**PNM PRAC Summer 2023 Meeting**  
August 24, 2023 1:30PM to 3:30PM  
PNM Headquarters / Online Meeting

PNM Attendees: Heidi Pitts, Stella Chan, Richard Lenz, Omni Warner, Debrea Terwilliger, Nick Phillips, Aaron Braasch, Abraham Casas, Kyle Sanders, Alex Reedin, Mike Settlage, Pam Milligan, Cindy Menhorn (MCR), Ian MacDougall (MCR)

ABCWUA Attendees: Bagher Dayyani, Jon Ebia, Andy Harriger

NM AREA Attendees: Peter Gould, Jim Dauphinais

CCAE Attendees: Cara Lynch

Gridworks Attendees: Margie Tatro, Cathy Boies

Attorney General’s Office Attendees: Doug Gegax

Sierra Club Attendees: Camilla Feibelman

REIA-NM Attendees: Jim DesJardins

Other Attendees: Barbara Chatterjee (Private Customer), Owen Smith (Meta)

**Agenda**

* Time-of-Day Update (30 minutes)
  + Updated timeline, marketing and education
  + TOD tools status development update
* Allocation Discussion (1 hour)
  + Allocation Roadmap
  + Walkthrough of PNM’s proposed generation production allocation process for next rate case
* PRAC Logistics (15 minutes)
  + Winter PRAC meeting date
  + PRAC Charter

**Recording**

Link: [PNM Pricing Advisory Committee summer meeting-20230824 1933-1](https://pnmresources.webex.com/pnmresources/ldr.php?RCID=bd0d555b12af5a217d618dc7d62cc1be)

Password: fESqYY9d

**Minutes**

Introduction

* Heidi Pitts: Welcome to the Summer Meeting of the PRAC. Today’s meeting will be our 2nd of three or four meetings per year. Today, we will be giving an update on Time-of-Day, a discussion on allocation and our allocation roadmap, and several PRAC logistics such as the date of our winter meeting and the creation of a PRAC charter.

Time-of-Day Update

* Heidi Pitts: We have made some adjustments to our TOD timeline and educational elements. There is no final order on the rate case yet, but we have made several changes in the direction we are taking TOD as we have gone through the case and these meetings. These changes are based mostly in our marketing and education plans.
* Heidi Pitts: We had a website that we were going to release that would have a way for customers to start signing up to be on a waitlist to go on the TOD rates when they become effective in early 2024. Given that residential and small power customers don’t have much experience with time-of-use programs, we want to be careful about releasing the specific TOD structure that we propose in case it changes drastically during our rate case. Therefore, our marketing program has changed from specific details about the program to educating the public about TOD concepts. The education will be shifting to explain what peak periods are and tying the cost of electricity to the time-of-day.
* Heidi Pitts: On our website, we are shifting from a pilot waitlist signup to an “interested in hearing more” list. We are moving forward with our tools. We have moved forward with signing our contractors for our online tools and marketing emails. We have received our box of test meters so that we can move forward with testing, although they are programmed with our filed TOD parameters. If the parameters change, we will need new meters and restart testing.
* Jim DesJardins: You want to educate people about a TOD program but you don’t want any specific hours included in the education?
  + Heidi Pitts: We are walking a fine line in not confusing people if our approved TOD rate structure is very different than what was proposed. We have received feedback in testimony that the morning peak period proposed for residential customers in the non-summer was not necessary. If that non-summer period is removed, we don’t want to have already advertised a morning peak period and cause confusion. We are trying to figure out how to educate about the rate in general without having to backtrack specific details about the program.
  + Jim DesJardins: My feedback would be that this is a new concept so I would make it as simple as possible and add in more times as the program goes on.
* Jim DesJardins: I understand there is an EV rate which is a TOD rate as well. Will they both be existing at the same time?
  + Heidi Pitts: Yes, they will both be available. The EV rate will only apply to the regular residential rate schedule. It has a very low rate for overnight energy usage to encourage night-time charging. The rest of the rates in that schedule are inclining block rates. However, the residential Time-of-Day schedule is separate from the regular schedule. You can’t be on both rates at the same time.
* Barbara Chatterjee: How widely do you think this notion of structuring to time of day has been made available for the public to know about?
  + Heidi Pitts: Not at all. The plan was always to begin education in late August into September. So, we are just getting ready to begin that education campaign.
  + Barbara Chatterjee: Before you worry about backtracking, if the community is so ignorant, how do you expect the public to learn if you have all these details in a rate case? You need to concentrate on the change from fossil fuels to a more distributed system with renewables. It seems to me that you can’t get out there soon enough to begin teaching the public about how this is working.
  + Nick Phillips: The TOD team has been involved with my team on the generation peak shifting. The changes you are mentioning will be changing the specific time of our peaks over time. We don’t want to be tied down to a specific clock in the education process.
  + Heidi Pitts: We want to start with just getting out the education on what a peak period even means and what the concept of TOD even means. We think that is the least confusing way to start this Fall.
* Heidi Pitts: If you have any other thoughts or questions about the TOD education, please send them via email.

Allocation Discussion (Mike Settlage)

* Stella: After our last meeting, we sent out some information on production allocations and asked for your thoughts. Most of our next section, we want to talk about the recommendations in rate case testimony on allocations with production, storage, and others. We generally agree that in the new carbon-free world, we need to look at allocators and review them all, not just the production allocators. We need a holistic approach to this process, and it would be beneficial to work with PRAC to discuss these allocations so that when we propose new allocators in new rate cases, it will not surprise anybody.
* Camilla Feibelman: Can you remind us of what an allocator is?
  + Stella Chan: An allocator allows us to decide how to divide up the pie among all the different customer classes. So, a production allocator would say how we divide up the production costs amongst residential customers, small power customers, etc. PNM needs to recover the full pie, but customers care about how big their slice of the pie is.
* Mike Settlage: Historically, our generation has been fueled by fossil resources. They were controlled and dispatchable. We couldn’t control what the demand on the system was, but we could control how much load we generated and when. Renewable resources are not dispatchable. If the sun shines, power is generated. We can’t control that. So, we need to worry less about gross load, but rather net load.
* Mike Settlage: There is a time of day which has the highest load on the system. This tends to be the hottest and sunniest times, so all our solar is operating. At later times, when the sun is down, we have less gross load on the system, but our solar isn’t operating at all. So, we have greater net load on the system despite the gross load being lower.
* Nick Phillips: Now with renewables and the lack of dispatch control, we care less about the highest gross load on the system, but the highest net load on the system.
* Mike Settlage: We want to make sure to get our new allocation factors right, given these new production issues. Customers who help reduce net load should get benefits for doing so. Sending price signals is important to mitigate customer behavior when net load is high. So, today, the sun sets, everyone turns on their light, but all the solar goes off. Are there ways we can teach customers to shift other load during that time?
* Barbara Chatterjee: My concern is that, if customers don’t get that kind of information repeatedly for them to absorb, I don’t know how the community can respond with the behaviors you need.
  + Mike Settlage: We are beginning that process, with both this education plan and the actual TOD pilot. We hope to expand that as time goes on. We agree we need to educate our customers. We know that some can change behavior, some can’t, and some won’t.
  + Barbara Chatterjee: The general public not being informed is a really big issue as the press isn’t being engaged to get this out. Nor are other organizations being engaged with that could speak to their community about this. You need that to set the base, and the rates should come later.
  + Mike Settlage: We agree completely. We are beginning that education campaign before we start adding these rates. A large portion of our residential customers are low-income and at or near poverty level. Considering how to deal with these customers is part of the job here. We want to engage with all stakeholders so that no one is left out.
* Mike Settlage: What are these allocators? These allocators can break out our costs by sales, revenues, load, demand, costs, and other things. Our three biggest functionalized costs are production demand, transmission demand, and distribution primary demand. Production Demand allocators are made up of Production 4CP, Storage Dispatch Peak Hours, and Average Demand, for example.
* Jim Dauphinais: These costs as we speak right now are not for renewable resources. They are currently traditional fossil-based resources. The percentage of costs in production demand will change as your fuel type changes.
  + Mike Settlage: Very good point. We know these will be changing, but it’s a slow process. We will be carbon-free in 2040, but that’s the end-state. We want to make steps along the way.
  + Stella Chan: Allocator choice is not an exact science. We need to make a judgment call on the correct allocator to use for different costs. We will need to look at each account and decide in the future what the allocator should be in the future.
* Margie Tatro: Is there a benefit for utilities or customers to have more or less allocators?
  + Mike Settlage: The number of allocators doesn’t matter; it’s how the allocators break out costs. Having more allocators will allow us to be more granular in breaking out more specific costs, but that doesn’t mean it’s better for customers that way.
* Mike Settlage: I have developed a flow chart on what we want to do with these allocators. We want to pick certain ones to start on (probably production demand). We will do an analysis on that allocator (~ 6 weeks) and present that analysis to PRAC. After you have time to review (~ 2 weeks), we will have a meeting on the proposal. The group can give feedback and we will refine the proposal. But we expect stakeholders to do the same (over the next ~ 8 weeks), coming up with ideas and proposals of their own. We want to continue to repeat this process until we have come to a consensus agreement (we hope) on the proposed method to move forward.
* Nick Phillips: The expectations are that we will do this with a simplistic data set, such as residential, small commercial, etc. This would be instead of providing exact data for over 20 customers classes. This should allow us to approach this holistically, so that we’re not arguing over what is better for specific customers, but what is the best method for everyone.
  + Mike Settlage: That is a good point. We also need to work through data confidentiality since there are concerns that can occur at that level. Some of our classes have only one customer, so if we give out the granular load data of that class, there’s a lot of competitive information there.
  + Stella Chan: We want to give enough data so that the parties can do the analysis that reflects the customer class. If we make our classes too generalized, we know that parties can’t support it as it may not reflect the customer classes. So, there is a balance here. This is the first time that we’ve presented this kind of data to the group, and we will need your feedback to see whether this process works and your feelings on the timeline.
* Jim Dauphinais: There will be iterations on this, so we need to start generally, but if a consensus begins to form, then we may need to have customer specific impacts to be performed for certain larger customers on rates more customized for them.
  + Mike Settlage: I agree completely. And we might be able to provide that data separately to different groups, so everyone can have the level of detail they need.
* Peter Gould: We want to be involved in this process even if it doesn’t arrive at consensus. It’s important to talk about these issues. We are not at the point of 2040, so there will need to be a set of transition allocators that will be different from the end result. Barbara mentioned public education. My clients at NM AREA are very educated and give constant feedback. These educated customers will engage and change their behavior. So, we can’t make continual changes even as we transition. Even if there’s not a perfect fit during the transition, there needs to be a commitment to have a certain number of years of consistency.
  + Jim Dauphinais: Some of these customers will make capital investments to make these adjustments, so they need to have a commitment that the allocators will be in use for a long time.
  + Mike Settlage: We agree. We believe in the principle of gradualism, and we want our process to reflect that.
* Camilla Feibelman: The public in general is facing a lot of information right now that they want to use and will be helpful to them with IRA, Seed funds, Sky blue, etc. There is a lot of information right now and it can be overwhelming. There need to be opportunities to deepen education with certain communities, at events sitting down with people, teaching them all the ways they can benefit. While I know you’re focused on this one item, think about how the PNM website conveys this info and how you can educate other customers.
  + Mike: The concept of time-varying prices is well entrenched with the general public. People understand that matinee prices are lower than evening show prices, for example. They know that prices change based on time, but not necessarily on energy. We want to take that basic idea and expand on it, so they understand it applies to energy as well.
* Stella: This basic process should work if you are committed to this process. Are you willing to be committed to working with us on this and allow us to create meaningful analyses for you? Then we can go back and forth so that, even if we can’t come to consensus, we will at least move forward without surprises.
* Barbara Chatterjee: Peter Gould, who are the customers that you represent who you say are already well-informed?
  + Peter Gould: PNM’s largest customers, such as Intel and the University of New Mexico.
  + Barbara Chatterjee: I would expect those customers to be well-informed and they aren’t being bombarded with advertisements about rooftop solar and flipping the light switch.
  + Peter Gould: I understand this. I just wanted to stress that my clients will invest a lot of money because of changes made, and so we need some gradual change during the transition.
  + Barbara Chatterjee: Part of this is that we need other voices out there like Sierra Club who might have different access to the community and get general information out to the public.
  + Peter Gould: I’ll give an example of what I mean. University of New Mexico is making a commitment to changing how they use and procure energy, but they must go to the state legislature to make those changes. So, they need to be able to commit to these legislators about what the changes will cost and the benefits of the changes.
  + Stella Chan: We will have to discuss whether these changes are transitional or end-state. We may not be able to guarantee a certain length of time with a transitional allocator, but we can certainly be open about the timeline of the transition.
  + Peter Gould: I understand that things are in flux, but people are deciding if they want to invest in renewables and you will get more benefit if they do so, and they will be more likely to do so if they have guarantees.
  + Nick Phillips: We understand that. We’re just trying to set up this process so that we can begin discussions. We know this won’t change overnight, but we do know the changes that will be happening. We want to create an approach here on how to work through the transition.
  + Mike Settlage: We want to work with you so that if we miss things, like possible customer investments, you can let us know about them.
* Margie Tatro: How did the timeline get decided?
  + Mike Settlage: It was just a guess. The cadence of rate cases will determine when decisions must be made, but we will have time before then to have these discussions.
* Margie: What is the specific timeline?
  + Nick Phillips: We aren’t in a position to talk about our next rate case while in the middle of our current one.
  + Mike Settlage: We want to commit to this timeline for discussing production demand allocators. But a brand-new allocator might take more or less time.
  + Nick Phillips: We want to make sure we are prepared to implement these new allocators when we want to file. We can’t wait until the next rate case to begin.
  + Stella Chan: This is why we need to prioritize where to start.
* Mike: That’s why I’m looking at production demand as our first choice as it’s going away, but it’s currently the largest allocator at 36%.
  + Jim Daupinais: I agree this is exactly where to start. Other buckets might have impact, but the biggest impact will be on production demand.
* Mike Settlage: We think the next allocator to look at after production will be a new functional bucket: storage. The way this process is set up is that we need stakeholder proposals from you. We want to know you’re committed to this process as we are.
* Kelly Gould: We will need information and models to create our proposals. We will need that from you to do this. We can’t give proposals if we don’t have the models and if they aren’t transparent.
  + Stella Chan: Internally, we will talk about if we can make some site that PRAC can access to get that information.
  + Nick Phillips: We’re not asking the stakeholders to come up with a full cost of service model. We’re asking for far simpler proposals. Your voice can’t be heard though if you don’t speak up.
* Jim Dauphinais: Please provide an initial straw proposal. This will allow us to develop proposals set against that straw proposal. We might make just tweaks and not massive changes to the straw proposal. Those stakeholders who want a voice will need to make that investment. There shouldn’t be a need for mandatory involvement; just an understanding that your voice won’t be heard if you don’t speak up.
* Barbara Chatterjee: Are there categories of stakeholders that PNM wants to be at the table so we know if a group is absent or overly represented?
  + Stella Chan: The usual suspects will be the ones active in our rate cases. They have strong opinions about certain things. The attorney general’s office represents residential and small commercial. Water authority participates. Large municipalities participate. We want to make sure these groups know that we’re going through this process.
  + Heidi Pitts: We only send out minutes to those who attend.

PRAC Logistics

* Mike Settlage: We want to look at the logistics of the PRAC. What are we trying to do with this group? It is different from the IRP process that is supported by legislation. We must do the IRP process. PRAC, however, is voluntary, not mandatory. We’re trying to improve the PRAC process, to make it better, even though we are not required to do so. We want PRAC to be good for our customers and believe we can get there with more stakeholder input.
* Stella Chan: This is an internal PNM initiative, but it’s good for PNM and for other parties. Should we make a charter of PRAC to lay out the purpose of the group and formalize PNM’s commitments to the group? We can’t force you to commit, but we want to lay out what we will do and what we are committed to do.
  + Jim Dauphinais: You might want to look at RTO working group charters which do not have obligations to stakeholders, but opportunities to stakeholders.
  + Nick Phillips: We do want to have an obligation to stakeholder to come to the table. We don’t want people to come into a rate case and say that they never had a chance to have their voice heard.
  + Jim Dauphinais: That’s provided by their lack of participation. We can’t force people to participate, and it’s not present in charters throughout the country. It’s an obligation to allow them to speak, but the process will be prejudiced against them if they do not.
* Mike Settlage: Do we want a 3rd party manager of the PRAC Meetings or are you comfortable with PNM?
  + Peter Gould: This is such an inside baseball set of objectives. You would need an extremely knowledgeable manager or else it will be a hindrance.
* Cara Lynch: It seems to me that this process is a combination of IRP and renewable energy act plan that you submit. Those occur within the public forum that was set up and include certain requirements for engaging with stakeholders. I’m wondering why you want to establish a PRAC outside of processes that already exist.
  + Mike Settlage: Those processes have different objectives and this PRAC is for a very specific objective of allocation of costs and the rate design process.
  + Barbara Chatterjee: There are similarities of the processes. But somehow in the point of these discussions and these two forces, this PRAC and IRP, are coming together. I do think that people who are not knowledgeable about this can be educated, and I have learned a lot during the IRP process  
    Nick Phillips: The IRP is about how we plan the system as we go carbon-free. This is separate as it is purely about how we recover the costs that we are planning.
  + Debrea Terwilliger: This process is about making changes in future rate cases, not system planning. While they touch similar things, they are in fact very different.
* Mike Settlage: When should we meet again? If we are going to go through the flowchart, when should be the next meeting? PNM still has some work to do to present the initial proposal. We recommend between Nov 27 and December 15.
  + Jim Dauphinais: So would we have the proposal in advance?
  + Mike Settlage: Yes, this next meeting would be for questions on the straw proposal.
  + Jim Dauphinais: Then we would want it a week before at least.
  + Mike Settlage: Our plan is two weeks before.
  + Kelly Gould: We’re not being asked to submit our proposals in this meeting?
  + Stella Chan: No. You would propose your own proposal later.
* Mike Settlage: So what we propose is to have the meeting where we present our proposal between Thanksgiving and Christmas. Then, in that meeting, we will discuss what time you need to respond and come up with your own proposals, be it late January, February or even March.
* Heidi Pitts: We’ll set the next meeting for December 12th. We’ll send out the data and proposal by November 12th.