**Summary of Making PNM’s Transmission Allocation Match Production Allocation**

The Corrected Recommended Decision in Case No. 15-000261-UT details why the Hearing Examiner believed PNM’s transmission allocation method should match its generation (or production) allocation method. The Commission’s Final Order adopted without discussion the recommendations of the Hearing Examiner. Excerpts from relevant pieces of testimony and the Corrected Recommended Decision are included for ease of reference. A summary of some the arguments follows.

* PNM’s current method before this rate case was the 12CP method. PNM argued in terms of maintaining this method: Since PNM’s transmission system is used at a constant level throughout the year to ensure reliability, the 12 CP demand allocator is appropriately used for transmission costs. [Chan Direct at 33-34]
* NMIEC [now NM AREA] argued that the 12CP method is inappropriate because the transmission system is built to meet the annual system peak demand, which according to NMIEC, occurs in the summer and is not equal to the average of the 12 monthly peak demands. NMIEC argued in favor of using the 3S1WCP method, which PNM proposed to allocate its generation demand. [Phillips at 20.]
* The City/County [Dr. Ankum] argued that the PNM should use the same method to allocate transmission demand costs that it uses to allocate generation demand costs, that being the 3S1WCP method. Dr. Ankum added:
  + Generation and transmission are subject to the same variations in peak demand. Except for a few limited renewable energy sources, once energy is generated, it needs to be transmitted as there is no other place for it to go. Thus, if generation facilities experience peak demand, so do transmission facilities. Likewise, if generation facilities are operating at off-peak levels, so do transmission facilities. Dr. Ankum argued that load on generation and transmission facilities operate in tandem.
  + Dr. Ankum submitted a figure showing the monthly coincident peaks for generation and transmission and how closely they coincide. [Ankum at 35-36; Corrected Recommended Decision at 199.]
* PNM argued in rebuttal that building generation to serve the annual system peak does not translate one-for-one to the transmission system. While new plant may be added to meet peak demands, the transmission system might already have enough capacity so that new transmission is not needed. While the transmission system is designed to meet peak demands, it is also designed to maintain a constant level of reliability throughout the years. [Chan Rebuttal at 25-26.]
* Corrected Recommended Decision found that PNM’s attempt to distinguish the transmission system from the generation system “falls flat.” The Corrected Recommended Decision states that PNM admitted that its transmission system is designed to meet peak demands.
* The Corrected Recommended Decision concluded that since PNM has shown with a preponderance of evidence that the 3S1WCP method should be used to allocate generation demand costs, this same evidence shows that this is the appropriate method for allocating transmission costs.