



Public Service Co. of New Mexico

Request for Proposals

for

**Renewable Energy Resources or
Renewable Energy Certificates (RECs)**

RFP Issued: November 18, 2013

Proposals Due: January 10, 2014

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Purpose and Scope

Public Service Company of New Mexico (“PNM” or the “Company”) issues this Request for Proposals (“RFP”) for Renewable Energy Certificates (“RECs”) and accompanying Renewable Electric Energy or for RECs without accompanying energy (“RECs-only”). Acquisition of RECs will enable PNM to comply with New Mexico’s Renewable Portfolio Standard (“RPS”) in 2016 and beyond. PNM is seeking to purchase renewable energy and associated RECs or RECs-only from one or more qualified Respondents up to a maximum of 150,000 MWhs per year. PNM seeks to acquire energy and associated RECs that will be generated and eligible to meet PNM’s renewable energy requirements for 2016, from sources of renewable energy, as defined below. PNM will consider offers for asset purchases, design-build-transfer (“turnkey”) projects, or purchased power agreements (“PPA”) projects in addition to RECs-only bids. RECs-only purchases must be for energy with a vintage no earlier than January 1, 2013.

As part of PNM’s Integrated Resource Planning process, the Company has identified 40 MWs of solar photovoltaic resources as part of replacement resources needed under the Company’s proposed plan to shut down some coal generation (see Background below). PNM will consider solar energy resource proposals submitted in this RFP in light of both the 150,000 MWh RPS needs for 2016 and as potential additional resource capacity for coal replacement in 2017.

Communication

All inquiries and other communications relating in any manner to this RFP will be hosted on the PNM November 2013 Renewable Energy RFP web site (“RFP Web Site”). The site is administered by Power Advocate, Inc. To register for the RFP at the Power Advocate site, follow this link:

<https://www.poweradvocate.com/pR.do?okey=38985&pubEvent=true>

This link to the Power Advocate site and a description of the RFP are also available at this PNM website

<http://www.pnm.com/rfp/renewables-nov-2013/>

PNM makes no commitment to respond to other communications received via telephone, FAX, text messaging or other media. Additionally, bidders shall not rely on any oral representation or

oral modification made by the Renewable RFP Administrator or someone other than the Renewable RFP Administrator. In order to preserve transparency in the process and to assure that all persons or entities responding to this RFP (each a “Respondent”) receive equal consideration, bidders shall not contact any PNM employees or agents of the Company in regard to this RFP – all communications are to be conducted through the RFP Web Site.

Background

PNM is a wholly owned subsidiary of PNM Resources, Inc. (NYSE: PNM) based in Albuquerque, N.M., with total 2012 utility operating revenues of \$1.09 billion. The Company provides retail electric service to a large area of north central New Mexico, including the cities of Albuquerque, Santa Fe, Rio Rancho, Las Vegas, Belen and Bernalillo. The Company also provides retail electric service to Deming, Ruidoso, Alamogordo, Lordsburg, Silver City and Bayard in southwestern New Mexico and to Clayton in northeastern New Mexico.

In 2004, the New Mexico Legislature enacted the Renewable Energy Act (“REA”), which established the RPS. The New Mexico Public Regulation Commission (“NMPRC” or “Commission”) adopted 17.9.572 NMAC (“Rule 572”) to carry out the REA. A copy of the current rule is available at the RFP Web Site. Final execution of any purchase contract by PNM for any Proposal under this RFP is contingent on, among other things, NMPRC approval of PNM’s 2015-2016 Renewable Energy Plan.

As defined in Rule 572:

“**renewable energy**” is electric energy that

- (1) is generated by use of low- or zero-emissions generation technology with substantial long-term production potential; and
- (2) is generated by use of renewable energy resources that may include:
 - (a) solar, wind, hydropower and geothermal resources;
 - (b) fuel cells that are not fossil fueled; and
 - (c) biomass resources, such as agriculture or animal waste, small diameter timber, salt cedar and other phreatophyte or woody vegetation removed from river basins or watersheds in New Mexico, landfill gas and anaerobic digestion waste biomass; but

(3) does not include electric energy generated by use of fossil fuel or nuclear energy.

“**renewable energy certificate**” or “**REC**” means a document evidencing that the enumerated renewable energy kilowatt-hours have been generated from a renewable energy generating facility and shall represent all of the environmental attributes associated with the generation of renewable energy.

Please note that the REA requires that renewable energy used for RPS compliance must be contracted for delivery in New Mexico or be consumed or generated by an end-use customer in New Mexico. Rule 572 requires that all RECs used for RPS compliance must be registered in the Western Renewable Energy Generation Information System (“WREGIS”). RECs may be transferred independently of the associated energy generated by the eligible renewable energy facility. Proposals for sale of these RECs, without a concurrent sale of energy, are referred to as “RECs-only” bids in this RFP.

PNM is currently conducting its Integrated Resource Plan (“IRP” or “Plan”) long-range resource expansion planning process. The process will conclude with filing of the Plan with the NMPRC in June 2014. Part of the process involves a Public Advisory effort and a public advisory working group, which helps with development of the Plan. The Plan will include projections and discussion of PNM’s needs for additional renewable and conventional generation and demand-side resources. Information regarding the IRP can be found at this PNM site:

<http://www.pnm.com/regulatory/irp.htm>

Eligible Proposals

The following types of proposals are eligible for this RFP:

- a) Offers for purchase of a renewable generating asset (all or a portion of a renewable generation asset) located in or contracted for delivery of energy in New Mexico;
- b) Offers for renewable energy to be sold under a purchased power agreement, from a generating unit located in or with capability to deliver to PNM's system in either southern or northern New Mexico; and
- c) Offers for purchase of RECs-only from a generating facility located in New Mexico or one that delivers energy to New Mexico.

Eligible proposals must meet the following guidelines to be considered for evaluation:

- All Proposals must be submitted in accordance with the instructions of this RFP.
- Proposals can be for a portion of PNM's RPS requirement up to 150,000 MWhs per year. Wind and solar projects must supply the minimum annual equivalent of renewable energy of at least 100 MWhs or the equivalent in RECs. RECs-only bids or energy qualifying as "other" (non-wind, non-solar) have no minimum size requirement.
- For all proposals, the generating facility must be registered or will have to be registered in WREGIS and its monthly generation reported to WREGIS, with RECs certified by WREGIS and transferable via WREGIS.
- Energy purchased by PNM should originate from generation occurring no earlier than January 1, 2015.
- RECs-only bids can originate from qualifying generation with a vintage occurring no earlier than January 1, 2013.
- Proposals that culminate in a successful project are required to obtain appropriate North American Electric Reliability Corporation ("NERC") registration for all applicable NERC functions and must operate equipment within applicable NERC Standards.
- Proposals must comply with all applicable federal, state and local laws.
- Proposals and pricing must remain valid and binding through at least December 31, 2014 with the date of expiration explicitly stated in the Proposal.

- Proposals for asset purchases are eligible, if the renewable generating facility has a commercial operation date no later than December 31, 2016.

RFP Process

Communication

PNM will prepare written responses to questions received and will post the responses (without identification of the party asking the questions) on the RFP Web Site for all Respondents who submit a Notice of Intent to Bid. All questions must be submitted via the RFP Web Site.

Schedule

The RFP process will proceed in accordance with the following schedule:

RFP Process Calendar	Date
RFP Issued	Monday, November 18, 2013
Pre-Bid Conference	Monday, November 25, 2013
Notice of Intent to Bid Due	Tuesday, December 3, 2013
RFP Response Due	Friday, January 10, 2014
PNM Bid Evaluation Complete (Phase I)	Friday, February 7, 2014
Successful Short-List Respondents Notification	Friday, February 14, 2014

PNM reserves the right to revise, suspend, or terminate this RFP Process and any schedule related thereto at its sole discretion without liability to Respondents or any other person or entity. Communications regarding the status of this RFP Process, including any and all changes and addenda to this RFP or attendant schedules, will be in writing via the RFP Web Site.

Pre-Bid Conference

PNM will host a pre-bid conference detailing the information requested in the RFP. A webinar will be available and preliminary details will be provided at the PNM RFP Web Site for those parties who cannot attend. Please check the PNM RFP Web Site for any schedule changes or updates. Interested parties and bidders are encouraged to attend or listen online and bring any

questions regarding clarification. Your RSVP will be required to assure adequate space and building access security for participants. (RSVP to RenewableRFP@pnmresources.com)

Date: Monday, November 25, 2013
Time: 1:00 pm – 3:00 pm, Mountain Time
Where: PNM Headquarters Building
414 Silver Ave. SW
Albuquerque, N.M., 87102-3289
Webinar Details: To be posted at RFP Bid Site

Notice of Intent to Respond

In order to identify persons or entities interested in submitting a Proposal, and for those persons or entities to receive any subsequent information distributed in the proposal process, interested parties should submit via the PNM RFP Web Site a *Notice of Intent to Respond* on or before **4:00 P.M. Mountain Time on Tuesday, December 3, 2014**. The form can be downloaded at the RFP Bid Site.

<https://www.poweradvocate.com/pR.do?okey=38985&pubEvent=true>

Proposal Content

Renewable Resource Needs for 2016

Rule 572 sets an RPS requirement for renewable energy or RECs at 15% of PNM's retail sales. This figure is subject to some adjustment for limitations on cost impacts on customers. The precise amount of forecasted need for 2016 renewable energy credits is also subject to variability in several factors. These include PNM's sales, customer rate levels, renewables costs and the actual production levels that PNM renewable generating plants will produce in 2016. PNM's current estimates for the additional amount needed to meet the 2016 requirement to be up to 150,000 MWh. This amount is in addition to the renewable resources in the Company's current renewable portfolio. Proposals that provide greater amounts will be considered, but the additional amounts of renewable energy credits will not be valued as contributing to the RPS needs.

Renewable Resource Diversity

Rule 572 sets renewable energy diversity targets as part of PNM's RPS. In 2015, PNM is to comprise at least 20% of its renewable energy sourcing from solar energy resources, 30% from wind resources, 3% from renewable distributed generation and 5% from "other" category resources. The "other" category resources are defined as renewable energy that is non-wind and non-solar. PNM is expected to meet the diversity requirements in 2016 with the Company's current resource portfolio. PNM currently has wind resources in excess of the diversity requirement for wind of 30% and distributed generation resources in excess of its diversity requirement of 3% and expects by 2015 to have sufficient solar and "other" resources to meet those diversity requirements. Accordingly, this RFP is an "all-source" solicitation for proposals of any type of qualifying renewable resources. Qualifying energy or RECs from any renewable type can be used to fulfill the overall renewable procurement requirement.

Wind, solar, distributed generation and "other" Proposals may be considered for supplying additional generation needs beyond the RPS mandated 2016 procurement needs. These additional amounts of renewable energy resources will be evaluated in comparison to all options for generation supplies, not just in comparison to other renewables. The table below summarizes the RPS requirements as provided in Rule 572.

	Overall <u>Renewable</u>	Diversity (Min % of Renewables)			
		<u>Wind</u>	<u>Solar</u>	<u>Other</u>	<u>Distrib Gen</u>
2014	10.0%	30.0%	20.0%	5.0%	1.5%
2015	15.0%	30.0%	20.0%	5.0%	3.0%
2016	15.0%	30.0%	20.0%	5.0%	3.0%
2017	15.0%	30.0%	20.0%	5.0%	3.0%
2018	15.0%	30.0%	20.0%	5.0%	3.0%
2019	15.0%	30.0%	20.0%	5.0%	3.0%
2020	20.0%	30.0%	20.0%	5.0%	3.0%

Pricing

All pricing must be in terms of current year US dollars and should include all costs to deliver energy and any costs associated with compliance with Rule 572, including WREGIS registration and transfer fees, if applicable. If bidding a starting price that escalates out over future years, the escalation must be explicitly stated and must not include adjustments occurring more than once

annually. Bids tied to an inflation rate or other indexing will be excluded. Bid pricing should remain valid through December 2014.

Solar Photovoltaic Energy Facilities -- PNM-Designated Sites

PNM has obtained site control for locations suitable for installation of solar energy facilities. Information on those sites is contained in documents available at the RFP Bid Site. Respondents may submit proposals for new facilities to be built on these PNM-designated sites, existing solar facilities or new solar facilities on sites other than these designated sites. Proposals for solar facilities on other sites must reflect and specify costs associated with delivery to PNM system interconnection. The PNM-designated solar sites can accommodate up to 10 MW AC of capacity. On these sites only, PNM will be responsible for site development including land acquisition, surface grading, site development permitting and interconnection. PNM will not consider PPA proposals on the PNM-designated sites.

Transmission

PNM has determined transmission costs for the PNM-designated solar sites and PNM will evaluate those costs for solar project bids proposed for those sites. For all other sites, expected transmission interconnection will be the financial and logistical responsibility of the Respondent. Transmission costs relating to system upgrades and interconnection should be identified and explicitly broken out in the Respondent's Proposal. The schedule for transmission service procurement should also be identified in Respondent's Proposals. Transmission wheeling charges, if any, to deliver capacity to the PNM system, will be incorporated in the evaluation of the Proposal. This applies to wind, other and solar projects at sites other than the PNM-designated solar sites.

For the PNM-designated solar sites, PNM will submit an application for interconnection under the Small Generator Interconnection Procedures ("SGIP") of the PNM Open Access Transmission Tariff ("OATT"). PNM is considering proposals for facilities of 10 MW or less in size, and any site may be subject to a reduction in size, depending on the location and the SGIP Study results. All interconnections will be made to PNM's distribution system at distribution voltage. PNM anticipates that the SGIP Study and the associated Small Generator

Bid Forms – Information Requested

All Respondents must submit as part of their Proposal completed RFP Form Sheets, which are part of the bid submittal process on the PNM Bid Site. All Proposals must include the information required in this RFP and Respondents should endeavor to provide complete responses.

PNM reserves the right to modify the terms and conditions of these forms or any attachments to this RFP.

Submission and Information Forms

Bid forms are located on the PNM Bid Site. Respondents should review each form to determine applicability to your bid. Forms are listed here for reference. Respondents should not rely on this list for completeness, but should refer to the PNM Bid Site forms.

- Respondent Information Sheet (Sheet 1)
- Notice of Intent to Respond (Sheet 2)
- RFP Submission Certification (Sheet 3)
- Executive Summary (Form A)
- Project Description and Site Selection (Form B)
- Project Costs/Pricing (Form C)
- Transmission (Form D)
- Environmental and Fuel (Form E)
- Credit and Financial Assurance (Form F)
- Project Plan and Schedule (Form G)
- Project Resource Performance (Form H)

Respondent Information Sheet (Sheet 1)

This information sheet provides PNM with official contact information regarding your company and your bid. The data sheet is located under the “3. Commercial Data” tab on the RFP Bid Site.

Notice of Intent to Respond (Sheet 2)

PNM requires that Respondents provide advance notice that they intend to submit a bid proposal. This notice must be submitted through the “3. Commercial Data” tab on the RFP Bid Site.

RFP Submission Certification (Sheet 3)

Official submission of the final proposal must be accompanied by this certification sheet. PNM asks that the form be printed, filled out, signed and then a pdf format copy uploaded to the bid submittal section of the RFP Bid Site. The certification sheet is located under Tab 3 “Commercial Data” on the RFP Bid Site.

Executive Summary (Form A)

The executive summary should provide a description of the project including technology and location of the facility. The summary should address the type of commercial/financing structure (i.e. design-build-transfer or PPA arrangement) and an overview of the pricing structure. The summary should be in the form of a document or documents that will be uploaded at Tab “2. Upload Documents” on the RFP Bid Site. If multiple documents are uploaded, please identify a summary document as “Executive Summary”. Other documents might include site maps, transmission diagrams or photos and to facilitate easy review by PNM, these should be identified as clearly as possible.

Project Description and Site Selection (Form B)

This information identifies project location and provides descriptive information. It is important to respond to each question, even if that information has been provided elsewhere in the submittal. In particular, Respondents proposing solar photovoltaic projects must indicate the project site. PNM has identified certain sites for such development that meet PNM’s criteria for interconnection. Solar projects at other locations are also welcomed, but Respondents must include costs and plan descriptions for interconnecting the facility to PNM’s transmission/distribution system. The data sheet is located under Tab “3. Commercial Data” on the RFP Bid Site.

Project Costs/Pricing (Form C)

Two data sheets are available for submitting pricing data. One is for turnkey (design-build-transfer) projects, the second is for sales of energy and/or RECs under a power purchase agreement. For turnkey projects, Respondents should provide an estimate of operating and

maintenance costs, fuel expenses and any other costs expected to be incurred over the operating life of the facility. PPA projects should identify all energy, fixed and REC costs over the life of the agreement.

All pricing must be in terms of on-year US dollars and should include all costs to deliver energy and any costs associated with compliance with Rule 572, including WREGIS registration and transfer fees, if applicable. If bidding a start price that escalates over future years, the escalation must be explicitly stated and must not include adjustments occurring more than once annually. Bids indexed to an inflation rate or other indexing will be excluded. Bid pricing should remain valid through December 31, 2014. The data sheets are located under Tab “5. Pricing Data” on the RFP Bid Site.

For PPA proposals, PNM may require Respondents to provide certain information concerning the supplying entity. The information may be needed by PNM to fulfill its financial reporting requirements. The required information would consist of the information necessary, in PNM’s sole discretion, to enable PNM to determine if the supplying entity is considered a “variable interest entity” as defined under GAAP and if the supplying entity’s financial information is required to be consolidated in PNM’s financial statements. In addition, depending on the circumstances of the arrangements, the supplying entity may be required to provide its financial statements and other financial information to PNM on a monthly, quarterly, and annual basis within the timeframes PNM routinely closes its books and prepares its financial statements.

Transmission (Form D)

The Form D submittal should be in the form of a document or documents that will be uploaded at Tab “2. Upload Documents” on the RFP Bid Site. A Form D guide is included in Tab “1. Download Documents” section, which identifies information needed regarding transmission.

PNM has determined transmission costs for the PNM-designated solar sites and PNM will evaluate those costs for solar project bids proposed for those sites. For all other sites, expected transmission costs relating to system upgrades and interconnection should be

explicitly broken out in the Respondent's Proposal, and will be the financial and logistical responsibility of the Respondent. The schedule for transmission service procurement should also be identified in all Respondent's Proposals. Transmission wheeling charges, if any, to deliver capacity to the PNM system, will be incorporated in the evaluation of the Proposal. This applies to wind, other and solar projects at sites other than the PNM-designated solar sites.

For facilities at locations other than the PNM-designated sites, energy delivery points for Northern New Mexico ("NNM") proposals which are located within the Western Electricity Coordinating Council ("WECC") central New Mexico Path 48 transmission boundary ("Path 48") and interconnected directly to PNM are preferred. Energy delivery points for Southern New Mexico ("SNM") proposals which are located within the WECC Path 47 transmission boundary are acceptable, but will be evaluated assuming additional wheeling costs for delivery to northern New Mexico loads. PNM will consider other delivery points on a case-by-case basis and will add applicable wheeling costs in the evaluation phase. Resources located outside of Path 48 may require replacement with load-side resources at times of transmission congestion, causing PNM to incur an energy penalty. This will be considered in the evaluation phase of the RFP. Transmission system maps which identify Path 47 and Path 48 can be found in Attachments at the end of this RFP.

Environmental and Fuel (Form E)

Information regarding environmental impacts and fuel use are to be submitted on a data sheet. This includes any emissions estimates associated with the project. The data sheets are located under Tab "4. Technical Data" on the RFP Bid Site.

The Respondent is responsible for meeting all required federal, state and local permits, licenses, approvals and variances that may be required to assure physical delivery of capacity and associated energy in accordance with their proposal for each site. Each proposal should discuss the following:

1. Describe project location, the merits of the selected site, and the proposed land rights. Respondents should provide copies or summaries of leases, easements, rights

- of way and/or other ownership documents that demonstrate that the Respondent has legal control of the proposed site.
- 2) Describe all state and federal permits approvals or consultation you anticipate obtaining for each site proposed related to water rights acquisition, water usage and storage, clean water act permits (Section 401, 402, 404 and others), risk management plans for hazardous chemicals including SARA reporting, migratory bird protection, endangered species review, cultural resource protection, air pollution new source review and construction permitting, Title V operating permits, and transportation permits.
 - 3) Describe all local permits and approvals you anticipate obtaining for each site proposed including re-platting, rezoning, electric facility plan amendments, site development permits, special use permits and building permits.
 - 4) Describe all additional easements, access rights and land that will need to be acquired and the timing and risk associated with each.
 - 5) Indicate to what extent your firm has developed and implemented an Environmental Management System.
 - 6) Describe methods for measurement and recording of emissions.
 - 7) Describe estimated air emissions from all project sources and proposed and optional engineering and process controls.
 - 8) For each generation combination of technology and fuel proposed provide a table detailing emission profiles as indicated required Form B; indicate if results are variable by elevation.
 - 9) Detail all hazardous and non-hazardous wastes (handling and disposal) used during construction, operation and maintenance.
 - 10) Water acquisition and usage including water conservation methods and gallons per MWh consumption rates.

Credit and Financial Assurance (Form F)

A Credit information data sheet is located under Tab “3. Commercial Data” on the RFP Bid Site. The Respondent must be able to satisfy PNM’s credit standards to ensure the Respondent has adequate financial capability. Execution of an agreement under this RFP is conditional upon full satisfaction of any PNM credit support requirements. PNM requires qualified Respondents to either have an investment grade rating (S&P BBB- or above;

Moody's Baa3 or above), or have sufficient equity security to cover Respondent's anticipated delivery obligations under any contract entered into as a result of this RFP process. The following items should be provided in each Respondent's proposal:

- Standard & Poor's or Moody's Credit Rating of Respondent or its parent company, if parent is providing financial support.
- Copies of audited financial statements for the last three fiscal years for Respondent or, if applicable, for the Credit Support Provider/Guarantor.

If Respondent is unable to satisfy the foregoing credit standards, Respondent may designate a Credit Support Provider/Guarantor, and if the Credit Support Provider/Guarantor is satisfactory to PNM, the Respondent shall be deemed to have satisfied PNM's credit standards. The quality of credit of the proposed Credit Support Provider/Guarantor will be evaluated under the same standards as that of the Respondent.

PNM requires Respondents to submit audited financial statements for the last three fiscal years for Respondent or, if applicable, for the Credit Support/Provider/Guarantor for credit scoring purposes. Respondents should either post copies of these statements or provide a link to web site containing those financial statements.

Respondents should address any pending issues (regulatory, legal, environmental, technical or otherwise) with this proposed resource(s) that would affect the ability to impact the project schedule. PNM reserves the right to require additional credit standards and to review and evaluate the quality of credit of each Respondent and Credit Support Provider/Guarantor and to make adjustments, as necessary, in the application of the foregoing standards.

Project Plan and Schedule (Form G)

The Form G submittal should be in the form of a document or documents that will be uploaded at Tab "2. Upload Documents" on the RFP Bid Site. A Form G guide is included in the Tab "1. Download Documents" section, which describes information requested regarding the project construction/development plan. Also, to be included is a discussion of plans for stakeholder communications and stakeholder engagement. This should include

a small business outreach discussion, reflecting efforts to be undertaken to support local, small and women/minority-owned business participation in the renewable energy procurement process.

Project Resource Performance (Form H)

Information regarding generation output projections and other performance measures on a data sheet. This includes generating capacity, typical generation patterns by 24-hour cycle or seasonal cycles, maintenance outages and other production attributes of the project. The data sheets are located under Tab "4. Technical Data" on the RFP Bid Site.

REC- Only Proposals

A bid submittal for RECs without a sale to PNM of associated energy must also provide information requested in these forms. This is to assure the RECs are WREGIS qualified. For RECs that have been produced and registered in the past, Form A (demonstration/warranty of registration) and Form C (pricing) must be submitted. For RECs-only proposals offering RECs that will be generated in future years, all forms must be completed so that PNM may be able to assess project viability.

Multiple Bid Submittals

A Respondent may submit multiple proposals through the RFP Bid Site. All information that varies between proposals must be submitted separately. Information that does not change (e.g. credit) need not be resubmitted for each bid.

Confidentiality

PNM will take reasonable precautions and use commercially reasonable efforts to protect any claimed proprietary and confidential information contained in a Proposal, provided that such information is clearly identified by the Respondent as "PROPRIETARY AND CONFIDENTIAL MATERIAL". Notwithstanding the foregoing, PNM in its sole discretion may release such information: (1) to any external contractors for the purpose of evaluating Proposals, but such contractors will be required to observe the same care with respect to disclosure as PNM; (2) to others who have a need for such information for purposes of evaluating the RFP and the Proposals, the RFP process or the agreement resulting from the RFP process, including but not limited to the Commission, its employees, staff, consultants and/or agents, and other parties, their

consultants and/or agents, to any NMPRC proceedings relating thereto; or (3) if PNM is requested or compelled to disclose such information (or portions thereof) (i) pursuant to subpoena or other court or administrative process, (ii) at the express direction of any agency with jurisdiction over PNM, or (iii) as otherwise required by law. If PNM determines that the release of such information will be made under one of the circumstances set out above, PNM will provide Respondent with written notice. PNM is under no duty or requirement to Respondent to withhold such information if, in PNM's judgment, there is a need to provide it under the circumstances described above. Under no circumstances will PNM, or its directors, management, employees, agents or contractors be liable for any damages resulting from the disclosure of Respondent's claimed proprietary and confidential information during or after the RFP process. By submitting a Proposal in response to this RFP, Respondent acknowledges and agrees to the requirements in this provision concerning confidentiality.

In the event PNM uses internal, proprietary projections in its evaluation process, the resulting projections will not be shared with Respondents.

Collusion

By submitting a Proposal to PNM in response to this RFP, the Respondent certifies that the Respondent has not divulged, discussed, or compared its Proposal with other Respondents and has not colluded whatsoever with any other Respondent or parties with respect to this or other Proposals; provided, however, that this provision does not and is not intended to prevent multiple parties from making a joint Proposal in which the roles and responsibilities of each party are clearly delineated in the Proposal.

Compliance with Law

Each Respondent shall ensure that its Proposal is in full compliance with all applicable Federal, State and local laws, rules, regulations or other requirements.

Evaluation of Proposals

An initial review of each Proposal will be performed to determine if all required information has

been provided. Material deficiencies will disqualify a Proposal from further consideration, and the Respondent will be notified in such event. After initial review, PNM anticipates a two-phase proposal and evaluation process. From the Phase One evaluation results, a smaller list of projects will be determined, at which time Respondents may be requested to supply additional information. The unsuccessful Respondents will be notified that their Proposals will not be considered further. Respondents will be notified via the PNM RFP Bid Site that they have passed on to Phase Two of the process, whereupon additional evaluation will be conducted and the preferred renewable resource alternative(s) identified. Once the successful alternative(s) from that evaluation have been identified, PNM will pursue negotiations to secure renewable resources. Provided the parties successfully negotiate contract for the project, PNM will then make appropriate filings seeking approval with the Commission based on the negotiated terms of the purchase agreement(s).

Phase I

Proposals that have provided the required data will be passed to the initial screening phase of the evaluation. They will be evaluated individually for both the quality of the Proposals and the likelihood of achieving successful commercial operation under the terms proposed. Each Proposal will be scored using both price and non-price criteria. A Proposal's score from the non-price evaluation is combined with a price score to produce a ranked "short-list."

Respondents shall include sufficient detail for PNM to be able to evaluate all costs associated with the Proposal(s). Respondents should be aware that the evaluation in Phase I is based on both price and non-price evaluations (which are detailed below), therefore, the lowest price submittal may not be selected.

Non-Price Evaluation Process

The following will be given consideration in the non-price evaluation process:

- 1) Respondent creditworthiness, which includes a Respondent's managerial and financial qualifications.
- 2) Respondent's Engineering, Construction, Operating and Environmental Team qualifications.
- 3) Project Engineering Plan.
 - a) Detailed operations and maintenance plan for the project.
 - b) Preliminary engineering study describing the generation technology, emission control equipment and fresh water usage.
 - c) Detailed project critical path schedule identifying all important development elements and their timing.
 - d) Identification of the major equipment supplier(s) to be used for the project.
- 4) Product and equipment warranty protections.
- 5) Environmental and Siting Plan
 - a) An environmental assessment of the environmental feasibility for each site and all necessary right of ways.
 - b) A Respondent's Environmental Management System, i.e., how the Respondent handles the environmental risk associated with its operations.
 - c) An environmental milestone schedule addressing all requisite permits.
 - d) Detailed description of a water supply plan including a description of fresh water conservation efforts and usage.
- 6) Fuels Supply Plan (if needed)
 - a) A detailed assessment of current and future fuel supply, fuel contracts in place, fuel storage, and fuel transportation, as appropriate per technology type. Meteorological data, as necessary, to support projected energy and capacity values.
 - b) The Respondent shall demonstrate fuel supply stability and a robust supply chain for the duration of the plant life or contract life.
- 7) Preference will be given for NNM load-side locations, if within transmission Path 48.
- 8) Contribution to PNM's overall system reliability.
- 9) Operational flexibility of the Proposal.

- 10) Any potential for delay as the result of a Respondent's need for regulatory actions or approvals or for permitting licensing or transmission interconnection.
- 11) Ability to help PNM achieve the RPS resource diversity targets.
- 12) Ownership structure.
- 13) Geographic diversity of resources with respect to PNM's existing renewable portfolio.

Price Evaluation Process

PNM ranks and scores all Proposals from a cost standpoint. The price screening consists of measuring each Proposal's total cost impact, including:

- 1) Capital Costs and/or Capacity Costs
- 2) Fixed operation and maintenance costs
- 3) Variable production costs
- 4) Fuel and water costs
- 5) Transmission costs, including third party wheeling
- 6) Operational costs, including system regulation requirements as a result of the project
- 7) Other system benefits or costs, including impact to system losses
- 8) Financial impact to PNM such as impact to credit metrics, capital structure and financial statements
- 9) Opportunities for marketing of excess energy
- 10) Comparison to Reasonable Cost Threshold ("RCT") rate impact cost criterion contained in Rule 572
- 11) Any additional costs that are required, but not provided for in the proposal
- 12) Tax implications

Proposals are scored and ranked on the basis of minimizing the net present value of ratepayer revenue requirements (i.e. total cost impact). Proposals with a low total cost impact on the PNM system will receive a higher score than Proposals with a high total cost impact.

Phase II

In the short list evaluation, Proposals are further evaluated on credit quality, price and non-price factors, including value to PNM and its customers. A Proposal's impact on PNM's system

production costs is determined in analysis consistent with PNM's integrated resource planning ("IRP") evaluation methodology. This is designed to reflect all differentiation in Proposal costs or benefits, such as contribution to peak load capacity, system reliability, impact on PNM's "Reasonable Cost Threshold" and risk mitigation. Determination of that methodology is at PNM's sole discretion. From the final set of selected Proposal alternatives, PNM will determine the preferred alternative or combination of alternatives to meet the RPS.

Credit Quality

Credit quality of the Respondent is an important factor in the selection process. PNM will utilize the lower of the published credit ratings from Standard & Poor's Ratings Group ("S&P") or Moody's Investor Services, Inc. ("Moody's") for long-term senior unsecured debt to determine a Respondent's credit rating. PNM may also consider credit rating by other credit agencies. Execution of an agreement under this RFP is conditional upon full satisfaction of any PNM credit support requirements.

If Respondent is proposing a PPA, the bid must demonstrate credit support and/or collateral value sufficient to provide surety of contract performance over the full contract term.

PNM reserves the right to require additional credit standards and to review and evaluate the quality of credit of each Respondent and to make adjustments, as necessary, in the application of the foregoing standards.

PNM Reservation of Rights and Disclaimers

Nothing in this RFP constitutes an offer or acceptance by PNM, and PNM hereby disclaims any intent for this RFP to constitute a binding contract between PNM and any Respondent. PNM retains the right to determine, in its sole discretion, the value to PNM and its customers of any and/or all Proposals. PNM reserves the right to negotiate with a Respondent or Respondents after submission of a Proposal. PNM further reserves the right to negotiate with only those Respondents whose Proposals, as PNM determines in its sole discretion, have a reasonable likelihood of being executed. In the event negotiations with a Respondent or Respondents do not

produce a final and fully executed contract satisfactory to PNM and authorized by the Commission, without material changes, for inclusion in PNM's renewable supply portfolio, PNM reserves the right to pursue any and all other resource options available to it.

PNM may reject any Proposal that it determines, in its sole discretion:

- Does not meet the minimum requirements set forth in the RFP; or
- Does not include all required elements under NMPRC Rule 572; or
- Is not economically competitive with other Proposals.

PNM reserves the right, without qualification and in its sole discretion, to accept or reject any or all Proposals for any reason at any time after submittal without explanation to the Respondent, or to enter into an agreement at any time with a Respondent who, in the opinion of PNM, will provide the most value to PNM customers. PNM also reserves the right to contract with other than the lowest price Respondent or with other than the Respondent evidencing the greatest technical ability, if PNM, in its sole discretion, determines that to do so would result in the greatest value to PNM customers.

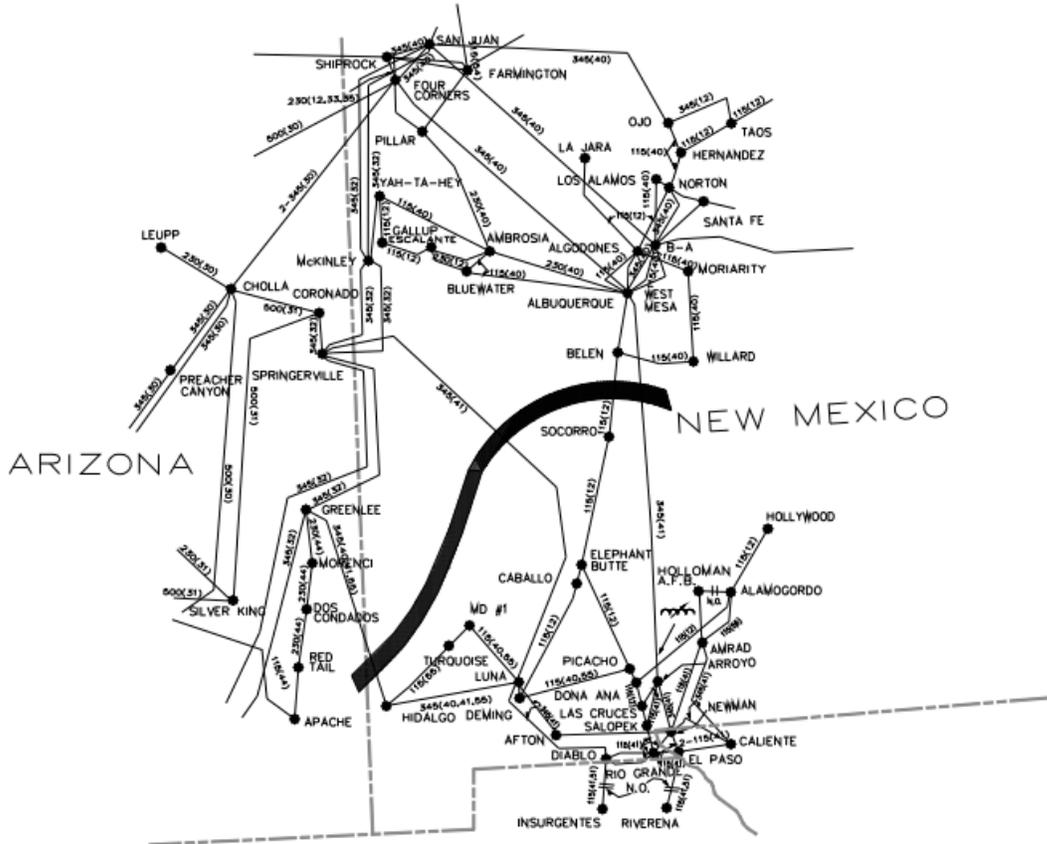
PNM, in its sole discretion, may decline to enter into an agreement with any Respondent, and may terminate negotiations with any Respondent, at any time during the process.

Those Respondents who submit Proposals do so without legal recourse against PNM, PNM's parent company or affiliates, and the directors, management, employees, agents or contractors of any of them, due to (1) PNM's rejection, in whole or in part, of their Proposal; (2) PNM's rejection, modification, delay or withdrawal, in whole or in part, of this RFP; (3) failure to execute any agreement; and (4) any other reason arising out of this RFP. PNM shall not be liable to any Respondent or to any other party, in law or equity, for any reason whatsoever relating to PNM's acts or omissions arising out of or in connection with the RFP process.

Respondent shall be liable for all of its costs, and PNM shall not be responsible for any of Respondent's costs, incurred to prepare, submit, or negotiate its Proposal, a definitive agreement or any other activity related thereto.

PNM reserves the right, at any time, to establish a minimum and/or maximum amount of energy and/or RECs to be acquired from any one Respondent.

47. Southern New Mexico (NM1)



48. Northern New Mexico (NM2)

