

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

IN THE MATTER OF THE APPLICATION OF )  
PUBLIC SERVICE COMPANY OF NEW MEXICO )  
FOR APPROVAL OF PNM SOLAR DIRECT )  
VOLUNTARY RENEWABLE ENERGY PROGRAM, )  
POWER PURCHASE AGREEMENT, AND ) Case No. 19-00 \_\_\_\_ -UT  
ADVICE NOTICE NOS. 560 AND 561, )  
)  
PUBLIC SERVICE COMPANY OF NEW MEXICO, )  
)  
Applicant. )  
\_\_\_\_\_ )

**DIRECT TESTIMONY**  
**OF**  
**MICHAEL J. SETTLAGE**

**May 31, 2019**

**NMPRC CASE NO. 19-00\_\_\_\_-UT**  
**INDEX TO THE DIRECT TESTIMONY OF MICHAEL J. SETTLAGE**

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

I.	INTRODUCTION AND PURPOSE.....	1
II.	ORIGINAL RIDER NO. 50 .....	3
III.	SOLAR DIRECT BILLING FORM.....	10
IV.	RULE 551 COMPLIANCE .....	14

PNM EXHIBIT MJS-1	Résumé of Michael J. Settlage
PNM EXHIBIT MJS-2	Original Rider No. 50 – Voluntary Solar Renewable Energy Program - PNM Solar Direct for Governmental and Large Commercial Customers
PNM EXHIBIT MJS-3	Original Form No. 108 – Solar Direct Billing Form

AFFIDAVIT

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_ -UT**

1

**I. INTRODUCTION AND PURPOSE**

2 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

3 **A.** My name is Michael J. Settlage. I am a Lead Pricing Analyst for Public Service  
4 Company of New Mexico (“PNM” or “Company”). My business address is  
5 Public Service Company of New Mexico, 414 Silver Avenue SW, Albuquerque,  
6 New Mexico 87102.

7

8 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**  
9 **PROFESSIONAL QUALIFICATIONS.**

10 **A.** I have worked at PNM since February 2019 as a Lead Pricing Analyst, where I  
11 am responsible for providing rate design, pricing analysis, and marginal costing in  
12 support of PNM corporate, regulatory, and marketing objectives. Prior to  
13 assuming my current responsibilities at PNM, I worked at several electrical  
14 engineering and utility companies where I provided engineering consulting  
15 services as well as operational support to investor-owned and municipal electric  
16 utilities.

17

18 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY TO THE NEW**  
19 **MEXICO PUBLIC REGULATION COMMISSION (“NMPRC” OR**  
20 **“COMMISSION”)?**

21 **A.** Yes. I submitted testimony to the NMPRC in Case No. 17-00076-UT in support  
22 of PNM’s reconciliation of its Energy Efficiency Plan profit incentive for 2018

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_-UT**

1 and supporting PNM’s proposed profit incentive for 2020. In addition, I have  
2 testified as an expert before the Public Service Commission of South Carolina in  
3 fuel cost recovery regulatory proceedings. A statement of my experience and  
4 qualifications is attached as PNM Exhibit MJS-1.

5

6 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

7 **A.** My testimony supports PNM’s Application for approvals related to the PNM  
8 Solar Direct voluntary renewable energy program. In support of PNM’s  
9 Application, my testimony:

- 10 1. describes Original Rider No. 50 – Voluntary Solar Renewable Energy  
11 Program – PNM Solar Direct for Governmental and Large Commercial  
12 Customers (“Original Rider No. 50” or “Rider No. 50”), which will allow  
13 PNM to recover costs of the PNM Solar Direct program from participating  
14 customers, while not adversely impacting the rates of other PNM  
15 customers;
- 16 2. describes Original Form No. 108 – Solar Direct Billing Form (“Solar  
17 Direct Billing Form”), which provides the monthly costs and credits to  
18 customers participating in PNM Solar Direct; and
- 19 3. explains how PNM proposes to recover the costs of the additional  
20 renewable energy procurements under a purchased power agreement  
21 between PNM and Jicarilla Solar 2 LLC (“PPA”), as required by 17.9.551  
22 NMAC (“Rule 551”).

23

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_-UT**

1 I also sponsor two exhibits in addition to my resume: PNM Exhibit MJS-2 –  
2 Original Rider No. 50; and PNM Exhibit MJS-3 – Solar Direct Billing Form.

3  
4 Capitalized terms in my Direct Testimony that are not defined have the same  
5 meaning as in Original Rider No. 50, PNM Exhibit MJS-2.

6  
7 **II. ORIGINAL RIDER NO. 50**

8 **Q. WHAT IS THE PURPOSE OF ORIGINAL RIDER NO. 50?**

9 **A.** Rider No. 50 is designed to recover PNM's costs of implementing the PNM Solar  
10 Direct program from participants in the program so that such costs are not  
11 recovered from other customers. A customer's receipt of service under Rider No.  
12 50 is voluntary and on a contractual basis.

13  
14 **Q. WHAT ARE THE ELIGIBILITY REQUIREMENTS TO RECEIVE**  
15 **SERVICE UNDER RIDER NO. 50?**

16 **A.** Service under Rider No. 50 is available to:

- 17 a) Governmental Customers taking permanent retail metered service under  
18 any of PNM's retail rate schedules and  
19 b) Customers taking permanent retail metered service under PNM's retail  
20 rate schedules 3B, 3C, 3D, 3E, 4B, 5B, 15B, 30B and 35B, with electric  
21 service accounts with a monthly average Aggregated Billable Demand of  
22 at least 2.5 MW in the calendar year prior to the Customer's application,

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_-UT**

1                   or for new PNM Customers, as projected for the subsequent 12-month  
2                   period.

3

4   **Q.    IS ORIGINAL RIDER NO. 50 COST BASED?**

5   **A.**    Yes. Rider No. 50 is designed to recover the incremental costs of providing the  
6           PNM Solar Direct program, which consist of PNM’s administrative costs to  
7           operate the program, the costs to procure the renewable energy that sources the  
8           program from a third party, and the costs of retiring or transferring the renewable  
9           energy certificates (“REC”) associated with the renewable energy with the  
10          Western Renewable Energy Generation Information System (“WREGIS”).

11

12   **Q.    WHAT CHARGES AND FEES ARE PARTICIPATING CUSTOMER’S**  
13   **ASSESSSED UNDER RIDER NO. 50?**

14   **A.**    There are four charges defined in Rider No. 50, as described below.

15    **Solar Production Charge**

16           Customers receiving service under Rider No. 50 will be required to pay a Solar  
17           Production Charge, which is calculated as the Contract Rider Rate multiplied by  
18           the monthly Renewable Energy Production from the Jicarilla Solar 2 facility and  
19           the Customer’s Renewable Allocation Factor. The Solar Production Charge is  
20           designed to recover from the customers participating in the program the full cost  
21           of the PPA between PNM and Jicarilla Solar 2 LLC to supply renewable energy  
22           to PNM Solar Direct (“PPA”). The Contract Rider Rate is equal to PNM’s cost to  
23           procure energy under the PPA expressed in \$/kWh.

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_-UT**

1       **Monthly Administrative Charge**

2       Customers receiving service under Rider No. 50 will be required to pay a Monthly  
3       Administrative Charge, which is calculated as the Administrative Charge  
4       multiplied by the Customer's Renewable Energy Subscription. A Customer's  
5       Renewable Energy Subscription is the amount of capacity contracted for the  
6       customer in kW under the customer's Service Agreement with PNM. The  
7       Monthly Administrative Charge is designed to recover certain one-time costs of  
8       implementing PNM Solar Direct. As PNM Witness Stella Chan describes in her  
9       Direct Testimony, these costs are associated with PNM Solar Direct and are not  
10      currently being recovered in rates from other customers.

11      **WREGIS Fee**

12      Customers receiving service under Rider No. 50 will be required to pay the fee  
13      charged by the Western Renewable Energy Generation Information System  
14      ("WREGIS") to PNM to: a) retire RECs on behalf of a customer; or b) transfer a  
15      REC to a customer's WREGIS account. This passthrough fee may change from  
16      time to time when WREGIS updates its fee matrix. PNM will make a filing with  
17      the NMPRC for any necessary adjustment of this fee if WREGIS modifies the fee  
18      matrix.

19      **Early Termination Fee**

20      Customers that terminate service before the term of the Service Agreement under  
21      Rider No. 50 are subject to an Early Termination Fee. Customers are also subject  
22      to an Early Termination Fee if changes in the customer's usage cause the  
23      customer to fail to meet eligibility requirements, or in the event of a material

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_-UT**

1 default by the customer. Customers may avoid an Early Termination Fee by  
2 transferring their Renewable Energy Subscription to another eligible customer as  
3 described in the Service Agreement.

4

5 The calculations for these charges and fees are shown in Table MJS-1:

6 **Table MJS-1. PNM Solar Direct Rider Charges**

<i>Contract Rider Rate</i>	*	<i>Renewable Energy Production</i>	*	<i>Customer's Renewable Allocation Factor</i>	=	<i>Solar Production Charge</i>
<i>Administrative Charge</i>			*	<i>Customer's Renewable Energy Subscription</i>	=	<i>Monthly Administrative Charge</i>
<i>WREGIS Fee</i>	*	<i>Renewable Energy Production</i>		<i>Customer's Renewable Allocation Factor</i>	=	<i>Monthly WREGIS Fee</i>
<i>Net cost of the remaining renewable energy that was to be delivered to the Customer during the remainder of the Service Agreement plus remaining administrative fee.</i>					=	<i>Early Termination Fee</i>

7

8 **Q. HOW IS THE CONTRACT RIDER RATE DERIVED?**

9 **A.** The Contract Rider Rate is the same rate PNM will pay Jicarilla Solar 2 LLC for  
10 the output from the solar facility under the PPA, expressed in kWh as  
11 \$0.0217300/kWh. The Contract Rider Rate will remain the same over the 15-year  
12 term of the Service Agreement.

13



**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_-UT**

1 **Q. WILL THE SOLAR PRODUCTION CHARGE RECOVER EACH**  
2 **CUSTOMER'S ALLOCATED SHARE OF THE SOLAR DIRECT PPA**  
3 **COSTS?**

4 **A.** Yes. The total PPA cost to PNM is allocated to each participating customer based  
5 on the customer's Renewable Allocation Factor. The Renewable Energy  
6 Production varies from month to month and is fully allocated though the  
7 Renewable Allocation Factor. The customer's Renewable Allocation Factor is  
8 the percentage of Renewable Energy Production allocated to that customer.

9  
10 **Q. HOW IS THE PNM SOLAR DIRECT ADMINISTRATIVE CHARGE**  
11 **CALCULATED?**

12 **A.** As described by Ms. Chan, the total incremental cost of implementing the PNM  
13 Solar Direct program is \$280,000. PNM is proposing to book these O&M costs as  
14 a regulatory asset and, using PNM's weighted average cost of capital as a carrying  
15 charge, recover the regulatory asset over 180 months. The administrative charge  
16 is calculated by dividing the 180-month levelized monthly payment of \$2,768.79  
17 by the Solar Facility nameplate capacity expressed in kW, which equals  
18 \$0.0553758/kW-month.

19  
20 **Q. HOW IS THE WREGIS FEE CALCULATED?**

21 **A.** The WREGIS Fee is the REC retirement or transfer fee charged by the Western  
22 Renewable Energy Generation Information System multiplied by the Renewable  
23 Energy production multiplied by the Customer's Renewable Allocation Factor.

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_-UT**

1 **Q. HOW IS THE EARLY TERMINATION FEE CALCULATED?**

2 **A.** The Early Termination Fee is the sum of the net cost of the estimated remaining  
3 renewable energy that was to be delivered during the remainder of the term and  
4 the remaining administrative charges. The net cost will be based on (1) the time  
5 remaining in the service agreement, (2) the amount of estimated annual renewable  
6 energy to be generated by the Solar Facility, (3) Customer’s Renewable  
7 Allocation Factor, and (4) the difference between the Contract Rider Rate and the  
8 forecast average fuel cost during the remainder of the term, which in no event will  
9 be less than zero dollars. The remaining administrative charge is based on (1) the  
10 time remaining in the service agreement, (2) customer’s renewable energy  
11 subscription, and (3) the administrative charge.

12

13 See Table MJS-2 below for calculation of the Early Termination Fee:

14

<b>Table MJS-2. Early Termination Fee</b>								
<i>Remaining months in Service Agreement</i>	x	<i>Forecast Remaining Renewable Energy Production</i>	x	<i>Renewable Allocation Factor</i>	x	<i>(Contract Rider Rate – Forecast Avoided Fuel Cost)</i>	=	<i>Early Termination Solar Direct Fee (Not less than zero)</i>
<i>Remaining months in Service Agreement</i>			x	<i>Renewable Energy Subscription</i>	x	<i>Administrative Charge</i>	=	<i>Early Termination Administrative Fee</i>

15

16 **Q. WHAT BILL CREDITS WILL PARTICIPATING CUSTOMERS**  
17 **RECEIVE UNDER RIDER NO. 50?**

18 **A.** There are three credits defined in Rider No. 50:

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_-UT**

1           **Fuel and Purchased Power Credit**

2           Customers receiving service under Rider No. 50 will receive a Fuel and  
3           Purchased Power Credit calculated at the monthly average fuel and purchased  
4           power cost that is paid by the customer per the Fuel and Purchased Power Cost  
5           Adjustment Clause (“FPPCAC”), PNM Rider No. 23. The Fuel and Purchased  
6           Power Credit credits the customer for other system energy that is avoided due to  
7           the customer’s subscription to the program and receipt of energy pursuant to the  
8           PPA, as more fully explained by Ms. Chan.

9           **Non-Fuel Variable Cost Credit**

10          Customers receiving service under Rider No. 50 will receive a system average  
11          non-fuel variable cost credit based on the Average Non-Fuel Variable Cost as  
12          calculated in PNM’s most recent general rate case proceeding. This credits the  
13          customer for non-fuel system costs that are displaced by the customer’s use of the  
14          PPA, as more fully explained by Ms. Chan.

15          **Renewable Portfolio Standard Cost Credit**

16          Customers receiving service under Rider No. 50 will receive a Renewable  
17          Portfolio Standard Cost Credit calculated at the applicable Renewable Energy  
18          Rider, Rider No. 36 (“RER”) rate. PNM is required to offer this credit pursuant to  
19          recent amendments to the Renewable Energy Act, as more fully explained in Ms.  
20          Chan’s testimony.

21

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_ -UT**

1 These calculations are shown in Table MJS-3:

2 **Table MJS-3. PNM Solar Direct Rider Credits**

<i>Renewable Energy Production</i>	*	<i>Customer's Renewable Allocation Factor</i>	*	<i>Average Fuel and Purchased Power Cost paid by the Customer</i>	=	<i>Fuel and Purchased Power Credit</i>
			*	<i>Average Non-Fuel Variable Cost from Last Rate Case</i>	=	<i>Non-Fuel Variable Cost Credit</i>
			*	<i>Current Calendar Year RER Rider 36 Rate</i>	=	<i>Renewable Portfolio Standard Cost Credit</i>

3

4

**III. SOLAR DIRECT BILLING FORM**

5 **Q. HOW WILL PNM SOLAR DIRECT PROGRAM PARTICIPANTS BE**  
6 **MADE AWARE OF THEIR MONTHLY CREDITS AND CHARGES**  
7 **UNDER THE PROGRAM?**

8 **A.** Every month participating customers will receive the Solar Direct Billing Form,  
9 which will identify a line item credit for Fuel and Purchased Power, Non-Fuel  
10 Variable Cost, and Renewable Portfolio Standard Cost credits, as well as a  
11 monthly cost for subscribed energy through PNM Solar Direct, WREGIS Fee, and  
12 Monthly Administrative Charge. Participating customers will continue to receive  
13 their current, monthly PNM bills, which will remain unchanged.

14

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_-UT**

1   **Q.   PLEASE DESCRIBE THE PNM SOLAR DIRECT BILLING FORM IN**  
2   **MORE DETAIL.**

3   **A.**   Exhibit MJS-3 depicts the Solar Direct Billing Form that participating customers  
4   will receive in addition to their current PNM bills. Sections on the form provided  
5   in Exhibit MJS-3 are annotated to facilitate the description of the different  
6   elements, below:

7

8   Section (1) provides the Renewable Energy Production, the actual solar energy  
9   produced by the solar facility in kWh.

10   Section (2) provides information about the Solar Direct Subscription and the  
11   customer's electricity usage and allocation of PNM Solar Direct energy in a given  
12   month. Specifically, section (2) provides:

13         kW Subscription:   the kW subscription the customer contracted to  
14         purchase;

15         % Subscription:   indicates the customer's contracted percentage of the  
16         facility's total 50MW capacity;

17         kWh Subscription:   the Renewable Energy Production that the customer is  
18         subscribed to;

19         Electricity You Used:   electricity usage in the current billing month;

20         Your Allocation:   shows the lesser of the kWh Allocation and the  
21         Electricity You Used for the current billing month. This is the monthly  
22         production allocation that the customer will pay for based upon their  
23         contract and the actual amount produced each month.

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_ -UT**

1           Percent of Your Usage from Solar Direct: calculates the amount of  
2           customer electricity usage supplied by PNM Solar Direct. “Capped”  
3           indicates that the customer’s kWh allocation is greater than or equal to the  
4           “Electricity You Used”.

5           Section (3), titled “Your Total Charges,” provides an overview of the  
6           participating customer’s previous month’s bill charges, the payments received,  
7           and the current bill charges.

8  
9           Section (4), titled “Charges,” unbundles the specific details of the Solar Direct  
10          charges. The first three lines detail the following three monthly charges that are  
11          charged on a per kW or per kWh basis. Specifically:

- 12           1)    The Administrative Charge reflects the customer’s share of the cost to  
13           administer the program. It is calculated by multiplying a per kW charge  
14           times the customer’s kW subscription as seen in Section (2).
- 15           2)    The Solar Facility Charge is the per kWh charge for the customer’s kWh  
16           allocation of month’s production. It is calculated by multiplying a per  
17           kWh charge by the Your Allocation amount as seen in Section (2).
- 18           3)    The WREGIS Fee is the per kWh fee from WREGIS to retire RECs on  
19           behalf of the customer or transfer the RECs to the customer’s WREGIS  
20           account.

21          The remaining lines in Section (4) provide the applicable franchise fees and gross  
22          receipts taxes.

23

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_-UT**

1 Section (5), Credits, shows the credits that offset the participating customer's  
2 regular PNM bill charges. The Fuel and Purchased Power Credit, the Non-Fuel  
3 Variable O&M Cost Credit, and the Renewable Rider Cost Credit are each based  
4 on a per kWh rate multiplied by the customer's kWh allocation as shown in  
5 Section 1. The City/County Franchise Fee credit and the Gross Receipts Tax  
6 credits partially offset the franchise fees and gross receipts taxes from the  
7 customer's regular PNM bill.

8

9 Finally, in Section (6), the "Current Solar Direct Charges" line is the net of the  
10 Charges (Section 4) and Credits (Section 5).

11

12 **Q. WHY IS PNM PROVIDING A SEPARATE BILL FORM FOR PNM**  
13 **SOLAR DIRECT PARTICIPANTS?**

14 **A.** Providing a separate bill form reduces program costs because it eliminates the  
15 need and cost of revamping PNM's billing system to provide program cost and  
16 credit information on customers' current bill forms. In addition, by providing  
17 customer credits and charges information in a separate bill, program participants  
18 will have the benefit of being able to see the effect of their subscription across all  
19 of their accounts in one bill.

20

21 **Q. WILL PNM INCLUDE BILL MESSAGES, SUCH AS MESSAGES**  
22 **PROMOTING ENERGY EFFICIENCY, ON THE PNM SOLAR DIRECT**  
23 **BILLING FORM?**

**DIRECT TESTIMONY OF  
MICHAEL J. SETTLAGE  
NMPRC CASE NO. 19-00 \_\_\_\_-UT**

1   **A.**    No. Bill messages will continue to be included in the existing PNM bills that  
2           participating customers will continue to receive. To minimize paper waste and  
3           reduce costs, these bill messages will not be duplicated in the Solar Direct bills  
4

**IV.    RULE 551 COMPLIANCE**

6   **Q.**    **HOW WILL PNM RECOVER THE COSTS OF THE PPA AND WHAT  
7           IMPACT WILL THE PPA HAVE ON CUSTOMERS' RATES (RULE 551.9  
8           AND 551.8(D)(4))?**

9   **A.**    All costs associated with the PPA will be directly recovered from participating customers  
10           through the Rider No. 50 as described above.  
11

12 **Q.**    **DOES THE PPA PROPOSED IN PNM'S APPLICATION ADVERSELY  
13           IMPACT PNM'S OTHER CUSTOMERS?**

14 **A.**    No. All PPA costs incurred are directly assigned and collected from customers  
15           that choose to participate in PNM Solar Direct and take service under Rider No.  
16           50.  
17

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

19 **A.**    Yes, it does.

*GCG#525537*



**PNM EXHIBIT MJS-1**

**Consisting of 2 pages**

**MICHAEL J. SETTLAGE**

**EXPERIENCE AND QUALIFICATIONS**

**CURRENT POSITION:** *Lead Pricing Analyst, Pricing and Regulatory Services.*  
Public Service Company of New Mexico (PNM)

**EDUCATION:** B.S. Electrical and Computer Engineering, Clemson University (CU), 1984.  
  
M.S. Electrical and Computer Engineering, *Specialization in Power Engineering.* Clemson (CU), 1985.

**EXPERIENCE:** *Lead Pricing Analyst, Public Service Company of New Mexico (PNM). (02/2019-Present)*  
  
*Manager of Grid Modernization, PowerServices, Inc. (07/2017-02/2019)*  
  
*Director of Engineering and Project Management, Nexgrid, LLC. (01/2017-07/2017).*  
  
*Operations Manager, Electricities of NC. (01/2011-01/2017)*  
  
*Owner, ConciseConcept, LLC. (01/2007-11/2013)*  
  
*Various Positions, Carolina Power & Light / Progress Energy / Progress Ventures / ArcLight Energy Marketing. (01/1986-06/2007)*  
  
*Research Associate, Clemson University, Clemson University Electric Power Research Association (CUEPRA). (08/1983-12/1985)*

**PREVIOUS TESTIMONY**

<b>Proceeding</b>	<b>Regulatory Body</b>	<b>Docket.</b>
Adjustment of Base Rates for Fuel Costs of Carolina Power & Light Company.	Public Service Commission of South Carolina	1995-1-E
Annual Review of Carolina Power and Light Base Rates for Fuel Costs	Public Service Commission of South Carolina	1998-1-E
Testimony Supporting Reconciliation of 2018 Energy Efficiency Incentive	NMPRC	17-00076-UT
Testimony in Support of 2020 Energy Efficiency Incentive	NMPRC	17-00076-UT

**PNM EXHIBIT MJS-2**

**Consisting of 6 pages**

PUBLIC SERVICE COMPANY OF NEW MEXICO  
ELECTRIC SERVICES  
ORIGINAL RIDER NO. 50

VOLUNTARY SOLAR RENEWABLE ENERGY PROGRAM – PNM SOLAR DIRECT FOR  
GOVERNMENTAL AND LARGE COMMERCIAL CUSTOMERS

Page 1 of 6

1. **EXPLANATION OF RIDER:** Public Service Company of New Mexico (the “Company” or “PNM”) is offering to eligible customers the option to purchase solar energy in addition to the solar energy provided by PNM pursuant to the renewable portfolio standard (“RPS”). A Customer’s receipt of service under this Rider is voluntary and on a contractual basis. PNM Form No. 106, PNM Solar Direct Service Agreement – Governmental Entities; Form No. 107, PNM Solar Direct Service Agreement – Non-Governmental Entities; and the New Mexico Public Regulation Commission’s final order in Case No. 19-00 \_\_\_\_\_ establish the terms and conditions of a Customer’s receipt of service under this Rider.
  
2. **DEFINITIONS:**
  - a. **Aggregated Billable Demand:** The sum of the billable demand assessed to all of the Customer’s electric service accounts subject to an on-peak demand charge per the terms of the applicable tariff, expressed in kilowatts (“kW”).
  - b. **Administrative Charge:** The total cost of program administration divided by the term in months divided by the Solar Facility’s nameplate capacity, expressed in \$/kW-Month. This Charge is assessed to Customers receiving service under this Rider to recover the administrative costs associated with the program. The Administrative Charge will be \$0.0553758/kW-month and will remain the same over the term of the Service Agreement.
  - c. **Contract Rider Rate:** The cost per kWh assessed to Customers receiving service under this Rider over the term of the Service Agreement. Contract Rider Rate will be \$0.0217300/kWh over the term of the Service Agreement.
  - d. **Customer:** Any person, firm, association or corporation being supplied with and responsible for payment for service for one or more electric service accounts under any eligible rate schedule, including Governmental Customers unless otherwise indicated.
  - e. **Early Termination Fee:** The charge assessed to any Customer that terminates service under this Rider before the term of the Service Agreement. The charge collects any remaining Solar Production Charges and Monthly Administrative Charge as described in Section 8.
  - f. **Governmental Customer:** Any Customer that is a political subdivision of the state, including public school districts; an educational institution designated in Article 12, Section 11 of the constitution of New Mexico; a federally recognized Indian nation, tribe or pueblo; an entity controlled by a federally recognized Indian nation, tribe or pueblo; or a department of the federal government.
  - g. **Renewable Allocation Factor:** Percentage of the Renewable Energy Production that will be allocated to each Customer and that will be used to calculate monthly billing charges and credits as applicable in this Rider. It is calculated as the Customer’s Renewable Energy Subscription divided by the Solar Facility’s nameplate capacity expressed in kW. The Renewable Allocation Factor will remain constant as per the terms of the Service Agreement.
  - h. **Renewable Energy Production:** The amount of actual renewable energy produced per month by the Solar Facility expressed in kilowatt-hours (“kWh”).

Advice Notice No. 560

\_\_\_\_\_  
Mark Fenton  
Executive Director, Regulatory Policy and Case Management  
GCG #525528

**PUBLIC SERVICE COMPANY OF NEW MEXICO  
ELECTRIC SERVICES  
ORIGINAL RIDER NO. 50**

**VOLUNTARY SOLAR RENEWABLE ENERGY PROGRAM – PNM SOLAR DIRECT FOR  
GOVERNMENTAL AND LARGE COMMERCIAL CUSTOMERS**

Page 2 of 6

- i. **Renewable Energy Subscription:** The amount of capacity from the Solar Facility contracted by Customer, expressed in kW.
  - j. **Service Agreement:** The written, fully-executed agreement between the Customer and the Company that establishes the contract period for the Renewable Energy Subscription, the Contract Rider Rate, the applicable Early Termination Fee and other terms and conditions relating to Customer's participation in the Voluntary Renewable Energy Program and receipt of service under this Rider.
  - k. **Solar Facility:** The utility-scale solar photovoltaic facility or facilities that supply renewable energy to the Voluntary Renewable Energy Program.
  - l. **Total Energy Usage:** All of the Customers' aggregated monthly or annual energy usage subject to service under this Rider.
  - m. **Voluntary Renewable Energy Program:** A program offered to eligible Customers, pursuant to NMSA 1978, Section 62-16-7, this Rider and the Service Agreement, who wish to purchase solar renewable energy in addition to the solar energy provided by PNM pursuant to the RPS. Customers participating in the Voluntary Renewable Energy Program receive service under this Rider and pursuant to the terms of the Service Agreement.
  - n. **WREGIS Fee:** The fee charged by the Western Renewable Energy Generation Information System ("WREGIS") to PNM to: a) retire a renewable energy certificate ("REC") on behalf of a customer; or b) transfer a REC to a customer's WREGIS account. This passthrough charge, currently \$0.000005/kWh, may change from time to time when WREGIS updates their fee matrix.
3. **ELIGIBILITY:** Service under this Rider is available to:
- a) Governmental Customers taking permanent retail metered service under any of PNM's retail rate schedules and
  - b) Customers taking permanent retail metered service under PNM's retail rate schedules 3B, 3C, 3D, 3E, 4B, 5B, 15B, 30B and 35B, with electric service accounts with a monthly average Aggregated Billable Demand of at least 2,500 kW, in the calendar year prior to the Customer's application, or for new PNM Customers, as projected for the subsequent 12 month period.
4. **TERRITORY:** All territory served by the Company.
5. **CONDITIONS OF SERVICE:** Capacity will be available for Renewable Energy Subscriptions as follows:
- a) A Customer that desires to participate in the Voluntary Renewable Energy Program must submit and execute a Notice of Intent ("NOI") to Participate.
  - b) In its NOI, the Customer must designate its requested Renewable Energy Subscription, which shall not exceed the limitation provided in paragraph 5(g).
  - c) At least 30 MW of the Solar Facility's capacity will be reserved for Governmental Customers.

Advice Notice No. 560

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Mark Fenton  
Executive Director, Regulatory Policy and Case Management  
GCG #525528

PUBLIC SERVICE COMPANY OF NEW MEXICO  
ELECTRIC SERVICES  
ORIGINAL RIDER NO. 50

VOLUNTARY SOLAR RENEWABLE ENERGY PROGRAM – PNM SOLAR DIRECT FOR  
GOVERNMENTAL AND LARGE COMMERCIAL CUSTOMERS

Page 3 of 6

- d) Before the execution of the Service Agreement, PNM will confirm the final Renewable Energy Subscription amount with the eligible Customers.
- e) No individual Customer's Renewable Energy Subscription may exceed 60% of the capacity of the Solar Facility.
- f) Service under this Rider will be available to Customers after entering into a Service Agreement with the Company with a minimum contract term of 15 years.
- g) A Customer's Renewable Allocation Factor times the Renewable Energy Production may not exceed the Customer's Total Energy Usage.
- h) If in any given month, the Renewable Energy Production times the Renewable Allocation Factor exceeds the Customer's Total Energy Usage, all applicable charges and credits will be billed and subject to the rates in effect at that time and will not be carried over to subsequent month.
- i) In the event changes in the Customer's Total Energy Usage during the term of the Service Agreement result in the Customer not meeting the eligibility criteria, PNM may terminate the customer's participation in the Voluntary Renewable Energy Program and receipt of service under this Rider.
- j) In accordance with the terms of the Service Agreement, a participating Customer may transfer all or a portion of its Renewable Energy Subscription to another eligible Customer that is either (i) not receiving service pursuant to this Rider or (ii) meets the limitation provided in paragraph 5(g). A Customer taking the transfer of the Renewable Energy Subscription must (i) submit an application and (ii) sign transfer documents required by PNM. PNM will verify that the electric usage of the new Subscribed Accounts meets the eligibility criteria and the limitation provided in paragraph 5(g).
- k) Any Customer that wishes to terminate service before the term of the Service Agreement under this Rider must provide written notice to the Company at least 60 days before the expected termination date and may be subject to an Early Termination Fee. Customers that terminate service under this Rider who wish to participate in this Rider once again will be required to reapply for a new Renewable Energy Subscription.

**6. CHARGES AND FEES:**

- a) Customers receiving service under this Rider will be required to pay the Solar Production Charge.
- b) Customers receiving service under this Rider will be required to pay the Monthly Administrative Charge.
- c) Customers receiving service under this Rider will be required to pay the Monthly WREGIS Fee to retire RECs on behalf of the customer or to transfer RECs to customer's account.

Advice Notice No. 560

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See table below for the calculation of the charges and fees:

<i>Contract Rider Rate</i>	*	<i>Renewable Energy Production</i>	*	<i>Customer's Renewable Allocation Factor</i>	=	<i>Solar Production Charge</i>
<i>Administrative Charge</i>			*	<i>Customer's Renewable Energy Subscription</i>	=	<i>Monthly Administrative Charge</i>
<i>WREGIS Fee</i>	*	<i>Renewable Energy Production</i>	*	<i>Customer's Renewable Allocation Factor</i>	=	<i>Monthly WREGIS fee</i>

- d) Customers who elect to terminate service under this Rider prior to the Expiration Date will be subject to an Early Termination Fee. If PNM terminates service under this Rider because Customer no longer meets eligibility requirements or due to Customer's material default, Customer will be subject to an Early Termination Fee.

**7. CREDITS:**

- a) Customers will receive a fuel and purchased power cost credit calculated at the monthly average fuel and purchased power cost per the Fuel and Purchased Power Cost ("FPPCAC") that is paid by the Customer; a system average non-fuel variable cost credit, as calculated and approved in PNM's most recent general rate case proceeding; and a Renewable Portfolio Standard cost credit calculated at the currently applicable Renewable Energy Rider rate approved in PNM's Rider 36 ("RER").

See table below for the calculation of the credits:

<i>Renewable Energy Production</i>	*	<i>Customer's Renewable Allocation Factor</i>	*	<i>Average Fuel and Purchased Power Cost paid by the Customer</i>	=	<i>Fuel and Purchased Power Credit</i>
			*	<i>Average Non-Fuel Variable Cost from Last Rate Case</i>	=	<i>Non-Fuel Variable Cost Credit</i>
			*	<i>Current Calendar Year RER Rider 36 Rate</i>	=	<i>Renewable Portfolio Standard Cost Credit</i>

Advice Notice No. 560



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**VOLUNTARY SOLAR RENEWABLE ENERGY PROGRAM – PNM SOLAR DIRECT FOR  
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Page 5 of 6

- b) The average non-fuel variable cost credit rate is from PNM's last approved general rate case.
- c) For billing purposes, the Company will calculate monthly the Renewable Energy Production generated by the Solar Facility and multiply it by each Customer's specific Renewable Allocation Factor at the end of each calendar month.
- d) Customers that participate in this Rider will receive a separate monthly bill associated with the most recent calendar month charges and credits.
- e) Charges and credits for this Rider will be calculated on a calendar month basis, with rates effective on the date the Renewable Energy Production meter at the Solar Facility is read.
- f) In an event of default by the Solar Facility provider, any damages PNM collects and any termination payment will be refunded to Customers of this Rider proportionally to the Customers Renewable Allocation Factor.

**8. METHOD OF CALCULATING EARLY TERMINATION FEE:**

- a) Customers will be subject to an early termination fee as described in Section (6)(d). Customer will be responsible for the net cost of the remaining renewable energy that was to be delivered to the Customer during the remainder of the Service Agreement.
- b) The fee will be based on (1) the time remaining in the term of the Service Agreement, (2) the forecast annual renewable energy to be generated by the Solar Facility, (3) Customer's Renewable Allocation Factor, and (4) the difference between the Contract Rider Rate and the forecast fuel cost during the term of the Service Agreement, but in no event less than zero dollars, plus Customer's share of the Administrative Fee for the number of months remaining in the Service Agreement.
- c) Customer will not be obligated to pay the Early Termination Fee if another eligible customer fully subscribes to Customer's Renewable Energy Subscription as described in Section (9).

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Page 6 of 6

**9. TRANSFER AND ASSIGNMENT:**

- a) Customer may transfer all or a portion of its Renewable Energy Subscription to another eligible Customer that is (i) not receiving service under this Rider, and/or (ii) its Renewable Allocation Factor times the Renewable Energy Production does not exceed 100% of its annual Total Energy Usage established at the time of the proposed transfer.
- b) Customer requesting such transfer must submit a Transfer Notice and Application as set forth in the Service Agreement.
- c) All such proposed transfers shall be subject to prior written approval from PNM as set forth in the Service Agreement.
- d) The customer taking the transfer of the Renewable Energy Subscription must demonstrate that its electric usage meets the eligibility criteria and will accommodate the transfer of the Renewable Energy Subscription.
- e) PNM shall have the sole discretion to approve, deny, or modify a transfer request to meet the requirements of the Program.

**10. OTHER TERMS AND CONDITIONS:**

- a) Total Energy Usage for Customers participating in this Rider will continue to be subject to all other applicable rates and riders per the terms of the applicable rate schedules as described in the Eligibility section of this Rider.
- b) The Company provides service under this Rider through solar energy resources that are procured by the Company.
- c) All terms and conditions as stated in the Customer's applicable base rate schedule shall apply to the service received under this Rider.
- d) PNM will retire on behalf of the Customer or transfer to Customer's WREGIS account all of the renewable energy certificates ("RECs"), as defined in NMSA 1978, Section 62-16-5, associated with the kWh of renewable energy generated by the Solar Facility that equals the Customer's Renewable Energy Subscription and as further outlined in the Service Agreement. These retirements shall be in addition to any RECs retired by PNM for compliance with the RPS, thus supporting the development of additional renewable energy resources in New Mexico.
- e) At the Company's discretion, Customers may be deemed ineligible for the Rider if it has received a disconnection notice within twelve (12) months preceding Customer's application to receive service under this Rider.

Advice Notice No. 560

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Mark Fenton  
Executive Director, Regulatory Policy and Case Management  
GCG #525528

**PNM EXHIBIT MJS-3**

**Consisting of 1 page**



Due Date	Amount Due
3/21/2020	(\$1,741.94)
Subscriber Number	
SD-001NM	

**PNM Solar Direct<sup>SM</sup>**

Customer Name  
**Customer A**

Service Address: Customer A  
STREET ADDRESS  
ALBUQUERQUE, NM

PNM  
PO Box 27900  
Albuquerque, NM 87125-7900

**1**

Bill Issued: 3/1/2020  
Production Period: 2/1/2020 - 2/29/2020  
Renewable Energy Production: 13,249,500

**2**

YOUR SOLAR DIRECT SUBSCRIPTION		
kW SUBSCRIPTION	% SUBSCRIPTION	kWh SUBSCRIPTION
1,000	2%	264,990

Electricity You Used - Current Billing Month **226,300 kWh**  
 Your Allocation - Current Billing Month **226,300 kWh**  
 Percent of Your Usage from Solar Direct - Current Billing Month **100% Capped**

**3**

YOUR TOTAL CHARGES	
Amount Of Your Last Bill	\$380.04
Payments Received (Thank You)	(\$380.04)
Balance Before Current Bill	\$0.00
Your Current Electricity Charges	(\$1,741.94)

**4**

CHARGES			
Administrative Charge	\$0.0553758	1,000 kW	\$55.38
Solar Facility Charge	\$0.0217300	226,300 kWh	\$4,917.50
WREGIS Fee	\$0.0000050	226,300 kWh	\$1.13
City/County Franchise Fee	3.0000%	\$4,974.01	\$149.22
Gross Receipts Tax - State	5.1250%	\$5,123.23	\$262.57
Gross Receipts Tax - County	3.7500%	\$5,123.23	\$192.12
Gross Receipts Tax - City	3.5000%	\$5,123.23	\$179.31
<b>Charges Subtotal</b>			<b>\$5,757.23</b>

**5**

CREDITS			
Fuel & Purchased Power Credit	(\$0.0152462)	226,300 kWh	(\$3,450.22)
Non-Fuel Variable Cost Credit	(\$0.0067700)	226,300 kWh	(\$1,532.05)
Renewable Rider Cost Credit	(\$0.0066138)	226,300 kWh	(\$1,496.70)
City/County Franchise Fee Credit	3.0000%	(\$6,478.97)	(\$194.37)
Gross Receipts Tax - State Credit	5.1250%	(\$6,673.34)	(\$342.01)
Gross Receipts Tax - County Credit	3.7500%	(\$6,673.34)	(\$250.25)
Gross Receipts Tax - City Credit	3.5000%	(\$6,673.34)	(\$233.57)
<b>Credits Subtotal</b>			<b>(\$7,499.16)</b>

**Charges Subtotal** **\$5,757.23**

**Credits Subtotal** **(\$7,499.16)**

**6**

**Current Solar Direct Charges** **(\$1,741.94)**

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF )  
PUBLIC SERVICE COMPANY OF NEW MEXICO )  
FOR APPROVAL OF PNM SOLAR DIRECT )  
VOLUNTARY RENEWABLE ENERGY PROGRAM, )  
POWER PURCHASE AGREEMENT, AND ) Case No. 19-00 \_\_\_\_\_ -UT  
ADVICE NOTICES NO. 560 AND 561, )  
)  
PUBLIC SERVICE COMPANY OF NEW MEXICO, )  
)  
Applicant. )  
\_\_\_\_\_ )

AFFIDAVIT

STATE OF NEW MEXICO )  
) ss  
COUNTY OF BERNALILLO )

**MICHAEL J. SETTLAGE, Lead Pricing Analyst with Public Service Company of New Mexico**, upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing **Direct Testimony of Michael J. Settlage** and it is true and correct based on my personal knowledge and belief.

SIGNED this 22nd day of May, 2019.

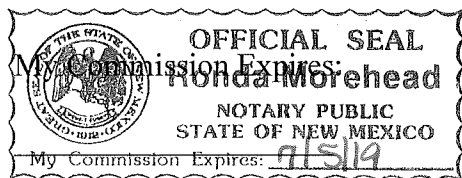
*Michael J. Settlege*

**MICHAEL J. SETTLAGE**

SUBSCRIBED AND SWORN to before me this 22nd day of May, 2019.

*Ronda Morehead*

**NOTARY PUBLIC IN AND FOR  
THE STATE OF NEW MEXICO**



GCG # 525499