

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF PUBLIC SERVICE COMPANY OF)
NEW MEXICO’S FIRST ANNUAL GRID)
MODERNIZATION REVIEW FILING PURSUANT)
TO THE COMMISSION’S FINAL ORDER) Case No. 25-00049-UT
PUBLIC SERVICE COMPANY OF NEW MEXICO,)
Applicant.)**

APPLICATION

In 2020, the Legislature adopted Section 62-8-13 (“Grid Modernization Statute” or “Statute”) of the New Mexico Public Utility Act (“PUA”) to encourage grid modernization projects that benefit utility customers and the State of New Mexico. On October 3, 2022, Public Service Company of New Mexico (“PNM”) filed an application pursuant to the Grid Modernization Statute for approval of a six-year plan to implement grid modernization components, including advanced metering infrastructure (“AMI”), to modernize its electric distribution grid in Case No. 22-00058-UT.¹ On October 17, 2024, the Commission issued its Final Order approving PNM’s application as modified by Recommended Decision and Final Order.² The Final Order in Case No. 22-00058-UT also provided for an annual review filing, requiring PNM to present updated estimates for year two costs in its first annual review filing during year one; and at that time the Commission shall grant further approvals and attach further presumptions of reasonableness as necessary. This process shall repeat for the remaining years of the Plan.

In compliance with the Final Order in Case No. 22-00058-UT, PNM’s first annual review provides an update on year one (2025) implementation progress and outlines planned activities for

¹ Case No. 22-00058-UT, Application With Supporting Testimonies (Oct. 3, 2022).

² Case No. 22-00058-UT, Final Order (Oct. 17, 2024).

year two (2026), in alignment with regulatory expectations and delivery of customer benefits. PNM also provides updated capital and operations & maintenance (O&M) forecasts for years two through six. In this first annual review filing, PNM is requesting the Commission approve PNM's updated year two cost estimates and attach a presumption of reasonableness as contemplated in the Final Order in Case No. 22-00058-UT.³

Because year one is only halfway over, there are no actual year one costs to be recouped via the grid modernization rider at this time. A rider will be included in PNM's year two annual review filing. PNM's second annual review filing will be made on or before March 1, 2026, and will provide updated actual costs applicable to the rider to recover year one actual costs, as well as updated forecasts for years three through six.

I. SUMMARY OF PNM'S FIRST ANNUAL REVIEW FILING

In year one (2025), PNM will make progress across all major components of its Grid Modernization Plan which will result in increased capital clearings due primarily to accelerated AMI system procurement and integration work. Year one activities include execution of contracts with AMI vendors and system integrators; installation planning and initial deployment of AMI access points; launch of development activities for the Customer Energy Management Platform (CEMP) and Mobile App; progress on Wide Area Network (WAN) upgrades and cybersecurity planning; execution of TIBCO platform contracts and early data architecture work; and program oversight enhancements and centralized change management.

Due to reclassifications of software fees to capital and programmatic reallocations among grid components, O&M expenses decreased. PNM also conducted internal process reengineering to

³ Case No. 22-00058-UT, Final Order at p. 32, ¶ 89 (Oct. 17, 2024) (“In the first annual review filing, PNM shall present updated estimates for year two costs as it is intending to do; and at that time the Commission shall grant further approvals and attach further presumptions of reasonableness as necessary.”).

support AMI, the CEMP, and system integration.

In year two (2026), PNM will begin full-scale AMI meter installation and expects to recover costs associated with AMI, customer information & analytics, cybersecurity, data management & architecture, distribution automation, telecommunications, advanced distribution management system (ADMS), and program oversight. Project highlights will include the launch of AMI meter deployment, to be completed by end of year four; full implementation of the CEMP and Mobile App to enable customer interaction with energy data; continued WAN and cybersecurity deployments; procurement and field deployment of distribution automation equipment; and initiation of ADMS/FLISR vendor selection and DERMS design work.

PNM's second annual review filing will be made on or before March 1, 2026, and will provide updated actual costs applicable to the rider to recover year one actual costs, as well as updated forecasts for years three through six.

II. PNM'S REQUESTED APPROVALS AND TIMING

PNM is filing this first annual review in accordance with compliance with the Final Order in Case No. 22-00058-UT. Consistent with that order, this Application seeks approval of its updated estimates for year two, and that such updated costs be presumed reasonable.⁴

PNM respectfully requests that the Commission issue a final order in this matter no later than December 19, 2025.

III. PNM'S METRICS REPORTING

Consistent with the Grid Modernization Statute's requirement on transparency, which

⁴ Case No. 22-00058-UT, Final Order at p. 32, ¶ 89 (Oct. 17, 2024) ("In the first annual review filing, PNM shall present updated estimates for year two costs as it is intending to do; and at that time the Commission shall grant further approvals and attach further presumptions of reasonableness as necessary.").

includes public reporting requirements to inform program design and Commission policy, and with the Final Order in Case No. 22-00058-UT, PNM's annual reviews will report on key metrics to the extent such metrics are available. As PNM is in the early stages of its grid modernization plan, there are no metrics to report within this filing. PNM has included PNM Exhibits JEJ-4 and JEJ-5 to illustrate how these metrics will be reported in future filings.

IV. PNM WITNESSES SUPPORTING THIS FILING

In support of its Application, PNM is filing the direct testimony and exhibits of the following seven witnesses:

- a. Jason E. Jones, Executive Director of Operations Technology & PNM Capital Management for PNMR Services Company. Mr. Jones's testimony will discuss and support PNM's overall Grid Modernization Program update, including: 1) identifying other witnesses testifying in support of this filing and briefly summarizing the scope of each witness's testimony; 2) providing an update on the planned projects under PNM's grid modernization plan; 3) providing an update on the development and implementation of customer-facing programs, marketing and communication activities, and stakeholder engagement; 4) discussing consideration of plan acceleration strategies; 5) providing an update of as of December 31, 2024, for grid modernization program benefits and metrics; and 6) providing an update on customer outreach.
- b. Jonathan C. Hawkins, Associate Director of Grid Modernization for PNM. Mr. Hawkins' testimony describes the technical implementation plans for the technologies within the overall Grid Modernization plan. This includes: 1) AMI; 2) ADMS; 3) customer information and analytics; 4) cybersecurity; 5) data management and architecture; 6) distribution automation; 7) distribution planning and engineering; 8) telecommunications,

and 9) program oversight. His testimony also supports PNM's request to recover capital investment and O&M costs for the grid modernization components discussed in his testimony.

- c. Eric C. Morgan, Director of Customer Operations for PNM. Mr. Morgan's testimony provides an update to the: 1) AMI meter deployment timeline; 2) methodology for determining the locational deployment plan; and 3) estimated deployment costs.
- d. Thomas S. Baker, Senior Manager of Cost of Service for PNMR Services Company. Mr. Baker's testimony 1) provides an informational update on PNM's year one Grid Modernization Rider ("GMR") revenue requirement, along with a discussion of any expected variance from what was approved by the Commission in Case No. 22-00058-UT; 2) provides an update on PNM's year two GMR revenue requirement that PNM is requesting for approval, along with a discussion of any variances from what was presented in Case No. 22-00058-UT; 3) provides an informational update on PNM's years three through six GMR revenue requirements, along with a discussion of any variances from what was presented in Case No. 22-00058-UT for years three through six; and 4) outlines PNM's plan for future GMR annual review filings, GMR rider filings, and the true-up process included in the GMR annual filing.
- e. Heidi M. Pitts, Ph.D, Lead Pricing Analyst for PNM. Dr. Pitts' testimony will 1) provide an update on the implementation of PNM's Time-of-Day ("TOD") pilot rates; 2) provide updated GMR calculations for plan years one and two for illustrative purposes; and 3) provide year one illustrative bill impacts for all non-lighting customer classes at three different consumption levels.
- f. Alaric J. Babej, Director of Customer Energy Solutions for PNM. Mr. Babej's testimony

discusses the development of energy efficiency and demand response programs that utilize AMI.

- g. Erfan Hakimian, Director of Transmission/Distribution Planning and Contracts for PNM. Mr. Hakimian's testimony discusses the feeders on the PNM distribution system that have reached hosting capacity limits and provides engineering plans to increase the hosting capacity on these feeders. His testimony also discusses how PNM has conducted its hosting capacity analysis up to today and the solutions that PNM has studied for feeders that might soon reach hosting capacity limits.

V. REQUESTED VARIANCES

PNM is requesting that the Commission grant a variance from the data filing requirements of Rule 530 to the extent that it is required. Rule 530 requires the filing of extensive data schedules that are unnecessary for review and approval because PNM is not requesting approval of any rider in this case.

VI. COMPLIANCE WITH COMMISSION ORDERS

The Final Order in Case No. 22-00058-UT required that PNM file an annual review regarding the progress of its grid modernization approved in that docket, any updated cost estimates for the remaining years of PNM's six-year grid modernization plan, and report on certain metrics regarding that plan as discussed earlier. The immediate filing represents PNM's compliance with that order.

VII. NOTICE AND PROCEDURAL REQUIREMENTS

PNM's proposed Notice to Customers is attached as Exhibit A. Concurrent with filing, PNM served a copy of this Application, a proposed Notice to Customers, and supporting testimony on the Commission's Utility Division Staff, the New Mexico Department of Justice, and all parties

to Case Nos. 22-00058-UT and 24-00089-UT.

PNM will publish notice of this Application and provide notice to customers as directed by the Commission.

The New Mexico Public Regulation Commission (“Commission”) is authorized by law to provide protection from public disclosure of confidential or proprietary information and trade secrets. NMSA 1978, §§ 14-2-1(F), (L) (2023), 62-6-17(C) (1993). Pursuant to 1.2.2.8(A) and (B) NMAC, a Commission-designated Hearing Examiner is authorized to enter appropriate protective orders to prevent public disclosure of confidential information. PNM will be filing a Motion for Entry of a Protective Order should it be required.

PNM’s attorneys and corporate representatives who should receive all notices, pleadings, discovery requests, and responses and other documents related to this case are:

John Verheul Corporate Counsel Stacey J. Goodwin Associate General Counsel PNMR Services Company 414 Silver Ave SW, MS0805 Albuquerque, NM 87102 Phone: 505-241-4864 505-241-4927 John.Verheul@txnenergy.com Stacey.Goodwin@txnenergy.com	Adam Alvarez Director, Regulatory Policy & Case Mgmt. Laura Maestas Regulatory Project Manager II PNM 414 Silver Ave SW, MS1105 Albuquerque, NM 87102 Phone: 505-241-2849 505-241-2647 Adam.Alvarez@pnm.com Laura.Maestas@pnm.com
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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

pnmregulatory@pnm.com
kyle.sanders@txnenergy.com
justin.rivord@pnm.com

WHEREFORE, PNM respectfully requests that the Commission enter a final order granting

the following relief:

- 1) Approval of PNM's updated year two cost (2026) estimates no later than December 19, 2025;
- 2) Any such other approvals, authorizations and actions required under the Grid Modernization Statute, the Public Utility Act, and Commission rules and orders.

Respectfully submitted,

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: /s/ John Verheul

John Verheul

Corporate Counsel

Stacey J. Goodwin

Associate General Counsel

PNMR Services Company

Corporate Offices – Legal Dept.

Albuquerque, NM 87158-0805

Phone: 505-241-4864

505-241-4927

John.Verheul@txnmenergy.com

Stacey.Goodwin@txnmenergy.com

Attorneys for Public Service Company of New Mexico

GCG#533897