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# PNM’s Proposed 12-CP Transmission Allocation Method for Next Rate Case Filing

Since the Final Order in the 2015 case, PNM has used the 3S1W methodology for transmission cost allocation among customer classes. Previously, PNM utilized the 12CP methodology (12 Coincident Peak) and is now proposing to revert back to this approach. The 12CP allocation methodology aligns with existing FERC well-established precedent for cost allocation, which is used by utilities with FERC jurisdictional rates. PNM utilizes the 12CP to allocate transmission related costs between its Retail and FERC jurisdictions. By adopting the same12CP allocation methodology, PNM will provide a more consistent and stable allocation of transmission related costs to PNM Retail customers based on customer demand during the year.

Traditionally, all transmission capacity related costs are classified as demand related. PNM’s currently proposed methodology for generation costs, which incorporates an energy-based allocation component, and a capacity component based on risk hours (and not on gross peak loads), is not suitable for transmission allocation. **Therefore, to avoid misalignment between the transmission allocation method and the potential drivers of generation costs going in the future, PNM plans to propose separate distinct and specific methods to allocate both transmission and generation related revenue requirements. PNM recommends the 12CP allocation method for transmission-related revenue requirements**.

## Rationale

## Consistency between the allocation of Transmission and Retail and FERC Wholesale jurisdictions

PNM utilizes a 12CP allocation method to allocate transmission costs between Retail and FERC jurisdictions customers. Less than 50% of the total transmission related revenue requirements are allocated to Retail, since a significant portion of PNM transmission system demand is driven by FERC wholesale transmission customers (i.e., point-to-point and network service customers). The 12CP method more accurately reflects the usage pattern and demand on the transmission system throughout the year. By smoothing out monthly or seasonal fluctuations, it ensures a more balanced and stable cost allocation method for transmission services.

## Difference between Generation and Transmission Planning

PNM conducts transmission planning studies annually to ensure compliance with North American Electric Reliability Corporation (NERC), Western Electricity Coordinating Council (WECC), and local reliability standards for a ten-year planning horizon, considering planned loads and resources. These reliability studies are coordinated with other regional transmission planning organizations.

The transmission planning assessments evaluate a range of scenarios, including peak, net peak, and off-peak load conditions. Additionally, assessments are performed for conditions that would maximize import (minimal load-side resources) and export (high renewables such as solar and wind with minimal load) on the PNM transmission system.

In contrast to transmission planning, the generation resource planning is driven by PNM’s projected highest reliability loss-of-load-event (“LOLE”) hours throughout the planning year(s). As PNM’s load requirements and portfolio changes over time, PNM plans to add the best mix of resources to meet the industry standard 1-day-in-10 LOLE reliability planning requirement. Thus, the planning objectives for both functions do not necessarily align with each other.