



Main Offices
 414 Silver Ave. SW
 Albuquerque, NM 87102

Required Customer Communication

To PNM Customers:

The enclosed document is required by the New Mexico Public Regulation Commission. The purpose is to provide you with notice of a Public Regulation Commission proceeding and hearing.

The notice:

- describes the Public Regulation Commission proceeding.
- describes how you can participate in this process if you choose to do so.

If you **do** wish to participate in this process, the attachment provides details on how to take part. If you **do not** wish to participate in this process, no action is required on your part.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE PETITION)	
OF PUBLIC SERVICE COMPANY OF NEW)	
MEXICO FOR ENERGY EFFICIENCY)	
DISINCENTIVE IDENTIFICATION AND)	
REMOVAL MECHANISM APPROVALS)	Case No. 18-00043-UT
)	
PUBLIC SERVICE COMPANY OF NEW)	
MEXICO,)	
)	
Petitioner.)	

NOTICE OF PROCEEDING AND HEARING

NOTICE is hereby given that:

On March 2, 2018, Public Service Company of New Mexico (PNM) filed a Petition for Approval of Disincentive Mechanism (“Petition”) with the New Mexico Public Regulation Commission (Commission or NMPRC) to approve a Lost Contribution to Fixed Cost (LCFC) rider rate mechanism in order to recover disincentives to PNM’s energy efficiency and load management programs pursuant to the New Mexico Efficient Use of Energy Act (EUEA), NMSA 1978, §§ 62-17-1 to -11 (2005, as amended through 2013). The EUEA directs the Commission to identify regulatory disincentives or barriers for public utility expenditures on energy efficiency and load management programs and ensure they are removed in a manner that balances the interests of the public, consumers, and investors. Section 62-17-5(F).

PNM asserts that without an effective mechanism that addresses and helps remove disincentives, PNM cannot fully develop energy efficiency and load management as a key resource in PNM’s transition to sustainable energy. PNM proposes to eliminate disincentives through its LCFC mechanism to enable PNM to recover fixed costs that PNM claims it would not otherwise recover through its base rates due to the impacts of PNM’s Commission-approved energy efficiency and load management programs. PNM asserts the LCFC mechanism would compensate PNM for a portion of lost revenue resulting from energy efficiency and load management programs.

In the stipulation approved by the Commission in PNM’s 2016 Rate Case (Case No. 16-00276-UT), NMPRC Staff and the intervenors who joined the stipulation obtained a commitment from PNM to defer its request in 15-00261-UT (PNM’s 2015 Rate Case) for this LCFC recovery mechanism to a separate proceeding. Paragraph 26 of the stipulation states, “the Signatories agree that a new docket should be opened for a hearing on EUEA disincentive identification and removal issues for PNM, the outcome of which would be implemented as part of PNM’s next general rate case. The Signatories agree that resolution of this issue within a new docket is timely and appropriate, and that the deferred implementation of that resolution to PNM’s next rate case addresses the issues identified in the Stipulation Order. PNM shall file a petition to open this new docket within thirty (30) days after a Final Order in this case.” In its order approving the stipulation, the Commission did not endorse the LCFC or any other type of mechanism or proceeding to identify and remove any disincentives in accordance with Section 62-17-5(F) of the EUEA, but also recognized PNM’s right to file a petition. PNM’s Petition states that the purpose of a separate docket in advance of PNM’s next rate case is to allow stakeholders the opportunity to examine PNM’s proposal, explore other solutions, and test how effectively they would work.

Accordingly, notice is hereby given that in addition to consideration of PNM’s proposed mechanism, parties to the proceeding may propose alternative disincentive mechanisms, which might include modifications to PNM’s proposal, the recovery of some or all fixed costs through fixed charges to customers, decoupling, or other ratemaking and rate design methodologies. Consequently, as a result of these proceedings, the Commission may approve, modify, or deny PNM’s proposed LCFC, or may approve an alternative proposal presented by another party. An alternative or modified proposal, if approved by the Commission, could have different rate impacts than the mechanism proposed by PNM and could at times reduce customer rates depending on the particular circumstances.

PNM is petitioning the Commission to approve a recovery mechanism in this proceeding for implementation through charges and factors to be established in PNM’s next rate case. Should the Commission approve the proposed mechanism or other mechanisms that may be proposed in this case, any approved mechanism would be included in the calculation of new rider rates in future rate proceedings. If the LCFC mechanism was implemented as proposed, using cost allocations approved by the Commission in the 2015 Rate Case, PNM estimates it would have collected on average approximately \$7.3 million per year for the ten-year period 2011 through 2022.

PNM proposes to implement this mechanism for only the residential and small power rate schedules. PNM asserts the existing rate structures for those two rate classes create the greatest disincentives for energy efficiency and load management. The estimated historical potential bill increases for an average residential customer would vary from approximately \$0.00 to \$2.29 per month. This represents an average residential bill increase of approximately 0.00% to 3.43% on a current monthly bill. For the average-use small commercial customer, the mechanism would have resulted in an increased monthly charge ranging between

\$0.00 and \$3.20 per month, which represents a bill increase of approximately 0.00% to 1.72% on a current monthly bill. Future bill increases may vary and will be a function of the evaluated energy efficiency savings and the amount of fixed costs embedded in the volumetric rates established by the Commission for the residential and small power classes. If the Commission approves an alternative or different proposal than the one submitted by PNM, the rate impacts could be different and could involve rate reductions.

The Commission has assigned Case No. 18-00043-UT to this proceeding, and all inquiries, pleadings or written comments concerning this matter should refer to that case number. Further information regarding this case can be obtained by contacting PNM or the Commission at the addresses and telephone numbers set forth below. Additional details regarding the procedural requirements for this proceeding are provided in the Procedural Order issued by the undersigned Hearing Examiner on April 24, 2018.

The present procedural schedule for this case is as follows:

- a. Any person desiring to become a party ("intervenor") in this case shall file the original and five copies of a motion for leave to intervene in conformity with Rules 1.2.2.23(A) and 1.2.2.23(B) NMAC on or before June 27, 2018. Interested Persons may provide comments on this case without becoming a party may do so without intervening.
- b. PNM shall coordinate one or more Technical Workshops with interested persons regarding the proposed mechanism beginning at 9:30 a.m. on June 13, 2018, at PNM's headquarters in Albuquerque, New Mexico. PNM may coordinate with parties in advance of the initial workshop on technical matters and parties may convene additional workshops.
- c. All dispositive motions shall be filed on or before June 29, 2018.
- d. On or before August 10, 2018, Direct Testimony shall be filed by any party other than PNM proposing an alternative method to remove regulatory disincentives in accordance with the EUEA.
- e. Response Testimony to the direct testimonies filed by PNM and other parties may be filed on or before September 18, 2018.
- f. Rebuttal Testimony may be filed by parties on or before October 12, 2018.
- g. A public hearing on this matter shall be held beginning on October 30, 2018, commencing at 9:30 a.m. MDT in the Ground Floor Hearing Room of the Commission in the P.E.R.A. Building, 1120 Paseo de Peralta, Santa Fe, New Mexico, and continuing thereafter until concluded.

Interested persons should contact the Commission at (505) 827-6956 for confirmation of the hearing date, time, and place since hearings are occasionally rescheduled or, if deemed not required, canceled at the discretion of the Hearing Examiner or Commission.

Interested persons may appear at the time and place of hearing and make oral or written comment pursuant to 1.2.2.23(F) NMAC without becoming an intervenor. Comments shall not be considered as evidence in this case. Written comments, which shall reference Case No. 18-00043-UT, also may be sent to the Commission at the following address:

New Mexico Public Regulation Commission
P.E.R.A. Building
1120 Paseo de Peralta
P.O. Box 1269
Santa Fe, NM 87504-1269
Telephone: 1-800-663-9782

The procedural dates and requirements of this case are subject to further order of the Commission or Hearing Examiner. The Commission's Rules of Procedure, 1.2.2.1 through 1.2.2.40 NMAC shall apply to this case except as modified by order of the Commission or Hearing Examiner. A copy of such Rules may be obtained from the offices of the Commission and are available at the official NMAC website, <http://www.nmcp.state.nm.us/nmac/>.

PNM's Petition, together with supporting pre-filed direct testimony, and any exhibits and related papers, may be examined by any interested person online at the PNM website at <https://pnm.com/regulatory> or in person at the offices of PNM at the following address:

Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, NM 87102
Telephone: (505) 241-2700

The public record for this case is accessible on the Commission's website at <http://www.nmprc.state.nm.us/> under Case Lookup E-docket or examined in person at the Commission's Records Bureau in the P.E.R.A. Building, 1120 Paseo De Peralta, Santa Fe, New Mexico, (505) 827-6968.

Anyone filing pleadings, testimony, and other documents shall file either in person with the Commission's Records Bureau in the P.E.R.A. Building in Santa Fe, New Mexico, or by mail addressed to: Records Bureau, New Mexico Public Regulation Commission, P.E.R.A. Building, P.O. Box 1269, Santa Fe, New Mexico, 87504-1269. The following physical address of the Commission shall be used only for special or hand-deliveries: 1120 Paseo de Peralta, Santa Fe, NM 87501. Copies of all filings shall be served on the parties of record and Staff on the date of filing as specified in the most recent Certificate of Service ("Official Service List") issued in this case. Copies of all filings shall be e-mailed on the date filed to the Hearing Examiner at anthony.medeiros@state.nm.us by no later than 5:00 p.m. Mountain Prevailing Time. Copies of filings emailed to the Hearing Examiner shall include the Word or other native version of the filing (e.g., Excel or Power Point) if created in such format.

ANY PERSON WITH A DISABILITY REQUIRING SPECIAL ASSISTANCE IN ORDER TO PARTICIPATE IN THIS PROCEEDING SHOULD CONTACT THE COMMISSION AT LEAST 24 HOURS PRIOR TO THE COMMENCEMENT OF THE HEARING.

ISSUED at Santa Fe, New Mexico this 25th day of April 2018.

NEW MEXICO PUBLIC REGULATION COMMISSION

**Anthony F. Medeiros
Hearing Examiner**