Analysis and Accounting
Project Manager
Senior Accountant

Testimony Filed:

- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates pursuant to Advice Notice No. 352, NMPRC Case No. 08-00273-UT, filed September 22, 2008.
- In the Matter of Texas-New Mexico Power Company's Request for Approval of an Advance Metering System (AMS) Deployment and AMS Surcharge, PUCT Docket No. 38036, filed May, 2010.
- In the Matter of the Application of Public Service Company of New Mexico for the Abandonment and Decertification of the Generating Station in Las Vegas, New Mexico, NMPRC Case No. 10-00264-UT, filed August 30, 2010.
- Initial Filing of PNM to Revise Sheets in its OATT, Coordination Tariff, and GFAs Reflecting Implementation of Transmission Formula Rate, FERC Docket Nos. ER13-685-000, ER13-687-000 and ER13-690-000, filed December 2012.

- In the Matter of Public Service Company of New Mexico's Renewable Energy Portfolio Procurement Plan for 2014 and Proposed 2014 Rider Rate Under Rate Rider No. 36, NMPRC Case No. 13-00183-UT, filed June 1, 2013.
- In the Matter of the Application of Public Service Company of New Mexico for Continued Use of Fuel and Purchased Power Cost Adjustment Clause, NMPRC Case No. 13-00187-UT, filed May 28, 2013.
- In the Matter of Application of PNM for Approval to Abandon San Juan Generating Station Units 2 and 3, Issuance of CCNs for Replacement Power Resources, Issuance of Accounting Order and Determination of Ratemaking Principles and Treatment, NMPRC Case No. 13-00390-UT, filed December 20, 2013.
- In the Matter of the Application of PNM for Approval of Renewable Energy Rider No. 36 Pursuant to Advice Notice No. 439 and for Variances from Certain Filing Requirements, NMPRC Case No. 12-00007-UT, filed February 28, 2014.
- In the Matter of Public Service Company of New Mexico's Application for a Certificate of Public Convenience and Necessity and Related Approvals for the La Luz Energy Center, NMPRC Case No. 13-00175-UT, filed March 21, 2014.
- In the Matter of Public Service Company of New Mexico's Renewable Energy Portfolio Procurement Plan for 2015 and Proposed 2015 Rider Rate Under Rate Rider No. 36, NMPRC Case No. 14-00158-UT, filed June 2, 2014.
- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates pursuant to Advice Notice No. 507, NMPRC Case No. 14-00332-UT, filed December 11, 2014.
- In the Matter of the Application of PNM for Approval of Renewable Energy Rider No. 36 Pursuant to Advice Notice No. 439 and for Variances from Certain Filing Requirements, NMPRC Case No. 12-00007-UT, filed February 27, 2015.
- In the Matter of Public Service Company of New Mexico's Renewable Energy Portfolio Procurement Plan for 2016 and Proposed 2016 Rider Rate Under Rate Rider No. 36, NMPRC Case No. 15-00166-UT, filed June 1, 2015.
- In the Matter of Public Service Company of New Mexico's Application for a Certificate of Public Convenience and Necessity and Related Approvals for the San Juan Gas Plant, NMPRC Case No. 15-00205-UT, filed June 30, 2015.
- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 513, NMPRC Case No. 15-00261-UT, filed August 27, 2015.

- In the Matter of the Application of Public Service Company of New Mexico for Prior Approval of the Advanced Metering Infrastructure Project, Determination of Ratemaking Principles and Treatment, and Issuance of Related Accounting Orders, Case No. 15-00312-UT, filed February 26, 2016.
- In the Matter of Public Service Company of New Mexico's Application for a Certificate of Public Convenience and Necessity and Related Approvals for an 80MW Gas-Fired Generating Plant Located at the San Juan Generating Station, NMPRC Case No. 16-00105-UT, filed April 26, 2016.
- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 533, NMPRC Case No. 16-00276-UT, filed December 7, 2016.
- In the Matter of Public Service Company of New Mexico's Application for Approval of its Renewable Energy Act Plan for 2018 and Proposed 2018 Rider Rate Under Rate Rider No. 36, NMPRC Case No. 17-00129-UT, filed June 1, 2017.
- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rates, PUCT Docket No. 47422, filed July 19, 2017.
- In the Matter of Public Service Company of New Mexico's Application for Approval Pursuant to 17.9.551 NMAC of Three Purchase Power Agreements in Accordance with Special Service Contract with Facebook Inc, NMPRC Case No. 18-00009-UT, filed January 17, 2018.
- In the Matter of Public Service Company of New Mexico's Application for a Continued use of its Fuel and Purchase Power Cost Adjustment Clause, Case No. 18-00096-UT, filed April 23, 2018.
- In the Matter of the Application of Texas-New Mexico Power Company to Change Rates, PUCT Docket No. 48401, filed May 30, 2018
- In the Matter of Public Service Company of New Mexico's Petition for Approval to Acquire the Western Spirit 345 kV Transmission Project, Case No. 19-00129-UT, filed May 10, 2019.
- Affidavit in Support of Public Service Company of New Mexico's Section 205 filing for the Western Spirit Project. FERC Docket No. ER19-1824. Filed May 10, 2019.
- In the Matter of PNM's Abandonment of San Juan Generating Station Units 1 and 4, NMPRC Docket No. 19-00018-UT, filed January 10, 2019.

- In the Matter of Public Service Company of New Mexico Consolidated Application for Approvals for the Abandonment, Financing and Resource Replacement for San Juan Generating Station Pursuant to the Energy Transition Act, NMPRC Docket No. 19-00195-UT filed July 1, 2019
- Joint Report and Application of Texas-New Mexico Power Company, NM Green holdings, Inc. and Avangrid, Inc. for Regulatory Approvals Under PURA 14.101, 39.262, and 39.915. PUCT Docket No. 51547, filed November 23, 2020.
- The Commission's Show Cause Order In the Matter of PNM's Abandonment of San Juan Generating Station Units 1 and 4, NMPRC Docket No. 19-00018-UT, filed April 30, 2022.
- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 595, NMPRC Docket No. 22-00270-UT, filed December 5, 2022.

GCG#530042

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE)	
COMPANY OF NEW MEXICO’S APPLICATION)	
FOR APPROVAL OF PURCHASED POWER)	
AGREEMENTS, ENERGY STORAGE)	
AGREEMENTS, AND CERTIFICATES OF PUBLIC)	
CONVENIENCE AND NECESSITY FOR SYSTEM)	Case No. 23-00xxx-UT
RESOURCES IN 2026,)	
)	
PUBLIC SERVICE COMPANY OF NEW MEXICO,)	
)	
Applicant)	
_____)	

SELF AFFIRMATION

HENRY E. MONROY, Vice President Regulatory and Corporate Controller, PNM,
upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read
the foregoing **Direct Testimony of Henry E. Monroy** and it is true and accurate based on my
own personal knowledge and belief.

Dated this 25th day of October, 2023.

/s/ Henry E. Monroy
HENRY E. MONROY