

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF NEW)
MEXICO FOR REVISION OF ITS RETAIL)
ELECTRIC RATES PURSUANT TO ADVICE)
NOTICE NO. 625)**

Case No. 24-00089-UT

**PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)**

Applicant)

_____)

DIRECT TESTIMONY

OF

JOSEPH A. MILLER, JR.

June 14, 2024

NMPRC CASE NO. 24-00089-UT
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WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

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I. INTRODUCTION AND PURPOSE

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- Q. Please state your name, position, and business address.**
- A.** My name is Joseph A. Miller Jr. I am President and CEO for Pegasus-Global Holdings, Inc.® (“Pegasus-Global”), an international management consulting firm that provides services in the power, energy, and infrastructure industries. My business address is 1750 Emerick Rd., Cle Elum, WA. 98922. My experience and qualifications, including the regulatory cases in which I have submitted testimony, are attached as PNM Exhibit JAM-1.
- Q. On whose behalf are you testifying in this proceeding?**
- A.** My testimony is on behalf of Public Service Company of New Mexico (“PNM”).
- Q. Have you previously testified before the New Mexico Public Regulation Commission (“Commission” or “NMPRC”)?**
- A.** Yes. I provided expert testimony on behalf of PNM in NMPRC Case No. 22-00270-UT (“2022 Rate Case”).
- Q. What is the purpose of your direct testimony in this case?**
- A.** The purpose of my testimony is to support PNM’s proposal to include all Energy Storage Agreements (“ESAs”) costs in the Fuel and Purchased Power Cost Adjustment Clause (“FPPCAC”) and to remove the existing ESA costs from PNM’s base rates. I discuss the reality of how imputed debt impacts utilities and

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1 customers. I discuss how the proposal provides a fair balancing of the interests of
2 customers and shareholders and is consistent with New Mexico law and with the
3 Commission's rules. In addition, I examine how the issue of imputed debt has been
4 addressed in other jurisdictions and why the PNM proposal is superior to many of
5 the methods in place today.

6

7 **Q. Please summarize your conclusions.**

8 **A.** The electric industry is in transition from large nuclear and fossil-fuel fired
9 generation to smaller, geographically diverse intermittent renewable generation
10 such as solar and wind complemented with energy storage. In the next two decades,
11 PNM will be required to make significant resource additions to replace retiring and
12 expiring capacity, accommodate load growth and reduce carbon intensity. Energy
13 storage will be an important component of the energy transition. ESAs have
14 tangible financial implications for utilities, particularly as utilities enter into
15 increasing amounts of ESAs.

16

17 PNM's proposal to recover the costs associated with ESAs through the FPPCAC
18 will reduce total costs to customers by reducing the imputed debt costs of these
19 agreements. I conclude that while there are a number of different ways to address
20 issues associated with imputed debt, PNM's proposal to include these ESAs in the
21 FPPCAC is superior in that it seeks to lower the imputed debt costs instead of
22 simply quantifying them and passing on those higher costs to customers.

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1 PNM and New Mexico are on the leading edge of the projected exponential growth
2 in energy storage. Energy policy related to the issues being raised by PNM in this
3 case are just beginning to be addressed across the country. This Commission has
4 an opportunity in this case to establish regulatory policy that balances the interests
5 of customers and shareholders and reduces costs for customers.

6

7 **Q. Please summarize your educational background and professional**
8 **qualifications.**

9 **A.** I graduated from Purdue University with a Bachelor of Science degree in
10 Mechanical Engineering. I also completed twelve post graduate level courses in
11 Business Administration at Indiana State University.

12

13 I began my career in 1991 as a staff engineer at Duke Energy Indiana's Cayuga
14 Generating Station. I then held various roles of increasing responsibility in the
15 operations, engineering, maintenance and strategy areas, including the role of
16 station manager, first at Duke Energy Kentucky's East Bend Generating Station,
17 followed by Duke Energy Ohio's Zimmer Generating Station.

18

19 I was named General Manager of Analytical and Investment Engineering in 2010.
20 In this role, I began providing leadership in modernizing one of the largest fossil
21 fuel generating fleets in the county. This involved supporting and directing the
22 analysis of plant abandonments and new resource replacements in addition to

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1 setting lifecycle strategy for the remaining plants in the fleet. This included
2 carrying out all facets of environmental compliance planning for the coal plants that
3 would remain in operation. In this role, I was also responsible for financial and
4 engineering analysis of capital upgrade projects as well as project controls for the
5 company's fleet of nuclear, fossil, and hydroelectric plants.

6
7 Following the merger between Duke Energy and Progress Energy, I became the
8 Vice President of Central Services. In this position, I had oversight of 500
9 employees and responsibility for engineering, environmental compliance planning,
10 generation and regulatory strategy, NERC and regulatory compliance, technical
11 services and maintenance services for the company's fleet of 89 fossil and
12 hydroelectric power plants in North Carolina, South Carolina, Ohio, Indiana,
13 Kentucky and Florida.

14
15 In 2019, I began providing strategic and regulatory consulting services primarily to
16 clients undertaking transitions in the production or sourcing of their electricity.

17
18 In the last 14 years, in multiple states, I have sponsored 64 testimonies in regulatory
19 proceedings, including base rate, fuel, certificate of public convenience and
20 necessity, plant abandonment and environmental cases.

21

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1 I became President and Chief Executive Officer of Pegasus-Global in October
2 2022. My experience and qualifications, including the regulatory cases in which I
3 have submitted testimony, are attached as PNM Exhibit JAM-1.

4

5

II. RESOURCES IN TRANSITION

6

7 **Q. What are your observations about the current trends in electric industry**
8 **resource planning in the US?**

9 **A.** The electric utility industry is in a time of great transition from a fossil-fuel and
10 nuclear-based generation system to one that is focused on a low-carbon future. The
11 majority of the coal-fired generating stations in the US have been retired, with many
12 more slated to retire over the next few years. The key components of the low-
13 carbon future are renewable resources, particularly wind and solar. Many states
14 have passed renewable energy standards and/or carbon reduction standards to
15 reduce carbon emissions. As I discussed in my direct testimony in the 2022 Rate
16 Case, wind, solar, and battery storage costs have declined significantly over the past
17 ten years.¹ The combination of renewable portfolio standards, carbon reduction
18 goals, and lower costs for renewables and battery storage has led to a significant
19 increase in the penetration of wind and solar generation and battery storage systems.

20

¹ NMPRC Case No. 22-00270-UT, Miller Direct Testimony, p. 22, lines 6 , - p. 25, line 5.

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1 **Q. Why is energy storage so critical?**

2 **A.** Utilities are increasingly pairing large wind and solar portfolios with energy storage
3 to manage the non-dispatchable, variable output of wind and solar. Energy storage
4 can balance the intermittent nature of renewable resources, providing grid stability.

5 As one industry expert stated:²

6 *Energy storage is key to secure constant renewable energy supply to power*
7 *systems – even when the sun does not shine, and the wind does not blow.*
8 *Energy storage provides a solution to achieve flexibility, enhance grid*
9 *reliability and power quality, and accommodate the scale-up of renewable*
10 *energy.*
11

12 As has been seen in Texas and California, large quantities of wind and solar without
13 batteries can create problems for system operators that require curtailment of the
14 wind and solar resources to protect system reliability. Incorporating battery storage
15 with wind and solar resources allows a more significant portion of energy to come
16 from renewable sources.

17

18 **Q. What are the national projections related to energy storage?**

19 **A.** PNM Figure JAM-1 below from the US Energy Information Administration
20 (“EIA”) Annual Electric Generator Report demonstrates the expected exponential
21 growth of energy storage (particularly battery storage) expected in the US between
22 2015 and 2024.³

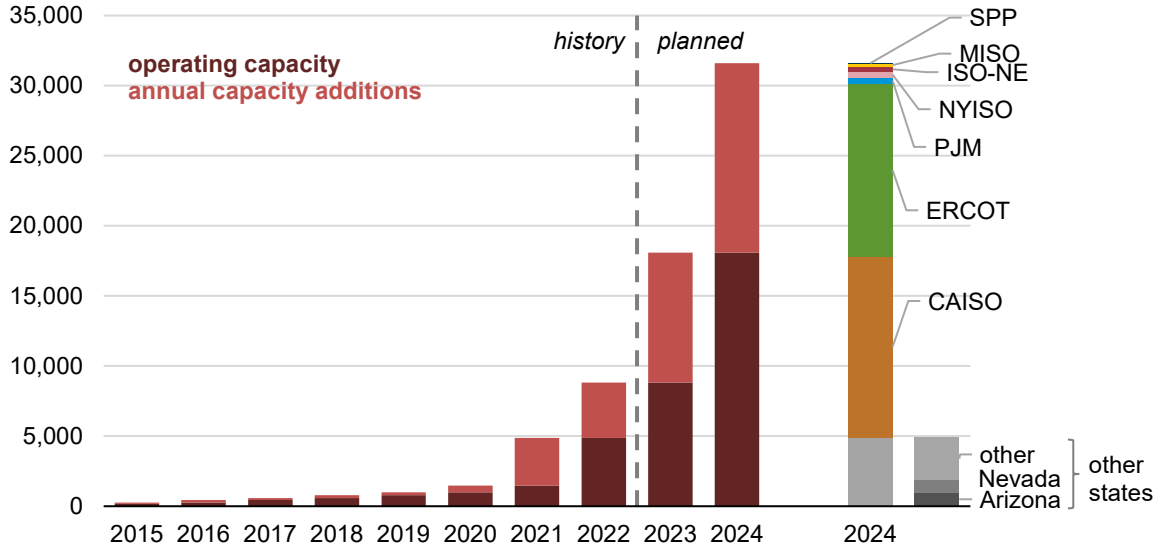
² “Why Energy Storage Matters for the Global Energy Transition,” World Bank Blogs, Demetrios Papathanasiou, June 30, 2023; <https://blogs.worldbank.org/en/energy/why-energy-storage-matters-global-energy-transition>

³ U.S. Energy Information Administration, 2022 Form EIA-860 Early Release, Annual Electric Generator Report.

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PNM Figure JAM-1 – Large Scale Battery Storage (2015-2024)

Figure 6. Large-scale battery storage cumulative power capacity (2015–2024)
megawatts

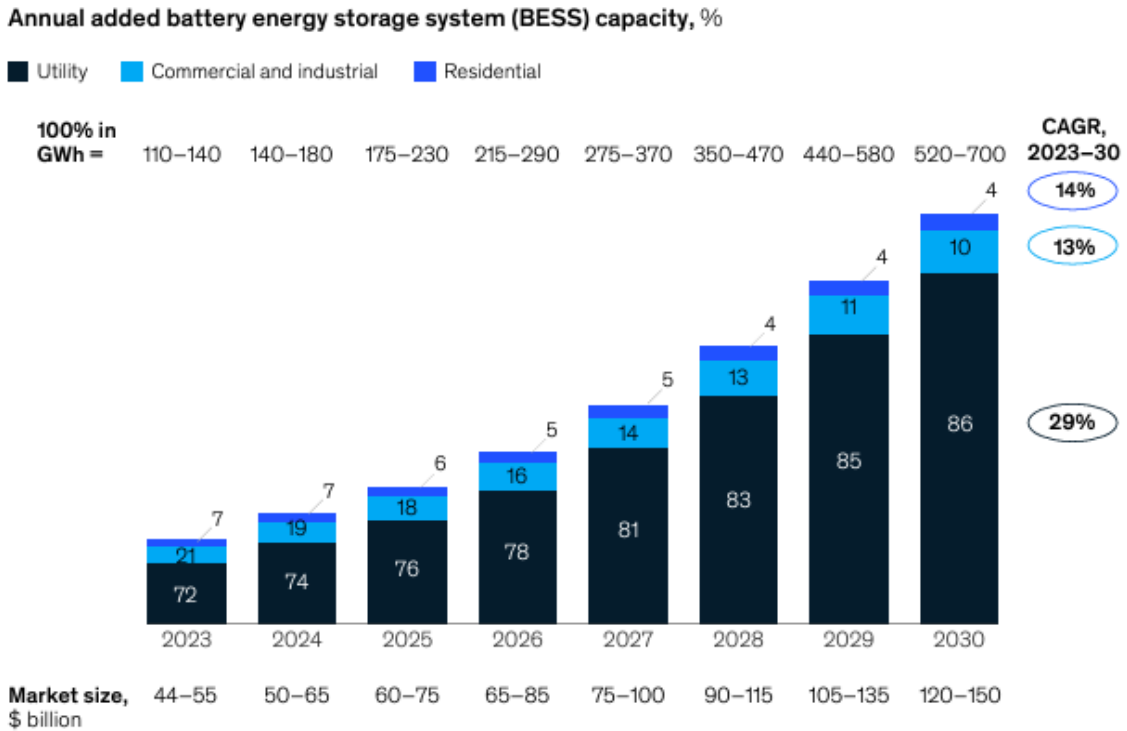


McKinsey and Company believes battery energy storage is likely to quintuple between 2023 and 2030 as shown in PNM Figure JAM-2 below.⁴

⁴ “Enabling Renewable Energy with Battery Energy Storage Systems,” McKinsey and Company, August 2023; <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/enabling-renewable-energy-with-battery-energy-storage-systems#/>

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1 **PNM Figure JAM-2 – Battery Energy Storage Capacity (2023-2030)**



Note: Figures may not sum to 100%, because of rounding.
Source: McKinsey Energy Storage Insights BESS market model

McKinsey & Company

2

3 Texas illustrates the exponential rise of battery storage. A September 2023 *Texas*

4 *Tribune* article states:⁵

5 *Three years ago, the state grid, managed by the Electric Reliability Council of*

6 *Texas, hardly had any battery power. The number has quickly increased,*

7 *from 275 megawatts in 2020 to more than 3,500 operating on the grid*

8 *today, and by the end of 2024, upwards of 10,000 megawatts are expected*

9 *to be available. The decreasing cost of producing batteries and tax*

10 *incentives through the federal Inflation Reduction Act are helping to make*

11 *them more economical to build and operate, developers say.*

⁵ “As brutal heat tests Texas’ power grid, batteries play a small but growing role in keeping the lights on,” *Texas Tribune*, September 12, 2023, Keaton Peters and Emily Foxhall, 2023; https://www.texastribune.org/2023/09/12/texas-power-grid-batteries/?utm_campaign=trib-social-buttons&utm_source=copy&utm_medium=social, emphasis added.

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1 **Q. What are the industry challenges associated with achieving a low-carbon**
2 **resource mix?**

3 **A.** As utilities plan for the transition to a low carbon future, there are many challenges
4 to overcome. In years past, utilities built large, capital-intensive power plants to
5 meet customer demand and energy needs. Economies of scale and technological
6 advancements led to ever larger and larger plants. Utilities tended to own these
7 resources, and to select resource locations and sizes that were optimized to function
8 within the operational realities of the existing system. Challenges include
9 transitioning from managing large, centrally located, dispatchable fossil and
10 nuclear generation to managing small, geographically diverse, generating systems
11 the output of which is dependent on the wind and sun. Utilities are losing resources
12 through the retirement of significant MWs of coal-fired generation. Instead of
13 building large generating stations every few years, utilities are now constantly
14 seeking to secure large numbers of smaller resources to replace their fossil-fired
15 fleet and meet load growth projections. Many utilities find themselves not owning
16 much of these replacement resources or controlling where they may be located on
17 the system. Some utilities have struggled with non-utility-owned projects that win
18 bids but are delayed due to supply chain constraints or simply never come to
19 fruition, leaving the utility scrambling for replacement resources.

20

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1 **Q. What are some of the ratemaking challenges associated with the energy**
2 **transition to non-carbon resources?**

3 **A.** As I noted above, utilities often built large capital-intensive projects and timed rate
4 cases to match the commercial operation dates of these plants to ensure recovery of
5 the large capital expenditures to coincide with plants being placed into service and
6 becoming used and useful. With the trend toward smaller, geographically diverse
7 resources associated with the energy transition that are often added throughout the
8 year, this strategy will not work. Utilities can suffer significant regulatory lag
9 between rate cases. In addition, there are challenges associated with imputed debt
10 associated particularly with ESAs. I discuss this issue below. It's a challenging
11 time for the electric utility industry, its customers, and its regulators.

12
13 **Q. How are New Mexico and PNM addressing the energy transition?**

14 **A.** New Mexico has been at the forefront in facing the challenges I discussed above.
15 Many states have passed renewable energy standards and/or carbon reduction
16 standards. In 2019, New Mexico adopted the Energy Transition Act ("ETA"). As
17 part of the ETA, New Mexico's Renewable Energy Act was amended to require
18 that by January 1, 2045, zero carbon resources must supply one hundred percent of
19 all retail sales of electricity in New Mexico.⁶

20 As noted in PNM's 2023 IRP:⁷

⁶ NMSA 1978, Section 62-16-4(A)(6) (2019).

⁷ PNM 2023 IRP, p. 1, [PNM-2023-IRP-Report-corrected-2023-12-18.pdf \(pnmforwardtogether.com\)](#), emphasis added.

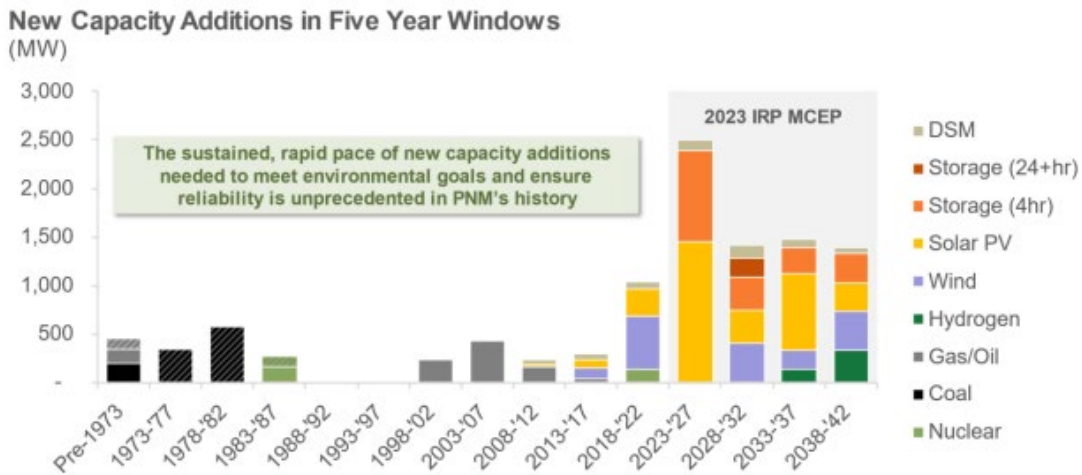
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1 *Over the next eight years, PNM’s portfolio is poised to undergo a*
 2 ***significant transformation***. *Between the expiration of the power purchase*
 3 *agreement with Valencia, planned exit from Four Corners Power Plant ...,*
 4 *and the end of the depreciable life of Reeves Generating Station, the*
 5 *resource portfolio stands to **lose over 500 MW** of firm generating*
 6 *capability, representing one quarter of present peak demand. Replacing*
 7 *retiring or expiring capacity, meeting concurrent load growth, and*
 8 *reducing the carbon intensity of PNM’s portfolio will require **significant***
 9 ***sustained addition of resources** over the next two decades. The scale of this*
 10 *transformation is **unprecedented in PNM’s history** and will challenge the*
 11 *company’s ability to plan, coordinate, and execute.*
 12

13 These statements are clearly illustrated in PNM Figure JAM-3 below from PNM’s
 14 2023 IRP.⁸

15 **PNM Figure JAM-3 – PNM Capacity Additions**

Figure 1. Historical and projected capacity additions in the Most Cost-Effective Portfolio



Timing of resource additions based on date each plant entered PNM’s portfolio. DSM data included beginning in 2008. Bars with hashed lines indicate resources no longer in PNM’s portfolio. Future hydrogen resources may operate using natural gas fuel until PNM transitions to a fully carbon-free portfolio in 2040.

16

⁸ PNM 2023 IRP, p. 1, [PNM-2023-IRP-Report-corrected-2023-12-18.pdf \(pnmforwardtogether.com\)](https://www.pnm.com/~/media/Files/2023/IRP/2023-IRP-Report-corrected-2023-12-18.pdf), emphasis added.

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1 PNM anticipates adding more than 1600 MWs (nameplate) of storage capacity over
2 the next ten years, as well as a similar amount of new solar and 500 MWs of wind,
3 while removing about 1000 MWs of capacity currently serving customers today.⁹
4

5 **III. PROCUREMENT AND RECOVERY OF RESOURCE COSTS**

6
7 **Q. What options do utilities have for procuring the resources necessary to meet**
8 **customer needs?**

9 **A.** Utilities can own the assets or contract with third parties to purchase the power or
10 other services provided by non-utility-owned resources. Because energy storage
11 systems can supply more services than energy (such as frequency regulation,
12 spinning reserves, voltage or reactive power support, and load following) and,
13 because of the efficiency loss between charging and discharging batteries, are a net
14 consumer of energy, the contracts for the use of energy storage systems are often
15 called energy storage agreements (“ESAs” as previously defined) instead of the
16 traditional term for contracts with generator owners, purchased power agreements
17 (“PPAs”). I understand that the Commission treats long-term ESAs and PPAs as
18 the same for purposes of approval.
19

20 **Q. How are costs recovered for each of these options?**

21 **A.** The capital costs associated with utility-owned assets are typically included in rate
22 base in a general rate case following an asset becoming operational. The fixed and

⁹ PNM 2023 IRP, p. 210, [PNM-2023-IRP-Report-corrected-2023-12-18.pdf \(pnmforwardtogether.com\)](https://www.pnmforwardtogether.com/pnm-2023-irp-report-corrected-2023-12-18.pdf)

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1 variable operational and maintenance (“O&M”) costs associated with utility-owned
2 resources, excluding fuel, are also included in base rates, whereas the fuel is
3 generally recovered through a fuel clause.

4

5 Typically, utilities recover the demand charges associated with third-party owned
6 resources through base rates. Variable costs may be recovered through base rates
7 or through a fuel clause. The costs of renewable resources for meeting renewable
8 energy standards are sometimes recovered through a separate surcharge.

9

10 **Q. How have New Mexico utilities historically recovered costs for generation**
11 **resources?**

12 **A.** Utility-owned assets have been recovered consistent with the discussion above.
13 The New Mexico Public Utility Act at NMSA 1978, Section 62-8-7(E) explicitly
14 allows the Commission to authorize utilities to collect fuel AND purchased power
15 costs through a FPPCAC.¹⁰ While the Commission can expressly authorize
16 FPPCAC recovery, the Commission rules relating to long-term PPAs appear to
17 contemplate a default for recovery of fixed or demand related components of PPAs
18 through base rates.¹¹

19

¹⁰ NMSA 1978, Section 62-8-7(E).

¹¹ 17.9.551.9(A) NMAC.

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1 **Q. Are the “default” cost recovery mechanisms adequate for this energy**
2 **transition?**

3 **A.** No. They are actually more costly for customers in the case of ESAs. In addition
4 to the rate recovery challenges associated with continuous additions of smaller scale
5 resources that I discuss above, a key challenge associated with the energy transition
6 is the imputed debt associated with, in particular, ESAs.

7

8 **IV. IMPUTED DEBT CONCERNS**

9

10 **Q. What is imputed debt?**

11 **A.** Ratings agencies may “impute” debt to a utility due to the utility’s obligation
12 associated with fixed payments such as those of PPAs or ESAs. A 1994 EIA article
13 discusses the implications of imputed debt:¹²

14 *[With] [t]he development of nonutility generation ... the bond-rating*
15 *agencies commenced treating portions of financial liability associated with*
16 *purchased power agreements as fixed payment obligations akin to debt.*
17 *Inclusion of these obligations in the debt portfolio of a utility may tend to*
18 *lower its interest coverage ratio and may lead to a lowering of its bond-*
19 *rating. The utility so affected may be required to pay a higher capital cost*
20 *in meeting its financing needs in the market. Alternatively, the affected*
21 *utility must suitably readjust its capitalization structure or secure rates of*
22 *return compatible with higher imputed debt levels.*
23

24 PNM witness Greinel provides a description of imputed debt associated with long-
25 term ESAs. Consistent with the discussion above, she explains:¹³

¹² “Financial Impacts of Nonutility Power Purchases on Investor-owned Electric Utilities,” June 1994, Energy Information Administration, p. 37-38

¹³ Greinel Direct Testimony, Section V

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1 *For utilities like PNM, certain ESAs are classified as leases under*
2 *Generally Accepted Accounting Principles (“GAAP”), in which case the*
3 *utility records an asset and a liability on its financial statements. The credit*
4 *rating agencies generally view lease liabilities as “debt-like” and reclass*
5 *some portion of the lease liability as debt on the utility balance sheet when*
6 *calculating credit metrics for the utility.*¹⁴
7

8 **Q. Why is imputed debt a significant issue for utilities?**

9 **A.** Due to ambitious carbon reduction goals, utilities such as PNM are entering
10 into more long-term fixed price contracts. The calculation of imputed debt
11 results in the creation of adjusted financial statements that are used to
12 calculate the utility’s financial ratios and can significantly impact the
13 utility’s credit rating. This information may also influence the amount of
14 capital available to invest in other parts of the system and must be
15 considered in buy versus build decisions and contracting decisions in
16 resource procurement. The additional leverage from imputed debt may lead
17 to lower utility credit ratings or debt rating downgrades that may cause
18 borrowing capacity to be restricted or may lead to increased costs of capital,
19 which ultimately increases costs to ratepayers.

20
21 In a paper titled, “An Introduction to Debt Equivalency,” the authors, from
22 California Public Utility Commission (“CPUC”) Policy and Planning
23 Division, state:¹⁵

¹⁴ Ms. Greinel uses the term “reclass” instead of “imputation” of the debt; however, we are referring to the same phenomenon.

¹⁵ “An Introduction to Debt Equivalency,” CPUC Policy and Planning Division, Maryam Ghadessi and Marzia Zafar, August 4, 2017, p. 5.

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1 *The financial risk resulting from a large portfolio of PPAs could lead to a*
2 *credit rating downgrade. The weakened credit ratings, in turn, affect*
3 *utilities' cost of debt and equity assessed by financial markets. Therefore*
4 *PPAs or other types of debt equivalent obligations might affect a utility's*
5 *overall cost of capital.*
6

7 When a utility has few ESAs, the concern may be negligible, but when a
8 utility anticipates the level of ESAs that PNM does, the imputed debt impact
9 is of much greater concern. The greater the level of ESAs, the larger the
10 impact of imputed debt on utilities' adjusted financials, for which investors
11 will adjust terms and require additional compensation for the increased
12 imputed leverage. It is extremely important in this era of proliferating long-
13 term fixed price agreements for storage capacity and renewable power
14 purchases that regulators provide regulatory relief to mitigate the impact of
15 debt imputation by the rating agencies on utility capital structure and cost
16 of capital.

17
18 **Q. What actions are rating agencies taking with regards to imputed debt?**

19 **A.** S&P Global Ratings ("S&P") applies a 50% risk factor when the utility recovers
20 fixed costs through base rates, and a 25% risk factor when a special rate adjustment
21 mechanism is employed. Special legislative provisions for cost recovery may lead
22 to risk factors of 0%.¹⁶ Moody's Investors Service ("Moody's") looks at the

¹⁶ S&P Presentation, "Key Financial Statement Adjustments Used in the Ratings Process," NARUC Staff Committee on Accounting and Finance, October 10, 2007, p.15.

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1 assurance of cost recovery and may determine that no debt imputation is necessary,
2 stating:¹⁷

3 *Some utilities have the ability to pass through the cost of purchasing*
4 *power under PPAs to their customers. As a result, the utility takes*
5 *no risk that the cost of power is greater than the retail price it will*
6 *receive. Accordingly we regard these PPA obligations as operating*
7 *costs with no long-term debt-like attributes.*
8

9 The rating agencies clearly see long term fixed cost purchase agreements, such as
10 ESAs, as “debt-like” obligations and view adjustment clauses as lowering related
11 financial risk and therefore the agencies impute lower debt costs.

12

13 **Q. Have rating agencies downgraded utilities based on the imputed debt issue?**

14 **A.** Yes. Evidence of this concern by rating agencies is discussed in Idaho Power’s
15 currently pending rate case in Oregon by witness Lisa Grow:¹⁸

16 *Q. What rationale was given by the ratings agencies to support their recent*
17 *actions regarding Idaho Power’s credit downgrades?*
18

19 *A. Moody’s stated, “without the benefit of more incremental and timelier*
20 *rate relief through riders or cost tracking mechanisms, more frequent base*
21 *rate increases and lower imputed debt, [Idaho Power Company’s] credit*
22 *metrics will not improve materially, and the utility will have limited*
23 *financial cushion at its current rating level to manage unforeseen events.”*
24

¹⁷ Regulated Electric and Gas Utilities Rating Methodology, Moody’s Investor Services, June 23, 2017, p. 43.

¹⁸ Public Utility Commission of Oregon Docket No. UE426, *Idaho Power Company’s Request for General Rate Revisions*, December 15, 2023, Direct Testimony of Lisa Grow, p. 19, lines 7-10, emphasis added.

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1 Another example is the credit rating of Southern California Edison (“SCE”) was
2 downgraded due to the denial by the CPUC to allow SCE to take debt equivalency
3 into account.¹⁹

4

5 **Q. How has the utility industry responded to the issue of imputed debt in general**
6 **and for ESAs specifically?**

7 **A.** As evidenced by the citation from the 1994 EIA article with the discussion of
8 imputed debt, this issue is not new. In 2004, California utilities were allowed to
9 begin imputing a 20% risk factor into their bid evaluation methodology to reflect
10 debt equivalency of long term PPAs.²⁰

11

12 By statute, utilities in Nevada may request mitigation for the impact of imputed
13 debt associated with renewable energy contracts. The requesting utility may
14 propose an amount “equal to the compensating component in the capital structure.”
15 The costs “will be collected with other contract costs as a component of the base
16 tariff energy rate.”²¹

17

¹⁹ CPUC Docket No. U 338-E, *Testimony Supporting SCE’s Application for Authority to Establish its Authorized Cost of Capital for Utility Operation for 2020 and to Reset the Annual Cost of Capital Adjustment Mechanism*, April 22, 2019, p. 58.

²⁰ CPUC Rulemaking 04-04-003, *Opinion Adopting PG&E, SCE, and SDG&E Long-term Procurement Plans*, CPUC Decision 04-12-048, December 16, 2004, pp. 142-145

²¹ Nev. Admin. Code § 704.88875, eff. 2-23-2006

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1 **Q. Has there been a renewed focus on the issue in recent years?**

2 **A.** Yes. For example, in California, the 2004 decision allowing consideration of
3 imputed debt in bid evaluation does not appear to fully have addressed the issue.
4 In 2019, SCE requested to increase its common equity in its capital structure to
5 recognize debt imputation associated with PPAs. The CPUC acknowledged that
6 debt equivalence does have an impact on financial risk and allowed the impact of
7 debt equivalency to be considered in setting capital structure.²²

8
9 Also in 2019, the Michigan Public Service Commission allowed Consumers
10 Energy to include a Financial Compensation Mechanism to offset imputed debt.²³

11 Recall my discussion about Idaho Power's downgrades above, Idaho Power's
12 proposed solution to this issue is that the Public Utility Commission of Oregon
13 consider an imputed debt adder when it evaluates Idaho Power's return on equity.²⁴

14
15 I suspect that the reason there aren't more examples to point to is that utilities do
16 not have enough ESAs at this time to be overly concerned about the impact on
17 credit ratings. PNM Figure JAM-1 earlier in my testimony provides a visual of
18 how much growth there has been in ESAs very recently. The figure shows that the
19 MWs of installed ESAs is expected to triple between 2022 and 2024.

²² California PUC Decision No. 19-12-056, December 19, 2019, p. 25-26.

²³ Michigan Public Service Commission Docket No. U-20165, *Order Approving Settlement Agreement*, June 7, 2019, p. 85.

²⁴ Public Utility Commission of Oregon Docket No. UE426, *Idaho Power Company's Request for General Rate Revisions*, December 15, 2023, Direct Testimony of Brian Buckham, p. 21, lines 5-6.

**DIRECT TESTIMONY OF
JOSEPH A. MILLER, JR.
NMPRC CASE NO. 24-00089-UT**

1 **Q. Has PNM recognized the issue of imputed debt associated with ESAs?**

2 **A.** Yes. PNM witnesses discussed the issue of imputed debt in Case No. 23-00353-
3 UT (“2026 Resource Acquisition Case”). As PNM witness Monroy noted in his
4 direct testimony in that case, imputed debt associated with certain types of ESA
5 structures causes rating agencies to impute debt to PNM, resulting in increased
6 costs to PNM’s customers and adversely impacting PNM’s credit metrics. He
7 explained that PNM is required to maintain adequate debt-to-equity ratios to ensure
8 customers’ financial security. Increased imputed debt would require PNM to
9 increase its equity to ensure PNM’s credit metrics remain investment grade. This
10 increased equity need results in higher costs to customers that must be considered
11 when evaluating resources needed to serve its customers. This concern was
12 addressed in PNM’s request in the 2026 Resource Acquisition Case for volumetric
13 ESA pricing from RFP bidders in the 2026 resource acquisition since volumetric
14 ESAs, like volumetric PPAs, do not carry the lease liability and related debt
15 imputation. PNM witness Monroy had recommended that “the Commission should
16 establish a predictable and dependable approach for cost recovery. This could
17 include providing for greater certainty of recovery through rate riders, which would
18 decrease the amount of imputed debt assigned by S&P combined with increasing
19 the equity balance in the capital structure to accommodate the impact of the imputed
20 debt.”²⁵

21

²⁵ NMPRC Case No. 23-00353-UT, Monroy Direct Testimony, pp. 19-24.

**DIRECT TESTIMONY OF
JOSEPH A. MILLER, JR.
NMPRC CASE NO. 24-00089-UT**

1 **V. PNM PROPOSAL FOR RECOVERY OF ESA COSTS**

2
3 **Q. What is PNM proposing in this case for the recovery of ESA costs?**

4 **A.** As PNM witness Monroy explains, PNM proposes to recover all ESA costs through
5 the FPPCAC as opposed to the recovery of only some costs through base rates and
6 some through the FPPCAC.²⁶ PNM's continued use of its FPPCAC was recently
7 approved as part of PNM's last rate case.²⁷ PNM is authorized to and does recover
8 purchased power costs through its FPPCAC.

9
10 **Q. Why do you believe PNM's proposal is good for customers?**

11 **A.** Energy storage is and will continue to be a necessary component of PNM's resource
12 mix to achieve zero-carbon resource requirements. Without policy action by this
13 Commission to address the impact of imputed debt associated with ESAs, PNM
14 may be subject to lower credit ratings which will inhibit PNM's ability to fund
15 capital spending, and increase borrowing costs to PNM, and thus to customers.
16 New Mexico statutes are in place to allow the Commission to approve the recovery
17 of purchased power costs through the FPPCAC. Recovery of ESA costs through
18 an adjustment clause is viewed favorably by the rating agencies and will reduce the
19 risk factor the agencies will apply to the ESA costs and help protect PNM's credit
20 ratings. A healthy credit rating will keep borrowing costs lower and benefit
21 customers.

²⁶ Monroy Direct Testimony, Section VI

²⁷ NMPRC Case No. 22-00270-UT, *Recommended Decision*, 327-329 (Dec. 8, 2023), partially adopted, NMPRC Case No. 22-00270-UT, *Final Order* (Jan. 3, 2024).

**DIRECT TESTIMONY OF
JOSEPH A. MILLER, JR.
NMPRC CASE NO. 24-00089-UT**

1 **Q. How is the recovery of ESAs through the fuel clause consistent with New**
2 **Mexico law?**

3 **A.** While I am not an attorney, as someone very experienced in utility regulatory
4 matters, my reading of the New Mexico law related to the FPPCAC is that
5 purchased power costs can be recovered through the FPPCAC. Section 62-8-7(E)
6 states:

7 *The commission shall enact rules governing the use of tax, fuel, gas or*
8 *purchased power adjustment clauses by utilities that enable the commission*
9 *to consider periodically at least the following:*

10 *1) whether the existence of a particular adjustment clause is consistent*
11 *with the purposes of the Public Utility Act, including serving the goal of*
12 *providing reasonable and proper service at fair, just and reasonable rates*
13 *to all customer classes;*

14 *(2) the specific adjustment mechanism to recover tax, gas, fuel or purchased*
15 *power costs;*

16 *(3) which costs should be included in an adjustment clause, procedures to*
17 *avoid the inclusion of costs in an adjustment clause that should not be*
18 *included and methods by which the propriety of costs that are included may*
19 *be determined by the commission in a timely manner, including what*
20 *informational filings are required to enable the commission to make such a*
21 *determination; and*

22 *(4) the proper adjustment period to be employed.*
23

24 **Q. Has the Commission adopted rules pertaining to utility fuel clauses?**

25 **A.** Yes. The Commission established rules to implement the FPPCAC in 2012 at
26 17.9.550 NMAC (“Rule 550”). It does not appear that either Section 62-8-7(E) or
27 Rule 550 prohibit inclusion of demand-related purchased power costs in the
28 FPPCAC.
29

**DIRECT TESTIMONY OF
JOSEPH A. MILLER, JR.
NMPRC CASE NO. 24-00089-UT**

1 The Commission also implemented 17.9.551.9 NMAC, *Ratemaking Treatment for*
2 *All Purchase Power Agreements*, in 2012 (“Rule 551”). ESAs meet the definition
3 of a “purchased power agreement” because ESAs are an agreement for the purchase
4 of capacity.²⁸ Rule 551.9(A) provides that, unless otherwise authorized by the
5 Commission, energy costs incurred under a PPA are recoverable through a utility’s
6 fuel and purchased power cost adjustment clause and capacity costs are recoverable
7 through base rates. However, Subsection (B) of 17.9.551.9 NMAC allows an
8 electric utility to request that the Commission determine other ratemaking
9 principles and treatment for long-term PPAs. Also, as I discuss below, the
10 Commission has broad ratemaking authority.

11
12 **Q. Do you believe that passing ESA costs through PNM’s FPPCAC is consistent**
13 **with Section 62-8-7(E)?**

14 **A.** Yes. In authorizing the FPPCAC, Section 62-8-7(E) requires the Commission to
15 consider “whether the existence of a particular adjustment clause is consistent with
16 the purposes of the Public Utility Act, including serving the goal of providing
17 reasonable and proper service at fair, just and reasonable rates to all customer
18 classes.” I believe PNM’s proposal is consistent with New Mexico’s Public Utility
19 Act, which provides that its declared policy is the requirement that investment and
20 capital "be encouraged and attracted" so as to provide for the construction,

²⁸ 17.9.551.7(F) NMAC.

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1 development, and extension of facilities to render service to the general public and
2 industry.²⁹

3
4 Finally, the Commission has broad authority related to ratemaking policies and
5 practices. The New Mexico Supreme Court has noted that, “[t]he Legislature,
6 through the [Public Utilities Act], has granted the Commission ‘general and
7 exclusive power and jurisdiction to regulate and supervise every public utility in
8 respect to its rates and service regulations.’”³⁰ In the same opinion, the Court
9 concluded that “by ‘rate-making process’ in Section 62-16-6(A) of the REA, the
10 Legislature meant the process set forth in Section 62-8-7 of the PUA, i.e., both
11 general rate cases involving a Commission notice, hearing, and approval process as
12 well as automatic adjustment clauses, depending on the type of cost involved.”³¹
13 As I discuss below, the proposal is beneficial to both customers and to PNM.

14
15 **Q. Has the Commission addressed the issue of recovery of purchased power costs
16 through the FPPCAC for other utilities in New Mexico?**

17 **A.** Yes. In El Paso Electric’s (“EPE”) 2015 rate case, the Commission ordered EPE
18 “to remove all fuel and purchased power costs from base rates and instead, bill such
19 costs entirely through the FPPCAC.”³² In EPE’s 2019 resource case (Case No. 19-

²⁹ NMSA 1978, § 62-3-1.

³⁰ *N.M. Indus. Energy Consumers v. N.M. Pub. Reg. Comm’n*, 2007-NMSC-053, ¶ 6, 142 N.M. 533.

³¹ *Id.* ¶ 22.

³² NMPRC Case No. 15-00127-UT, *Final Order Partially Adopting Recommended Decision*, ¶ 242, p. 106. EPE filed its 2020 rate case with all fuel and purchased power removed from base rates in accordance with the Commission order on the 2015 rate case. Direct Testimony of James Schichtl, May 29, 2020, NMPRC Case No. 20-00104-UT, p. 8, line 18, - p. 9, line 3.

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1 00348-UT), EPE requested approval to include all purchased power costs through
2 the FPPCAC, including the costs of battery storage at Buena Vista and Canutillo
3 and noted in its application filed November 18, 2019, through the testimony of
4 James Schichtl: “Rating agencies will impute debt obligations that reflect these
5 contractual obligations, but the amount of imputed debt is not expected to result in
6 a change in EPE’s credit ratings or negatively impact EPE’s debt costs.”³³ The
7 Commission did not approve EPE's request to recover the costs associated with
8 battery storage through the FPPCAC. The Commission adopted the Hearing
9 Examiner’s position which found that: ³⁴

10 *EPE’s request to recover LTPPA or ESA capacity charges through the*
11 *FPPCAC does not comport with the rule and should be denied. EPE did not*
12 *present sufficient evidence or legal argument to justify any variance or*
13 *exception to the standard provisions set forth in the rule, or the FPPCAC*
14 *Rule 550, or to add to the limited rate mechanisms that provide for the*
15 *adjustment of costs to customers without notice and hearing. (emphasis*
16 *added)*
17

18 The estimated total costs of the Buena Vista and Canutillo projects were \$15 million
19 for 100 MWs of battery storage.³⁵ This is a far cry from the levels of investment
20 PNM is facing with 1600 MWs of battery storage estimated to be added over the
21 next 10 years.

³³ NMPRC Case No. 19-00348-UT, Direct Testimony of James Schichtl, November 19, 2019, p. 17, lines 9-14.

³⁴ NMPRC Case No. 19-00348-UT, *Recommended Decision*, April 22, 2020, p. 57; *Order Adopting Recommended Decision*, May 13, 2020, ¶ 14, page 5.

³⁵ NMPRC Case No. 19-00348-UT, *Recommended Decision*, April 22, 2020, p. 37.

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1 Clearly, the Commission did not completely foreclose the use of the FPPCAC for
2 ESA costs, finding instead that EPE “did not present sufficient evidence.” PNM,
3 on the other hand, is submitting ample evidence of the benefit to customers of
4 including ESA costs in the FPPCAC.

5
6 **Q. Have you found any jurisdiction that has addressed the issue in the way**
7 **proposed by PNM?**

8 **A.** Yes. Arizona utilities are allowed to recover the costs of energy storage agreements
9 through the FPPCAC.³⁶ Hawaii is using the approach of recovering all purchased
10 power costs through an adjustable surcharge. A 2012 law states that:³⁷

11 *All power purchase costs, including costs related to capacity, operations*
12 *and maintenance, and other costs that are incurred by an electric utility*
13 *company, arising out of power purchase agreements that have been*
14 *approved by the public utilities commission and are binding obligations on*
15 *the electric utility company, shall be allowed to be recovered by the utility*
16 *from the customer base of the electric utility company through one or more*
17 *adjustable surcharges, which shall be established by the public utilities*
18 *commission.*
19

20 In 2020, the Public Service Commission of the District of Columbia, citing the
21 Hawaii example, that it “does ... take seriously the potential impact of imputed debt
22 and the complications that could arise if more PPAs are added to [Potomac Electric

³⁶ Arizona Corporation Commission, Decision No. 76295, dated August 18, 2017, p. 108 (adopting settlement agreement), p. 10 of attached settlement agreement.

³⁷ Haw. Rev. Stat. § 269-16.22, effective 7/1/12

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1 Power Company’s] balance sheet.” The Commission committed to revise its
2 Standard Offer Service rules to include a cost recovery mechanism.³⁸

3

4 **Q. Are there other benefits to the proposal by PNM?**

5 **A.** The main benefit of PNM’s proposal is the reduction in imputed debt which will
6 reduce costs to customers. PNM witness Greinel quantifies the expected savings
7 associated with PNM’s proposal.³⁹ In addition, PNM’s proposal helps achieve the
8 goal of matching costs and benefits to those causing such costs and benefits.

9

10 **Q. What is the concept of “matching” and how does this proposal address this?**

11 **A.** One of the principals of ratemaking is the concept of “matching” whereby those
12 customers who cause the costs (or the benefits) are the ones who pay the costs (or
13 receive the benefit of cost savings). One of the frequent criticisms of Construction
14 Work in Progress recovery and regulatory assets and liabilities is the mismatch
15 between those who are paying the costs (or receiving the benefits) and those who
16 caused the costs (or benefits). Even base rates are not perfect matches due to
17 regulatory lag between rate cases. The proposal to pass ESA costs through the
18 FPPCAC is superior even to base rates relative to this concept given the opportunity
19 to capture cost increases and decreases closer to real time.

20

³⁸ Public Service Commission of the District of Columbia Case No. 2017, “In the Matter of the Development and Designation of Standard Offer Service in the District of Columbia,” *Order No. 20327*, dated April 9, 2020, paragraphs 40 and 41, p. 14-15.

³⁹ See PNM Table SGG-2.

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1 In addition to matching costs and benefits based on timing, the proposal also
2 matches alternative costs. Generating energy by discharging batteries has a direct
3 impact on fuel and purchased power costs. Discharging batteries provides energy
4 that would otherwise be supplied by resources whose fuel or purchased power costs
5 may be passed through the FPPCAC.

VI. CURRENT ESA RULEMAKING

8
9 **Q. Why does the status quo treatment of ESA cost recovery no longer work?**

10 **A.** The “status quo” would mean higher costs for customers. PNM would need to pass
11 onto ratepayers the increased costs associated with imputed debt for ESAs with
12 fixed charges. In Case No. 23-00353-UT, PNM asked bidders to include
13 volumetric bids to eliminate the imputed debt issue associated with fixed price
14 ESAs. In that case, PNM demonstrated that the resulting bids were lower cost than
15 accepting the fixed price ESAs once the cost of imputed debt was factored into the
16 fixed price ESAs. However, not all bidders stayed in the RFP and those that did
17 increased their bids. PNM witness Nicholas Phillips testified that standalone ESA
18 projects either did not provide a volumetric offer or proposed a volumetric price
19 based on the throughput of the BESS with a contractual minimum number of
20 cycles.⁴⁰ PNM witness Roger Nagel noted that those bidders offering energy
21 storage in addition to solar generation increased their bids between 10% and

⁴⁰ NMPRC Case No. 23-00353-UT, Phillips Rebuttal Testimony, pp. 37-38.

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1 100%.⁴¹ PNM witness Thomas Feldman noted that he was not surprised by the
2 bidder responses, noting:⁴²

3 *... it reinforces the fact that the fixed pricing of ESAs creates a very real*
4 *debt equivalency issue that has concrete financial implications. One of the*
5 *parties in this equation must bear the costs associated with backstopping*
6 *the financing of a standalone storage project. If the ESA has fixed pricing,*
7 *PNM is bearing the cost by leveraging its balance sheet to guarantee a fixed*
8 *payment stream to the project developer over the life of the ESA. This results*
9 *in imputed debt on PNM's balance sheet which leads to increased*
10 *borrowing costs, and therefore increased customer rates.*

11
12 While, in that case, the sole use of volumetric ESAs resulted in lower costs to
13 customers than bids with fixed charges once debt imputation was taken into
14 account, there is no guarantee that bidders will always be willing to offer bids in
15 this structure or that they will be ultimately lower in cost for customers. Providing
16 a structure that allows PNM to include both fixed and volumetric bids will
17 maximize the opportunities for selecting the lowest-cost option for customers.

18
19 **Q. Doesn't the future test year address this issue?**

20 **A.** Not completely. The future test year partially addresses the regulatory lag issue,
21 but does not address the imputed debt costs. With regard to regulatory lag, the
22 future test year captures all resources added before the beginning of the future test
23 year, but only partially captures those resources planned for during the course of
24 the future test year. For example, the future test year PNM is using includes only
25 two months of costs associated with two battery storage projects that are projected

⁴¹ NMPRC Case No. 23-003530UT, Nagel Direct Testimony pp. 38-39.

⁴² NMPRC Case No. 23-003530UT, Feldman Direct Testimony pp. 16-17.

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1 to be completed late in the test year. In addition, as discussed earlier, PNM
2 anticipates adding significant quantities of ESAs over the next few years.

3
4 One of the stated objectives of Rule 550 is: “to provide for the stability of utility
5 earnings when electric fuel costs and purchased power costs are rising and permit
6 prompt credits to customers when electric fuel costs and purchased power costs are
7 declining.”⁴³ The current energy transition is an excellent example of a time when
8 purchased power costs are expected to rise dramatically to accommodate the level
9 of ESAs expected to be deployed.

10

11 **Q. Is PNM asking for a variance under Rule 550 for approval of the proposal?**

12 **A.** Not specifically, as explained by PNM witness Monroy. As discussed above, I
13 believe that Section 62-8-7(E), 17.9.551.9(B) NMAC and the ratemaking authority
14 granted under the Public Utility Act provide the Commission with the flexibility to
15 authorize PNM to recover ESA costs through its FPPCAC. However, I believe that
16 were the Commission to determine that a variance is required, the PNM proposal
17 meets the requirements for the variance.

18

19 **Q. What are the requirements for a variance under Rule 551?**

20 **A.** Section 17.9.551.12(A) provides the requirements for a variance under Rule 551 as
21 follows:

⁴³ 17.9.550.6(B) NMAC.

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JOSEPH A. MILLER, JR.
NMPRC CASE NO. 24-00089-UT**

1 *A. An electric utility may file a request for a variance from the requirements*
2 *of this rule with service of the request to the same parties on whom the*
3 *application must be served; such request shall:*
4 *(1) identify the sections of this rule for which the variance is requested;*
5 *(2) describe the reasons for the variance;*
6 *(3) set out the effect of complying with this rule on the parties and the*
7 *electric utility's customers if the variance is not granted;*
8 *(4) describe the expected result that the request will have if granted; and*
9 *(5) state how the variance will aid in achieving the purposes of this rule.*
10

11 My testimony, in conjunction with the testimonies of PNM witnesses Grienel and
12 Monroy, addresses and demonstrates all of the foregoing requirements for a
13 variance under Rule 551, if necessary.

VII. CONCLUSION

16
17 **Q. Why should this Commission approve PNM's proposal to recover the ESA**
18 **costs through the FPPCAC?**

19 **A.** As I have detailed above, PNM anticipates entering into significant quantities of
20 ESAs over the next few years. As the quantity of these grows, so do the financial
21 implications associated with fixed cost payments for these contracts. This is a
22 recognized industry issue. PNM's proposal to recover the cost of the ESAs through
23 the FPPCAC will lower costs to customers and better match costs and benefits to
24 those who caused the costs and benefits. As discussed by PNM witness Greinel,
25 healthy financial metrics are important to both shareholders AND customers. The
26 PNM proposal is good for both.

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JOSEPH A. MILLER, JR.
NMPRC CASE NO. 24-00089-UT**

1 **Q.** Does this conclude your direct testimony?

2 **A.** Yes.

3

GCG#532495

PNM Exhibit JAM – 1

Statement of Qualifications

Is contained in the following 3 pages.

JOSEPH MILLER

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PROFILE

Accomplished Energy Executive valued for leadership experience in operations, engineering, generation fleet modernization, and both generation and regulatory strategy.

- Provided leadership and regulatory support in modernizing one of the largest generation fleets in the country.
- Demonstrated success in managing and overseeing daily operations of power plants, including monitoring operations for efficiency and safety while ensuring regulatory requirements are followed.
- Strong, effective communicator aiding in the cultivation of client relationships, diffusing situations, and maintaining positive interactions with colleagues.
- Creative problem-solver who thrives in environments that require the capacity to prioritize concurrent projects both calmly and efficiently.
- Track record of successful management of budgets between \$100 million and \$400 million.
- Adept in all facets of mergers and acquisitions, including financial evaluation, negotiations and working directly with client senior management teams.
- Sought-after keynote speaker, panelist, and presenter at industry conferences.

Select career accomplishments:

- Sponsored testimony before utility commissions in 58 regulatory proceedings, including base rate, CPCN, fuel, plant abandonment, and environmental cases in multiple states.
- Led the analysis and developed for fleet compliance with complex environmental regulations, including MATS, CSAPR, ELG and CCR.
- Generated and executed reliability improvement plan that achieved top quartile performance for coal fleet.
- Established program to ensure compliance with more than 50 North American Electric Reliability Corporation (NERC) standards.
- Generated idea and strategy to convert three coal plants to also burn natural gas, reducing fuel cost by 20%.
- Initiated and orchestrated annual technical conference for best practices and information sharing, networking, training and knowledge transfer attended by nearly 800 people.
- Significant involvement in acquisition and divestiture due diligence, evaluation, and negotiations.
- Provided real-time monitoring and advanced analytics for equipment at approximately 150 coal and gas units.
- Produced and maintained design criteria for new combined cycle and solar plants.
- Initiated and facilitated valuable regular meetings with peers at AEP, TVA, Southern and Dominion.

PROFESSIONAL EXPERIENCE

President and CEO of Pegasus-Global Holdings, Inc. **2022 – Present**

Leading a firm that is globally recognized for providing expert technical and managerial services to the power, energy, and infrastructure sectors.

Owner of J Miller Energy Consulting, LLC **2019 – 2022**

Providing management and strategy consulting to the energy industry. Offering services ranging from strategic and resource planning, operational efficiency improvement, generation and regulatory strategy development, and expert testimony as well as merger and acquisition support.

Duke Energy Corporation **1991 – 2019**

Duke Energy (NYSE: DUK), a Fortune 125 company, is one of the largest electric utility holding companies in the U.S., generating and delivering electricity, distributing natural gas and operating a growing renewable energy portfolio.

Vice President/Central Services & Compliance, Charlotte, NC **(2014 – 2019)**

Total oversight of 550 employees, engineering, environmental compliance planning, generation and regulatory strategy, NERC and regulatory compliance, technical services and maintenance services for the company's fleet of 89 fossil hydro power plants in North Carolina, South Carolina, Ohio, Indiana, Kentucky and Florida.

- Ensured compliance with multiple environmental, safety and NERC regulations across six operating states.
- Implemented plant retrofits to improve fuel flexibility to achieve reduction in generating costs while maintaining reliability.
- Conducted analysis of plant retirements and new generation replacement in addition to setting lifecycle strategy for all large assets in fleet.
- Chair of enterprise engineering council.

General Manager/Strategic Engineering, Charlotte, NC (2012 – 2014)

- Negotiated agreement with Indiana Office of Utility Consumer Counselor on \$400 million environmental filing.
- Led multi-department initiative resulting in early retirement of fossil plants.
- Identified unique compliance method that allowed Crystal River units 1 & 2 (900MW) to comply with BART and MATS rules, reducing grid reliability concerns and avoiding \$200 million in potentially unrecoverable transmission projects.
- Implemented plant retrofits to improve fuel flexibility to achieve \$168 million in savings while maintaining reliability.
- Led the evaluation and negotiation of generation asset purchase.
- Represented company in numerous rate case, fuel and environmental filings, and wholesale customer meetings.

General Manager/Generation Support, Charlotte, NC (2010 – 2012)

- Headed up financial and engineering analysis of capital projects and project controls responsibility for the company's fleet of nuclear, fossil and hydroelectric plants.
- Facilitated and carried out all facets of environmental compliance planning and strategy.
- Served as Merger Integration Team Leader of Fossil Hydro Generation Operations Services Team (2011).

Station Manager/Power Operations, Zimmer Station, OH (2006 – 2010)

- Personally surpassed 13 years and 2.75 million worked-hours leading employees without a lost-time injury.
- Introduced improvements to gypsum processing and scrubber waste operations, resulting in savings of \$5 million per year.
- Facilitated and executed needed modifications to allow station to burn coal from the Illinois Basin.
- Served on the management committee during labor negotiations with IBEW 1347 (2006).

Station Manager/Power Operations, East Bend Station, KY (2002 – 2006)

- Led efficiency-improvement effort allowing station to achieve its second-best heat rate in 25-year history.
- Improved SO₂ scrubbing and fuel cost to become the cheapest plant in the Cincinnati region.
- Led corporate Human Resources and Benefits teams through a continuous improvement process resulting in annual cost savings of \$10 million; provided support to Legal, Risk Management and Executive Benefits teams.

Earlier positions of increasing responsibility:

Group Manager/Power Operations, Cincinnati, OH (2000 – 2002)

Support Team Group Leader/Power Operations, Cayuga Station, IN (1997 – 2000)

Staff Engineer/Power Operations, Cayuga Station, IN (1991 – 1997)

BOARD EXPERIENCE

William States Lee College of Engineering, University of North Carolina Charlotte

Advisory Board Member, 2014 – 2020

EDUCATION & PROFESSIONAL DEVELOPMENT

University of North Carolina at Chapel Hill Executive Education

Strategic Leadership Program, 2009

Indiana State University, Terre Haute, IN

Master of Business Administration coursework (12 of 16 courses completed), 1997

Purdue University, West Lafayette, IN

Bachelor Degree in Mechanical Engineering, 1991

HONORS & AWARDS

James B. Duke Award recipient for innovative mercury emissions reduction strategy, 2015

Testimony History

Nature of Proceeding	Petition Date	Company	Regulatory Body	Docket #	Testimony
Ongoing Review of Edwardsport IGCC Project	1/27/2010	Duke Energy Indiana	IURC	43114	Direct, Rebuttal and Supplemental
Fuel and Fuel-Related Cost Adjustment	10/18/2011	Duke Energy Carolinas	PSC of SC	2012-3-E	Direct
Fuel and Fuel-Related Cost Adjustment	3/7/2012	Duke Energy Carolinas	NCUC	E-7 Sub 1002	Direct
Environmental Cost Recovery	4/26/2012	Duke Energy Indiana	IURC	ECR - 19	Direct
CPCN for Pollution Control Equipment	6/28/2012	Duke Energy Indiana	IURC	44217	Direct and Rebuttal
Fuel and Fuel-Related Cost Adjustment	10/23/2012	Duke Energy Progress	PSC of SC	2013-1-E	Direct
Environmental Cost Recovery	10/26/2012	Duke Energy Indiana	IURC	ECR - 20	Direct
Fuel and Fuel-Related Cost Adjustment	12/28/2012	Duke Energy Carolinas	PSC of SC	2013-3-E	Direct
Base Rate Adjustment	1/4/2013	Duke Energy Carolinas	NCUC	E-7 Sub 1026	Direct and Rebuttal
Base Rate Adjustment	2/15/2013	Duke Energy Carolinas	PSC of SC	2013-59-E	Direct
Fuel and Fuel-Related Cost Adjustment	3/6/2013	Duke Energy Carolinas	NCUC	E-7 Sub 1033	Direct
Environmental Cost Recovery	4/29/2013	Duke Energy Indiana	IURC	ECR - 21	Direct
Fuel and Fuel-Related Cost Adjustment	6/12/2013	Duke Energy Progress	NCUC	E-7 Sub 1031	Direct
Fuel and Fuel-Related Cost Adjustment	10/8/2013	Duke Energy Progress	PSC of SC	2014-1-E	Direct
Fuel and Fuel-Related Cost Adjustment	10/8/2013	Duke Energy Carolinas	PSC of SC	2014-3-E	Direct
Environmental Cost Recovery	10/28/2013	Duke Energy Indiana	IURC	ECR - 22	Direct
CPCN for Pollution Control Equipment	11/7/2013	Duke Energy Indiana	IURC	44418	Direct and Settlement
Fuel and Fuel-Related Cost Adjustment	2/24/2014	Duke Energy Carolinas	NCUC	E-7 Sub 1051	Direct
Environmental Cost Recovery	4/28/2014	Duke Energy Indiana	IURC	ECR - 23	Direct
Fuel and Fuel-Related Cost Adjustment	5/28/2014	Duke Energy Progress	NCUC	E-7 Sub 1045	Direct
Fuel and Fuel-Related Cost Adjustment	10/7/2014	Duke Energy Progress	PSC of SC	2015-1-E	Direct
Fuel and Fuel-Related Cost Adjustment	10/7/2014	Duke Energy Carolinas	PSC of SC	2015-3-E	Direct
Environmental Cost Recovery	10/28/2014	Duke Energy Indiana	IURC	ECR - 24	Direct
Fuel and Fuel-Related Cost Adjustment	2/10/2015	Duke Energy Carolinas	NCUC	E-7 Sub 1072	Direct
Environmental Cost Recovery	4/28/2015	Duke Energy Indiana	IURC	ECR - 25	Direct
Fuel and Fuel-Related Cost Adjustment	4/29/2015	Duke Energy Progress	NCUC	E-7 Sub 1069	Direct
Fuel and Fuel-Related Cost Adjustment	10/1/2015	Duke Energy Progress	PSC of SC	2016-1-E	Direct
Fuel and Fuel-Related Cost Adjustment	10/1/2015	Duke Energy Carolinas	PSC of SC	2016-3-E	Direct
Environmental Cost Recovery	10/28/2015	Duke Energy Indiana	IURC	ECR - 26	Direct
Fuel and Fuel-Related Cost Adjustment	2/3/2016	Duke Energy Carolinas	NCUC	E-7 Sub 1104	Direct
Environmental Cost Recovery	4/28/2016	Duke Energy Indiana	IURC	ECR - 27	Direct
Fuel and Fuel-Related Cost Adjustment	5/17/2016	Duke Energy Progress	NCUC	E-7 Sub 1107	Direct
Base Rate Adjustment	6/2/2016	Duke Energy Progress	PSC of SC	2016-227-E	Direct
CPCN for Dry Bottom Ash Conversion	7/28/2016	Duke Energy Kentucky	KY PSC	2016-00268	Direct
Fuel and Fuel-Related Cost Adjustment	10/12/2016	Duke Energy Progress	PSC of SC	2017-1-E	Direct
Fuel and Fuel-Related Cost Adjustment	10/12/2016	Duke Energy Carolinas	PSC of SC	2017-3-E	Direct
Environmental Cost Recovery	10/28/2016	Duke Energy Indiana	IURC	ECR - 28	Direct
Fuel and Fuel-Related Cost Adjustment	1/5/2017	Duke Energy Carolinas	NCUC	E-7 Sub 1129	Direct
Base Rate Adjustment	4/18/2017	Duke Energy Progress	NCUC	E-2 Sub 1142	Direct and Rebuttal
Environmental Cost Recovery	4/28/2017	Duke Energy Indiana	IURC	ECR - 29	Direct
Fuel and Fuel-Related Cost Adjustment	5/3/2017	Duke Energy Progress	NCUC	E-7 Sub 1146	Direct
CPCN for Alternate Fuel Source	5/31/2017	Duke Energy Kentucky	KY PSC	2017-00186	Direct
Base Rate Adjustment	6/7/2017	Duke Energy Carolinas	NCUC	E-7 Sub 1146	Direct
Base Rate Adjustment	9/15/2017	Duke Energy Kentucky	KY PSC	2017-00321	Direct
Fuel and Fuel-Related Cost Adjustment	10/4/2017	Duke Energy Progress	PSC of SC	2018-1-E	Direct
Fuel and Fuel-Related Cost Adjustment	10/4/2017	Duke Energy Carolinas	PSC of SC	2018-3-E	Direct
Environmental Cost Recovery	10/25/2017	Duke Energy Indiana	IURC	ECR - 30	Direct and Rebuttal
Fuel and Fuel-Related Cost Adjustment	1/4/2018	Duke Energy Carolinas	NCUC	E-7 Sub 1163	Direct
Fuel and Fuel-Related Cost Adjustment	3/16/2018	Duke Energy Progress	NCUC	E-7 Sub 1173	Direct
Environmental Cost Recovery	4/23/2018	Duke Energy Indiana	IURC	ECR - 31	Direct
CPCN for New Landfill	6/15/2018	Duke Energy Kentucky	KY PSC	2018-00156	Direct
Base Rate Adjustment	10/9/2018	Duke Energy Progress	PSC of SC	2018-318-E	Direct
Base Rate Adjustment	10/9/2018	Duke Energy Carolinas	PSC of SC	2018-319-E	Direct
Environmental Cost Recovery	10/22/2018	Duke Energy Indiana	IURC	ECR - 32	Direct
Environmental Cost Recovery	4/22/2019	Duke Energy Indiana	IURC	ECR - 33	Direct
Plant Decertification and Abandonment	4/2/2021	Public Service Co. of New Mexico	NM PRC	21-00083-UT	Direct and Supplemental
Base Rate Adjustment	12/5/2022	Public Service Co. of New Mexico	NM PRC	22-00270-UT	Direct
Vogtle 3 & 4 Prudence Review and Rate Adjustment	8/30/2023	Georgia Power Co.	Ga PSC	29849	Direct

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF NEW)
MEXICO FOR REVISION OF ITS RETAIL)
ELECTRIC RATES PURSUANT TO ADVICE)
NOTICE NO. 625)**

Case No. 24-00089-UT

**PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)**

Applicant)

_____)

SELF AFFIRMATION

Joseph A. Miller, JR., President and CEO of Pegasus-Global Holdings, Inc, upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **Direct Testimony of Joseph A. Miller, Jr.** and it is true and accurate based on my own personal knowledge and belief.

Dated this 14th day of June, 2024.

/s/ Joseph A. Miller, Jr.
JOSEPH A. MILLER, JR.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF NEW)
MEXICO FOR REVISION OF ITS RETAIL)
ELECTRIC RATES PURSUANT TO ADVICE)
NOTICE NO. 625)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)
)
Applicant)
_____)**

Case No. 24-00089-UT

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the **Public Service Company of New Mexico’s Application for Revision of Its Retail Electric Rates Pursuant to Advice Notice No. 625** was emailed to parties listed below on June 14, 2024.

I further certify that a true and correct copy of **Public Service Company of New Mexico’s USB Drive: 2025 PNM Rate Change Models** was mailed by first class mail, postage prepaid, to individuals with mailing addresses listed below on June 14, 2024.

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Dated this 14th day of June, 2024.

By: /s/ Carey Salaz
Carey Salaz, Director
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GCG#532525v2