

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE)	
COMPANY OF NEW MEXICO’S)	
APPLICATION FOR APPROVAL OF PURCHASED)	
POWER AGREEMENTS, ENERGY STORAGE)	
AGREEMENTS, AND CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY FOR SYSTEM)	Case No. 24-00271-UT
RESOURCES IN 2028)	
)	
PUBLIC SERVICE COMPANY OF NEW MEXICO,)	
)	
Applicant)	
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PUBLIC SERVICE COMPANY OF NEW MEXICO’S APPLICATION FOR APPROVAL OF PURCHASED POWER AGREEMENTS, ENERGY STORAGE AGREEMENTS, AND CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR SYSTEM RESOURCES IN 2028

Public Service Company of New Mexico (“PNM” or the “Company”) files its *Application for Approval of Purchased Power Agreements, Energy Storage Agreements, and Certificate of Public Convenience and Necessity for System Resources in 2028*. New Mexico’s Energy Transition Act (“ETA”) requires PNM to supply one hundred percent of all retail electricity sales with zero carbon resources by January 1, 2045. This Application facilitates PNM’s continued progress toward meeting the ETA requirements while adding new resources to meet expected customer needs and modern reliability standards.

PNM requests the Commission approve the resource additions necessary to meet peak load requirements in 2028. PNM is seeking approval of 1) a Long-Term Purchase Power Agreement (“PPA”) for the Valencia Power Plant, 2) addition of approximately 300 MW of battery energy storage through energy storage agreements (“ESAs”), and 3) a certificate of public convenience and necessity (“CCN”) for a utility-owned 100 MW solar / 30 MW battery energy storage system (“BESS”) located in the Central Consolidated School District (“CCSD”). Additionally, PNM’s

application provides an option for consideration to increase the 30 MW battery located into the CCSD by an additional 20 MW BESS, for a total of 50 MW BESS.

The portfolio of resources included in this Application will provide cost effective and reliable service while keeping on track to meet the ETA requirements and PNM's target to provide service from 100% carbon-free generation by 2040.

I. SUMMARY AND TIMING OF REQUESTED APPROVALS

PNM's Application seeks Commission approval of a proposed resource portfolio that includes: a PPA for the Valencia Power Plant that includes 167 MW of capacity; an ESA for Sun Lasso BESS, a four-hour battery project with 150 MW capacity; Corazon BESS a four-hour battery project with 150 MW capacity; and a utility-owned combined solar project with 100 MW of solar capacity and 30 MW of four-hour battery storage, referred to as the Sunbelt Project. PNM included an option to increase the Sunbelt Project's 30 MW of four-hour battery storage to 50 MW.

PNM requests approval of the PPA and ESAs pursuant to 17.9.551 NMAC, Prior Approval of Power Purchase Agreements (the "PPA Rule"). The PPA Rule requires the Commission to issue a final order acting on an application for approval of a PPA or ESA within six months of the date the application is filed, or the application is deemed approved.

PNM also requests approval of a CCN for the Sunbelt Project pursuant to NMSA 1978, Section 62-9-1 (2019), which requires the Commission issue an order granting or denying an application for a CCN within nine months of the initial filing date, unless the Commission extends the nine-month statutory period for an additional six months for good cause shown.

PNM's request for approval of the PPA and ESAs waives the six-month timeframe for the PPA and ESAs, and requests approval of all resource additions within a nine-month timeframe, without an extension of the statutory period for final action by the Commission. However, if approval of

the CCN for the Sunbelt Project exceeds nine-months, then PNM requests the PPA and ESAs are approved within the nine-month timeframe. PNM entered an Engineering, Procurement, and Construction (“EPC”) contract with Gridworks as contractor to build the Sunbelt Project. The Gridworks EPC agreement requires an unappealable order approving PNM’s application for CCN by September 1, 2025, to achieve a commercial operation date prior to the 2028 summer peak season. Therefore, PNM further requests the Commission issue a final order approving the CCN and the PPA and ESAs requested by August 1, 2025.

II. SUPPORT FOR APPLICATION

1. PNM files its Application pursuant to and in accordance with 17.9.551 NMAC and NMSA 1978, Section 62-9-1. 17.9.551 NMAC establishes general requirements for filing an application for approval of long-term PPAs and ESAs and Section 62-9-1 establishes the requirements for a CCN application. The testimonies and exhibits filed with this Application discuss PNM’s proposed portfolio of resources’ satisfaction of these regulatory and statutory requirements.

2. PNM is a New Mexico corporation that owns, operates and controls public utility plant, property and facilities, including generation, transmission and distribution facilities that provide retail and wholesale electric service in New Mexico. PNM is a duly incorporated public utility subject to the jurisdiction of the Commission pursuant to the Public Utility Act, NMSA 1978, Sections 62-1-1 to 62-6-28 and Sections 62-8-1 to 62-13-15 (“PUA”). PNM is authorized to provide utility service within multiple municipalities and communities in various service areas throughout the state. As a public utility, PNM must provide adequate, efficient, and reasonable electric service pursuant to NMSA 1978, Section 62-8-2 (1953).

3. The testimonies and exhibits filed with this Application provide substantial factual support for PNM’s request for approval of 1) a long-term natural gas PPA; 2) two ESAs comprising

projects totaling 300 MW of four-hour battery energy storage; and a CCN for a 100 MW solar / 30 MW four-hour BESS. PNM included an option to increase the 30 MW of four-hour BESS included in the Sunbelt Project to a 50 MW BESS.

4. Each of the Application's requested approvals is summarized below.

Power Purchase Agreement:

Valencia Power Plant PPA – A new PPA for the Valencia Power Plant that would add an additional term to PNM's association at this facility until December 31, 2039. The Valencia Power Plant PPA is between PNM, as buyer, and Valencia Power LLC, as seller, for 167 MW of natural gas-fired generation at a rate of \$9.20/kW/month, a variable operations and maintenance charge of \$5.00/MWh, and a start charge of \$8,000 per start. This facility is already constructed and operating.

Energy Storage Agreements:

Sun Lasso ESA – A long-term ESA between PNM, as buyer, and Sun Lasso LLC, as seller, for the capacity of 150 MW_{AC} 4-hour battery storage at a rate of \$14.55/MWh over a twenty-year term. This project is located in Bernalillo County with an expected COD of January 15, 2028.

Corazon ESA – A long-term ESA is between PNM, as buyer, and Corazon Energy Storage LLC, as seller, for the capacity 150 MW_{AC} 4-hour energy storage at a rate of \$15.40/MWh over a twenty-year term. This project is located in Bernalillo County with an expected COD of December 31, 2027.

Certificate of Convenience and Necessity

Sunbelt Project – A certificate of public convenience and necessity for the Sunbelt Project, a utility self-build project for 100 MW of solar generation facilities coupled with a 30 MW_{AC} 4-hour energy storage system located in the Consolidated School District. The overall estimated capital cost for this project is \$220.4 million, with an expected COD in May 1, 2028. The option to increase the 30 MW_{AC} 4-hour energy storage system to 50 MW increases the capital cost to \$252 million.

5. PNM used a robust and competitive Request for Proposals ("RFP") and resource modeling analysis to identify, evaluate, and select for Commission approval the portfolio of resources presented in this Application. PNM enlisted the services of qualified experts to assist and conduct portions of the solicitation and evaluation processes. These analyses determined that the proposed

portfolio of resources is the optimum mix of generation resources that can be available by summer of 2028 to economically and reliably serve retail customers.

6. PNM's RFP resulted in a range of bid proposals to meet 2028 reliability needs. PNM's economic modeling and resource adequacy and reliability modeling demonstrate that the selected resources provide a resource portfolio that meets system reliability and customer load needs in 2028 at the lowest reasonable cost and at a lower cost than other resources bid into the portfolio. As a result, customers will benefit from PNM entering into the agreements at issue in this Application.

7. PNM also proposes the Sunbelt Project as additional carbon-free solar energy to PNM's portfolio, that when combined with the associated additional battery storage, helps firm up capacity during low wind and solar generation periods, and will help serve demand and energy requirements reflected in PNM's most recent load forecast. It is the lowest cost resource available in the CCSD, and supports future, additional growth on the system while adhering to the Energy Transition Act's initial locational preferences in moving PNM to a carbon-free portfolio.

8. PNM's analysis supports the selection of the PPA, ESAs, and CCN resources that in combination with each other, and when combined with PNM's generation portfolio, will result in adequate and reliable service to customers at a fair and reasonable cost.

9. The PPA and ESAs are sponsored by PNM Witness Barnard and are further supported by analyses detailed in other witness testimonies and exhibits. PNM's supporting testimonies and exhibits provide the necessary detail concerning the terms and conditions of the PPA and each ESA and the associated costs. The evidence presented shows that the PPA and ESAs are consistent with the provision of safe and reliable service at the lowest reasonable cost, considering both short- and long-term costs and other relevant factors set forth in the PPA Rule.

10. PNM's supporting testimony and analysis shows that the PPA and ESAs presented in this Application meet the public convenience and necessity standard applicable under the PPA Rule and Commission precedent. PNM has satisfied the information requirements of 17.9.551.8 NMAC and the agreements are needed, reasonable, and in the public interest.

11. The ESAs require PNM to pay for the batteries' availability. Through this structure PNM can avoid any recognition of lease liability and associated imputed debt. PNM compared the cost of this structure to fixed-price options by considering the effects of imputed debt on the PNM's capital structure.

12. PNM will recover the energy costs associated with the Valencia Power Plant PPA through its Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC") in accordance with Rule 551.9(A). PNM will seek recovery of demand charges associated with the Valencia Power Plant through base rates. PNM currently has a proposal before the Commission to recover ESA costs through PNM's FPPCAC in Case No. 24-00089-UT, PNM's rate case. If this proposal is not adopted, PNM will collect ESA costs through base rates when they are operational. PNM will seek recovery of the Sunbelt Project in a PNM general rate review filing where PNM seeks to adjust its base rates.

13. The Sunbelt Project meets the statutory criteria for issuance of a CCN for an energy storage system under NMSA 1978, Section 62-9-1(D). The project will reduce costs to ratepayers by locating the facility near an existing PNM substation and infrastructure, limiting transmission and substation expansion requirements. By utilizing the Sunbelt Project to store energy produced from renewable resources during off-peak load periods for discharge during peak load, PNM can reduce the use of fossil fuels for meeting demand. The Sunbelt Project will also aid in ensuring grid reliability, support increased diversification of energy resources, contribute to the reduction of air

pollutants resulting from power generation, and ensure efficient service to PNM's customers. The Sunbelt Project is the least-cost option for adding new resources (beyond PNM's least-cost portfolio) in the CCSD, as soon as practicable. PNM requests that the Commission grant PNM a CCN because the public convenience and necessity require the construction, ownership, and operation of the Sunbelt Project, which will ensure PNM's ability to provide reliable and efficient service more cost-effectively than the next-best alternatives.

14. Each of the resources proposed in this Application have approval date provisions written into their associated contracts to ensure project engineering and equipment purchases can occur to meet the 2028 installation dates. It is important to meet these deadlines because the costs of the projects otherwise may increase or become unavailable. These specified dates by which a non-appealable final order has been obtained are outlined below:

- The Valencia Power Plant: November 3, 2025
- The Sun Lasso Project: September 1, 2025
- The Corazon Project: September 1, 2025
- The Sunbelt Project: September 1, 2025

15. An electric utility must obtain the Commission's written approval before becoming irrevocably bound under a long-term PPA, which is defined as a PPA with a term of five years or more and for which the utility intends to seek rate recovery from New Mexico retail customers. 17.9.551.7(E) - 8(A) NMAC. A utility must also file an application for approval with the Commission within thirty days after the execution of a long-term PPA. 17.9.551.8(B) NMAC. The PPA and ESAs presented in this application are for terms greater than five years. All the agreements were executed on or after October 25, 2024, so PNM's Application is filed timely. In addition, pursuant to Section 6.1 of each of the ESAs and Section 19.15 of the PPA, they become effective only after satisfaction of conditions precedent, including Commission approval. The

Sunbelt Agreement contains a cancellation provision if NMPRC Approval is not obtained in Section 7.2 of that agreement.

16. PNM requests approval of the PPA and ESAs pursuant to 17.9.551(10) NMAC. The PPA Rule requires the Commission to issue its final order acting on an application for approval of a PPA or ESA within six months of the date the application is filed, or the application is deemed approved. PNM waives approval of the PPA and ESAs within this six-month timeframe and instead requests approval within the nine-month timeframe as outlined below.

17. NMSA 1978, Section 62-9-1 requires the Commission issue an order granting or denying an application for a CCN within nine months of the initial filing date, unless the Commission extends the nine-month statutory period for an additional six months for good cause shown. PNM requests the Commission issue an order granting a CCN for the Sunbelt Project concurrent with the nine-month timeframe provided in the PPA Rule. Approving a CCN for the Sunbelt Project within a nine-month timeframe is appropriate because the resource is needed for summer 2028, and it meets each of the requirements for a CCN for a battery storage system under Section 62-9-1(D).

18. Time is of the essence in reviewing and approving the PPA, ESAs and CCN represented in this Application. Section 62-9-1(C) of the CCN statute provides that the Commission may approve a CCN application without a formal hearing if no protest is filed within 60 days of the date that notice is given for the application, and PNM respectfully requests that the Commission consider taking action without formal hearing if no protest is filed pursuant to that provision. For the Sunbelt Project and solar and battery project developers for the PPA and ESAs to meet COD in advance of the 2028 summer peak, PNM requests that approval of all resources be granted by August 1, 2025. However, if the Commission determines it is necessary to extend the nine-month

CCN time frame, PNM asks that the Commission issue a final decision approving the PPA and ESAs within the nine-month time frame.

III. NOTICE AND PROCEDURAL REQUIREMENTS

19. PNM's proposed form of Notice is attached to the Application as Exhibit 2. PNM will publish the approved Notice as may be issued by the Commission in the manner so directed.

20. PNM has served a copy of this Application and supporting pre-filed direct testimony on the New Mexico Department of Justice, the Commission's Utility Division Staff, and parties to Case No. 24-00089-UT, PNM's most recent rate case.

21. The following designated corporate representatives and legal counsel for PNM should receive all notices, discovery requests, objections and responses, briefs, and all other documents related to this case:

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All pleadings, correspondence and other documents should be delivered electronically to the following email addresses:

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22. The following witnesses provide testimonies and exhibits in support of the Application. The testimonies and exhibits are incorporated by reference herein. The application elements that they specifically support compliance with Rule 551.8, Rule 551.9 and NMSA Section 62-9-1(D) are outlined in Exhibit 1, 2, and 3, respectively to this Application.

- Henry E. Monroy, PNM Vice President, Regulatory
- Thomas P. Duane, PNM Director, Integrated Resource Planning
- Gary B. Barnard, PNM Executive Director, Renewable Generation and Contracts
- Stephen Jenkins, PNM Manager, Transmission Planning and Engineering
- Richard Nicholas Wintermantel, PowerGEM, LLC, Chief Services Officer
- Roger W. Nagel, Aion Energy, LLC, Principal,

WHEREFORE, PNM respectfully requests that the Commission issue a notice of this proceeding, conduct all necessary hearings or issue its decision without formal hearings in accordance with pertinent statutory deadlines, approve the Application by August 1, 2025 if no statutory extension of time is required, and among other things determine that:

PNM's request for regulatory approval of the executed long-term PPA with the 167 MW natural gas plant, and request for regulatory approval of the executed long-term ESAs with the two 150 MW BESS are in the public interest and should be granted, in accordance with the PPA Rule. PNM's request for a CCN for the 100 MW solar with 30 MW four-hour Sunbelt Project should be approved and a CCN should be issued. PNM also provided an option to increase the 30 MW four-hour battery included in the Sunbelt Project to 50 MW and requests that this option also be approved.

PNM should be granted any other such authorizations necessary to implement the proposed actions in accordance with the requirements of the Public Utility Act, the PPA Rule, and any other applicable Commission rules.

Respectfully submitted this 22nd day of November 2024.

PUBLIC SERVICE COMPANY OF NEW MEXICO

/s/ Christopher Atencio

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GCG#533203

Rule 551.8 General Requirements for Filing an Application for Approval of a PPA				
			In Testimony Of	Reference
551.8(D)	An application for commission review and approval of an LTPPA shall be accompanied by supporting testimony and exhibits that provide:			
1		A copy of the LTPPA; and	Gary Barnard	PNM Exhibit GBB-2
2		An explanation of key terms and conditions of the LTPPA containing:		
	a	the term of the LTPPA including any options to extend the agreement;	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources
	b	the size in MW of capacity and the amount of energy in MWh or kWh per month and any conditions regarding the minimum or maximum amount of energy or capacity made available or required to be purchased;	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources
	c	the price or pricing formula under which the electric utility will pay for the power and energy contracted for, including identification of when charges begin to be incurred, any price reopeners and any price escalation provisions;	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources
	d	obligations by the electric utility to pay for any fixed or variable administrative, transactional or operation and maintenance costs incurred through the operation of the generation facility, including start-up costs, taxes, insurance, environmental or reclamation-related costs, fuel costs and any other costs that the electric utility may incur; and	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources
	e	provisions related to non-performance by the counter-party and the remedies provided.	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources

Rule 551.8 General Requirements for Filing an Application for Approval of a PPA				
			In Testimony Of	Reference
551.8(D)		An application for commission review and approval of an LTPPA shall be accompanied by supporting testimony and exhibits that provide:		
3		a description of transmission costs the electric utility will incur or pay to receive the purchased power, which may include the costs of third-party transmission wheeling, or construction of transmission to facilitate purchases under the LTPPA or both;	Stephen Jenkins	Section III: Rule 551 Requirements
4		an explanation of how the electric utility proposes to recover from ratepayers the costs incurred and an estimate of the effect on rates to customers;	Henry Monroy	Section VI: Cost Recovery
5		A general description of:		
	a	the generating facility or facilities that will generate the purchased power; or	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources
	b	if the power is to be generated from one or more specific generating units to be constructed outside New Mexico, a description of the anticipated siting of the generating unit, expected construction time the expected commercial operation date;	Not Applicable	
	c	if the power is to be generated from one or more specific generating units to be constructed within New Mexico, a description of:		
	i	the approvals required to construct and operate the generating unit, including air quality and other environmental permits;	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources
	ii	the expected construction time;	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources

Rule 551.8 General Requirements for Filing an Application for Approval of a PPA					
			In Testimony Of	Reference	
551.8(D)	An application for commission review and approval of an LTPPA shall be accompanied by supporting testimony and exhibits that provide:				
		iii	the expected commercial operation date;	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources
		iv	the fuel type and supply sources; and	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources
		v	other provisions addressing the electric utility's ownership options for the generating unit during or after the term of the agreement.	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources
6			evidence that entering into the LTPPA is consistent with the provision of safe and reliable electric utility service at the lowest reasonable cost, considering both short and long-term costs and all other relevant factors;	Thomas Duane	Section IV: Resource Portfolio Modeling and Analysis
7			evidence of the LTPPA's impact on the electric utility's financial condition and financial metrics;	Henry Monroy	Section III: Statutory, Regulatory, and Prior Order Requirements
8			evidence that the LTPPA is consistent with the electric utility's most recent commission-accepted integrated resource plan unless, as described in Section 17.7.3.10 NMAC, material changes that would warrant a different course of action by the electric utility have occurred; in which case, the testimony shall include justification for deviation from the integrated resource plan;	Thomas Duane	Section IV: Resource Portfolio Modeling and Analysis

Rule 551.8 General Requirements for Filing an Application for Approval of a PPA				
		In Testimony Of	Reference	
551.8(D)	An application for commission review and approval of an LTPPA shall be accompanied by supporting testimony and exhibits that provide:			
9		evidence addressing whether a utility-owned generation resource could have been constructed as an alternative to the LTPPA with greater benefit to ratepayers;	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources
10		evidence addressing the methodology and criteria by which the purchased power agreement was selected; and	Roger Nagel	Section IV: RFP Bid Evaluation And Section Process
11		any other information or evidence that the electric utility believes will assist the commission in its review of the LTPPA.	Gary Barnard	Section II: Requested Approvals For Recommended 2028 Resources

<u>Rule 551.9 Ratemaking Treatment For All Purchased Power Agreements</u>				
			In Testimony Of	Reference
551.9(A)		The following ratemaking treatment shall apply to all purchased power agreements unless otherwise expressly authorized by order of the commission:		
1		Energy costs incurred under a purchase power agreement are recoverable through a fuel and purchased power cost adjustment clause ("FPPCAC") according to the provisions of the FPPCAC approved for the electric utility; and	Henry Monroy	Section VI: Cost Recovery
2		Capacity costs and fixed costs incurred under a purchased power agreement, as well as energy costs incurred by an electric utility without an approved FPPCAC, may be recoverable through base rates when the commission issues an order authorizing a change in base rates that includes recovery of the capacity costs and fixed costs, and energy costs in the case of an electric utility without an approved FPPCAC.	Henry Monroy	Section VI: Cost Recovery
551.9(B)		An electric utility may include in an application for approval of an LTPPA a request that the commission determine other ratemaking principles and treatment that will apply to the LTPPA.	Not Applicable	

Public Utility Act Section 62-9-1 New Construction; Ratemaking Principles					
				In Testimony Of	Reference
62-9-1(D)			In an application for a certificate of public convenience and necessity for an energy storage system, the commission shall approve energy storage systems that:		
1			Reduce costs to ratepayers by avoiding or deferring the need for investment in new generation and for upgrades to systems for the transmission and distribution of energy;	Gary Barnard	Section III
2			reduces the use of fossil fuels for meeting demand during peak load periods and for providing ancillary services;	Gary Barnard	Section III
3			assists with ensuring grid reliability, including transmission and distribution system stability, while integrating sources of renewable energy into the grid	Gary Barnard	Section III
4			supports diversification of energy resources and enhance grid security;	Gary Barnard	Section III
5			reduces greenhouse gases and other air pollutants resulting from power generation;	Gary Barnard	Section III
6			provides the public utility with the discretion, subject to applicable laws and rules, to operate, maintain and control energy storage systems so as to ensure reliable and efficient service to customers; and	Gary Barnard	Section III
7			is the most cost effective among feasible alternatives.	Gary Barnard	Section III