

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE)	
COMPANY OF NEW MEXICO’S REQUEST)	
FOR A COMMISSION ORDER GOVERNING)	
THE ACCOUNTING TREATMENT OF)	
COSTS RELATED TO JOINING THE)	
EXTENDED DAY-AHEAD MARKET)	
)	
PUBLIC SERVICE COMPANY OF NEW MEXICO,)	
)	
Applicant.)	
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Case No. 25-000__-UT

**APPLICATION OF PUBLIC SERVICE COMPANY OF NEW MEXICO FOR
APPROVAL OF AN ACCOUNTING ORDER GOVERNING PNM’S INVESTMENTS
AND EXPENDITURES TO JOIN THE EXTENDED DAY-AHEAD MARKET**

Public Service Company of New Mexico (“PNM”) files this Application with the New Mexico Public Regulation Commission (“NMPRC” or “Commission”), which requests a finding that it is reasonable for PNM to join the Extended Day-Ahead Market (“EDAM”) operated by the California Independent System Operator (“CAISO”). Based on that finding, PNM further requests that the Commission issue an accounting order governing the accounting treatment of the investments and expenditures PNM must make to join the EDAM.

This Application is, in part, the result of the Commission’s inquiry in Case No. 23-00268-UT into investor-owned electric utilities regional market activity, in which guiding principles for regional day-ahead market participation consideration were established. In opening that inquiry, the Commission discussed that New Mexico’s ratepayers could benefit economically from a regional market that optimizes economic dispatch and maximizes the use of the electric grid and available generation. The Commission further noted that regional markets could also help meet New Mexico’s emissions reduction targets and

improve grid reliability at a reduced cost to ratepayers as compared to transacting through the bilateral energy market.¹

Based on the information outlined below and filed in support of this Application, customers are likely to realize ongoing benefits if PNM were to join the EDAM. Authorizing PNM to create a regulatory asset provides PNM an opportunity to recover the reasonable costs of joining the EDAM, subject to Commission review of the regulatory asset in a future rate case. In order to integrate with the CAISO trading platform and commence trading through the EDAM by the fall of 2027, PNM must begin investing in integration of back-office software and platforms into PNM information technology (“IT”) infrastructure in early 2026. Therefore, PNM seeks the issuance of an accounting order by the Commission no later than October 22, 2025, that specifically:

1) finds that PNM’s Application and supporting testimonies and exhibits comply with any applicable filing requirements;

2) finds that it is reasonable for PNM to take actions and expend funds, consistent with PNM’s Application and supporting testimonies and exhibits, to join the EDAM operated by CAISO; and

3) authorizes PNM to create a regulatory asset that allows PNM to seek recovery of the costs and carrying charges associated with the capital investments and operating and maintenance costs of joining the EDAM in a future general rate case, subject to review by the Commission.

Background of Application

1. On August 10, 2023, the Commission opened a formal inquiry in Case No. 23-00268-UT into investor-owned electric utilities regional market activity. The Commission found it was in the public interest to open the docket and schedule a workshop to establish the guiding principles and expectations that New Mexico ratepayers, regulators, stakeholders, and utilities should have from

¹ Case No. 23-00268-UT, Order Issuing Statement of Policy and Guiding Principles to Regional Market Participation at 1-2 (Oct. 31, 2024).

exploring and ultimately participating in a regional day-ahead market. The Commission required PNM and El Paso Electric Co. (“EPE”) to respond to certain questions and also encouraged other utilities and interested persons to file responses.²

2. On September 14, 2023, PNM provided the Commission and interested stakeholders with responses to the questions contained in Appendix A of the Order Opening Docket, Requiring Responses, Scheduling Workshop in Case No. 23-00268-UT. Stakeholders and other utilities independently filed comments with the Commission on the potential benefits of PNM joining a regional day-ahead market.³

3. With regard to joining a regional day-ahead market, PNM stated that it expected to select a day-ahead market in 2024 and make the requisite Commission filings to join the chosen market once operational.

4. On October 31, 2024, the Commission issued its Order Issuing Statement of Policy and Guiding Principles to Regional Market Participation, which contained five guiding principles and considerations for utilities to contemplate when assessing participation in a regional day-ahead market.⁴

5. On November 8, 2024, PNM notified the Commission of its intent to join CAISO’s EDAM.⁵ PNM determined that the EDAM offers our New Mexico customers the most significant potential for economic and operational benefits. This decision was made after careful consideration of the guiding principles set forth by the Commission, including the comparative analysis of customer benefits, the efficiency of resource dispatch, and the importance of robust stakeholder processes.⁶

² Case No. 23-00268-UT, Order Opening Docket, Requiring Responses, Scheduling Workshop at 1-2 (Aug. 10, 2023).

³ Comments regarding a regional day-ahead energy market were filed by Interwest Energy Alliance, New Mexico Affordable Reliable Energy Alliance, New Mexico Renewable Energy Transmission Authority, Clean Energy Buyer’s Association, EPE, Southwestern Public Service Company, Western Resource Advocates, Advanced Energy United, and Southwest Power Pool.

⁴ Case No. 23-00268-UT, Order Issuing Statement of Policy and Guiding Principles to Regional Market Participation at 1-2 (Oct. 31, 2024).

⁵ Case No. 23-00268-UT, PNM’s Response to Statement of Policy, Guiding Principles and Notification of Intent to Join CAISO’s EDAM (Nov. 8, 2024).

⁶ *Id.*

6. PNM's filing package contains the information and data necessary for the Commission to consider the reasonableness of PNM joining the EDAM and to issue an accounting order that will govern the accounting and ratemaking treatment of the related costs. The Direct Testimonies and Exhibits of PNM witnesses Adam J. Alvarez, Kelsey L. Martinez, and Dr. Tobe C. Phelps provide details on the economic feasibility and the IT actions needed to integrate PNM into the EDAM on a timeframe set by CAISO; and the estimated costs and benefits of joining the EDAM.

Timing and Benefits of Joining the EDAM

7. CAISO has established a queue for integrating new participants on an annual basis. PNM is on the waiting list for participation. Based on CAISO's integration process, PNM would begin trading through the EDAM in 2027 under the schedule set by CAISO.

8. Among other actions, PNM must complete numerous system additions and upgrades and increase its staff, in order to be integrated into the EDAM by 2027. PNM must create a regulatory asset in order to defer accounting for its costs until a period when they may be recoverable through rates.

9. Based on independent cost studies, PNM's current estimated implementation costs for EDAM integration is \$11.1 million in capital costs, \$3.1 million in one-time operations and maintenance ("O&M") program implementation expenses, and a range of \$1.4 million to \$1.6 million annually between 2028 and 2030 in ongoing O&M costs. These investments and expenses would not be incurred by PNM but for joining the EDAM.

10. Based on an independent analysis of potential benefits, PNM estimates that EDAM participation could result in \$20 million in gross benefits per year based on using a production cost study as a benchmark. The estimated gross benefits will be offset by the upfront planning and

implementation investments and expenses required to integrate with the EDAM trading system, as well the ongoing annual costs to participate in EDAM.

11. Based on the estimated costs and benefits (financial and operational), customers will realize net benefits from PNM's participation in the EDAM. PNM's net present value analysis calculates a potential net benefit of approximately \$100 million over a five-year study period. Actual benefits will differ depending on final costs and trading results based on PNM's future portfolio mix.

12. Financial benefits from EDAM participation will flow to customers through PNM's Fuel and Purchased Power Cost Adjustment Clause rate rider immediately in the form of economical wholesale sales and purchases. The costs associated with EDAM participation, including start-up investments, incremental operating and maintenance costs and ongoing expenses, will be recovered through base rates to be determined in a future rate case.

13. Because the Commission has exercised its jurisdiction to issue guiding principles for utilities to consider in joining a regional day-ahead market, and because EDAM participation can provide expanded new opportunities for regional trading that benefit PNM customers and the state, PNM believes issuance of a Commission order containing the requested findings before PNM undertakes this project is both necessary and appropriate.

Request for Accounting Order

14. PNM seeks the issuance of an accounting order by the Commission allowing PNM to recover in a future rate case PNM's reasonable expenditures through a regulatory asset. Regulatory assets (and regulatory liabilities) are defined by the Federal Energy Regulatory Commission ("FERC"), at 18 CFR Part 101, as follows:

Regulatory Assets and Liabilities are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific

revenues, expenses, gains, or losses that would have been included in net income determination in one period under the general requirements of the Uniform System of Accounts but for it being probable:

A. that such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services;

or

B. in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required.

15. The ability to create a regulatory asset allows a utility to invest in discretionary projects that even if not necessary to provide safe and reliable service can nonetheless provide future benefits to customers, as is the case with the EDAM. In order to create a regulatory asset under FERC accounting standards, PNM must have a Commission order or other basis for expecting that these deferred expenses will be recoverable in a future rate case. PNM therefore requests specific authorization by the Commission to create a regulatory asset in order to recover in a future ratemaking proceeding the identified costs associated with capital investments and O&M incurred by PNM to implement the system changes needed for EDAM participation, with carrying charges equal to PNM's pre-tax weighted average cost of capital. The actual balances in the regulatory asset will be subject to review by the Commission in a future PNM ratemaking proceeding to ensure that the costs were actually and reasonably incurred by PNM and are consistent with the estimated costs provided in this proceeding.

16. The Testimony and Exhibits supporting this Application support the conclusion that there will be benefits to customers from PNM joining the EDAM, and thus granting the Application is consistent with the public interest.

Request for Expedited Commission Review

17. PNM requests the issuance of an accounting order from the Commission by no later than October 22, 2025. Timely consideration by the Commission is necessary for PNM to begin investing in prerequisite system upgrades and additions in early 2026, as part of a two-year process of financial investments and business activities leading up to integration with the EDAM trading platform by 2027.

18. PNM requests that this matter be heard directly by the Commission in order to allow for an expedited review of PNM's Application. Because the Commission itself initiated and conducted an inquiry into investor-owned electric utilities' regional market activity, it serves the interests of the Commission and stakeholders for the Commission to directly determine the resulting Application filed by PNM.

19. Pursuant to NMSA 1978, Section 62-10-2, the Commission has discretion to establish the form and scope of notice and hearings for this matter and to provide for prompt consideration of an application. By way of example, the Public Utility Act directs the Commission to promptly act on applications for securities transactions within a 30-day period; allows for approval of advice notices to change rates after 30 days by operation of law or upon order of the Commission and for good cause shown without requiring the 30 days' notice; and contemplates that the Commission may issue a certificate of public convenience and necessity without a formal hearing if no protest is filed within sixty days of the date that notice of such a request is given. *See* NMSA 1978, §§ 62-6-13, 62-8-7(C), and 62-9-1(C).

20. PNM therefore requests that if no written protest to PNM's Application is filed within 30 days of issuance of the Commission-approved notice, the Commission waive a formal evidentiary hearing and issue a final order based on the verified, filed testimonies and exhibits.

Notice of Proceeding

21. PNM has served its Application and supporting materials on the service list in Case No. 23-00268-UT, and on the parties to PNM's most recent rate case, Case No. 24-00089-UT. PNM has included a proposed form of notice as Attachment A to this Application, to be published in a newspaper of general circulation in PNM's service territory, consistent with notice provisions set forth in 17.1.2.9(D) NMAC. No notice to other utilities is required under 17.1.2.9(B) NMAC or 17.5.440.8(A)(1)(a) NMAC.

22. 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:

Stacey J. Goodwin, Associate General Counsel
John Verheul, Corporate Counsel
PNMR Services Company
Corporate Headquarters – Legal Department
Albuquerque, NM 87158
(505) 241-4927
(505) 241-4864
stacey.goodwin@txnmenergy.com
john.verheul@txnmenergy.com

Adam Alvarez, Director of Regulatory Policy
Laura Maestas, Regulatory Project Manager II
Public Service Company of New Mexico
Corporate Headquarters – Regulatory Department
Albuquerque, NM 87158-1105
(505) 241-2849
(505) 241-2647
adam.alvarez@pnm.com
laura.maestas@pnm.com

WHEREFORE, PNM respectfully requests that the Commission approve PNM's Application by no later than October 22, 2025. Based on the information outlined above and set forth in the supporting Testimonies and Exhibits, PNM further requests that the Commission: find PNM has complied with any applicable filing requirements; find that it is reasonable to join the EDAM and expend necessary funds to do so; and issue an accounting order that authorizes PNM to create a regulatory asset that allows PNM to seek recovery of the costs and carrying charges associated with the capital investments and operating and maintenance costs of joining the EDAM in a future general rate case, subject to review by the Commission.

Respectfully submitted this 22nd day of August, 2025.

PUBLIC SERVICE COMPANY OF NEW MEXICO

/s/ John Verheul

Stacey J. Goodwin, Associate General Counsel

John Verheul, Corporate Counsel

PNMR Services Company

Corporate Headquarters – Legal Department

Albuquerque, NM 87158

Telephone: (505) 241-4927

(505) 241-4864

Stacey.Goodwin@txnmenergy.com

John.Verheul@txnmenergy.com

Attorneys for Public Service Company of New Mexico

GCG# 534057