



NEW MEXICO  
**PUBLIC REGULATION  
COMMISSION**

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April 8, 2025

TO PARTIES OF RECORD IN CASE NO. 24-00089-UT

This is the Certification of Stipulation of hearing examiners Christopher Ryan and John Kreienkamp. Unless and until the Commission considers the matter and votes to approve it, the Certification of Stipulation has no legal effect. This matter will be considered at a future Open Meeting of the Commission. To confirm when the matter will be considered, please see the Commission's Open Meeting agenda, which is posted on the Commission's website at least 72 hours before each Open Meeting at: <https://www.nm-prc.org/nmprc-open-meeting-agenda/>.

Parties to the proceeding may file exceptions to the Certification of Stipulation as provided in Rule 1.2.2.20(A)(5)(b) NMAC of the Commission's Procedural Rules.

The Commission may hold a deliberative meeting to address this matter in closed session in advance of the Open Meeting at which the matter will be considered, in accord with Section 10-15-1(H)(3) of the Open Meetings Act. NMSA 1978, § 10-15-1(H)(3) (2013). In such event, notice of the deliberative meeting will be posted on the Commission's website 72 hours in advance of the deliberative meeting at the https address set forth above.

Sincerely,

A handwritten signature in blue ink that reads "Anthony F. Medeiros".

Anthony F. Medeiros  
Chief Hearing Examiner  
New Mexico Public Regulation Commission

**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 )**

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**CERTIFICATION OF STIPULATION**

**Christopher P. Ryan & John F. Kreienkamp  
HEARING EXAMINERS**

**April 8, 2025**

**TABLE OF CONTENTS**

Abbreviations ..... ii

Attachments ..... iii

1. EXECUTIVE SUMMARY..... 1

2. PROCEDURAL HISTORY ..... 9

3. APPLICABLE LEGAL STANDARDS..... 10

    3.1. Legal Standards Applicable in Rate Cases..... 10

    3.2. Future-Test Year ..... 12

    3.3. Stipulation Standards ..... 13

4. ANALYSIS ..... 16

    4.1. Notice and Opportunity to be Heard/Serious Bargaining ..... 16

    4.2. Stipulation’s Compliance with Applicable Law ..... 17

        4.2.1. Revenue Requirement..... 17

        4.2.2. Rates..... 38

    4.3. Public Interest – Fair, Just, and Reasonable..... 48

5. FINDINGS OF FACT AND CONCLUSIONS OF LAW..... 48

6. DECRETAL PARAGRAPHS ..... 49

**ABBREVIATIONS**

City.....	City of Albuquerque
Commission .....	New Mexico Public Regulation Commission
ESA.....	energy storage agreement
FPPCAC.....	fuel and purchased power cost adjustment clause
FTY .....	future test year
HFA.....	high fire-risk area
NMDOJ.....	New Mexico Department of Justice
O&M.....	operations and maintenance
PNM.....	Public Service Company of New Mexico
PUA.....	Public Utility Act
ROE.....	return on equity
ROR .....	rate of return
Staff.....	PRC Utility Division Staff
T&D .....	transmission and distribution
WACC.....	weighted average cost of capital
WRA .....	Western Resource Advocates

**ATTACHMENTS**

Attachment 1 – Phase I Rate Increases

Attachment 2 – Phase II Rate Increases

Christopher P. Ryan and John F. Kreienkamp, co-presiding hearing examiners, respectfully submit this certification of stipulation to the New Mexico Public Regulation Commission in accordance with 1.2.2.20(A)(5)(b) NMAC. This certification concerns the uncontested stipulation filed on November 26, 2024. Having reviewed the stipulation as well as the full record of this proceeding, the hearing examiners certify it to the Commission with a recommendation that it be approved.

## 1. EXECUTIVE SUMMARY

Dr. Larry Blank, witness for the City, succinctly testified to the principal challenge that the Public Regulation Commission confronts when asked to render a decision in a rate case: to determine what is in the public interest. Dr. Blank explained that “[a] utility rate case decision serves the public interest when it solves a complex, constrained optimization problem in a way that satisfies, to the extent possible, the competing self-interests of those affected by the decision.”<sup>1</sup> The Commission must affirmatively resolve this optimization problem in each rate case regardless of whether the case is before the Commission as a fully litigated matter or (as here) an uncontested stipulation.

The uncontested stipulation in this case acceptably balances the competing interests of the varying stakeholders and serves the public interest in an optimal fashion within current constraints.<sup>2</sup> It is an outcome that the Commission should approve.

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<sup>1</sup> City Ex. 1, at 3.

<sup>2</sup> In previous cases resolved by stipulation, it was customary for the hearing examiner to include the stipulation reached by the parties as an attachment to the certification of stipulation. It is unclear why this was done. It may well have been a matter of simple convenience. Prior to the Commission having a fully electronic digital docketing system, access to the stipulation may have been limited to case participants and Commission personnel. The stipulation—which is distinct from any testimony filed in support of it—is a pleading. Once it is filed on E-Docket, it is available publicly. If it is attached to the certification, it becomes duplicative and could confuse persons who lack familiarity with Commission proceedings and who may legitimately wonder why the

The following chart, attached to PNM witness Sanders' stipulation testimony, shows the compromises the parties reached on revenue requirement and PNM's identified revenue deficiency.<sup>3</sup>

PNM Table KTS-2 Stipulation Summary of Revenue Requirement Changes			
	Stipulation	As Filed	Change
Key Drivers	Amount	Amount	Amount
Investments in Distribution, Transmission, Generation and Other	\$ 70.9	\$ 73.9	\$ (3.0)
Recovery of Energy Storage Agreements	37.2	37.2	-
Cost of Capital - ROE, Capital Structure, and Cost of Debt	13.9	34.1	(20.2)
Change in Four Corners Depreciation Rates	-	19.8	(19.8)
Wildfire O&M and Insurance Premiums	12.6	12.6	-
O&M Increases and Other	2.4	13.8	(11.5)
Generic Reduction to Operating Expenses	(12.9)	-	(12.9)
Load Growth Revenue Offset	(19.0)	(17.0)	(2.0)
<b>Total Requested Rate Relief</b>	<b>\$ 105.0</b>	<b>\$ 174.3</b>	<b>\$ (69.3)</b>

The new and increased rates that will be necessary to collect the stipulated revenue deficiency will go into effect in two phases: on July 1, 2025, and then on April 1, 2026.<sup>4</sup> The system average increase to base rates is 13.80%.<sup>5</sup> Agreements by the parties to "band" cost-collection for the revenue deficiency ensure that rate classes who have been subsidized pay more than the system average increase and classes who have been subsidizers pay less.<sup>6</sup> The average-use residential ratepayer will incur a bill increase of \$12.58 monthly. The phase one increase is expected to be \$2.79/bill, with a \$9.79/bill increase in phase two.<sup>7</sup> By way of comparison, in the

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stipulation exists in multiple places on the docket and whether the varying filings are all identical. For these reasons, the stipulation is not attached here but is instead accessible through E-Docket.

<sup>3</sup> PNM Ex. 4, at 4.

<sup>4</sup> PNM Ex. 1, at 4.

<sup>5</sup> *Id.* at Stipulation Exhibit 2.

<sup>6</sup> PNM Ex. 5, at 4-5.

<sup>7</sup> *Id.* at 30.

as-filed application, PNM proposed a total rate increase for the residential class of \$23.60 over the two phases.<sup>8</sup> This would have amounted to a 30.32% increase.<sup>9</sup>

As for the residential customer charge (or fixed charge), the stipulation proposes an increase from \$9.95 to \$11.93. This is a 19.85% increase. Under the as-filed application, the proposal was to raise the customer charge to \$15.92.

Some additional comparison of the as-filed application and the stipulation will aid in demonstrating that the stipulation should be approved.

### **As-Filed Application**

The as-filed application, based on an FTY, projected an annual revenue requirement of \$851.3 million and, as shown in table KTS-2 Stipulation (reproduced on the preceding page) in the middle column of numbers, a revenue deficiency of \$174.3 million.<sup>10</sup> The main drivers of the revenue-requirement deficiency included the following:

- replacement of aging equipment and facilities;
- maintenance, upgrades, improvements, and expansion of the utility system needed to accommodate increasing generation resources and changing customer needs;
- operational-cost increases associated with managing system risks, including increased wildfire mitigation and vegetation management efforts, and protective measures against cyber and physical threats;
- inflationary pressures on the ongoing costs of providing electricity service.<sup>11</sup>

The company proposed to recover the \$174.3 million deficiency through a \$92.2 million increase in non-fuel base rates and an \$82.1 million increase in its FPPCAC. PNM proposed to

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<sup>8</sup> Application, at 6.

<sup>9</sup> PNM Ex. 19, at 12.

<sup>10</sup> Application, at 1, and PNM Ex. 4, at 4.

<sup>11</sup> PNM Ex. 10, at 2-3.



remove existing ESA charges from base rates and recover them through the FPPCAC using its production cost allocator to spread ESA costs among the customer classes.

The as-filed application asked the Commission to authorize a capital structure comprised of 47.26% long-term debt, 0.24% preferred stock, and 52.50% common equity. The company asked the Commission to authorize a 10.45% ROE and a 4.24% long-term-debt cost.<sup>12</sup> Based on these requests, the overall WACC was projected to be 7.50%.<sup>13</sup>

### **Stipulation**

PNM agreed in the stipulation to reduce its identified revenue deficiency to \$105 million. Fifty percent of the agreed-upon \$105 million increase, or roughly \$52.5 million, will become effective July 1, 2025. The remaining half will become effective nine months later, on April 1, 2026.<sup>14</sup> PNM abandoned its request to modify the collection of ESA costs and agreed to continue collecting them through base rates rather than through the fuel clause.

The stipulated rates proposed are the product of group consensus that involved compromise on all sides.<sup>15</sup> Almost all rate classes will see rate increases.<sup>16</sup> The stipulated rate increases are attached to this writing as attachments one and two.

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<sup>12</sup> *Id.* at 41.

<sup>13</sup> *Id.*; *see also* Application, at 5.

<sup>14</sup> PNM Ex. 5, at 3; PNM Ex. 1, at 6.

<sup>15</sup> *See, e.g.*, PNM Ex. 5, at 20, Staff Ex. 1, at 17, and WRA Ex. 1, at 4.

<sup>16</sup> *See* PNM Ex. 1, at Stipulation Exhibit 2.

PNM made significant concessions regarding capital structure. The Company agreed to a capital structure of 51% equity, 0.25% preferred stock, and 48.75% long-term debt.<sup>17</sup> Moreover, PNM accepted an ROE of 9.45%.<sup>18</sup> These agreements produce an overall WACC of 6.90%.<sup>19</sup>

### **Overview of Recommendation**

That this is an uncontested stipulation and that there was a \$70 million (or 40 percent) reduction in the revenue-requirement deficiency between the as-filed application and the stipulation are not facts, in and of themselves, that establish that the stipulation is in the public interest. Rather, the Commission should approve the stipulation because the intervenors and Staff are persuaded that the stipulation is a result that they would have accepted had the case been fully litigated.<sup>20</sup>

The stipulation serves the public interest and resolves the constrained optimization problem in a way all parties accept. In other words, this is an instance in which the parties' anticipations and predictions about the outcome of trial align with the terms of settlement they were able to procure through pretrial negotiation. Given that alignment, the parties' interest and public interest more generally are best served by accepting the settlement.

NMDOJ witness Crane explains this point succinctly. She testified that “[m]any of the NMDOJ’s concerns were explicitly addressed in the PNM stipulation” and adds that “prior to settlement discussions, [she] developed a proposed settlement position for NMDOJ that evaluated

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<sup>17</sup> *Id.* at 6.

<sup>18</sup> *Id.*

<sup>19</sup> PNM Ex. 1, at Stipulation Exhibit 1, page 99 of 100.

<sup>20</sup> Samuel R. Gross & Kent D. Syverud, *Don't Try: Civil Jury Verdicts in A System Geared to Settlement*, 44 UCLA L. Rev. 1, 51 (1996) (“Every theory of pretrial bargaining assumes that a negotiated settlement is determined, at least in part, by the parties' predictions of the outcome of the case if it did go to trial.”).

each of [her] adjustments and estimated the likelihood that the NMDOJ would prevail.”<sup>21</sup> Crane explains that “[t]he resulting settlement position that [she] prepared for NMDOJ as a result of that analysis resulted in an increase that was extremely close to the \$105 million increase ultimately reflected in the PNM Stipulation.”<sup>22</sup> Stated more simply, the stipulation is—according to Crane—as good an outcome as one might hope to achieve.

That being said, it is highly unlikely that PNM’s residential ratepayers will see a roughly \$13 bill increase as a “good” outcome. PNM and the intervenors in this case all acknowledge that “PNM’s Residential customer class is characterized by a large percentage of low-income customers—approximately 40%.”<sup>23</sup> It is unclear what impact a \$13 increase will have on these low-income customers or if they can afford this increase at a time when the prices of other essential goods in our society are increasing.

The Commission can have confidence that the stipulation capably resolves the present application. But if we zoom out and look at the larger picture, it is unclear whether we are careening toward an affordability crisis. As NMDOJ witness Crane explained at hearing, “[t]he problem with affordability does not seem to be getting better, it seems to be getting worse.”<sup>24</sup>

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<sup>21</sup> NMDOJ Ex. 1, at 23.

<sup>22</sup> *Id.*

<sup>23</sup> PNM Ex. 16, at 5. According to a joint filing by WRA and PNM after the conclusion of the public hearing (in response to a bench request), Census data indicates that 40% of PNM customers meet the criteria for low income at 200% of the federal poverty level. Joint Response of Western Resource Advocates and Public Service Company of New Mexico to Commission Bench Request Issued During Hearing, at 3 (Feb. 24, 2025). The same filing indicated that the Experian database suggests that 33% of PNM’s customers meet this criteria. *Id.* Under either calculation, however, it is undeniable that PNM’s residential customer class is indeed characterized by a disproportionate number of lower income customers.

<sup>24</sup> Tr. Vol. 2, at 47.

That affordability is a present and real stressor is made clear by the fact that the testimony accompanying PNM's as-filed application indicated that the residential class would have to absorb a 30.32% increase to reach a point where that class is fully contributing to its cost-of-service. PNM witnesses acknowledged the obvious about this: "a rate increase of 30.32% to the residential customer class would cause rate shock to residential customers[.]"<sup>25</sup> One way of viewing this is that it would "shock" ratepayers if they were asked to absorb a 30% increase all at once. Another way to think about it is that it will shock them to absorb a 30% increase *at all* regardless of how gradually it is integrated into rates. The point is, there appears to be misalignment between cost of service and what PNM's residential ratepayers can afford. That misalignment explains the long history of the subsidization of the residential class by other classes.

These broad thoughts are particularly salient now as it became clear over the course of this proceeding that PNM will, for the foreseeable future, have to file regular rate cases and propose regular rate increases.<sup>26</sup> This case and proposed rate increases follow in the wake of Case No. 22-00270-UT, which was decided as recently as January 2024. The new rates approved in that case took effect in January 2024, and this case was filed only six short months later in June of 2024.

A term of art exists in rate making to describe the circumstance where rate cases occur in close temporal proximity to one another: "pancaking." As the metaphor suggests, it occurs when rate cases are filed in close proximity to one another, stacking on top of one another. NMDOJ witness Gegax explained the metaphor this way: "pancaking" is

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<sup>25</sup> PNM Ex. 5, at 7.

<sup>26</sup> See PNM Ex. 10, at 20-21 ("PNM anticipates filing for rate reviews in a 2-3 year pattern during the next 4-6 year period."). PNM anticipates that, in addition to seeking rate increases in the future on a regular basis, it will also file additional resource adequacy cases "based on the resource needs identified in its 2023 IRP." *Id.* at 21.

where you have a relatively frequent amount of [r]ate increases that are kind of piled on top of each other . . . . The [r]ate increases are close in duration such that, you know, people are still remembering, ‘I just got a [r]ate increase, and now I’m going to get another one.’ We look at it cumulatively, and it’s felt cumulatively. That’s how I view the notion of ‘pancaking.’

And that’s how I see the foreseeable future . . . in terms of what we’re going to face in New Mexico.<sup>27</sup>

Dr. Gegax offered these comments despite recognition that renewable energy resources are less costly, do not require fuel, and the grid modernization technologies PNM is installing will enable load shifting that should permit customers to procure cost savings.<sup>28</sup> Dr. Gegax was not persuaded that all of this will produce savings for PNM’s residential customers in the near term. He explained that he is studying energy burdens and affordability in hopes of gaining insight on how to ensure affordability in the long run.<sup>29</sup>

Dr. Gegax was also clear that there are limitations on Commission capacity to beneficially address affordability in the rate-setting context. He explained that “lower income households pay a higher percent of their income on energy” and, conversely, “[h]igher income [households] pay a less percentage[.]”<sup>30</sup> For this reason, electricity rates are “regressive.” By contrast, state tax revenue is progressive, with higher income households paying higher tax rates. For this reason, there are inherent limitations in attempting to address affordability in rates. The most appropriate form of “[e]nergy [a]ssistance” may be, he explained, some form of taxpayer subsidization.<sup>31</sup>

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<sup>27</sup> Tr. Vol. 2, at 84.

<sup>28</sup> It is worth noting that PNM appears to be succeeding, at least to some degree, in moving towards time-varying rates. As of December 2023, there were only 111 customers taking service on the TOU legacy rate. PNM Ex. 16, at 5. As of the first week in June 2024, PNM had 587 residential customers and 122 commercial customers signed up for the TOD pilot. *Id.*

<sup>29</sup> Tr. Vol. 2, at 93-94.

<sup>30</sup> Tr. Vol. 2, at 114.

<sup>31</sup> *See id.*

What has just been said is not a proposed answer to a macro problem. This is not a case where affordability must singularly drive the decision. The discussion in the preceding paragraphs is merely a general sketch of a problem that looms large on the horizon. The Commission should direct its Staff to collaborate with the NMDOJ on affordability matters and undertake whatever independent action the Commission deems prudent and necessary to ensure that affordability does not become a crisis.

## **2. PROCEDURAL HISTORY<sup>32</sup>**

PNM filed the application to revise rates on June 14, 2024. The proposed rates were set out in advice notice 625.<sup>33</sup> The Commission opened a docket, suspended the advice notice until July 15, 2025, and assigned hearing examiners to preside over the case.

Thirteen parties intervened.<sup>34</sup> Almost all who did appear regularly in Commission proceedings.

A procedural schedule was set that included a deadline for Staff and intervenor direct testimony or, alternatively, the filing of a stipulation. Shortly before that joint deadline, the parties

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<sup>32</sup> This section includes a broad summary of the procedural history of this case. For more minute detail, please consult the full case history contained in the Commission's eDocket filing system.

<sup>33</sup> 17.1.210.11(B) NMAC (addressing changes in rates and explaining that “[e]very new Rate, Rule, or Form submitted to the Commission for filing shall be accompanied by an original and four (4) copies of an "Advice Notice" listing the new Rates, Rules, or Form numbers . . .”).

<sup>34</sup> Intervenors included the NM DOJ; NEE; NM AREA; ABCWUA; WRA; Bernalillo County; CCAE; Kroger; Walmart; Onward Energy Holdings; the City of Albuquerque; Coalition for Community Solar Access; and the Renewable Energy Industries Association of New Mexico. EcoMax Solar filed a motion to intervene. PNM challenged that intervention. The hearing examiners agreed with PNM that EcoMax did not demonstrate a substantial interest sufficient to sustain the request to intervene. An entity known as the New Mexico Independent Power Producers filed a deficient motion to intervene. The Commission's records bureau alerted them that the motion needed to be corrected and refiled. They never did that, and the hearing examiners proceeded as though no motion had been filed.

filed a notice that they had reached a stipulated resolution of the application and asked that the Commission not require Staff and intervenors to file direct testimony. That request was granted.

An unopposed comprehensive stipulation was filed on November 26, 2024. It explains that all intervenors support the stipulation except for Onward and the Renewable Energy Industries Association. Those two intervenors “do not oppose” the stipulation.

A procedural schedule to adjudicate the proposed stipulation was set. PNM and all intervenors were required to file witness testimony to explain why the Commission should approve the stipulation. They complied.

The hearing on the stipulation occurred on February 17 and 18, 2025. As friendly cross examination is not permitted in Commission proceedings, all questioning at the stipulation hearing was conducted by Commissioners and the hearing examiners. In other words, because the parties agreed on an uncontested resolution, there was nothing about which to cross examine each other at hearing. The hearing was for Commissioner and hearing examiner questions.

### **3. APPLICABLE LEGAL STANDARDS**

There are three sets of standards relevant here: (1) legal standards applicable in rate cases; (2) the Commission’s rule on future-test-year filings; and (3) Commission rules and precedent concerning uncontested stipulations. These are addressed in turn.

#### **3.1. Legal Standards Applicable in Rate Cases**

Whenever a utility files an application “proposing new rates, the [C]ommission may, upon complaint or upon its own initiative, except as otherwise provided by law, upon reasonable notice, enter upon a hearing concerning the reasonableness of the proposed rates.”<sup>35</sup>

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<sup>35</sup> NMSA 1978, § 62-8-7 (2011).

There are known baseline concerns those proceedings are intended to address and resolve. Most broadly, it is well understood that the fundamental purpose of the regulation of monopolistic utilities is to act as a surrogate for competition in controlling retail rates. Our Supreme Court expressed this thought in these words: New Mexico’s PUA<sup>36</sup> “expresses a clear intent to displace competition with regulation in the area of utility service.”<sup>37</sup>

The PUA governs much of Commission practice. It gives the Commission “general and exclusive power and jurisdiction to regulate and supervise every public utility in respect to its rates and service regulations . . . and to do all things necessary and convenient in the exercise of its power and jurisdiction.”<sup>38</sup> The Commission is obligated to ensure that “[e]very rate made, demanded or received by any public utility [is] just and reasonable.”<sup>39</sup>

This “just and reasonable standard” obligates the Commission to set rates that are “neither unreasonably high so as to unjustly burden ratepayers with excessive rates nor unreasonably low so as to constitute a taking of property without just compensation or a violation of due process by preventing the utility from earning a reasonable rate of return on its investment.”<sup>40</sup> “[W]hether a rate is just and reasonable depends on whether the rate falls within the zone of reasonableness between utility confiscation and ratepayer extortion.”<sup>41</sup>

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<sup>36</sup> NMSA 1978, §§ 62-1-1 to 62-6-28 and 62-8-1 to 62-13-16 (1967, as amended through 2021).

<sup>37</sup> *City of Albuquerque v. New Mexico Pub. Serv. Comm’n*, 1993-NMSC-021, ¶ 39, 115 N.M. 521, 854 P.2d 348.

<sup>38</sup> NMSA 1978, § 62-6-4 (2003).

<sup>39</sup> NMSA 1978, § 62-8-1 (1941).

<sup>40</sup> *Coal. for Clean Affordable Energy v. New Mexico Pub. Regulation Comm’n*, 2024-NMSC-016, ¶ 6, 549 P.3d 500 (internal quotation marks and citations omitted).

<sup>41</sup> *Coal. for Clean Affordable Energy v. New Mexico Pub. Regulation Comm’n*, 2024-NMSC-016, ¶ 36, 549 P.3d 500, 513.



There is, embedded in the broad statutory directives identified above, an assumption that the Commission must and will give specific meaning to the very broad requirements that rates be just and reasonable. Our Supreme Court has expressly recognized this and explained that the Commission “is vested with considerable discretion in determining the justness and reasonableness of utility rates.”<sup>42</sup>

What this means is that rate setting is rarely an exercise in binary judgment. “[R]ather, rate setting necessarily requires the Commission to engage in nuanced balancing, to sort priorities, to privilege some objectives over others, and to pick winners and losers under the aegis of maximizing available resources for the greatest social utility.”<sup>43</sup> This is simply an alternative statement of Dr. Blank’s description of a rate case as a constrained optimization problem.

“At any hearing involving an increase in rates or charges sought by a public utility, the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the utility.”<sup>44</sup>

### **3.2. Future-Test Year**

PNM’s new rates are based on an FTY. For that reason, the provisions of 17.1.3.2 NMAC apply. The purpose of 17.1.3. NMAC is “to define and specify the different or additional minimum data requirements to be filed in support for a tendered new rate schedule or rate schedule based on a future test year period . . . .”<sup>45</sup>

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<sup>42</sup> *Attorney General v. N.M. Pub. Serv. Comm’n*, 1984-NMSC-081, ¶ 12, 101 N.M. 549, 685 P.2d 957.

<sup>43</sup> Case No. 22-00270-UT, *Recommended Decision*, at 14 (Dec. 8, 2023), adopted and modified in part on other grounds by *Final Order*, at 77 (Jan. 3, 2024).

<sup>44</sup> NMSA 1978, § 62-8-7(A) (2011).

<sup>45</sup> 17.1.3.2 NMAC.

It is unnecessary to discuss the FTY rule in any further depth here in this preliminary overview of governing standards. There is no argument advanced by anyone that PNM failed to fulfill the applicable requirements in this rule.

### 3.3. Stipulation Standards

The Commission's procedural rules make clear that "[s]ettlement stipulations shall be binding only if approved by the commission."<sup>46</sup> The plain import of this provision is that stipulations are not directly analogous to settlements in district court of private legal rights. District courts do not judge whether parties should or should not settle private rights or sit in judgment of the merits of settlement agreements of private rights. This point was explained in detail in Case No. 21-00267-UT and that discussion is not and need not be reproduced here.<sup>47</sup>

The procedural rules specify that "[u]pon receipt of a stipulation which would settle substantive issues, the commission or presiding officer shall conduct a public hearing to determine whether the stipulation should be approved by the commission . . . ."<sup>48</sup> In cases where a hearing examiner has been assigned, the hearing examiner may do one of two things following hearing:

- (1) determine that the settlement stipulation should not be certified to the commission at all, in which event the hearing examiner may indicate to the parties and staff whether additional evidence or legal argument in support of the stipulation or amendments to the stipulation might resolve reservations; or
- (2) certify the settlement stipulation to the commission for its review[.]<sup>49</sup>

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<sup>46</sup> 1.2.2.20 NMAC.

<sup>47</sup> See Case No. 21-00267-UT, *Certification of Stipulation*, at 22 (Nov. 10, 2022) ("Unlike district courts, the Commission must act on settlement agreements/stipulations."), adopted by *Order Adopting and Approving Certification of Stipulation*, at 1 (Nov. 30, 2022).

<sup>48</sup> 1.2.2.20(A)(3) NMAC.

<sup>49</sup> 1.2.2.20(A)(5) NMAC.

If the hearing examiner certifies the stipulation, then the rules specify that the “certification shall include a recommended disposition of the stipulation, whether the recommendation be positive or negative or otherwise suggest a manner of disposition[.]”<sup>50</sup>

The proponents of a stipulation have the burden of supporting the stipulation with sufficient evidence and legal argument to allow the Commission to approve it.<sup>51</sup> They must show that the stipulation is fair, just, reasonable, and in the public interest.<sup>52</sup> The questions that must be asked and answered when evaluating stipulations include the following:

- Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- Does the settlement, as a package, benefit ratepayers and the public interest?
- Does the settlement violate any important regulatory principles or practices?<sup>53</sup>

These questions can be restated as three affirmative criteria or factors. The proponent of the stipulation must demonstrate that: (1) the parties and Staff had notice and an opportunity to be heard on the stipulation, (2) the stipulation is in accordance with applicable law, and (3) a preponderance of the evidence in the record (as a whole) supports the Commission’s conclusion that the stipulation is fair, just, reasonable, and in the public interest.<sup>54</sup>

Careful examination of the above factors reveals that there is obvious overlap in the latter two factors. The Commission’s task in rate cases is to determine whether the rates proposed are just and in the public interest and then to approve or deny them based on that assessment. For this reason, the Commission should (as a pure matter of logic) necessarily find that a stipulated rate-

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<sup>50</sup> *Id.*

<sup>51</sup> 1.2.2.20(A)(3) NMAC.

<sup>52</sup> Case No. 08-00354-UT, *Final Order Conditionally Approving Stipulation*, at 12-13 (07/14/0209).

<sup>53</sup> Case No. 08-00273-UT, *Final Order Conditionally Approving Stipulation*, at 10 (05/28/2009).

<sup>54</sup> Case No. 21-00267-UT, *Certification of Stipulation*, at 19.

revision that is just, reasonable, and in the public interest is consistent with and in accord with applicable law. Put most simply, the three-part test is (in reality) only a two-part test. If the stipulation is in compliance with law, it must also necessarily be in the public interest. This point is well illustrated by the testimony supplied here in support of the stipulation by PNM.

PNM witness Monroy explains that the stipulated resolution to the rate case is consistent with applicable law because “the Stipulation adheres to the Commission’s rate setting practices relating to gradualism when implementing rate changes based on cost causation principles.”<sup>55</sup> Witness Monroy explains that the stipulation is just and in the public interest because “the [s]ignatories were highly focused on the impacts to customers that would result from this case” and that focus ensured that “the stipulated revenue increase [was] equitably distributed among the various customer classes.” This latter statement about equitable distribution of revenue increases is just another way of stating that gradualism is a cornerstone of the stipulated outcome. Compliance with governing legal principles establishes the stipulation is in the public interest. Put differently, the public interest necessitates gradualism and the law (as set out in Commission precedent) makes gradualism a governing legal criteria in rate cases.

The point of this writing is not to illuminate any problem in the testimony of the parties; instead, it is meant as an observation that there is redundancy in the Commission’s method for evaluating stipulations.

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<sup>55</sup> PNM Ex. 2, at 16.

#### 4. ANALYSIS

##### 4.1. Notice and Opportunity to be Heard/Serious Bargaining

PNM and the intervenors met and conferred about settlement on October 30, November 1, November 12 and 13, 2024[,]” and “additional meetings were also held between and among parties.”<sup>56</sup> All intervenors were given opportunity to state their position on the stipulation. PNM and intervenor stipulation testimony provides additional details that make this even more clear.

As described by PNM witness Monroy, “[a]ll of the parties had the opportunity to participate in settlement negotiations, which included several in-person or virtual meetings and multiple reviews of the written [s]tipulation and associated exhibits.”<sup>57</sup> He adds that “[t]he Signatories came to the table well-informed and, by engaging in serious bargaining, were able to achieve a comprehensive resolution of all of the issues encompassed in this proceeding.”<sup>58</sup> Overall, he concludes, “no [s]ignatory got everything it wanted and each had to compromise on particular issues.”<sup>59</sup>

It is unnecessary to examine all the intervenors’ varying explanations why the notice and opportunity-to-be-heard/serious-bargaining element is clearly met. Dr. Blank’s testimony on behalf of the City is sufficiently representative.

Dr. Blank offers several persuasive reasons why the Commission should find that the stipulation was the result of serious bargaining and more-than-adequate notice. He explains that “[t]he parties to the Stipulation represent all primary interests I can think of and no rate class was

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<sup>56</sup> PNM Ex. 1, at 5.

<sup>57</sup> PNM Ex. 2, at 11.

<sup>58</sup> *Id.* at 12.

<sup>59</sup> *Id.*

left without representation.”<sup>60</sup> He adds that “the settlement discussions spanned months of time and included total hours that probably exceed the hours required for a litigated hearing.”<sup>61</sup> Finally, he emphasizes that “the input to these settlement discussions came from both legal experts (attorneys) and rates experts with hundreds of years of combined expert witness experience.”<sup>62</sup>

Dr. Blank’s succinct assessment is representative of Staff and the other intervenors’ views.

#### **4.2. Stipulation’s Compliance with Applicable Law**

The broad legal framework within which the Commission operates was discussed above. In the writing that follows, the specific legal principles the Commission must consider in the exercise of rate setting are addressed in turn. The writing below shows that the stipulation is an acceptable outcome within the zone of reasonableness. The revenue requirement as a general matter is addressed first, and then specific aspects of the stipulation’s resolution of revenue-requirement issues is discussed. Finally, the rates flowing from the stated revenue requirement are discussed.

##### 4.2.1. Revenue Requirement

“When regulating a utility’s rates under [the PUA], the Commission typically begins by evaluating a revenue requirement for the utility, which is an amount of future revenue to be collected by the utility that is determined to be just and reasonable.”<sup>63</sup>

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<sup>60</sup> City Ex. 1, at 4.

<sup>61</sup> *Id.*

<sup>62</sup> *Id.*

<sup>63</sup> *Coal. for Clean Affordable Energy*, 2024-NMSC-016, ¶ 6.

PNM witness Sanders produced a helpful chart demonstrating the change in the revenue requirement between the application and stipulation.<sup>64</sup>

PNM Table KTS-3 Stipulation - Summary of Adjustments			
Description	Non-Fuel Revenue Requirement	Fuel Revenue Requirement	Total Retail Revenue Requirement
As Filed Test Period - PNM Retail	851,308,015	268,805,228	1,120,113,243
<b>Adjustments:</b>			
Adjustment 1: Set ROE to 9.45%	(20,941,303)	-	(20,941,303)
Adjustment 2: Set Cap Structure to 51% Equity	(3,747,385)	-	(3,747,385)
Adjustment 3: Remove Accelerated FCPP Depreciation	(19,614,177)	-	(19,614,177)
Adjustment 4: Unprotected EDFIT amort to 4-years (2.5 year remaining)	(5,231,597)	-	(5,231,597)
Adjustment 5: Debt Only adjustment on Rate Case Expenses	(107,672)	-	(107,672)
Adjustment 6: ESA to Base Rates	82,142,228	(82,142,228)	-
Adjustment 7: Treatment of Incentive Comp	(6,239,153)	-	(6,239,153)
Adjustment 8: NOL Adjustment (Errata adjustment)	1,451,472	-	1,451,472
Adjustment 9: Generic \$12.9M Reduction	(12,936,777)	-	(12,936,777)
	<b>866,083,651</b>	<b>186,663,000</b>	<b>1,052,746,651</b>

As should be evident, the stipulated revenue requirement is roughly \$70 million less than the revenue requirement requested in PNM's as-filed application (\$1.120 billion – \$1.052 billion = approximately \$70 million). PNM witness Monroy explains that the stipulated \$105 million revenue requirement “is only 60% of PNM's original requested \$174.3 million increase.”<sup>65</sup> He adds that the lower, stipulated revenue requirement “results in significantly lower costs to PNM's customers compared to the initial requested revenue requirement.”<sup>66</sup>

It is important to emphasize that the revenue requirement was predicated upon an illustrative cost of service and the parties do not necessarily agree “on all of the specific adjustments that resulted in the proposed revenue increase.”<sup>67</sup>

<sup>64</sup> PNM Ex. 4, at 6.

<sup>65</sup> PNM Ex. 2, at 3.

<sup>66</sup> *Id.*

<sup>67</sup> NMDOJ Ex. 1, at 19.

At hearing, PNM witness Monroy was asked whether the Commission should have concern that the revenue requirement in the as-filed application was inflated, which would in turn indicate that the purported savings achieved in the stipulation are illusory.<sup>68</sup> Witness Monroy responded that this was not the case.<sup>69</sup>

His response is credible given that no intervenor supplied testimony or evidence of this concern. Moreover, the great bulk of the stipulated revenue deficiency—seventy percent—stems from investments that PNM has identified it must make in distribution, transmission, and generation facilities. As is evident on table KTS-2 Stipulation (which is reproduced in the executive summary of this writing at page two), the additional revenue the company identified it needed for those investments remained constant from the as-filed application through the stipulation. Witness Sanders explained at hearing that the \$3 million reduction that appears in the distribution, transmission, and generation category in KTS-2 stipulation was not the product of amendment to PNM’s investment proposals but simply the product of mathematical operations.<sup>70</sup>

In the initial application, PNM explained that capital investments it must make for distribution, transmission, and generation functions are for the purpose of “safe and reliable delivery of electricity” to customers and for expansion of the system “to accommodate increasing

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<sup>68</sup> Tr. Vol. 1, at 44.

<sup>69</sup> *Id.* at 44-47. Mr. Monroy stated that, “when PNM files its case[,] that is its best estimate of what it’s going to cost and the revenues necessary to provide electric services.” *Id.* at 45. He went on to explain that the reduction in the revenue requirement “really reflects the various negotiations amongst the parties that participated in the Settlement that kind of came to a conclusion that everyone can live with,” further opining that “as long as everyone is walking away just a little unhappy, then it probably struck the right tenor.” *Id.* at 46.

<sup>70</sup> Tr. Vol. 1, at 141-42. Mr. Sanders explained that the \$3 million reduction was “a function of how mathematical procedures work” and that it “actually [was] related to the change in the [r]eturn on [e]quity and [c]apital structure.” *Id.* at 141.



renewable generation resources and changing customer needs.”<sup>71</sup> The specific way these investments will achieve that end are described in PNM witness Warner’s ninety-page initial direct testimony.<sup>72</sup> This is also addressed in portions of PNM witness Heffington’s forty-seven-page initial direct testimony.<sup>73</sup> The length and specificity of that testimony makes efficient summary of either difficult.

Mr. Warner, at the conclusion of his direct testimony, offers an overarching summary of his lengthy prefiled testimony. That summary is reproduced here. As can be seen below, he explains that the distribution, transmission, and generation investments arise from PNM’s transition to an all-renewable power system that incorporates distributed generation.

The PNM T&D capital investments are prudent and necessary to provide safe and reliable electric service to meet the needs of PNM’s customers. PNM’s capital investments and O&M expenses are required to ensure the safety, reliability, and security of the T&D systems needed to serve PNM’s customers, as well as ensuring compliance with legal and regulatory obligations. PNM has a rigorous and structured process for identifying and prioritizing capital investments in advance of its needs. PNM is transitioning the system towards a carbon-free generation future by investing in core infrastructure necessary to handle the interconnection of intermittent renewable resources. PNM is also taking necessary steps to protect communities and the electric system from wildfire risk through enhanced vegetation management in HFAs. The capital investments placed into service for customers and O&M expenditures incurred during the Capital Investment Period are prudent, reasonable, and necessary for the provisions of safe and reliable service.<sup>74</sup>

While this is an admittedly very broad account of the many specific points PNM witness Warner makes in his testimony, the Commission can have confidence that his broad points are correct given what intervenors explained in their testimony.

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<sup>71</sup> Application, at Executive Summary, p. 1 of 2.

<sup>72</sup> See PNM Ex. 21, at 34-75.

<sup>73</sup> PNM Ex. 22, at 21-33.

<sup>74</sup> PNM Ex. 21, at 90.

NMDOJ witness Crane examined the revenue requirement. She determined that the stipulated outcome on the revenue requirement was, as noted above, basically where she would have ended up had the case been fully litigated.<sup>75</sup>

Ms. Crane observed, consistent with what has already been said, that “[a] primary driver of [PNM’s] requested increase [is] the incremental revenue requirement associated with anticipated plant additions from January 1, 2024 through the [FTY] period.”<sup>76</sup> Witness Crane explains that a rate revision predicated upon an FTY is necessarily an enterprise of projection.<sup>77</sup> She notes that “projected plant additions” are uniquely difficult to project with accuracy, and that “a significant portion of the Company’s requested revenue increase” are precisely that.<sup>78</sup>

In addition, Ms. Crane observed that PNM projects significant plant additions between the end of the base period and the end of the FTY: “approximately 42% of the requested increase related to the revenue requirement associated with incremental investment.”<sup>79</sup> She stated what is necessarily true: it is impossible to say with total certainty how much plant will actually be added during the FTY. She reviewed the Company’s historic level of capital spending, considered testimony submitted in this case about major capital projects, and reviewed various monthly capital spending reports as the case progressed to determine the amount of capital spending and plant additions added during the litigation phase of the case.<sup>80</sup>

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<sup>75</sup> NMDOJ Ex. 1, at 22-23.

<sup>76</sup> *Id.* at 7.

<sup>77</sup> *Id.* at 10.

<sup>78</sup> *Id.* at 10-11.

<sup>79</sup> NMDOJ Ex. 1, at 11.

<sup>80</sup> *Id.*

Based on that analysis, she was confident “some reduction to the Company’s projected rate base claim” is appropriate.<sup>81</sup> She goes on to assert that “the overall base revenue increase of \$105 million is a 40% reduction from the revenue increase” initially sought by PNM in its as-filed application.<sup>82</sup> Ms. Crane is persuaded that “this is a reasonable outcome, especially considering the incremental plant investment and incremental ESA costs that will be incurred during the [FTY].”<sup>83</sup>

Witness Crane emphasizes further that “prior to settlement discussions, [she] developed a proposed settlement position for NMDOJ that evaluated each of [her] adjustments and estimated the likelihood that the NMDOJ would prevail.”<sup>84</sup> She concludes that “the resulting settlement position that [she] prepared . . . was extremely close to the \$105 million increase ultimately reflected in the PNM Stipulation.”<sup>85</sup> There is no reason to doubt this conclusion.

Having examined the revenue requirement as a general matter, specific components of the revenue requirement are now examined.

#### 4.2.1.1. *Rate of Return*

One of the most hotly contested matters in any rate case proceedings is the determination of a fair ROR or WACC.<sup>86</sup> The broad legal and technical principles that guide inquiry into setting PNM’s ROR are well understood and only summarily addressed.

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<sup>81</sup> *Id.*

<sup>82</sup> *Id.* at 22.

<sup>83</sup> NMDOJ Ex. 1, at 22.

<sup>84</sup> *Id.* at 23.

<sup>85</sup> *Id.*

<sup>86</sup> Case No. 22-00270-UT, *Recommended Decision*, at 229.

“[C]ost of capital for an investor-owned utility consists of two main components: return on long-term debt capital and return on equity capital.”<sup>87</sup> From an investor’s perspective, “long-term debt is typically considered less risky than equity. Conversely, investors will require a higher rate of return for equity investments.”<sup>88</sup> These are uncontroverted principles.

The cost of capital (or authorized rate of return) used for ratemaking purposes, is the weighted average of the individual rates on long-term debt, preferred stock (if applicable) and common equity.<sup>89</sup> Identifying the costs of long-term debt and preferred stock is uncontroversial. Identifying a utility’s cost to attract equity investment is not as simple.

Through its initial application, PNM asked the Commission to authorize an ROE “that more accurately reflects the level of return necessary to compete with other utilities to attract capital to invest in New Mexico.”<sup>90</sup> PNM’s as-filed application and testimonies argued that this would require the Commission to authorize an ROE of 10.45%; a long-term debt cost of 4.24%; and, a capital structure comprised of 52.50% common equity, 0.24% preferred stock, and 47.26% long term debt.<sup>91</sup> In total, this would yield a WACC of 7.5%.<sup>92</sup> These numbers were significantly amended in the stipulation.

The stipulation asks the Commission to set an ROE of 9.45%; authorize an unchanged long-term debt cost of 4.24%; and, assign the company a capital structure of 51% equity, 0.25%

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<sup>87</sup> Case No. 07-00319-UT, *Corrected Recommended Decision*, at 17 (Jul. 31, 2008), adopted and modified in part on other grounds by *Final Order Partially Adopting Recommended Decision*, at 37 (Aug. 26, 2008).

<sup>88</sup> Case No. 22-00270-UT, *Recommended Decision*, at 229-30 (quoting Staff’s Brief, at 37).

<sup>89</sup> *See id.* at 230.

<sup>90</sup> PNM Ex. 10, at 5.

<sup>91</sup> Application, at 5.

<sup>92</sup> *Id.* at 8.

preferred stock, and 48.75% long-term debt.<sup>93</sup> This produces an overall WACC of 6.90%.<sup>94</sup> PNM also agreed, in the stipulation, to dismiss its appeal of the capital structure determination in Case No. 22-00270-UT.<sup>95</sup> There is ample evidence these outcomes are in the public interest.

NMDOJ witness Crane asserts that PNM's willingness to absorb a "full 100 basis point reduction" in the ROE "will save ratepayers millions of dollars relative to PNM's initial request."<sup>96</sup>

County witness Reno also independently analyzed what would be an appropriate ROE for PNM and used "variants of the Constant-Growth DCF model to form the basis of" those estimates.<sup>97</sup> She explains that she "would have recommended a[n] ROE [of] 9.33% if [she] had the opportunity to file [direct] testimony in this proceeding."<sup>98</sup> She determined that the stipulated 9.45% is acceptable as it "falls within the range of [her] DCF results."<sup>99</sup>

County witness Reno is also persuaded that the stipulated cost of long-term debt "is reasonable based on forecasted interest rates and planned debt issuances and refinances during the test period."<sup>100</sup>

It is unnecessary to examine other witness positions on this matter. The testimony just discussed adequately shows that the stipulated resolution of the ROR is desirable.

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<sup>93</sup> PNM Ex. 1, at 6. *See also* PNM Ex. 2, at 4, and BernCo-ABCWUA Ex. 1, at 4.

<sup>94</sup> BernCo-ABCWUA Ex. 1, at 4.

<sup>95</sup> PNM Ex. 1, at 9. The case was docketed in the New Mexico Supreme Court as S-1-SC-40332.

<sup>96</sup> NMDOJ Ex. 1, at 21-22.

<sup>97</sup> BernCo-ABCWUA Ex. 1, at 16.

<sup>98</sup> *Id.*

<sup>99</sup> *Id.*

<sup>100</sup> *Id.* at 5.

4.2.1.2. *Depreciation Rates for FCPP*

In its as-filed application, PNM proposed “to align the recovery of its remaining investments in the [FCPP] with our anticipated abandonment of the coal plant in 2031.”<sup>101</sup> This move added approximately \$20 million to the revenue-requirement increase. It will be useful to supply some background about this matter.

PNM expects FCPP “to remain in service through the end of the current approved fuel supply agreement, or July 2031.”<sup>102</sup> The company does not intend to rely on FCPP to serve customers after that date.<sup>103</sup> Yet, the current depreciation rates project a termination date in 2041. It is necessary to explain why this is.

The current depreciation rates were set in Case No. 15-00261-UT.<sup>104</sup> The date of final action in that case predates the ETA. PNM has, as required by the ETA, set itself on a trajectory for zero-carbon-emissions generation. Given the misalignment between FCPP’s depreciation rates and its projected termination date, PNM re-evaluated the depreciation rates and proposed accelerating them in its as-filed application.<sup>105</sup>

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<sup>101</sup> Application, at Executive Summary, p. 2 of 2.

<sup>102</sup> PNM Ex. 10, at 38.

<sup>103</sup> *See id.* (stating that “PNM has no reason to believe it will continue to rely on Four Corners to serve customers after that date”).

<sup>104</sup> *See* Case No. 15-00261-UT, Final Order Partially Adopting Corrected Recommended Decision, at 85-86 (Sept. 28, 2016); *see also* PNM Ex. 10, at 38 (“PNM’s depreciation rates for Four Corners have not been adjusted since 2016 in Case No. 15-00261-UT.”).

<sup>105</sup> In testimony supporting PNM’s initial application, Mr. Monroy stated that “PNM is proposing depreciation rates to recover its plant investments over the remaining time period that PNM anticipates the plant will be used to serve our customers and for which it has a coal supply in place. Where reasonable, PNM believes it is appropriate to attempt to match the recovery of these costs to the known operational life of the plant.” PNM Ex. 10, at 39.

In October 2024, Commissioner O’Connell directed PNM to supply additional comparative analysis of the options for FCPP.<sup>106</sup> The Commissioner directed PNM to quantify whether it would be more advantageous to accelerate FCPP depreciation to align with the projected abandonment date or leave the depreciation rates alone and then securitize any undepreciated investment following abandonment.

PNM filed a timely response.<sup>107</sup> That response indicates that accelerating depreciation would cost ratepayers nearly \$1.9 million<sup>108</sup> and that there would be greater economic transition assistance available if the depreciation rates were not changed.<sup>109</sup> In other words, there are costs associated with accelerating depreciation.

Under the stipulation, PNM will jettison the request to amend the depreciation rates for FCPP.<sup>110</sup> PNM witness Monroy explains that leaving the depreciation rates alone “led to a significant reduction to the as requested[-]revenue requirement” and “greater benefits to customers and to communities affected by PNM’s exit through the future utilization of the ETA’s securitization provisions.”<sup>111</sup> This is a self-evidently beneficial aspect of the stipulation.

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<sup>106</sup> Case No. 24-00089-UT, Bench Request Order (10/15/2024).

<sup>107</sup> Case No. 24-00089-UT, Supplemental Testimony in Response to October 15, 2024 Bench Request of Kyle T. Sanders (11/12/2024). This supplemental testimony was admitted at the stipulation hearing as PNM Ex. 14.

<sup>108</sup> PNM Ex. 14, at 4.

<sup>109</sup> “If PNM were to abandon Four Corners and securitize those costs pursuant to the ETA, the amount of Section 16 funding that would be available is estimated to be \$11.1 million assuming no change to PNM’s currently approved depreciation rates. If the depreciation rates requested by PNM in its application were approved, the amount of Section 16 funding would be \$4.3 million.” PNM Ex. 14, at 8.

<sup>110</sup> PNM Ex. 1, at 6.

<sup>111</sup> PNM Ex. 2, at 25. Similarly, testimony filed by Staff concluded that “without a clear long-term financial penalty and the already significant rate increase being sought by PNM, the decision to delay the depreciation of the plant, thus reducing the potential rate shock to customers (a long-standing policy of the Commission), appears to be a prudent course of action at this time.” Staff Ex. 1, at 7.

4.2.1.3. *Fire Prevention & Vegetation Management*

In its as-filed application PNM explained that its rate request filing was, in part, driven by increases in O&M “expenses to meet operational needs, including wildfire risk mitigation . . . .”<sup>112</sup> Testimony accompanying the application asserted that an additional \$12.6 million was needed for wildfire O&M and insurance premiums.<sup>113</sup> The stipulation does not change this request; the same amount of funds are identified as necessary for this aspect of PNM’s service requirement.<sup>114</sup>

The signatories to the stipulation agree that the additional revenues the new rates will produce will “help” PNM secure the revenues needed to address “operational cost increases resulting from wildfire mitigation and vegetation management efforts[.]”<sup>115</sup> The stipulation also specifies that PNM and other Signatories will request that the Commission schedule wildfire mitigation workshops in Case No. 22-00154-UT.<sup>116</sup>

“[T]he increasing risk of wildfire and increased occurrences of extreme weather events” requires the company to dedicate additional resources “to protect . . . communities and infrastructure from wildfire risks.”<sup>117</sup> PNM’s wildfire plan has two phases. First, the company has “developed a wildfire mitigation plan in partnership with industry experts which include[s] a power safety shutoff plan, established meteorological climatology data inputs to inform PNM’s plan, and onboarded two full-time positions dedicated to wildfire mitigation planning.”<sup>118</sup>

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<sup>112</sup> Application, at 3.

<sup>113</sup> PNM Ex. 13, at 8. Mr. Sanders explained that the details about these O&M costs are provided in the testimonies of PNM witnesses Warner and Greinel. *Id.* at 10.

<sup>114</sup> PNM Ex. 4, at 4.

<sup>115</sup> PNM Ex. 2, at 4.

<sup>116</sup> *Id.*

<sup>117</sup> PNM Ex. 21, at 80.

<sup>118</sup> *Id.* at 80-81.



Second, PNM will deploy “engineering solutions to mitigate the wildfire risk.”<sup>119</sup> This includes five additional fulltime engineering employees whose time will be allocated between capital and O&M. These are wildfire mitigation-related roles and are essential to the engineering solutions used “to monitor, detect, and mitigate risks, which will result in reduced wildfire risk and protect communities and infrastructure.”<sup>120</sup>

The company is also “increasing the planned cyclical vegetation trimming for all T&D lines within HFAs to target a 4-year cyclical schedule that aligns with industry best practices.”<sup>121</sup> These actions do have impact on rates but are necessary to minimize “wildfire risk for all stakeholders and for the communities [PNM] serves.”<sup>122</sup> There will be “additional incremental investments and expenditures in the future as the plan progresses.”<sup>123</sup>

The cost for liability coverage including wildfire risk nearly quadrupled from the base period to the test-year period.<sup>124</sup> This “mirrors the experience of the broader utility industry.”<sup>125</sup> “PNM has worked closely with [its] underwriters to convey PNM’s focus on wildfire mitigation, which has helped to support the availability of insurance coverage, albeit at a higher cost.”<sup>126</sup> PNM expects the upward trend to continue.

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<sup>119</sup> *Id.* at 81.

<sup>120</sup> *Id.*

<sup>121</sup> PNM Ex. 21, at 81.

<sup>122</sup> *Id.* at 83.

<sup>123</sup> *Id.*

<sup>124</sup> According to Ms. Greinel, “PNM’s cost of liability coverage in the Test Period is forecasted to be \$12.2 million. By comparison, the cost of PNM’s liability coverage in the Base Period ending December 31, 2023, which reflects 5 months of the 2022-2023 policy period and seven months of the 2023-2024 policy period, was \$3.3 million.” PNM Ex. 24, at 31.

<sup>125</sup> *Id.* at 30.

<sup>126</sup> *Id.*

Wildfire risk mitigation planning was one of WRA's principal concerns in this case.<sup>127</sup> Witness testimony from WRA explained that the added costs PNM is incurring for liability insurance including wildfire coverage is unsurprising.<sup>128</sup> WRA strongly supports additional hearings on wildfire issues in 22-00154-UT.<sup>129</sup>

Similarly, Staff indicates that the stipulation is desirable in that it "provides assurance that certain operating activities that are important to reliability, wildfire risk abatement and customer service are maintained or improved over current levels."<sup>130</sup> The basic thought underlying this perspective is straightforward and capably articulated by Staff witness Zigich: "wildfire mitigation can ultimately save lives and property and if implemented properly can potentially mitigate rising insurance costs and legal liability for all utilities which in turn can help mitigate costs to ratepayers."<sup>131</sup>

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<sup>127</sup> See WRA Ex. 1, at 4 ("WRA's primary interests in the rate case and settlement negotiations concern the Four Corners coal plant retirement, wildfire risk and mitigation planning, and the impact of the proposed rate increases on low-income ratepayers.").

<sup>128</sup> "Wildfire risk, particularly in the West, is increasing rapidly as climate change creates warmer, drier, and windier conditions. Insurers like EIM are not out of step with the national conversation around wildfire liability; nearly all utilities in the Western United States have seen steep premium increases in the past few years, particularly when a utility has been found legally liable for starting or exacerbating a damaging wildfire." *Id.* at 9.

<sup>129</sup> See *id.* at 10 ("Holding wildfire mitigation workshops in front of the Commission will give utilities, wildfire experts, insurance experts, and other interested stakeholders a chance to develop best practices for wildfire prevention and risk management for New Mexico utilities."). During the hearing, WRA's witness Weller stressed the importance of the stipulation provision committing PNM to joining in a motion seeking additional hearings and workshops on wildfire mitigation. She explained that "it is a much more effective process if the Utility is fully committed to exploring best practices for wildfire mitigation and wildfire risk management by participating from the beginning." Tr. Vol. 1, at 187.

<sup>130</sup> Staff Ex. 1, at 4.

<sup>131</sup> *Id.* at 11.

4.2.1.4. *ESA Costs*

In its as-filed application, PNM asked the Commission to allow it to recover all ESA-associated costs through PNM's FPPCAC.<sup>132</sup> PNM noted that it is authorized to recover ESA costs in base rates, but that it was preferable to amend this and collect those costs through the FPPCAC because it would reduce the non-fuel revenue requirement for the test period.<sup>133</sup> PNM projected ESA costs totaling \$82.1 million.<sup>134</sup> This figure included \$44.9 million already included in existing base rates from 22-00270-UT and an additional \$37.2 million reflecting the remaining portion of ESA costs.

PNM initially argued that recovery of ESA costs through the FPPCAC reduced the revenue requirement because it lowered "overall cost of capital by reducing the negative credit impacts these contracts place on PNM."<sup>135</sup> PNM also argued that recovery of ESA costs through the FPPCAC would ensure that customers pay for ESAs only once they are online and operational.<sup>136</sup> The stipulation abandons this proposed course of action.

PNM agreed to collect costs for the ESAs through base rates.<sup>137</sup> Intervenors capably explain why this is a beneficial outcome.

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<sup>132</sup> Application, at 8.

<sup>133</sup> PNM Ex. 10, at 29-30.

<sup>134</sup> *Id.* at 29.

<sup>135</sup> *Id.* at 30. Mr. Monroy elaborated on this thought in his direct testimony, explaining that "leaving the recovery of the Test Period ESA costs in base rates as originally authorized introduces regulatory drag and uncertainty, which are among the factors considered by credit rating agencies in determining the level of debt they will impute to PNM's balance sheet to reflect these long term contractual obligations." *Id.* at 31.

<sup>136</sup> *See* PNM Ex. 10, at 30 ("Recovery of ESA costs through the FPPCAC will also ensure that customers will not begin paying for these ESA costs until they are online and providing service and benefits to customers.").

<sup>137</sup> PNM Ex. 1, at 6; *see also* PNM Ex. 2, at 21 ("Paragraph 9 states the agreement of the Signatories that PNM is authorized to implement a revenue requirement increase of \$105 million for its retail base rates, which includes recovery of ESA costs in base rates.").

As explained by the NMDOJ, “there were various concerns about the Company’s proposal to recover ESA costs through the FPPCAC.”<sup>138</sup> One such concern is “the shifting of risk from shareholders to ratepayers” in the form of guaranteed recovery of costs through an adjusting-rider mechanism.<sup>139</sup> The stipulation eliminates this concern.

The NMDOJ also sees benefit in the stipulated outcome that recovery of ESA costs will be through base rates in that this result ensures consistency of treatment among the IOUs. The result mirrors the Commission’s regulatory treatment of ESAs for the other IOUs.<sup>140</sup> This is all self-evidently beneficial.

The company also agreed to a reciprocal accounting mechanism to ensure that ratepayers pay only for operational energy-storage units.<sup>141</sup> This is beneficial as the exact operational date of some of the ESAs is merely a projection. If an ESA is operational prior to the time its costs are collected in rates, PNM will track costs in a regulatory asset and later recoup those expenses. If an ESA is operational after the time at which PNM begins collecting costs, then PNM will record a regulatory liability to return those monies to ratepayers. Witness Sanders described this arrangement and its intended impact capably at hearing.

The point of the Regulatory Asset/Liability is not really to capture differences in the cost of these, but rather the differences of timing of when these contracts start to come online.

Within our [t]est [p]eriod there are certain of the ESA contracts that I believe come online by November of ‘25 and February of ‘26. If those were to shift out and be delayed in their implementation, we would then record a [r]egulatory [l]iability from what we’ve collected and return that to customers.

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<sup>138</sup> NMDOJ Ex. 1, at 24.

<sup>139</sup> *Id.*

<sup>140</sup> *See id.* (noting that the stipulation’s treatment of ESA costs “is consistent with the regulatory treatment approved for EPE”).

<sup>141</sup> PNM Ex. 1, at 6.

If, on the flipside, they came on early, or the annualization of those costs are going to go forward, it would then be recorded to the [r]egulatory [a]sset and be subject to the next proceeding.<sup>142</sup>

These features of the stipulation are also self-evidently beneficial.

#### 4.2.1.5. *Rate Case Expenses*

In the as-filed application, PNM asked the Commission to authorize \$3.7 million in rate case expenses.<sup>143</sup> This sum captured “out-of-pocket costs incurred by PNM for providing notice to customers and postage, as well as costs for outside consultants, accounting firms, and attorneys in preparing litigating the case.”<sup>144</sup> All are aware that “PNM hires outside service firms to prepare and support its filing versus hiring full-time staff to provide these same services, as these services are cyclical in nature.”<sup>145</sup>

PNM proposed to recover these costs through a regulatory asset over a five-year period.<sup>146</sup> This time period matches the time frame the Commission approved in Case No. 22-00270-UT.<sup>147</sup> As to carrying charges, PNM requested a return on rate base equal to the full WACC.<sup>148</sup>

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<sup>142</sup> Tr. Vol. 1, at 135-36. *See also* PNM Ex. 4, at 11 (“The regulatory asset or liability would allow for the deferral of actual, incurred costs greater than the amounts reflected in the Test Period to a regulatory asset or any amounts less than the costs reflected in the Test Period to be recorded to a regulatory liability. This provision will apply to the period starting with the Test Period and will continue until new rates are effective from PNM’s next general rate case filing.”).

<sup>143</sup> PNM Ex. 13, at 49.

<sup>144</sup> *Id.* at 49-50.

<sup>145</sup> *Id.* at 50.

<sup>146</sup> *Id.*

<sup>147</sup> *See* Case No. 22-00270-UT, *Recommended Decision*, at 323 (recommending that rate case expenses “be amortized over five years”).

<sup>148</sup> *See* PNM Ex. 4, at 10 (noting that, with respect to requested rate case expenses, “PNM requested a return on rate base equal to the full WACC in its Application”).

The stipulation modifies PNM's request to rate case expenses by limiting recovery to the amount identified by PNM with a debt-only carrying charge.<sup>149</sup> This adjustment reduces the return on the rate-case-expense regulatory asset and results in a \$0.1 million reduction to the requested revenue requirement.<sup>150</sup>

Both NMDOJ and Staff emphasized in testimony that limiting carrying charges for rate-case costs to debt is consistent with what was done in Case No. 22-00270-UT.<sup>151</sup> The modification to the rate-case-cost request and the slight reduction arising from that request is yet another self-evident benefit of the stipulation.

#### 4.2.1.6. *Generic \$12.9 million Reduction to Operating Expenses*

PNM agreed in the stipulation to adjust downward its O&M expenses by approximately \$12.9 million.<sup>152</sup> PNM explains that, “[w]hile this adjustment is made within the O&M section of the illustrative cost-of-service study, it is not intended to reflect specific adjustments or disallowances to any specific program or cost.”<sup>153</sup> The reduction is merely “intended to reflect adjustments to the representative overall annual operating costs and revenues that are subject to review in any general rate case.”<sup>154</sup> The intention of this reduction was made clearer at hearing.

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<sup>149</sup> *See id.* (“The Signatories to the Stipulation agree that the requested rate case expenses be recovered with a return on rate base at the embedded debt rate in the WACC.”).

<sup>150</sup> *Id.*

<sup>151</sup> *See* NMDOJ Ex. 1, at 22 (“The PNM Stipulation limits carrying charges on rate case costs resulting from this case to the cost of debt, consistent with the Commission’s decision in the 22-00270-UT proceeding.”), and Staff Ex. 4, at 9 (explaining that Staff supports limiting recovery of rate case expenses to the cost of debt because “it is consistent with the Commission’s Final Order in case 22-00270-UT”).

<sup>152</sup> PNM Ex. 4, at 4.

<sup>153</sup> *Id.* at 14.

<sup>154</sup> *Id.*

At hearing, PNM explained that the reduction “is intended to be representative of potential positions that other parties could have taken on specific matters, while not having to hash out every single potential sticking point for one individual party, while still recognizing that there are a multitude of issues that the parties could take issue with, whether that be potential rate base capital investments or operating expenses.”<sup>155</sup>

Staff capably identifies the benefits flowing from this generic reduction.<sup>156</sup> It will provide PNM “discretion in choosing where the reductions are applied.”<sup>157</sup> It “strikes a balance between accountability and operational discretion, enabling PNM to manage its costs effectively without being overly prescriptive.”<sup>158</sup> It will “allow PNM to make reasonable adjustments within its operations to meet the target, giving it the ability to prioritize reductions in areas that will have minimal impact on service quality and reliability” and will also ensure that the company has the necessary “flexibility to adapt to changing operational needs or unexpected circumstances[.]”<sup>159</sup>

#### 4.2.1.7. *Other Benefits of Stipulation*

Some of the additional benefits of the stipulation need only be summarily described.

**Fee-Free Bill Pay.** The stipulation provides that “PNM will expand fee-free, in-person payments at Western Union locations as proposed in its [a]pplication and recover those costs in base rates[.]”<sup>160</sup>

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<sup>155</sup> Tr. Vol. 1, at 140 – 41. Mr. Sanders explained that this generic reduction in the revenue requirement will require PNM to “manage” its operations by, among other measures, “prioritization of work and looking at our inflationary impacts.” *Id.* at 140.

<sup>156</sup> See Staff Ex. 4, at 16-17.

<sup>157</sup> *Id.* at 16.

<sup>158</sup> *Id.*

<sup>159</sup> *Id.* at 17.

<sup>160</sup> PNM Ex. 1, at 6.

PNM's as-filed application explains that the company deems it beneficial to enable its customers be able to pay their PNM electric bills at all currently authorized Western Union locations in PNM's service territory at no charge.<sup>161</sup> Approximately 5.38% of all payments made in 2023 were through in-person payment methods,<sup>162</sup> roughly sixty-five percent of customers who made payments at PNM payment centers are low-income, and roughly sixty-eight percent of customers who made payments at Western Union locations were low-income.<sup>163</sup>

The request was intended to expand the fee-free payment locations from fourteen to over 200 Western Union retail locations in PNM's New Mexico service area.<sup>164</sup> The expanded locations where fee-free payments would be allowed include eighteen of the Western-Union locations most often frequented by PNM's ratepayers, including various Walmart, Smith's, Albertsons and Walgreens stores.<sup>165</sup>

This proposal creates an additional cost to ratepayers. The as-filed application sought approval to recover \$350,000 per year in base rates to cover the cost of the implementation of the expanded fee-free payment program.<sup>166</sup> As noted, that request continues in the stipulation. Intervenor are persuaded that this is a worthwhile and beneficial expenditure.

The testimony of NMDOJ witness Crane during the hearing shows why the Commission should deem this course of action and its attendant costs worthwhile. She explains—persuasively

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<sup>161</sup> Application, at 8.

<sup>162</sup> PNM Ex. 23, at 23.

<sup>163</sup> *Id.*

<sup>164</sup> *Id.* at 22.

<sup>165</sup> *Id.*

<sup>166</sup> PNM Ex. 23, at 22.



—that the fee-free investment is part of a broader and long-term strategy to provide low-income customers cost-effective payment options. Her words make the point well.

In the [22-00270-UT] case PNM had proposed . . . the fee for credit card usage be socialized in [r]ates. Currently credit card fees, if you pay your utility bill with your credit card, you incur a fee, and that fee is paid by the person who used their credit card. There was a huge issue in the last case about whether that cost should be socialized or not. The Department of Justice vigorously advocated against socializing those costs.

During the [h]earing there was a lot of discussion about low income people and people that don't have other fee-free options to pay their bill and whether or not there should be an expansion of fee-free payments at Western Union locations. I believe I testified that the Department of Justice would not oppose expanding fee-free payments to all Western Union locations.

Our big concern there was the credit card fees which were in the millions of dollars, not the hundreds of thousands of dollars. We do feel that extending the fee-free payment to all the Western Union locations is in the public interest.

Yes, it's not something that will benefit a lot of ratepayers, but we do feel that it's important to provide an option for all people to be able to pay their bill without incurring an additional fee.<sup>167</sup>

This is all self-evidently beneficial.

**Good Neighbor Fund.** PNM agreed in the stipulation to dedicate \$1.5 million of shareholder funds (which will not be recouped in rates) to the Good Neighbor Fund.<sup>168</sup> PNM has contributed approximately \$400,000 to the Good Neighbor Fund in 2024, and approximately \$650,000 in 2023.<sup>169</sup> The contributions the company made in 2023 and 2024 were not because of Commission directives.<sup>170</sup>

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<sup>167</sup> Tr. Vol. 2, at 70-71.

<sup>168</sup> PNM Ex. 1, at 7.

<sup>169</sup> Tr. Vol 1, at 79.

<sup>170</sup> Tr. Vol. 1, at 79.

The fund itself benefits anywhere between 3,000 to 4,000 customers a year.<sup>171</sup> Customers eligible for assistance under the Good Neighbor Fund may receive up to \$120 in a twelve-month period.<sup>172</sup> Given the larger investment that will be made under the stipulation, the cap will go up to \$170 annually.<sup>173</sup>

Ratepayers have the option to contribute to the Good Neighbor Fund, and they annually provide it about \$200,000.<sup>174</sup>

PNM's proposed shareholder donation to the Good Neighbor Fund is clearly in the public interest, benefitting many of the Company's most-needy customers. As explained by WRA, the contribution "demonstrates the Company's goodwill and understanding that the rate increases that residential customers—particularly low-income customers—will face as a result of this rate case will be difficult to manage without assistance."<sup>175</sup> This component of the stipulation should be approved—and indeed welcomed—by the Commission.

**Regulatory Liability for Legacy Meters.** PNM agreed in the stipulation to record a regulatory liability equal to the return on legacy meters that are included in rates as the meters are

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<sup>171</sup> *Id.* at 73.

<sup>172</sup> *Id.* at 72.

<sup>173</sup> *Id.*

<sup>174</sup> Tr. Vol. 1, at 78.

<sup>175</sup> WRA Ex. 1, at 11. Beyond WRA, it should also be noted that at least one other intervenor, CCAE, indicated that this contribution to the Good Neighbor Fund was important in ultimately reaching a stipulated resolution of the case. *See* CCAE Ex. 1, at 3-4 (stating that the "one-time shareholder contribution to the Good Neighbor Fund" was "important in securing CCAE's support of this Stipulation").

retired during the deployment of its grid modernization plan approved in 22-00058-UT.<sup>176</sup> PNM explained the significance of this component of the stipulation.<sup>177</sup>

In the Company's grid mod case, the Commission ordered that the regulatory asset associated with legacy meters should not receive a return-on rate base.<sup>178</sup> The test period in this case includes legacy meters that will be retired and recorded to the authorized regulatory asset during the deployment of the grid modernization plan.<sup>179</sup> PNM will record a regulatory liability equal to the return-on the meters as they are retired.<sup>180</sup> This component of the stipulation is in the public interest, as it ensures PNM is complying with the Commission's final order in the grid mod case.

#### 4.2.2. Rates

"After approving a revenue requirement for a utility, the Commission next designs rates that will provide the utility a reasonable opportunity to recover its revenue requirement and that fairly distributes just and reasonable rates between different classes of ratepayers."<sup>181</sup> In designing rates, the Commission is not "required to rely on any one rate-design method, and it has been

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<sup>176</sup> PNM Ex. 1, at 6; *see also* PNM Ex. 2, at 23 (explaining that, pursuant to the stipulation, "PNM will establish a regulatory liability equal to the return on legacy meters currently included in rates, as the legacy meters are retired during PNM's deployment of its grid modernization plan approved in Case No. 22-00058-UT").

<sup>177</sup> *See* PNM Ex. 1, at 12.

<sup>178</sup> *Id.*

<sup>179</sup> *Id.*

<sup>180</sup> *Id.*

<sup>181</sup> *In re Petition of PNM Gas Services*, 2000-NMSC-012, ¶ 89, 129 N.M. 1, 1 P.3d 383 (internal quotation marks and citations omitted). Although the literal terms of this quotation do not account for the fact that the applicant and other parties play a significant role in designing rates, this is clearly the case.

granted considerable discretion in designing rates[.]”<sup>182</sup> It stands to reason that this same discretion applies to approving the rates proposed in this stipulation proceeding.

Rates must be just and reasonable.<sup>183</sup> These criteria are satisfied when the Commission balances the interests of investors against those of ratepayers.<sup>184</sup> That balancing obviously has no perfect point; rather, the rate need only fall within a “zone of reasonableness” with “ratepayer extortion” on one end of a spectrum and “utility confiscation” on the other.<sup>185</sup>

“When determining the investor’s interest, the PRC takes into account the utility’s interest in recovering its prudently incurred costs and earning a reasonable return on its capital investments.”<sup>186</sup> “The ratepayers’ interest, on the other hand, is to be protected from excessive rates that unjustly burden ratepayers while receiving steady and quality service from the utility.”<sup>187</sup> “The PRC is vested with considerable discretion in determining whether a rate to be received and charged falls within [that] zone[.]”<sup>188</sup>

Another “guiding principle of rate design is to set rates which will move the relative rate of return of each end-use class closer to unity, or full cost of service contribution, in a *gradual*

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<sup>182</sup> *Coal. for Clean Affordable Energy*, 2024-NMSC-016, ¶ 7.

<sup>183</sup> “Every rate made, demanded or received by any public utility shall be just and reasonable.” Section 62-8-1. *See also* Case No. 22-00058-UT, *Concurring Opinion of Commissioner Ellison*, at 2 (Oct. 22, 2024) (“Fair, just, and reasonable rates are the bedrock of the Public Utility Act.”).

<sup>184</sup> *See In re PNM*, 2000-NMSC-012, ¶ 8, 129 N.M. 1, 1 P.3d 383 (explaining that “the Commission must ensure that rates are neither unreasonably high so as to unjustly burden ratepayers with excessive rates nor unreasonably low so as to constitute a taking of property without just compensation or a violation of due process by preventing the utility from earning a reasonable rate of return on its investment”).

<sup>185</sup> *Attorney Gen. v. New Mexico Pub. Regulation Comm’n*, 2011-NMSC-034, ¶ 13, 150 N.M. 174, 258 P.3d 453, 457.

<sup>186</sup> *Id.* ¶ 16.

<sup>187</sup> *Id.*

<sup>188</sup> *Id.* ¶ 17 (internal quotation marks and citation omitted). *New Mexico Atty. Gen. v. New Mexico Pub. Regulation Comm’n*, 2013-NMSC-042, ¶ 15, 309 P.3d 89, 94–95.

manner that avoids rate shock.”<sup>189</sup> The words “gradual manner” are emphasized in the preceding quote as “[t]he Commission has relied on gradualism for decades in establishing and approving utility rates.”<sup>190</sup> Additionally, “the generally accepted rate-making principles for the development of a sound rate design include continuity and stability.”<sup>191</sup> The customer’s ease of understanding the rate is also a driving consideration.<sup>192</sup>

The stipulated rate schedules under consideration here are filed with PNM witness Dr. Pitts’s stipulation testimony.<sup>193</sup> They are too voluminous to attempt reproduction of any kind here. The focus here is instead on how those rates meet the broad goals of rate setting just discussed.

#### 4.2.2.1. *Banding & Gradualism*

The stipulated rates are banded. “Banding” limits the customer-class revenue requirement increase to a given percentage above or below the average system impact.<sup>194</sup> Banding allocates the revenue deficiency across all customer classes and is “a tool that supports the long-accepted principle of gradualism.”<sup>195</sup> It does this by mitigating unusually disparate responsibilities for revenue deficiencies by class.

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<sup>189</sup> *In re Petition of PNM Gas Services*, 2000-NMSC-012, ¶ 102, 129 N.M. 1, 34, 1 P.3d 383, 416 (emphasis added).

<sup>190</sup> Case No. 10-00379-UT, *Corrected Recommended Decision of the Hearing Examiner*, at 31 (Sept. 6, 2011), adopted and modified in part on other grounds by *Final Order Partially Adopting Recommended Decision*, at 30 (Sept. 20, 2011).

<sup>191</sup> *In re Petition of PNM Gas Services*, 2000-NMSC-012, ¶ 102, 129 N.M. 1, 1 P.3d 383 (internal quotation marks and citation omitted).

<sup>192</sup> See Case No. 12-00350-UT, *Final Order Partially Adopting Recommended Decision*, at 17 (Mar. 26, 2014) (explaining that the “generally accepted principles of rate design” include “continuity, bill impact, ease of understanding, and gradualism”).

<sup>193</sup> See PNM Ex. 5, at 1.

<sup>194</sup> See Case No. 22-00270-UT, *Recommended Decision*, at 331 (“Banding is a method of limiting the customer class revenue requirement increase to a given percentage above or below the average system impact.”).

<sup>195</sup> *Id.*

The system average base rate increase required to collect the \$105 million stipulated non-fuel revenue deficiency is 13.80%.<sup>196</sup> The parties agree that the revenue requirement increase allocation at the upper level should not exceed 20% (an upper band of 145%) while the impact of the revenue requirement increase at the lower level should not exceed 7% (a lower band of 51%).<sup>197</sup> Each rate schedules' placement in the banding levels is "largely the same" as PNM proposed in its as-filed application.<sup>198</sup>

The rate classes subject to the upper band are: Residential/Residential TOU 1A/1B, Water and Sewage 11B, and Streetlighting 20.<sup>199</sup> These classes will incur a 19.85% revenue requirement increase. General Power 3B and Irrigation/Irrigation TOU 10A/10B will incur revenue requirement increases of 9.75% and 15.4%, respectively.<sup>200</sup> The remaining rate schedules will incur a revenue requirement increase of 6.95%.<sup>201</sup> This includes Small Power/Small Power TOU 2A/2B; General Power 3C; General Power 3D; General Power 3E; Commercial Charging Station 3F; Large Power 4B; Large Service 5B; Private Lighting 6; Universities 15B; Manufacturing 30B; Station Power 33B; Large Power 35B; and Rate Schedule 36B.

NMDOJ witness Dr. Gegax provided a useful graphical summary of this information.<sup>202</sup> It is reproduced below for convenience. Note that the final column shows the banding: the 143.85% is rounded up to 145%. The same rounding occurs to the other banding.

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<sup>196</sup> PNM Ex. 5, at 4.

<sup>197</sup> *Id.* at 4-5.

<sup>198</sup> *Id.* at 4.

<sup>199</sup> *Id.* at 5.

<sup>200</sup> PNM Ex. 5, at 5.

<sup>201</sup> *Id.*

<sup>202</sup> NMDOJ Ex. 2, at 12.

Customer Class	Test Period Revenue at Current Rates	Total Phase I + Phase II in Stipulation			
		Total Banded Increase	Banded Revenue Base Requirement (Includes ESA Costs)	Banded % Change	Class % Change divided by Overall Percent Change
1A/B - Residential	\$ 367,955,814	\$ 73,021,463	\$ 440,977,278	19.85%	143.85%
2A/B - Small Power	\$ 105,207,301	\$ 7,311,907	\$ 112,519,208	6.95%	50.38%
3B - General Power	\$ 106,791,647	\$ 10,413,212	\$ 117,204,859	9.75%	70.68%
3C - General Power (Low Load Factor)	\$ 28,215,676	\$ 1,960,989	\$ 30,176,666	6.95%	50.38%
3D - General Power Government	\$ 8,359,051	\$ 580,954	\$ 8,940,005	6.95%	50.38%
3E - General Power (LLF) Government	\$ 1,622,980	\$ 112,797	\$ 1,735,777	6.95%	50.38%
3F - Non-Residential Charging Stations Pilot	\$ 492,613	\$ 34,237	\$ 526,849	6.95%	50.38%
4 - Large Power	\$ 57,310,829	\$ 3,983,103	\$ 61,293,932	6.95%	50.38%
5 - Large Service for Customers >=8,000kW	\$ 1,981,778	\$ 137,734	\$ 2,119,512	6.95%	50.38%
10A/B - Irrigation	\$ 1,804,390	\$ 277,796	\$ 2,082,186	15.40%	111.59%
11 - Water/Sewage Pumping	\$ 8,192,657	\$ 1,625,833	\$ 9,818,490	19.85%	143.84%
15 - Universities 115kV	\$ 3,361,728	\$ 233,640	\$ 3,595,368	6.95%	50.38%
30 - Manufacturing (30 MW)	\$ 35,822,209	\$ 2,489,644	\$ 38,311,853	6.95%	50.38%
33 - Station Service	\$ 230,978	\$ 16,053	\$ 247,031	6.95%	50.38%
35 - Large Power >=3,000kW	\$ 7,049,919	\$ 489,969	\$ 7,539,889	6.95%	50.38%
36 - Special Service - Renew Energy Res	\$ 20,831,510	\$ 1,447,790	\$ 22,279,300	6.95%	50.38%
6 - Private Lighting	\$ 2,315,366	\$ 160,918	\$ 2,476,284	6.95%	50.38%
20 - Streetlighting	\$ 3,537,205	\$ 701,958	\$ 4,239,163	19.85%	143.84%
Total	\$ 761,083,651	\$ 104,999,997	\$ 866,083,648	13.80%	100.00%

The stipulation represents an improvement over the as-filed application. In the as-filed application, PNM proposed an upper band of 175% and a lower band of 0%.<sup>203</sup> Several of the intervenors found this problematic.

The NMDOJ was concerned that the 175% upper band was too high given that the maximum class base-revenue increase was itself high.<sup>204</sup> By the end of phase two under the as-filed application, the residential class was looking at a revenue increase above 30% and almost 13% for the small power class.<sup>205</sup> The stipulation, by contrast, increases revenues for those classes

<sup>203</sup> PNM Ex. 19, at 14. If implemented, the lower band of 0% would have translated into “no increase to allocated non-fuel revenue requirement for some customer classes.” *Id.*

<sup>204</sup> *See* NMDOJ Ex. 2, at 5 (stating that, “I felt that PNM’s initial proposal to apply a 175% upper band for determining the maximum class base revenue increase was too high”).

<sup>205</sup> *Id.* at 7.

by 19.85% and 6.95% respectively.<sup>206</sup> The stipulation not only decreased the revenue requirement but also lowered the maximum band. This reduced cost for the residential class.

PNM contends that “the stipulation adheres to the Commission’s rate setting practices relating to gradualism when implementing rate changes based on cost causation principles.”<sup>207</sup> The stipulation specifies “agreed-upon percentage increases for each customer class that moderate potential rate increases,” and utilizes “allocation methodologies and rate design principles employed by the Commission in PNM’s most recent rate case (Case No. 22-00270-UT).”<sup>208</sup> These points are correct and undisputed.

The banding proposed by the stipulation is consistent with PNM’s past practice and is reasonable. It also facilitates gradualism. It is therefore beneficial and in the public interest.

#### 4.2.2.2. *Subsidization*

Not all of PNM’s rate classes are paying their full cost of service. In particular, the residential class has been subsidized for quite some time.<sup>209</sup> NMDOJ witness Gegax provided this useful chart showing the subsidies flowing to the residential class over the last several rate cases.<sup>210</sup>

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<sup>206</sup> *Id.*

<sup>207</sup> PNM Ex. 2, at 16.

<sup>208</sup> *Id.*

<sup>209</sup> See Tr. Vol. 2, at 78-83. For a thorough discussion of the history of the residential class subsidy, the reader is directed to Dr. Gegax’s discussion with the hearing examiners about the subject on day two of hearing, which can be reviewed at pages 78 to 83 of the transcript of that day of hearing.

<sup>210</sup> NMDOJ Ex. 2, at 16.



	Full Cost of Service Revenues	Banded Cost of Service Revenues	Subsidy	Subsidy Percent of Banded Revenues	Residential Increase	Overall Increase	Residential Increase divided by Overall Increase
24-00089-UT Stipulation Base Revenues *	\$ 481,814,049	\$ 440,977,278	\$ 40,836,771	9.26%	19.85%	13.80%	143.8%
22-00270-UT Final Order Base Revenues	\$ 410,355,658	\$ 361,969,558	\$ 48,386,100	13.37%	3.70%	2.11%	175.4%
15-00261-UT Final Order Base Revenues	\$ 359,902,073	\$ 333,820,662	\$ 26,081,411	7.81%	12.40%	9.54%	130.0%

\* Stipulation Base Revenues Include ESA Costs

PNM asserts that the stipulation makes progress on the subsidization issue.<sup>211</sup> To accomplish this, the most-subsidized classes are receiving rate increases. Residential 1A/1B, Water & Sewage Pumping 11B, and Streetlighting 20, are receiving the highest rate increase.<sup>212</sup> General Power 3B and Irrigation 10A/B are receiving a cost-based increase.<sup>213</sup> Water & Sewage Pumping 11B will receive increases that bring them near to their full cost-of-service.<sup>214</sup> Conversely, the classes who have generally subsidized other classes are, under the stipulation, receiving the smallest rate increases. Those classes are the commercial and industrial classes.<sup>215</sup>

<sup>211</sup> See PNM Ex. 5, at 6 (stating that “an important principle in the rate design objectives ... was to mitigate the increase for residential customers while continuing progress towards rate parity and, in particular, cost based rates for certain commercial and industrial customer classes”).

<sup>212</sup> PNM Ex. 5, at 11.

<sup>213</sup> See *id.* at 12 (“These three rate schedules were allocated the percentage increase that their full cost of service indicates, which results in these rate schedules being at parity.”).

<sup>214</sup> See *id.* at 19 (noting that, “for Water & Sewage Pumping 11B, that rate increase brings them almost to their full cost-of-service”).

<sup>215</sup> See *id.* at 11-12.

Intervenors are also satisfied with the movement in this case on subsidies. The NMDOJ notes that the Residential 1A/B 9.26% subsidization level in the stipulation is “on par” with the 10.59% average subsidy from PNM’s previous two rate cases.<sup>216</sup> The residential subsidy in the stipulation is also below the 13.37% subsidy from 22-00270-UT.<sup>217</sup>

The stipulated resolution of the subsidy issue is a desirable and beneficial outcome that satisfies present exigencies. How PNM moves towards the elimination of class subsidies while maintaining affordability is not a question that need (or can) be resolved definitively here. PNM and the intervenors accept the compromise conclusions reached. The Commission should accept them too.

#### 4.2.2.3. *Phase-In of Rates*

The stipulation extends the phase-in period for the new rates. In the as-filed application, PNM proposed that the new rates to collect the as-filed rate deficiency take effect on July 1, 2025, and then January 1, 2026, a six-month interval.<sup>218</sup> The stipulation extends this interval to nine-months.<sup>219</sup> The first phase-in will occur on July 1, 2025, and the second on April 1, 2026.<sup>220</sup> PNM agreed to supply compliance advice notices ten business days prior to the phase-ins.<sup>221</sup>

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<sup>216</sup> NMDOJ Ex. 2, at 16.

<sup>217</sup> *See id.*

<sup>218</sup> Application, at 2.

<sup>219</sup> PNM Ex. 1, at 9. *See also* PNM Ex. 2, at 3 (“The Stipulation retains and improves upon PNM’s proposed six-month phase-in of the rate increase reflected in its Application by providing for a nine-month phase in of rates.”).

<sup>220</sup> PNM Ex. 1, at 9.

<sup>221</sup> PNM Ex. 5, at 3-4.

The benefits flowing from the enlargement of the phase-in period are obvious and capably explained by Staff.<sup>222</sup> Staff explains that the rates fixed in Case No. 22-00270-UT “just went into effect on January 15, 2024,” and Staff believes that it is important to “mitigate” the layering or pancaking of rate increases on ratepayers.<sup>223</sup> Staff supported a twelve-month phase-in period, rather than the six-month period originally proposed. The nine-month period reached in the stipulation was a sufficient “compromise.”<sup>224</sup>

The NMDOJ witnesses also supports the enlarged phase-in period for the reasons just noted.<sup>225</sup>

#### 4.2.2.4. *Continuity & Stability*

The stipulation provides that “[t]he rate increase for each rate class will be spread pro rata across each rate class’s base rate elements” with a few limited exceptions.<sup>226</sup> The pro rata increase for the residential rate elements provides for rate continuity and stability.<sup>227</sup> For example, the residential class “received a 19.85% overall base rate or base revenue increase,” and the terms of the stipulation in turn ensure that all of the individual rate elements in the residential class also increase by 19.85%.<sup>228</sup>

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<sup>222</sup> See Staff Ex. 5, at 4-8.

<sup>223</sup> *Id.* at 5.

<sup>224</sup> *Id.*

<sup>225</sup> See NMDOJ Ex. 1, at 29.

<sup>226</sup> PNM Ex. 1, at 10.

<sup>227</sup> NMDOJ Ex. 2, at 18.

<sup>228</sup> Tr. Vol. 2, at 96.

PNM witness Dr. Pitts made the same point in her stipulation testimony. She emphasizes that “the rate increase for each rate schedule was allocated on a pro rata basis, to the extent possible, among the base rate elements that apply to each rate schedule.”<sup>229</sup>

These agreements promote continuity and stability. They are desirable.

#### 4.2.2.5. *Customer Charge*

As to the customer or fixed charge, the stipulation proposes that the residential class receive an increase from \$9.95 to \$11.93.<sup>230</sup> This is a 19.85% increase. Under the as-filed application, the proposal was to increase the customer charge from \$9.95 to \$15.92.<sup>231</sup> The stipulation reduces the proposed increase to the customer charge by 25% from the as-filed application.

The NMDOJ explained that “PNM’s initial proposal to increase the fixed monthly customer charge by 60% was . . . too high.”<sup>232</sup> This is so because “[s]uch a large increase limits the control residential customers have over their bills (through adjusting usage) because revenues paid via the customer charge are not usage sensitive.”<sup>233</sup> The stipulation satisfactorily addresses this concern and lowers the customer charge increase.

It is important to point out, however, that PNM’s Residential 1A customer charge does not recover the full amount of fixed, customer-related costs. A portion of these costs are allocated to the block energy charges. This means that net-metered customers do not pay their fair share of

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<sup>229</sup> PNM Ex. 5, at 16.

<sup>230</sup> PNM Ex. 1, at Stipulation Exhibit 3, at 1.

<sup>231</sup> Application, at Attachment A, at 6. *See also* NMDOJ Ex. 2, at 8.

<sup>232</sup> *Id.* at 6.

<sup>233</sup> *Id.*

fixed customer-related costs because these customers can reduce gross energy consumption with behind-the-meter solar.

It is also important to point out that PNM's block energy rates are inclining and the amount of subsidy recovered for these fixed customer-related costs increases in each block. This means that the burden of paying fixed, customer-related costs falls more heavily on customers with higher energy consumption regardless of whether they are low-income or non-low-income customers. This also means that net-metered customers (as a group) pay less fixed costs than other customers given net-metered customers' low usage.

#### **4.3. Public Interest – Fair, Just, and Reasonable**

The applicable law—discussed in detail over the previous pages of writing—requires the Commission to determine that the rates proposed in the stipulation are fair, just, reasonable, and in the public interest. The preceding writing shows that the stipulation complies with applicable law. This necessarily means that the stipulation is in the public interest and a good outcome.

### **5. FINDINGS OF FACT AND CONCLUSIONS OF LAW**

The hearing examiners respectfully recommend that the Commission find and conclude as follows:

1. PNM is a public utility as defined by Section 62-3-3(G) and is subject to the jurisdiction of the Commission under the PUA.

2. The Commission has jurisdiction over the parties participating in this case and over the subject matter of this case.

3. Reasonable, proper, and legally adequate notice of this case was provided.

4. As a public utility, PNM is required to furnish adequate, efficient, and reasonable service at just and reasonable rates.

5. The rates proposed in the stipulation are fair, just, and reasonable.
6. The stipulation is supported by a preponderance of the evidence in the record.
7. The stipulation is a product of serious bargaining among capable and knowledgeable parties; is in the interest of ratepayers and the public; does not violate any important regulatory principle or practice; and, therefore achieves a fair, just, and reasonable settlement of the case.
8. The stipulation should be adopted and approved.
9. The stipulating parties' request to phase in the stipulated rate increases through compliance advice notice filings by PNM, subject to review by Staff, is granted. Fifty percent of the base-rate increase will be effective July 1, 2025, and 100% effective April 1, 2026.
10. Any new rates will be effective only after Commission Staff verifies that they comply with the recommendations and directives set out in this certification of stipulation and any final order issued by the Commission.

## **6. DECRETAL PARAGRAPHS**

The hearing examiners respectfully recommend that the Commission order as follows:

- A. The hearing examiners' certification of stipulation and all rulings, determinations, and findings and conclusions contained in it—regardless of whether separately stated, numbered, or designated—are incorporated as the Commission's findings of fact and conclusions of law.
- B. The findings, conclusions, decisions, rulings, and determinations in this certification of stipulation will be carried out.
- C. PNM's rates as filed under Advice Notice No. 625 in the as-filed application are disapproved.
- D. The rates proposed in the stipulation are approved.

E. PNM shall file advice notices consistent with the agreements set out in the stipulation.

F. The new rates will become effective following their approval as to form and content by Staff.

G. PNM will comply with all requirements placed on it in this case including matters involving future cases before the Commission.

H. Any conclusion or recommendation not specifically stated here but that is necessary to make this writing coherent and complete is adopted by the Commission as if it were stated.

I. Consistent with 17.1.2.37(D) NMAC, the Commission has taken administrative notice of all Commission orders, rules, decisions, and other relevant materials in all Commission proceedings cited in this certification.

J. Any matter not specifically ruled on during the hearing or in this certification is resolved consistent with this certification.

**ISSUED** under the seal of the Commission at Santa Fe, New Mexico, this **8th** day of **April**, **2025**.

NEW MEXICO PUBLIC REGULATION COMMISSION



A handwritten signature in black ink, appearing to read "Christopher P. Ryan", written over a horizontal line.

**Christopher P. Ryan**  
Hearing Examiner  
Christopher.Ryan@prc.nm.gov

A handwritten signature in black ink, appearing to read "John F. Kreienkamp", written over a horizontal line.

**John F. Kreienkamp**  
Hearing Examiner  
John.Kreienkamp@prc.nm.gov

## Attachment 1 – Phase I Rate Increases (PNM Ex. 5, at Exhibit HMP-1)

Monthly Bill Comparison for Average Usage Customers - PNM Non-Lighting Rate Classes  
PHASE I (EFFECTIVE JULY 1, 2025)

Rate Schedule	Monthly Bill for Average Usage Customer (seasonally weighted)		% Change (seasonally weighted)
	At Current Rates (January 2025)	At Proposed Rates	
1A - Residential	\$ 86.52	\$ 93.96	8.6%
1B - Residential TOU	\$ 261	\$ 281	7.9%
1B - Residential TOD pilot	\$ 245	\$ 267	9.0%
2A - Small Power	\$ 240	\$ 249	3.9%
2B - Small Power TOU	\$ 244	\$ 253	3.9%
2B - Small Power TOD pilot	\$ 239	\$ 248	3.9%
3B - General Power, Secondary	\$ 3,103	\$ 3,238	4.4%
3B - General Power, Secondary TOD pilot	\$ 3,010	\$ 3,114	3.5%
3B - General Power, Primary	\$ 10,623	\$ 11,007	3.6%
3B - General Power, Primary TOD pilot	\$ 10,304	\$ 10,595	2.8%
3C - General Power LLF, Secondary	\$ 1,995	\$ 2,064	3.5%
3C - General Power LLF, Secondary TOD	\$ 2,206	\$ 2,313	4.9%
3C - General Power LLF, Primary	\$ 6,886	\$ 7,073	2.7%
3C - General Power LLF, Primary TOD	\$ 7,274	\$ 7,549	3.8%
3D - General Power Gov't, Secondary	\$ 3,989	\$ 4,106	2.9%
3D - General Power Gov't, Secondary TOD	\$ 3,876	\$ 4,007	3.4%
3D - General Power Gov't, Primary	\$ 8,492	\$ 8,741	2.9%
3D - General Power Gov't, Primary TOD	\$ 8,080	\$ 8,454	4.6%
3E - General Power LLF Gov't, Secondary	\$ 1,982	\$ 2,051	3.5%
3E - General Power LLF Gov't, Sec. TOD	\$ 2,219	\$ 2,329	4.9%
3E - General Power LLF Gov't, Primary	\$ 1,288	\$ 1,344	4.4%
3E - General Power LLF Gov't, Prim TOD	\$ 1,902	\$ 2,049	7.8%
3F - Non-residential charging station	\$ 12,082	\$ 12,406	2.7%
4B - Large Power TOU, Secondary	\$ 33,971	\$ 34,838	2.6%
4B - Large Power TOD pilot, Secondary	\$ 33,893	\$ 34,762	2.6%
4B - Large Power TOU, Primary	\$ 36,257	\$ 37,179	2.5%
4B - Large Power TOD pilot, Primary	\$ 36,198	\$ 37,119	2.5%
5B - Large Service (8,000kW)	\$ 260,763	\$ 266,740	2.3%
5B - Large Service (8,000kW) TOD pilot	\$ 261,841	\$ 265,072	1.2%
10A - Irrigation	\$ 74	\$ 93	26.0%
10B - Irrigation TOU	\$ 669	\$ 719	7.6%
10B - Irrigation TOD pilot	\$ 685	\$ 720	5.1%
11B - Wtr/Swg Pumping	\$ 4,304	\$ 4,591	6.7%
11B - Wtr/Swg Pumping TOD pilot	\$ 4,631	\$ 4,967	7.2%
15B - Universities	\$ 343,095	\$ 350,394	2.1%
15B - Universities TOD pilot	\$ 336,752	\$ 343,974	2.1%
30B - Manufacturing (30 MW)	\$ 3,335,660	\$ 3,399,193	1.9%
30B - Manufacturing (30 MW) TOD pilot	\$ 3,335,674	\$ 3,399,031	1.9%
33B - Station Power	\$ 19,084	\$ 19,428	1.8%
33B - Station Power TOD pilot	\$ 19,250	\$ 19,714	2.4%
35B - Large Power Service (3MW)	\$ 288,724	\$ 294,264	1.9%
35B - Large Power Service (3MW) TOD pilot	\$ 288,523	\$ 294,025	1.9%
36B - Special Service - Renw. Energy Res.	\$ 3,823,580	\$ 3,914,016	2.4%



## Attachment 2 – Phase II Rate Increases (PNM Ex. 5, at Exhibit HMP-2)

Monthly Bill Comparison for Average Usage Customers - PNM Non-Lighting Rate Classes  
 PHASE II (EFFECTIVE APRIL 1, 2026)

Rate Schedule	Monthly Bill for Average Usage Customer (seasonally weighted)		% Change (seasonally weighted)
	At Current Rates (January 2025)	At Proposed Rates	
1A - Residential	\$ 86.52	\$ 96.61	11.7%
1B - Residential TOU	\$ 261	\$ 291	11.7%
1B - Residential TOD pilot	\$ 245	\$ 278	13.6%
2A - Small Power	\$ 240	\$ 246	2.5%
2B - Small Power TOU	\$ 244	\$ 250	2.6%
2B - Small Power TOD pilot	\$ 239	\$ 244	2.5%
3B - General Power, Secondary	\$ 3,103	\$ 3,202	3.2%
3B - General Power, Secondary TOD pilot	\$ 3,010	\$ 3,047	1.2%
3B - General Power, Primary	\$ 10,623	\$ 10,815	1.8%
3B - General Power, Primary TOD pilot	\$ 10,304	\$ 10,311	0.1%
3C - General Power LLF, Secondary	\$ 1,995	\$ 2,031	1.8%
3C - General Power LLF, Secondary TOD	\$ 2,206	\$ 2,318	5.1%
3C - General Power LLF, Primary	\$ 6,886	\$ 6,910	0.3%
3C - General Power LLF, Primary TOD	\$ 7,274	\$ 7,475	2.8%
3D - General Power Gov't, Secondary	\$ 3,989	\$ 4,008	0.5%
3D - General Power Gov't, Secondary TOD	\$ 3,876	\$ 3,922	1.2%
3D - General Power Gov't, Primary	\$ 8,492	\$ 8,675	2.2%
3D - General Power Gov't, Primary TOD	\$ 8,080	\$ 8,515	5.4%
3E - General Power LLF Gov't, Secondary	\$ 1,982	\$ 2,019	1.9%
3E - General Power LLF Gov't, Sec. TOD	\$ 2,219	\$ 2,336	5.3%
3E - General Power LLF Gov't, Primary	\$ 1,288	\$ 1,362	5.8%
3E - General Power LLF Gov't, Prim TOD	\$ 1,902	\$ 2,159	13.5%
3F - Non-residential charging station	\$ 12,082	\$ 12,165	0.7%
4B - Large Power TOU, Secondary	\$ 33,971	\$ 33,686	-0.8%
4B - Large Power TOD pilot, Secondary	\$ 33,893	\$ 33,601	-0.9%
4B - Large Power TOU, Primary	\$ 36,257	\$ 35,960	-0.8%
4B - Large Power TOD pilot, Primary	\$ 36,198	\$ 35,896	-0.8%
5B - Large Service (8,000kW)	\$ 260,763	\$ 258,613	-0.8%
5B - Large Service (8,000kW) TOD pilot	\$ 261,841	\$ 255,609	-2.4%
10A - Irrigation	\$ 74	\$ 94	27.6%
10B - Irrigation TOU	\$ 669	\$ 722	7.9%
10B - Irrigation TOD pilot	\$ 685	\$ 707	3.2%
11B - Wtr/Swg Pumping	\$ 4,304	\$ 4,493	4.4%
11B - Wtr/Swg Pumping TOD pilot	\$ 4,631	\$ 4,917	6.2%
15B - Universities	\$ 343,095	\$ 336,543	-1.9%
15B - Universities TOD pilot	\$ 336,752	\$ 330,045	-2.0%
30B - Manufacturing (30 MW)	\$ 3,335,660	\$ 3,221,792	-3.4%
30B - Manufacturing (30 MW) TOD pilot	\$ 3,335,674	\$ 3,221,453	-3.4%
33B - Station Power	\$ 19,084	\$ 18,397	-3.6%
33B - Station Power TOD pilot	\$ 19,250	\$ 18,779	-2.5%
35B - Large Power Service (3MW)	\$ 288,724	\$ 278,819	-3.4%
35B - Large Power Service (3MW) TOD pilot	\$ 288,523	\$ 278,542	-3.5%
36B - Special Service - Renw. Energy Res.	\$ 3,823,580	\$ 3,634,940	-4.9%

**BEEFORE 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 ) **Case No. 24-00089-UT**  
NOTICE NO. 625 )  
)  
)  
PUBLIC SERVICE COMPANY OF NEW )  
MEXICO, Applicant )

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**CERTIFICATE OF SERVICE**

I certify that on the date here indicated, I sent via email a true and correct copy of **Certification of Stipulation** to the parties listed below.

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## BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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Case No. 24-00089-UT

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## BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

Second Amended Official Service List (2/12/25)

Case No. 24-00089-UT

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BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

Second Amended Official Service List (2/12/25)

Case No. 24-00089-UT

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**DATED: April 8, 2025.**

NEW MEXICO PUBLIC REGULATION COMMISSION

*Ana Kippenbrock*

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Ana C. Kippenbrock, Law Clerk