



## Business Practice: Evaluating Section 10.3 Requirements

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Per Section 10.3 of PNM's Large Generator Interconnection Process (LGIP), unless such milestone is inapplicable due to the characteristics of the Generating Facility, one of the following is required to be submitted to PNM at the same time the Interconnection Customer (IC) executes the Large Generator Interconnection Agreement (LGIA):

1. Execution of a contract for the supply or transportation of fuel to the Large Generating Facility;
2. Execution of a contract for the supply of cooling water to the Large Generating Facility;
3. Execution of a contract for the engineering for, procurement of major equipment for, or construction of, the Large Generating Facility;
4. Execution of a contract (or comparable evidence) for the sale of electric energy or capacity from the Large Generating Facility;
5. Application for an air, water, or land use permit.

This business practice is intended to provide guidance to the IC for submitting acceptable documentation that supports demonstration that the milestone has been achieved through a legally binding commitment, formal regulatory action, or other reasonable evidence that the project is actively progressing toward construction and operation. IC may submit any evidence they believe meets the intent of Section 10.3 along with a rationale of why it fulfills the requirement for PNM's consideration.

PNM will verify:

1. The document is authentic and complete.
2. The document pertains to the specific generating project.
3. The document has been executed or submitted by the appropriate parties.
4. The document remains valid as of the review date.
5. The document demonstrates material and current commitment rather than a preliminary discussion or expression of interest.

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### 1. Fuel Supply or Transportation Contract

**Note that this section does not apply to wind and solar facilities since these facilities do not purchase fuel and fuel is not transported to these sites.**

#### Acceptable Evidence

- Fully executed fuel supply agreement
- Fully executed gas transportation agreement
- Coal supply agreement
- Biomass fuel supply agreement



- Hydrogen supply agreement
- Grid charging agreement
- Other binding fuel procurement arrangements

### Required Elements

The document shall contain:

- Fuel type
- Names of contracting parties
- Project name, interconnection queue identification number, or facility identification
- Execution date
- Term of agreement
- Description of fuel quantity or delivery obligations
- Required signatures

### Not Acceptable

- Letter of intent
  - Non-binding memorandum of understanding
  - Draft agreement
  - Proposal from supplier
  - Negotiation correspondence
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## 2. Cooling Water Contract

**Note that this section does not apply to wind and solar facilities since water cooling is not used at these facilities.**

### Acceptable Evidence

- Executed water supply agreement
- Executed reclaimed water agreement
- Municipal water service agreement
- For BESS, evidence that the plant design uses water cooling

### Required Elements

The document shall identify:

- Water provider
- Project name, interconnection queue identification number, or facility identification
- Volume or service commitment
- Effective date



- Term of agreement
- Required signatures

### **Not Acceptable**

- Informal correspondence
  - Preliminary discussions
  - Letter of intent
  - Non-binding memorandum of understanding
  - Unexecuted application forms
  - Draft contracts
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## **3. Engineering, Procurement, Major Equipment, or Construction Contract**

### **Acceptable Evidence**

#### Engineering

- Owner's engineer agreement
- Detailed engineering services contract
- Engineering, procurement, and construction (EPC) agreement

#### Procurement

- Turbine supply agreement
- Solar module procurement agreement
- Battery procurement agreement
- Main transformer or high voltage breaker purchase order
- Long-lead equipment purchase contract

#### Construction

- EPC contract
- Balance-of-plant construction contract
- Civil construction contract

### **Required Elements**

The document shall contain:

- Project name, interconnection queue identification number, or facility identification
- Scope of work
- Required signatures
- Contract value or procurement commitment
- Effective date
- Term of agreement



### **Not Acceptable**

- Budgetary quotes
- Equipment proposals
- Non-binding term sheets

PNM requires that the contract represent a material project commitment and not merely a minor consulting engagement. The agreement must represent a substantive engineering, procurement, or construction obligation directly related to development of the Large Generating Facility.

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## **4. Contract or Comparable Evidence for Sale of Energy or Capacity**

### **Acceptable Contracts**

- Executed PPA
- Executed ESA
- Tolling agreement
- Capacity accreditation contract
- Utility purchase agreement

### **Comparable Evidence**

- Executed participation agreement in a resource procurement program
- Market participation agreement where capacity revenues are contractually committed

### **Required Elements**

Evidence shall demonstrate:

- Identified buyer or offtaker
- Project name, interconnection queue identification number, or facility identification
- Commercial commitment
- Expected energy and/or capacity sale
- Term of agreement
- Required signatures

### **Not Acceptable**

- Expressions of interest
- Marketing materials
- Verbal commitments
- Generic market participation plans

- Speculative merchant revenue projections
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### 5. Air, Water, or Land Use Permit Application

If an application is deemed not applicable to the project, the IC may not rely on that application as evidence and must instead provide an application that is applicable to the project.

#### Acceptable Evidence

- Submitted air permit application
- Water discharge permit application
- Water use permit application
- County conditional use permit application
- Land use permit application
- Site plan application
- State environmental permit application

#### Required Elements

The submission shall show:

- Name of permitting authority
- Permit must be valid for the same site as the submitted site control
- Project name, interconnection queue identification number, or facility identification
- Date submitted
- Application identifier or tracking number (if available)
- Confirmation of receipt
- Determination of administrative completeness
- Payment of any required application and/or permit fee

#### Preferred Documentation

- Agency-stamped application
- Electronic filing receipt
- Confirmation email from agency
- Permit docket number

#### Not Acceptable

- Draft permit applications
- Internal permit preparation documents



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- Consultant work products or agreements with consultants to prepare the air, water, or land use permit application
  - Evidence that a permit is merely being contemplated
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### Documentation Retention

The IC shall provide sufficient documentation for PNM to verify compliance. PNM may request additional information necessary to confirm authenticity, project applicability, execution status, and continued validity of the submitted evidence.

| Version  | Effective Date | Change Tracking |
|----------|----------------|-----------------|
| Original | 09/15/26       | Original        |
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