

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)	Case No. 25-000__-UT
COSTS RELATED TO JOINING THE)	
EXTENDED DAY-AHEAD MARKET)	
)	
PUBLIC SERVICE COMPANY OF NEW MEXICO,)	
)	
Applicant.)	
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DIRECT TESTIMONY

OF

ADAM J. ALVAREZ

August 22, 2025

NMPRC CASE NO. 25-00__-UT
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WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

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PNM Exhibit AJA-1 Resume

Affidavit

**DIRECT TESTIMONY OF
ADAM J. ALVAREZ
NMPRC CASE NO. 25-00___-UT**

I. INTRODUCTION AND PURPOSE

Q. Please state your name, position, and business address.

A. My name is Adam J. Alvarez. I am the Director of Regulatory Policy and Case Management for Public Service Company of New Mexico (“PNM” or “Company”). My business address is PNM, 414 Silver Avenue SW, Albuquerque, New Mexico 87102. I am testifying on behalf of PNM.

Q. Please summarize your educational background and professional qualifications.

A. My educational background and professional experience are summarized in PNM Exhibit AJA-1.

Q. Please describe your responsibilities as the Director of Regulatory Policy and Case Management.

A. In this role, one of my primary responsibilities is to direct PNM’s regulatory and case management department, which actively participates in all PNM regulatory proceedings before the New Mexico Public Regulation Commission (“NMPRC” or “Commission”) and the Federal Energy Regulatory Commission (“FERC”).

Q. Please state the purpose of your Direct Testimony.

A. The purpose of my testimony is to provide policy support, an introduction of witnesses, and an overview of the requested regulatory asset for the incremental capital and operations & maintenance (“O&M”) investments.

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1 **Q. What other PNM witnesses will be providing testimony as part of this filing?**

2 **A.** There are two additional witnesses providing testimony on behalf of PNM in this matter:

- 3 • Kelsey Martinez, Director of Regional Markets & Transmission Strategy, presents
- 4 the estimated costs to join the Extended Day-Ahead Market (“EDAM”) and will
- 5 discuss the factors considered in PNM’s decision to join the EDAM.
- 6 • Dr. Tobe Phelps, Associate Director of IT Project Management Operations,
- 7 discusses the IT capital expenditures and O&M expenses necessary to join the
- 8 EDAM.

II. OVERVIEW OF FILING

11 **Q.** **Please summarize PNM’s Application in this case.**

12 **A.** PNM’s Application provides a brief overview of Case No. 23-00268-UT, the Commission’s
13 inquiry into investor-owned electric utilities’ regional market activity, and how PNM came
14 to its decision to join the California Independent System Operator’s (“CAISO”) EDAM. It
15 then details specifically what PNM is requesting in this matter, including the timeframe
16 and the possibility of approving PNM’s Application without an evidentiary hearing,
17 assuming there is no opposition. Notably, it does not seek ratemaking treatment of the costs
18 associated with joining the EDAM. Instead, it seeks a finding that PNM’s joining the
19 EDAM is reasonable, and the establishment of a regulatory asset such that PNM can seek
20 recovery in a future general rate case. Essentially, what PNM’s Application seeks is what
21 the Commission eventually ordered in Case No. 18-00261-UT, PNM’s Application for
22 certain approvals in order to participate in the CAISO’s Western Energy Imbalance Market
23 (“WEIM”).

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1

2 **Q. Why is PNM requesting an accounting order to establish a regulatory asset?**

3 **A.** The ability to create a regulatory asset allows a utility to invest in discretionary projects
4 that, even if not necessary to provide safe and reliable service, can nonetheless provide
5 future benefits to customers, as is the case with PNM’s current participation in the WEIM.
6 In order to create a regulatory asset under FERC accounting standards, PNM must have a
7 Commission order or other basis for expecting that these deferred expenses will be
8 recoverable in a future rate case.

9

10 Without an accounting order from the Commission, PNM does not have a basis for
11 recovering expenses that are not incurred during a Test Period for a rate case. Therefore,
12 PNM would be required to list the expenditures for joining the EDAM on its income
13 statement in the year they are incurred and would not be able to defer them until future
14 periods. Even with an accounting order allowing PNM to create a regulatory asset, PNM
15 must still receive Commission approval to include the regulatory asset in rate base through
16 a general rate case before it can recover the incurred costs in rates.

17

18 **Q. Which regulatory standards apply to this application?**

19 **A.** Commission Rule 510 (17.3.510 NMAC) requires electric utilities to follow the FERC
20 Uniform System of Accounts.

21

22 **Q. Which accounting standards apply to PNM’s accounting request?**

23 **A.** Regulatory assets (and liabilities) are defined by FERC at 18 CFR Part 101 as follows:

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1 Regulatory Assets and Liabilities are assets and liabilities that result from rate actions of
2 regulatory agencies. Regulatory assets and liabilities arise from specific revenues,
3 expenses, gains, or losses that would have been included in net income determination in
4 one period under the general requirements of the Uniform System of Accounts but for it
5 being probable:

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

8 B. in case of regulatory liabilities, that refunds to customers, not provided for in other
9 accounts, will be required.¹

10
11 **Q. Does 17.3.510 NMAC (Rule 510) govern ratemaking?**

12 **A.** No. Rule 510 provides that: “[t]he adoption of the respective uniform systems of accounts
13 by 17.3.510.10 NMAC shall not be construed as approval or acceptance of any item
14 recorded pursuant to the said system of accounts on the books of any utility for the purpose
15 of fixing rates or determining other matters before the commission. The uniform system of
16 accounts is designed to record the facts of the operations of all electric utilities in a uniform
17 manner, and when engaged in fixing rates or passing upon other matters before it the
18 commission will determine what consideration shall be given to various items so recorded
19 in the several accounts.”²

¹ See #31 of Part 101, available at <https://www.ecfr.gov/current/title-18/chapter-I/subchapter-C/part-101>.

² 17.3.510.11 NMAC.

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1 **Q. Has the Commission issued an accounting order governing the treatment of costs**
2 **related to joining a regional wholesale energy market similar to what is being**
3 **requested in this application?**

4 **A.** Yes. The Commission previously approved PNM’s and EPE’s requests for an accounting
5 order in Case No. 18-00261-UT and Docket No. 21-00180-UT, respectively, for
6 implementation costs incurred to join the WEIM.

8 **Q. Are there any other regulatory standards that apply to this application?**

9 **A.** No. Previous requests for accounting orders related to WEIM implementation costs
10 included a submission consistent with 17.5.440.9(A)(5) NMAC (2021) for “any
11 agreements of sale, power pooling, interchange, capacity sharing, or similar transactions
12 designed to achieve joint economies of generation or transmission.”

14 However in 2022, Rule 440 was amended to remove that requirement because “that
15 provision does not relate to extensions, system improvements, repairs or replacements, or
16 additions” and was beyond the scope of the Rule.³

18 **Q. Will this request impact customer rates?**

19 **A.** Because PNM is not requesting ratemaking treatment in this filing, there will not be an
20 immediate impact on customers at this time. However, the costs and benefits realized will
21 eventually affect customer rates. As detailed in the Direct Testimony of PNM witness

³ Case No. 21-00177-UT, Final Order at pp. 22, 28 (Oct. 5, 2022).

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1 Martinez, PNM believes that the benefits customers will realize outweigh the costs of
2 joining the EDAM.

3
4 **Q. How will PNM’s customers receive the expected benefits of PNM’s participation in**
5 **the EDAM?**

6 **A.** Benefits realized from PNM’s participation in the EDAM will flow through the Fuel and
7 Purchased Power Cost Adjustment Clause (“FPPCAC”), similar to WEIM benefits.
8 PNM’s FPPCAC benefits customers as it ensures that PNM only recovers its actual costs
9 of fuel and purchased power and allows PNM to promptly return off-system sales and other
10 fuel credits to customers.

11
12 **III. REGIONAL DAY AHEAD MARKETS**

13 **Q. Please give a brief overview of the changing landscape in the Western Grid.**

14 **A.** In 2014, CAISO initiated the WEIM with the purpose of expanding real-time market access
15 to all utilities in the Western Interconnection. Since the WEIM began offering real-time
16 market access to utilities outside of CAISO’s territory, the WEIM has grown to serve parts
17 of Arizona, California, Idaho, Montana, Nevada, New Mexico, Oregon, Texas, Utah,
18 Washington, and Wyoming, and extends to the border with Canada and Mexico, totaling
19 22 participating entities representing 79% of the energy load in the Western
20 Interconnection.

21
22 In 2019, CAISO began assessing the feasibility of the EDAM. The EDAM was designed
23 to build off the benefits seen in the WEIM by enabling improved reliability coordination

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1 and optimizing the use of resources. In 2023, the CAISO Board of Governors and Western
2 Energy Markets (“WEM”) Governing Body approved the EDAM design, and FERC
3 approval was obtained for the EDAM and associated tariff. Similar to what has been seen
4 with the WEIM, the EDAM should further reduce the costs and inefficiencies within the
5 market.

6
7 **Q. Why is there a need for an extended day-ahead market?**

8 **A.** An extended day-ahead market allows for improved resource optimization, reliability, and
9 cost savings. The EDAM enables efficient scheduling across a wider region, reducing
10 energy procurement costs through competitive pricing and better dispatch. It also enhances
11 grid reliability by expanding access to diverse resources and helps integrate renewables by
12 smoothing variability. The market also supports decarbonization goals and reduces
13 inefficiencies like uplift charges. Participation is voluntary, allowing flexibility for entities
14 to join without disrupting existing operations. Overall, the EDAM is designed to strengthen
15 regional coordination, lower costs, and support a cleaner, more reliable energy system.

16
17 **Q. With PNM joining EDAM, will the balancing authority remain with PNM?**

18 **A.** Yes. Unlike participating in a Regional Transmission Organization (RTO), PNM will not
19 have to transfer operational control of its system to CAISO to participate in the EDAM. In
20 the event that PNM would propose transfer of ownership or operational authority over their
21 New Mexico Jurisdictional transmission system, PNM would file an application with the
22 Commission in compliance with Case No. 04-00315-UT.

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IV. REQUESTED REGULATORY ASSET

Q. Are ongoing post-implementation O&M costs included in the amount requested for the regulatory asset?

A. No.

Q. What is the estimated cost of joining CAISO's EDAM?

A. As discussed in the Direct Testimony of PNM witness Martinez, it is estimated to cost \$11.1M to join the EDAM.

Q. Why is it just and reasonable for the Commission to issue an accounting order authorizing PNM to book this amount as a regulatory asset?

A. While participation in an extended day market is optional, PNM expects that its customers will experience benefits from participation in the market that outweigh the estimated costs, resulting in a net benefit to customers. PNM witness Martinez explains the increased benefits that customers would realize as a result of PNM's participation in the EDAM.

Q. Does this conclude your testimony?

A. Yes.

GCG#534062

Adam Alvarez's Resume

PNM Exhibit AJA-1

Is contained in the following 1 page.

ADAM J. ALVAREZ
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Adam J. Alvarez

Address: Public Service Company of New Mexico
414 Silver SW
Albuquerque, NM 87102

Position: Director, Regulatory Policy and Case Management

Education: Bachelor of Accountancy, New Mexico State University, 2006
Master of Arts in Economics, emphasis in Public Utility Regulation, 2008

Employment: Employed by Public Service Company of New Mexico (PNM) since 2018

Positions held within the Company include:

Director, Regulatory Policy and Case Management (2024-Present)

Manager, Federal Regulatory Policy and Standards of Conduct (2022-2024)

Sr. Regulatory Project Manager (2018-2022)

Federal Energy Regulatory Commission (2009-2018)

Energy Industry Analyst

GCG#534065

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Case No. 25-000__-UT

AFFIDAVIT

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

ADAM J. ALVAREZ, Director, Regulatory Policy and Case Management for Public Service Company of New Mexico, upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing **Direct Testimony of Adam J. Alvarez**, and it is true and accurate based on my own personal knowledge and belief.

DATED this 22nd day of August, 2025.

/s/ Adam J. Alvarez

ADAM J. ALVAREZ