

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

IN THE MATTER OF PUBLIC SERVICE )  
COMPANY OF NEW MEXICO'S )  
RENEWABLE ENERGY ACT PLAN )  
FOR 2021 AND PROPOSED 2020 RIDER )  
RATE UNDER RATE RIDER NO. 36, )  
 )  
PUBLIC SERVICE COMPANY OF NEW )  
MEXICO, )  
 )  
 )  
Applicant. )  
\_\_\_\_\_ )

Case No. 20-00\_\_\_\_-UT

**DIRECT TESTIMONY**  
  
**OF**  
  
**HEIDI M. PITTS, Ph.D**

**June 1, 2020**

**NMPRC CASE NO. 20-\_\_\_\_\_-UT**  
**INDEX TO THE DIRECT TESTIMONY OF HEIDI PITTS**

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

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PNM EXHIBIT HMP-2	Derivation of Rider 36 Rate
PNM EXHIBIT HMP-3	Impact of 18 <sup>th</sup> Revised Rider 36 on Customers
PNM EXHIBIT HMP-4	PNM's 18 <sup>th</sup> Revised Rider 36
SELF AFFIRMATION	

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1                   **I.       INTRODUCTION AND PURPOSE**

2

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

4   **A.**    My name is Heidi M. Pitts. I serve as a Senior Pricing Analyst for Public Service  
5           Company of New Mexico (“PNM”). My business address is 414 Silver SW,  
6           Albuquerque, NM 87102.

7

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

10   **A.**    I have a B.A. in Spanish from the University of Kansas and M.A. and Ph.D. in  
11           Economics from the University of New Mexico. My dissertation was written about  
12           water utility issues. I have worked at PNM since April of 2019 as a Senior Pricing  
13           Analyst, where I am responsible for providing rate design, pricing analysis, and  
14           marginal costing for PNM. Prior to assuming my current responsibilities at PNM, I  
15           worked for five years as a Staff Economist at the New Mexico Public Regulation  
16           Commission (“Commission”). I have attended regulatory training through New  
17           Mexico State University and Edison Electric Institute. A statement of my experience  
18           and qualifications is attached as PNM Exhibit HMP-1.

19

20   **Q.     WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

21   **A.**    My testimony addresses the following:

22           1. The development of the 2021 rate for the 18<sup>th</sup> Revised Rider No. 36 –  
23           Renewable Energy Rider (“Rider 36”) of \$0.0085525/kWh. PNM proposes to

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1           implement this rider rate on January 1, 2021, pursuant to Advice Notice No.  
2           569 filed concurrently herewith;

3           2. The bill impact of the 2021 Rider 36 rate on residential and small power  
4           customers;

5           3. A description of some of the benefits to PNM customers from the use of a  
6           renewable rider to recover renewable portfolio standard (“RPS”) compliance  
7           costs; and

8           4. The process for allocating Sky Blue Rider 30 revenues to the various cost  
9           components, including wind and solar REC retirement.

10

11   **Q.    ARE YOU SPONSORING ANY EXHIBITS IN ADDITION TO PNM EXHIBIT**  
12   **HMP-1?**

13   **A.**    Yes, I am sponsoring the following additional exhibits:

- 14           • PNM Exhibit HMP-2: Derivation of the Rider 36 rate for calendar year 2021.
- 15           • PNM Exhibit HMP-3: Impacts of Rider 36 on Residential and Small Power  
16           customers at various usage levels.
- 17           • PNM Exhibit HMP-4: PNM’s 18<sup>th</sup> Revised Rider 36, which is attached for  
18           convenient reference.

19

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**II. DERIVATION OF THE PROPOSED 2021 RIDER 36 RATE**

1  
2  
3 **Q. IS PNM PROPOSING ANY MODIFICATIONS TO THE RIDER 36 RATE**  
4 **DESIGN APPROVED IN CASE NO. 19-00159-UT?**

5 **A.** No. In last year's Renewable Energy Act, NMSA 1978, §§ 62-16-1 to -10 ("REA"),  
6 plan case, Case No. 19-00159-UT, the Commission approved modifications to PNM's  
7 Rider 36 rate design to reflect 2019 amendments to the REA. The amended REA  
8 eliminated the different classes of REA customers (capped, exempt, and other) in the  
9 pre-2019 version of the act and provided that customers that participate in a voluntary  
10 renewable energy program are not assessed Rider 36 on their consumption that is  
11 matched by voluntary program renewable energy. These REA amendments are still in  
12 effect. As a result, PNM Exhibit HMP-2 shows the calculation of Rider 36 using the  
13 revenue requirement and the forecast billed energy sales and the same rate design  
14 approved in last year's case.

15  
16 **Q. WHAT DATA WERE USED IN DEVELOPING THE RIDER 36 RATE?**

17 **A.** The rate is derived from the projected 2021 revenue requirements from RPS resources  
18 and projected sales in 2021. PNM witness Thomas S. Baker sponsors the estimated  
19 renewable energy annual revenue requirement of \$67,769,085 to be recovered through  
20 Rider 36 (see Exhibit TSB-2). The billed energy sales are from PNM's current load  
21 forecast. Energy sales forecasts for the 2021 voluntary programs were provided by  
22 PNM witness Shane Gutierrez.

23

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1 **Q. WHAT VOLUNTARY PROGRAMS DOES PNM OFFER?**

2 **A.** PNM currently has two voluntary programs, Rider No. 30 – Renewable Energy  
3 Program (PNM Sky Blue) and Rate No. 36B – Special Service Rate-Renewable Energy  
4 Resources. A third program, Rider No. 50 – Voluntary Solar Renewable Energy  
5 Program-PNM Solar Direct for Governmental and Large Commercial Customers  
6 (PNM Solar Direct) was recently approved in Case No. 19-00158-UT. PNM expects  
7 to begin this program in 2021.

8  
9 **Q. DO THE PROJECTED 2021 SALES USED TO DETERMINE THE RATE  
10 INCLUDE SALES TO VOLUNTARY PROGRAM CUSTOMERS?**

11 **A.** Pursuant to NMSA 1978, Section 62-16-7(B)(2), sales to voluntary program customers  
12 that are matched by energy produced by voluntary program resources are excluded  
13 from the projected sales used to calculate the Rider 36 rate. For example, if a customer  
14 expects to match 20% of their energy consumption with energy purchased through a  
15 voluntary program, PNM will include only 80% of projected sales to the customer in  
16 the total projected sales used to calculate the rate. Throughout the year, PNM tracks  
17 the renewable energy generation from the voluntary program resources and the  
18 customers' consumption to ensure that voluntary program participants are accurately  
19 assigned their fair share of RPS compliance costs..

20  
21 **Q. HOW WAS THE PROPOSED RIDER 36 RATE FOR 2021 DEVELOPED?**

22 **A.** PNM's Rider 36 rate is billed on a per kWh basis to all retail customers. The 2021  
23 revenue requirement is divided by the projected billed retail energy sales net of

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1 voluntary program sales for 2021. For 2021, the proposed Rider 36 rate is  
2 \$0.0085525/kWh rider rate. PNM Exhibit HMP-2 shows this calculation.

3

4 **Q. HOW IS RIDER 36 ASSESSED?**

5 **A.** Rider 36 is assessed on a service rendered basis. PNM proposes that Rider 36 will go  
6 into effect on January 1, 2021. Should Rider 36 change within a billing period, charges  
7 billed on a service rendered basis are billed on a prorated basis based upon the days of  
8 service for old and new rates.

9

10 **Q. WHAT IS THE BILL IMPACT OF THE PROPOSED RIDER 36 RATE**  
11 **CHANGE ON THE RESIDENTIAL AND SMALL POWER RATE CLASSES?**

12 **A.** Rider 36 rate is assessed as a per kWh charge, so the bill impact on each customer will  
13 vary with usage. The current bill and proposed bills were calculated using current rates  
14 for Schedule 1A Residential and 2A Small Power rates, as well as Rider 23, the fuel  
15 clause. Rider 36 current and proposed rates were used to calculate the net impact on  
16 bills. See PNM Exhibit HMP-3 for the bill impact. For residential customers, the  
17 impact ranges from \$0.05 to \$1.82 as shown for usage levels between 50 kWh and  
18 2,000 kWh per month. An average residential customer using 600 kWh per month will  
19 pay an additional \$0.55 per month. For small power customers, the bill impact ranges  
20 from \$0.46 to \$13.67 per month depending upon kWh use. An average small power  
21 customer using 1,500 kWh per month will pay an additional \$1.37 per month.

22

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**III. CUSTOMER BENEFITS OF THE RENEWABLE RIDER**

**Q. WHAT REQUIREMENTS RELATED TO RIDER 36 DID THE COMMISSION ORDER IN CASE NO. 19-00159-UT?**

**A.** Decretal Paragraph H to the December 2, 2019 Recommended Decision in Case No. 19-00159-UT, accepted by the Commission in its Final Order on January 29, 2020, states:

PNM shall include in its next Renewable Energy Plan filing a description of PNM's future intentions regarding the recovery of its REA plan costs through the Renewable Energy Rider. The description should include PNM's intentions for renewable energy resources acquisitions through traditional CCN and PPA approvals versus annual Renewable Energy Plans and its intentions for cost recovery through base rates, the FPPCAC and the Renewable Energy Rider. The description should consider the increases in RPS requirements mandated in Senate Bill 489 of 2019 and describe the reasonableness of PNM's approach.

The majority of this requirement is being addressed by PNM witness Nicholas L. Phillips. I would, however, like to describe how the RPS Rider benefits PNM customers.



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1 **Q. PLEASE DESCRIBE THE BENEFITS OF PNM'S RPS RIDER TO PNM**  
2 **CUSTOMERS.**

3 **A.** The primary benefit is that as the revenue requirement decreases yearly for PNM-  
4 owned renewable resources due to depreciation, those cost savings are realized by  
5 customers in each year's annual RPS filing. PNM witness Baker shows this in his  
6 direct testimony in Table TSB-1. Also, the RPS Rider adjusts costs closer to the time  
7 when expenses actually change. In comparison, revenue requirements in base rates are  
8 only adjusted infrequently during the process of a general rate case. Examples of  
9 expenses that have changed in the relatively recent past include operational expenses,  
10 taxes, WREGIS costs, and the cost of debt (which influences the weighted average cost  
11 of capital). When these items decrease, the savings are passed along to customers in  
12 the next RPS filing.

13  
14 **Q. HOW DOES THE ANNUAL TRUE-UP PROCESS ASSOCIATED WITH**  
15 **RIDER 36 ALSO BENEFIT CUSTOMERS?**

16 **A.** The RPS plan for a future plan year is calculated using forecast energy sales and  
17 customer counts. The annual true-up, which occurs in February of the following year,  
18 reconciles the actual renewable energy procurements and revenue recovery plus an  
19 updated revenue requirement for the resources. The revised rider typically goes into  
20 effect with the first billing cycle in May and results in an increase or decrease in the  
21 Rider 36 rate. As an example, when the true-up for the 2018 plan year was filed, the  
22 2019 total revenue requirements decreased by approximately \$2.6 million due to  
23 revised O&M, property and income taxes. Consequently, the Rider 36 rate decreased

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1 from \$0.0071959/kWh to \$0.0066138/kWh. Because of the rider structure and timing,  
2 customers realized those cost savings closer to real time than would be possible with  
3 recovery in base rates.

4  
5 **Q. HAS THE QUESTION OF THE CONTINUED USE OF THE RPS RIDER**  
6 **ARISEN IN OTHER UTILITY RPS CASES?**

7 **A.** Yes. In Case No 19-00134-UT, Southwestern Public Service Company's RPS 2020  
8 Plan Year filing, this question was addressed. In the Final Order in that case, the  
9 Commission noted that issues surrounding future use of cost riders for renewable  
10 energy costs should be addressed in the pending RPS rulemaking docket, Case No. 19-  
11 00296-UT.

12  
13 **Q. WHAT DOES PNM RECOMMEND?**

14 **A.** PNM recommends continuation of Rider 36 to recover RPS costs. We believe that the  
15 Rider provides a benefit to both customers and shareholders alike. A comprehensive  
16 Commission investigation into the future use of rate riders to collect renewable energy  
17 costs would be more appropriately addressed in Case No. 19-00296-UT where all  
18 interested parties may weigh in. For the sake of consistency, any outcome that is  
19 developed should apply to all the electric IOUs in New Mexico.

20

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**IV. SKY BLUE RIDER 30 REVENUE ALLOCATION**

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**Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

**A.** I will provide a high level description of how we allocate the revenues from Rider 30 among the operating expenses and REC retirement costs for the blended combination of solar and wind resources that comprise the Sky Blue program. The purpose behind the monthly allocation process is to summarize for the Accounting Department the following: (i) customer numbers broken down by FERC class, (ii) calculate how many renewable energy RECs are retired and the percentage of solar and wind each, and (iii) how the revenues are allocated among the cost components that the Sky Blue subscription price is supposed to cover.

**Q. WHAT IS YOUR RESPONSIBILITY IN THE SKY BLUE RIDER 30 RESOURCE ALLOCATION?**

**A.** Every month we use Sky Blue subscriber numbers, Rider 30 revenue figures, and Manzano solar facility kilowatt hour production to allocate the Rider 30 revenues between the Sky Blue cost components: education costs, WREGIS fees, solar REC carrying costs, and REC retirement costs for the blend of solar and wind. These expenses were included in the Rider 30 derivation scenarios in the original Sky Blue case, Case No. 10-00018-UT. Exhibits attached to the Supplemental Direct Testimony of John D. Olmsted filed July 3, 2012, lays this out.

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1 **Q. WHAT DATA DOES THE PRICING DEPARTMENT USE TO ALLOCATE**  
2 **RIDER 30 REVENUES?**

3 **A.** PNM's Accounting Department provides the Rider 30 revenues and the Load Research  
4 Department provides customer numbers by subscription type and customer category.  
5 Subscription types are percentage and block subscriptions. Customer categories are  
6 residential, commercial, and industrial. PNM's Energy Analysis Department provides  
7 the energy production in kWhs from the 8 MW Manzano solar facilities. Of the 8 MW  
8 total Manzano facility, 1.5 MW is dedicated to the Sky Blue program monthly.

9  
10 **Q. HOW DO YOU DETERMINE THE NUMBER OF KILOWATT-HOURS SOLD**  
11 **THROUGH SKY BLUE SUBSCRIPTIONS?**

12 **A.** We divide Rider 30 revenues by the Sky Blue subscription price of \$0.017/kWh to get  
13 the number of kilowatt hours purchased through Sky Blue. As an illustrative example,  
14 if revenues were \$10,000 one month, we would calculate 588,235 kWhs to be retired.

15  
16 **Q. HOW DO YOU ALLOCATE THOSE KILOWATT-HOURS BETWEEN WIND**  
17 **AND SOLAR RESOURCES?**

18 **A.** Monthly total Sky Blue revenues are allocated first towards operating expenses  
19 (education, WREGIS, carrying costs) to the extent possible. The net Sky Blue revenues  
20 are then allocated to retiring wind and solar kWhs so that total kWhs retired match kWh  
21 subscriptions. The ratio of wind and solar kWhs retired depends on their relative REC  
22 prices at generation, which are a function of the base fuel offset from the fuel clause.

23

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- 1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
- 2 A. Yes.

GCG#526922

## **HEIDI M. PITTS**

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Albuquerque, New Mexico 87102  
Ph: 505.241.0673  
Email: Heidi.pitts@pnmresources.com

### **PROFESSIONAL EXPERIENCE**

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#### **Public Service Company of New Mexico - Albuquerque, New Mexico**

##### ***Senior Pricing Analyst***

*April 2019 – current*

Responsibilities include researching utility rate design issues and developing policy proposals and strategies. Provide analytical support to the case management and technical rate services functions. Assist in the development of expert testimony. Research and analyze company records, financial data and operating statistics used for regulatory reports, rate increase filings and tariff structures.

#### **NM Public Regulation Commission, Utility Division - Santa Fe, New Mexico**

##### ***Senior Economist***

*April 2014 – April 2019*

Responsible for analysis of public utility regulatory cases, including policy research, preparing written testimony, and testifying in front of the Hearing Examiner. Case experience includes: revision of retail rates (focusing on cost of capital, return on equity, and capital structure), grid modernization, decoupling, energy markets, renewable energy, energy efficiency, and financing. Managed all aspects of a Department of Energy technical assistance grant working with the National Renewable Energy Laboratory and the Pacific Northwest National Laboratory. Responsibilities included: project design, proposal writing, meeting coordination, and dissemination/presentation of results. Our project proposal for Year 2 was accepted in February 2019. Represent New Mexico on the Cost Allocation Working Group of the Southwest Power Pool.

#### **University of New Mexico, Center for Development and Disability - Albuquerque, New Mexico**

##### ***Health Policy Analyst***

*Jan. 2011 – April 2014*

Responsibilities included statistical analysis and data management on large-scale federal datasets using SPSS and Stata statistical software. Wrote and delivered written reports and oral briefings to stakeholders and at national conferences. Extensively involved in preparation and results analysis of national-scale survey of population with paralysis. Responsible for design, compilation and analysis of data from on-line survey applications.

#### **University of New Mexico, Department of Economics - Albuquerque, New Mexico**

##### ***Graduate/Teaching Assistant***

*June 2009 – Dec. 2010*

Experienced in all aspects of planning and teaching the following undergraduate economics courses: Introduction to Microeconomics, Intermediate Microeconomics and Economics of Race & Gender.

##### ***Research Assistant***

*Jan. 2008 – April 2010*

Worked on a two-year grant to design and conduct two types of economic valuation surveys on residential customers of the Albuquerque Bernalillo County Water Utility Authority. Contributed chapters to the final, published report.

#### **KCSOURCELINK, University of Missouri-Kansas City - Kansas City, Missouri**

##### ***Independent Contractor***

*Aug. 2006 – Dec. 2009*

Trained KCSOURCELINK affiliates to use website template system and assisted in managed content. Compiled statistics on the Kansas City-area business environment.

***Bilingual Resource Coordinator***

*Sept. 2003-July 2006*

Involved in all facets of a start-up nonprofit organization: extensive public speaking and community outreach, creating and expanding the resource coordinator position, working with Spanish-speaking entrepreneurs, developing technology tools, researching entrepreneurial resources, and acting as team leader for an AmeriCorps\*VISTA project involving 7 partner organizations and 9 volunteers.

**United States Peace Corps - Belén Gualcho, Ocotepeque, Honduras**

***Economic Development Volunteer***

*Jan. 2001-Apr. 2003*

Organized workshops for women's groups in areas of income generating skills. Established a youth library to encourage literacy, taught Junior Achievement in the secondary school, and initiated a pen pal letter & cultural exchange visit with another village in Western Honduras for 33 sixth graders.

**The Lodge at Lionshead - Vail, Colorado**

***Sales, Group Sales Manager, Internet Marketing***

*Sept. 1994-Jan. 2001*

Responsible for short term and group sales, Spanish translations, website management, newsletter design, and customer service.

**EDUCATION**

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Ph.D. Economics, University of New Mexico, Albuquerque, NM. July 2015.

*Dissertation Title: Economic Analysis of Infrastructure Investment and Irrigation Budget Issues in a Southwestern U.S. Water Utility*

M.A. Economics, University of New Mexico, Albuquerque, NM. 2010.

B.A. Spanish, University of Kansas, Lawrence, KS. 1994.

*Graduated with Highest Distinction and Phi Beta Kappa*

**COMPUTER SKILLS**

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Skilled at using Excel and Stata. Proficient in SPSS and Esri ArcGIS.

**LANGUAGES**

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English (skill level: native), Spanish (skill level: excellent in reading/writing, proficient in speaking)

**PUBLICATIONS/ REPORTS**

---

**H.M. Pitts**, J.A. Thacher, P.A. Champ, and R.P. Berrens. 2012. "A Hedonic Price Analysis of the Outfitter Market for Trout Fishing in the Rocky Mountain West," *Human Dimensions of Wildlife*, 17(6), 446-462.

J. Thacher, M. Marsee, **H. Pitts**, J. Hansen, J. Chermak, B. Thomson. Assessing Customer Preferences and Willingness to Pay: A Handbook for Water Utilities. Water Research Foundation. Denver, CO. 2011.

**CONFERENCE PRESENTATIONS**

---

W-2133 Western Regional Research Project: Benefits and Costs of Natural Resources Policies Affecting Public and Private Lands 2011 Annual Meeting *February 2011*  
*"The Trout Fishing Market in the Rocky Mountain West: A Hedonic Analysis"*

University of Colorado Environmental and Resource Economics

*September 2010*

Workshop *“Trout Fishing in the Rocky Mountain West: A Hedonic Analysis Applied to the Valles  
Caldera National Preserve”*



PNM  
Renewable Energy Rider 36

2021 Renewable Energy Rider Rate Calculation

<u>Line No.</u>	<u>Description</u>	<u>Unit</u>		<u>Total</u>
1	Revenue Requirement	(\$)	<i>PNM Exhibit TSB-2</i>	\$ 67,769,085
2	Net Retail Sales*	kWh		7,923,929,170
3	<b>Rider 36 rate, proposed to go into effect 1/1/2021</b>	\$/kWh	<i>Line 1 / Line 2</i>	<b><u>\$0.0085525</u></b>

\* - net retail sales are net of forecast voluntary renewable energy programs

**PNM**  
**Renewable Energy Rider 36**  
**Bill Impact Comparison, Current vs Proposed rates**

A	B	C	D	E
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<b>Residential Schedule 1A</b>
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Line No.	Usage (kWh)	Average Monthly Bill, Current Rider 36 (\$)	Average Monthly Bill, Proposed Rider 36 (\$)	Proposed Rider 36 Net Impact (\$)	Proposed Rider 36 Total Bill Impact (%)
1	0	\$7.11	\$7.11	\$0.00	0.00%
2	50	\$12.23	\$12.27	\$0.05	0.37%
3	100	\$17.34	\$17.43	\$0.09	0.53%
4	150	\$22.46	\$22.59	\$0.14	0.61%
5	200	\$27.57	\$27.75	\$0.18	0.66%
6	250	\$32.69	\$32.91	\$0.23	0.70%
7	300	\$37.80	\$38.08	\$0.27	0.72%
8	400	\$48.03	\$48.40	\$0.36	0.76%
9	500	\$59.93	\$60.39	\$0.46	0.76%
<b>10</b>	<b>600</b>	<b>\$73.49</b>	<b>\$74.04</b>	<b>\$0.55</b>	<b>0.74%</b>
11	750	\$93.84	\$94.52	\$0.68	0.73%
12	800	\$100.62	\$101.35	\$0.73	0.72%
13	900	\$114.19	\$115.01	\$0.82	0.72%
14	1,000	\$129.49	\$130.40	\$0.91	0.70%
15	1,200	\$160.09	\$161.19	\$1.09	0.68%
16	1,600	\$221.30	\$222.76	\$1.46	0.66%
17	2,000	\$282.52	\$284.34	\$1.82	0.65%

<b>Small Power Schedule 2A</b>
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Line No.	Usage (kWh)	Average Monthly Bill, Current Rider 36 (\$)	Average Monthly Bill, Proposed Rider 36 (\$)	Proposed Rider 36 Net Impact (\$)	Proposed Rider 36 Total Bill Impact (%)
1	0	\$15.77	\$15.77	\$0.00	0.00%
2	500	\$76.28	\$76.73	\$0.46	0.60%
3	1,000	\$136.79	\$137.70	\$0.91	0.67%
<b>4</b>	<b>1,500</b>	<b>\$197.30</b>	<b>\$198.66</b>	<b>\$1.37</b>	<b>0.69%</b>
5	2,000	\$257.81	\$259.63	\$1.82	0.71%
6	3,000	\$378.82	\$381.56	\$2.73	0.72%
7	4,000	\$499.84	\$503.49	\$3.64	0.73%
8	5,000	\$620.86	\$625.42	\$4.56	0.73%
9	7,000	\$862.90	\$869.28	\$6.38	0.74%
10	9,000	\$1,104.93	\$1,113.13	\$8.20	0.74%
11	12,000	\$1,467.99	\$1,478.92	\$10.93	0.74%
12	15,000	\$1,831.04	\$1,844.71	\$13.67	0.75%

47<sup>TH</sup>-18<sup>TH</sup> REVISED RIDER NO. 36  
CANCELLING 46<sup>TH</sup>-17<sup>TH</sup> REVISED RIDER NO. 36

RENEWABLE ENERGY RIDER

Page 1 of 2

**DESCRIPTION:** This Rider is established to recover Renewable Portfolio Standard (“RPS”) compliance costs.

**APPLICABILITY:** All PNM customers.

**TERRITORY:** All territory served by the Company under PNM Electric Services tariffs.

**RENEWABLE ENERGY COSTS TO BE RECOVERED:** The dollar amounts to be collected pursuant to this Rider shall be determined by the RPS compliance costs approved in PNM’s annual Renewable Energy Procurement Plans, and will be collected from PNM customers to whom the this Rider applies.

**RIDER RATES:** This Rider, where applicable, shall be added to each customer’s bill and applied as a per kilowatt-hour (kWh) charge for all kWh consumed by a customer. The Rider rate consists of the sum of two components, a RPS Compliance Component and an Earning Test Component as follows:

RPS Compliance Component:

	Amount to be recovered	Rate	
Renewable Energy Rate for Calendar Year <del>2020</del> 2021:	\$60,137,84667,769.085	\$0.0076413-0085525 per kWh	x

**EARNINGS TEST COMPONENT:** PNM will file an adjustment pursuant to this Rider as a separate component if PNM’s return on equity (“ROE”) exceeds 10.075%, based on data presented in conformance with 17.3.510.12(B) NMAC (“Rule 510”). The amount of the adjustment will be equal to the revenue reduction that would have resulted in an earned ROE of 10.075%. The Rule 510 filing to determine if an adjustment is applicable will be made no later than April 1, of each year, based on the previous calendar year results. The adjustment, if applicable, will be applied to customers’ bills over an eight month period beginning with bills rendered May 1, and continuing through the end of the calendar year.

**ANNUAL RECONCILIATION FILING:** This Rider shall be adjusted annually to account for new Commission-approved procurements and changes in revenue requirements related to amortization, depreciation, accumulated deferred income tax (“ADIT”), property taxes and other relevant factors. The Company shall annually file with

Advice Notice No. 565569

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

~~47<sup>TH</sup>, 18<sup>TH</sup>~~ REVISED RIDER NO. 36  
CANCELLING ~~46<sup>TH</sup>, 17<sup>TH</sup>~~ REVISED RIDER NO. 36

RENEWABLE ENERGY RIDER

Page 2 of 2

the Commission a report to reconcile the amounts to be collected pursuant to this Rider. The report will be due by February 28 of each year, and will adjust the Rider to reconcile actual RPS compliance costs for the previous year with actual Rider revenues, and to account for new Commission-approved procurements for the current calendar year. The previous year's compliance costs will include revenue requirements of Company-owned renewable facilities, the costs of renewable energy PPAs, the purchase of RECs used for RPS compliance, and any other RPS compliance cost approved by the Commission.

The report also will true-up the previous calendar year Renewable Energy Rider collections. The report will contain:

- a. a summary of the Rider Rate for the previous calendar year;
- b. a detailed listing of collections pursuant to this Rider, for the previous calendar year by affected customer class;
- c. calculation of the Rider Rate to be applied in the current calendar year, including over/under collections from the previous calendar year;
- d. a summary of annual projected sales revenue and any other relevant data used to estimate the Rider Rate.

Advice Notice No. 565569

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Mark Fenton  
Executive Director, Regulatory Policy and Case Management

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE )  
COMPANY OF NEW MEXICO'S )  
RENEWABLE ENERGY ACT PLAN )  
FOR 2021 AND PROPOSED 2021 RIDER )  
RATE UNDER RATE RIDER NO. 36, )  
 )  
PUBLIC SERVICE COMPANY OF NEW )  
MEXICO, )  
 )  
 )  
Applicant. )  
\_\_\_\_\_ )

Case No. 20-00 \_\_\_\_ -UT

SELF AFFIRMATION

**HEIDI M. PITTS, Senior Pricing Analyst** upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **Direct Testimony of Heidi M. Pitts** and it is true and correct based on my personal knowledge and belief.

GIVEN AND SIGNED this 30th day of May, 2020.

/s/ Heidi M. Pitts  
**HEIDI M. PITTS**