

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF PUBLIC SERVICE )  
COMPANY OF NEW MEXICO'S APPLICATION )  
FOR APPROVAL OF PURCHASED POWER )  
AGREEMENTS, ENERGY STORAGE )  
AGREEMENTS, AND CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY FOR 2029-2032 )  
SYSTEM RESOURCES AND THE ABANDONMENT )  
OF THE FOUR CORNERS POWER PLANT )  
)  
PUBLIC SERVICE COMPANY OF NEW MEXICO, )  
)  
Applicant. )  
\_\_\_\_\_ )**

**Docket No. 26-0000\_\_**

**DIRECT TESTIMONY  
OF  
KYLE T. SANDERS**

**May 29, 2026**

**NMPRC DOCKET NO. 26-0000**  
**INDEX TO THE DIRECT TESTIMONY OF KYLE T. SANDERS**

**WITNESS FOR**  
**PUBLIC SERVICE COMPANY OF NEW MEXICO**

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**SPONSORED EXHIBITS**

PNM Exhibit KTS-1	Educational Background and Relevant Employment Experience
PNM Exhibit KTS-2	New Mexico Economic Development Certification Letter

**AFFIDAVIT**

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**I. INTRODUCTION AND PURPOSE**

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**Q. Please state your name, position, and business address.**

**A.** My name is Kyle T. Sanders. I am the Vice President, Regulatory, for Public Service Company of New Mexico ("PNM" or "Company"). My business address is 414 Silver SW, Albuquerque, NM 87102.

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

**A.** My educational background and relevant employment experience are summarized in PNM Exhibit KTS-1 attached to my testimony. PNM Exhibit KTS-1 also includes a list of cases before the New Mexico Public Regulation Commission ("NMPRC" or "Commission") where I have provided testimony.

**Q. What is the purpose of your testimony?**

**A.** The purpose of my testimony is to support PNM's Application requesting Commission approval of Power Purchase Agreements ("PPAs"), Energy Storage Agreements ("ESAs"), issuance of a Certificate of Public Convenience and Necessity ("CCN") for the La Luz II Project, approval to abandon PNM's interest in the Four Corners Power Plant ("FCPP" or "Four Corners") in 2031, and a related regulatory relief necessary to implement PNM's 2029-2032 Resource Portfolio.

I also address PNM's requested accounting-order treatment for resources associated with economic-development load under SB 170, the proposed Rate 36B and Special Service

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1 Contract framework for dedicated resource portions, the planned life extension of the  
2 Reeves Generating Station (“Reeves”) through the end of 2044, and the future regulatory  
3 filings that are expected to follow this Application.

4 I provide an overview of the approvals requested, summarize why the proposed resource  
5 portfolio is needed to serve customers reliably and cost-effectively, describe the  
6 applicable legal and regulatory framework at a high level, and explain why the Application  
7 is in the public interest. I also provide a roadmap to the supporting testimony offered by  
8 PNM’s other witnesses.

9

10 **Q. How is your testimony organized?**

11 **A.** My testimony is organized into the following sections:

- 12 (1) an executive summary and overview of the case;
- 13 (2) the approvals and regulatory relief PNM requests in this proceeding;
- 14 (3) the need for timely Commission action based on reliability, deliverability, tax-  
15 credit, and legal timing considerations;
- 16 (4) the proposed portfolio, public-interest considerations, and customer-impact  
17 framework;
- 18 (5) economic-development load, Rate 36B treatment, and customer-protection issues;
- 19 (6) the La Luz II Project CCN request;
- 20 (7) PNM’s proposed abandonment of its interest in Four Corners in 2031 and requested  
21 variance from modeling requirements;
- 22 (8) the planned Reeves life extension;
- 23 (9) the governing regulatory requirements for the requested approvals;

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- 1           (10)   proposed cost-recovery treatment and issues preserved for future proceedings;
- 2           (11)   PNM’s SB 170 accounting-order request;
- 3           (12)   future related regulatory filings; and
- 4           (13)   PNM’s requested Commission action and recommendation.

5

6   **Q.   Who are the other witnesses providing direct testimony in this case on behalf of PNM?**

7   **A.   Laurie A. Williams, Senior Vice President of PNM’s Integrated Planning and Transmission**  
8   Development – PNM witness Williams discusses the holistic approach to PNM’s resource  
9   planning and the associated planning objectives and challenges and how the requested  
10   resources support PNM’s current and future needs.

11   Omni B. Warner, Senior Vice President of Operations for PNM – PNM witness Warner  
12   provides an overview of FCPP and discusses the abandonment of the plant and the retention  
13   of certain FCPP facilities for use with other PNM resources. He provides background  
14   information regarding FCPP ownership and governance, applicable plant agreements and  
15   obligations, and discusses related matters associated with PNM’s proposed abandonment  
16   of its interests. Additionally, he describes PNM’s fleet operations and outlines the  
17   objectives for the Reeves End of Life Extension through 2044.

18   Thomas P. Duane, Director of Integrated Resource Planning – PNM witness Duane  
19   discusses the analysis performed by PNM on shortlisted bids that resulted in the  
20   recommended portfolio of resources for which PNM seeks approval in this case, describes  
21   how the resources are consistent with PNM’s most recently accepted 2023 Integrated

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1 Resource Plan (“2023 IRP”), and explains how the resources support PNM’s transition to  
2 carbon-free generation in a safe and reliable manner.

3 Gary B. Barnard, Executive Director, PNM Generation Contracting and Development –  
4 PNM witness Barnard describes and supports the resources PNM is proposing in this  
5 Application and addresses many of the Rule 17.9.551 NMAC (“Rule 551”) and statutory  
6 requirements for the PPAs and ESAs for which PNM seeks approval. He discusses PNM’s  
7 resource contracting strategy and terms, the request for proposals (“RFP”) process, the  
8 estimated costs and timing of the projects, including the PPAs, ESAs and the La Luz II  
9 Project.

10 Richard Nicholas Wintermantel, Chief Services Officer for PowerGEM, LLC – PNM  
11 witness Wintermantel discusses PNM’s resource adequacy assessment using the SERVIM  
12 system reliability model and Loss of Load Expectation (“LOLE”) analysis utilized as part  
13 of the evaluation of the bids for the all-resource 2029-2032 Request for Proposals (“2029-  
14 2032 RFP”) to ensure that resource adequacy and reliability metrics are met.

15 Roger W. Nagel, Principal for Aion Energy LLC – PNM witness Nagel describes Aion  
16 Energy, LLC’s role in and support of PNM’s all-resource 2029-2032 RFP, and provides  
17 details on the goals of the RFP, the process involved in the RFP and the selection of  
18 resources, and the fairness of the RFP.

19 Erfan Hakimian, Director of PNM Transmission/Distribution Planning and Contracts –  
20 PNM witness Hakimian addresses the transmission and interconnection processes  
21 associated with the PPAs and the ESAs in this Application. Additionally, he addresses Rule

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1 551 requirements related to transmission, including costs and capacity and discusses the  
2 Large Generator Interconnection Agreement for each project, and status thereof. He also  
3 discusses the costs of transmission and interconnection of the PNM-self-build La Luz II  
4 Project, that is a subject of this Application.

5 Julio C. Aguirre, Director of Pricing – PNM witness Aguirre outlines the cost allocation  
6 and rate impacts from the requested resources and the FCPP abandonment.

**II. EXECUTIVE SUMMARY**

9  
10 **Q. Before discussing the details, what is PNM requesting the Commission decide in this**  
11 **proceeding?**

12 **A.** PNM is requesting the Commission approve an integrated set of actions, that together, help  
13 ensure PNM can continue to provide safe, reliable, and cost-effective service during 2029–  
14 2032, while continuing the transition to carbon-free resources required under New Mexico  
15 law. Those actions include approval of long-term PPAs and ESAs, issuance of a CCN for  
16 the La Luz II Project, and approval to abandon PNM’s interest in FCPP in 2031.

17  
18 **Q. Why should the requested approvals be granted?**

19 **A.** PNM faces a projected resource shortfall beginning in 2029 driven by forecasted load  
20 growth and the operational need to replace capacity and energy as PNM abandons FCPP  
21 in 2031. The proposed portfolio was selected through PNM’s IRP-aligned competitive  
22 procurement process and is intended to balance cost, reliability, environmental  
23 requirements, deliverability, and execution risk. Approving the Application will preserve

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1 PNM’s ability to meet reliability objectives and position PNM for timely compliance with  
2 the Energy Transition Act (“ETA”) emissions limitations that become more stringent  
3 beginning in 2032.

4

5 **Q. Can you summarize the 2029-2032 Resource Portfolio PNM is requesting in this case?**

6 **A.** Including PNM’s service life extension for Reeves, PNM Table KTS-1 summarizes the  
7 PPAs, ESAs, and CCN PNM is requesting approval of in this proceeding, the proposed  
8 portfolio.

9

10

**PNM Table KTS-1 – Resources Requested in this Case**

<b>Project Name</b>	<b>Structure</b>	<b>Technology</b>	<b>MW</b>
Palomas - System Resource	PPA	Wind	400
Palomas - SSC	PPA	Wind	400
Cat Hills Solar	PPA	Solar	150
Cat Hills BESS	ESA	BESS	150
Wildcat Solar	PPA	Solar	90
Wildcat BESS	ESA	BESS	50
Gila Monster	ESA	BESS	150
Encino	ESA	BESS	110
TAG II	ESA	BESS	90
Britton	ESA	BESS	60
La Luz II	Utility-Owned	Gas	40

11

12

13 **Q. Why should the Commission evaluate the requested resources as a package rather**  
14 **than as individual projects?**

15 **A.** The portfolio is the product of a co-optimized selection process intended to both satisfy  
16 system reliability objectives while balancing customer cost and execution risk. When  
17 resource portfolios are assembled and tested for adequacy and deliverability, individual

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1 components interact (for example, renewable output, storage duration and charging needs,  
2 and dispatchable capability). As a result, substituting or delaying individual components  
3 of a resource portfolio can undermine the overall performance and risk balance the  
4 portfolio is designed to achieve.

5  
6 **Q. Why is this Application in the public interest?**

7 **A.** The Application is in the public interest because it supports reliable service from 2029 to  
8 2032. It results from a competitive and independently monitored procurement process,  
9 balances customer costs with deliverability and execution risk, and supports compliance  
10 with emissions requirements set by the ETA effective in 2032. This includes the  
11 abandonment of FCPP in 2031, while still providing adequate replacement resources.

12  
13 **Q. What issues is PNM not asking the Commission to decide in this proceeding?**

14 **A.** This filing focuses on PNM's requested approval of the proposed resource portfolio and  
15 related actions as a cohesive package. Specific to the items included in this case, PNM is  
16 **not** requesting the Commission to (i) set base rates, (ii) decide on customer class allocation  
17 or cost allocation methodologies, (iii) approve final revenue requirements or rate impacts,  
18 (iv) approve a financing order or securitization for the Four Corners energy transition costs,  
19 or (v) ask for new prudence findings regarding historical Four Corners expenditures; those  
20 issues have been or will be addressed in other proceedings and are not the relief sought  
21 here. Any determinations regarding ratemaking will be addressed in future proceedings,  
22 such as a general rate case. Any request for a financing order, if pursued, will be presented  
23 in a separate future application under the ETA.

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Additionally, PNM is not requesting approval of a CCN for the necessary 345 kV transmission line (Mid-State Transmission Line) to deliver the wind energy to customers from the 800 MW Palomas Wind Project. As discussed in more detail later in my testimony, PNM expects to file a separate CCN application for the Mid-State Transmission line by early 2027.

Lastly, PNM is not requesting any pre-determination of resource selections that will result from PNM’s Request for Proposal (“RFP”) Supplement. While PNM acknowledges the need for these resources and has used proxy bid estimates to optimize the resource selections for customers in this case, the actual resources selected from the RFP supplement will be subject to a competitive bid process and evaluation from the independent monitor. PNM expects to make resources selections under the supplemental RFP and make a filing for approval later in 2026.

**III. REQUESTED APPROVALS**

- Q. What approvals is PNM requesting in this case?**
- A.** PNM requests Commission approval of the following, as further described in the Application and supporting testimonies:
  - 1. Approval of four long-term PPA resources pursuant to Rule 551
    - 400 MW of the Palomas Wind facility dedicated as a system resource

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- 1                   ○ 400 MW of the Palomas Wind facility dedicated to the Special Services  
2                   Contract (“SSC”)
- 3                   ○ 150 MW Cat Hills Solar facility dedicated as a system resource
- 4                   ○ 90 MW Wildcat Solar facility dedicated as a system resource
- 5           2. Approval of six long-term ESAs pursuant to Rule 551
- 6                   ○ 150 MW Cat Hills 4-hour Battery Energy Storage System (“BESS”)
- 7                   dedicated as a system resource
- 8                   ○ 150 MW Gila Monster 4-hour BESS dedicated as a system resource
- 9                   ○ 50 MW Wildcat 4-hour BESS dedicated as a system resource
- 10                  ○ 110 MW Encino 8-hour BESS dedicated as a system resource
- 11                  ○ 90 MW TAG II 8-hour BESS dedicated as a system resource
- 12                  ○ 60 MW Britton 8-hour BESS dedicated to SSC
- 13           3. Issuance of a CCN pursuant to NMSA 1978, Section 62-9-1 for the La Luz II
- 14                  Project, a PNM-owned build and transfer project.
- 15           4. Approval to abandon PNM’s interest in FCPP in 2031 pursuant to NMSA 1978,
- 16                  Section 62-9-5 and a variance from certain FCPP modeling requirements pursuant
- 17                  to 1.2.2.40 NMAC.
- 18           5. Approval of an accounting order pursuant to NMSA 1978, Section 62-6-26, as
- 19                  authorized by 2025 Senate Bill 170 (“SB 170”), for the deferred ratemaking
- 20                  treatment of resources or portions of resources identified to meet potential future
- 21                  economic development loads, with deferral to a regulatory asset until those loads
- 22                  materialize and without prejudgment of final cost recovery.

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1           6. A procedural schedule that supports timely Commission action consistent with Rule  
2           551 and statutory timelines, to preserve deliverability and cost benefits, including  
3           applicable tax credits.

4  
5 **Q. Are there other issues presented in this case that do not require explicit approval?**

6 **A.** Yes, included in the resource analyses is a life-extension for the Reeves Generating Station  
7 (“Reeves”). Reeves is reflected as an existing resource in the co-optimized portfolio and is  
8 supported by engineering testimony regarding continued operation through the end of  
9 2044; any depreciation-study updates would be addressed under Rule 340 in a future  
10 ratemaking proceeding. If the Commission determines that approval is needed to reflect  
11 the extended life of Reeves, then PNM would respectfully request that the Commission  
12 grant that approval in this filing.

13  
14 Additionally, PNM has included cost estimates to support transmission deliverability and  
15 interconnection arrangements associated with the PPAs, ESAs, and the La Luz II Project.  
16 As stated earlier, for the transmission deliverability that requires a CCN, PNM expects to  
17 make an additional filing for Commission approval at a later date. For interconnection  
18 arrangements, the Commission has historically not required a CCN or explicit approval for  
19 these investments, as they are generally subject to the Rule 17.5.440 NMAC (“Rule 440”).  
20 PNM requests that if a determination is made that an approval is needed for the  
21 interconnection investments, then the Commission grant that approval in this proceeding.  
22

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1       **IV. WHY ACTION IS REQUIRED NOW: NEED, RELIABILITY, AND TIMING**

2  
3       **Q. Why is PNM filing this Application now?**

4       **A.** PNM is filing this Application now to ensure that it can continue to provide safe and  
5       reliable electric service during 2029–2032 while meeting forecasted load growth for retail  
6       customers and accommodating new large customer-driven load additions. The requested  
7       portfolio also supports resource adequacy as PNM plans to abandon its interest in FCPP in  
8       2031, concurrent with expiration of the fuel supply agreement, and positions PNM’s  
9       generation system to comply with ETA emissions intensity limitations beginning in 2032.

10  
11       A timely final order approving PNM’s Application will ensure availability of the resources  
12       needed to serve customers and accommodate expected load growth. As described in PNM’s  
13       testimony, securing these resources now provides the necessary capacity “headroom” to  
14       respond to increasing energy and demand requirements, including potential economic  
15       development-related load additions. Timely approval of the portfolio ensures that PNM  
16       can reliably meet customer needs while continuing its transition toward a carbon-free grid.

17  
18       **Q. Is the Commission’s procedural schedule in this case important for deliverability and**  
19       **customer benefits?**

20       **A.** Yes. The schedule matters because the various requests in this Application have defined  
21       review timelines under Commission rules and statute, yet the portfolio functions as an  
22       integrated package that delivers the resources needed to serve load and preserves the  
23       customer benefits associated with the Federal Tax Credits on renewable resources. The

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1 PPA's and ESAs have a six-month review timeline under Rule 551, the La Luz II CCN has  
2 a nine-month review timeline (with the possibility of a six-month extension) under NMSA  
3 1978, Section 62-9-1(C), the Four Corners abandonment has no specific review timeline  
4 under NMSA 1978, Section 62-9-5, and the SB 170 accounting-order request has a six-  
5 month review timeline under NMSA 1978, Section 62-6-26. As discussed below, PNM  
6 requests a procedural schedule that allows the Commission to evaluate the Application in  
7 six months, such that review of each request is aligned.

8  
9 **Q. What are the time-sensitive federal tax credit considerations that reinforce the need**  
10 **for timely action?**

11 **A.** The federal tax credit considerations are relevant to customer cost outcomes. The  
12 renewable and storage resources included in the proposed portfolio may be eligible for  
13 federal investment tax credits or production tax credits, including those available under the  
14 Inflation Reduction Act. The availability of these credits can materially affect the cost of  
15 resources to PNM's customers.

16  
17 Federal tax credit eligibility for renewable energy projects is generally tied to meeting  
18 "begin construction" requirements within defined timeframes, and credit availability may  
19 be affected by continuity-of-construction rules that require ongoing physical work or  
20 continuous efforts toward completion. Delays in Commission approval can compress or  
21 eliminate the window within which a project can satisfy these requirements before  
22 applicable tax deadlines or phase-down schedules.

23

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1 PNM witness Barnard addresses the specific credit eligibility positions and timeline  
2 sensitivities for the projects in this portfolio. At the policy level, unnecessary delay in  
3 Commission action on this Application creates customer cost risk. Given this risk, PNM  
4 requests a procedural schedule consistent with the Rule 551 six-month timeline to preserve,  
5 to the greatest extent practicable, the customer benefits associated with federal tax  
6 incentives.

7

8 **Q. Is PNM requesting the Commission expedite its review of the PPAs and ESAs under**  
9 **Rule 551?**

10 **A.** PNM is not necessarily seeking an expedited review of the PPAs and ESAs; it requests  
11 approval within the six-month timeframe set forth in Rule 551.

12

13 **Q. Is PNM requesting the Commission expedite its review of the La Luz II Project CCN?**

14 **A.** Yes. NMSA 1978, Section 62-9-1(C) requires the Commission to issue an order granting  
15 or denying a CCN application within nine months, with a six-month extension for good  
16 cause. PNM requests that the Commission expedite its review of the La Luz II CCN to  
17 align its review with the Rule 551 six-month timeline for the integrated portfolio so the  
18 package is decided together, preserving deliverability and time-sensitive customer benefits.

19

20 **Q. What are the practical consequences if Commission action is delayed beyond the**  
21 **timeframe needed to support the portfolio schedule?**

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1    **A.**    Delay increases the risk that key development and deliverability milestones cannot be met  
2           for Summer 2029 reliability needs and would likely result in significant cost increases for  
3           customers.

4  
5    **Q.**    **Does this Application request the Commission to approve resources to serve economic**  
6           **development sites certified under SB 170?**

7    **A.**    Yes, PNM has included resources to meet potential future load growth as authorized under  
8           SB 170. These resources are included within the co-optimized portfolio to meet future  
9           customer needs in a cost-effective manner, while maintaining ETA compliance. As  
10          discussed later in my testimony, these resources are intended to serve load at New Mexico  
11          Economic Development Department certified sites.

12

13       **V.    THE PROPOSED PORTFOLIO SELECTION AND THE PUBLIC INTEREST**

14

15    **Q.**    **How was this resource portfolio selected?**

16    **A.**    PNM evaluated bids using both price and non-price factors, including deliverability and  
17          execution risk, to select a co-optimized portfolio. The requested resources were selected  
18          through PNM’s IRP-aligned competitive procurement process. PNM issued an all-source  
19          RFP following the Action Plan in its 2023 IRP and evaluated proposals through a  
20          multi-phase process considering price and non-price factors, deliverability, and portfolio  
21          performance, with independent oversight. Detailed descriptions are provided by PNM  
22          witnesses Duane, Barnard, and Nagel.

23

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1 **Q. Was the competitive procurement process independently monitored?**

2 **A.** Yes. The RFP process was monitored by an Independent Monitor. The Independent  
3 Monitor’s final report and conclusions are sponsored by PNM witness Nagel.  
4

5 **Q. Why is the proposed resource mix reasonable from a system operations perspective?**

6 **A.** The portfolio includes a mix of renewable generation, energy storage, and dispatchable  
7 capacity intended to provide operational diversity and flexibility. That mix supports  
8 reliability objectives while managing execution risk and deliverability considerations.  
9 PNM witnesses Duane and Wintermantel provide detailed support for how the portfolio  
10 meets adequacy targets.  
11

12 **Q. What is the reliability objective used to evaluate whether the resource portfolio is**  
13 **adequate?**

14 **A.** PNM evaluates whether portfolios satisfy an industry-best-practice resource adequacy  
15 objective of maintaining a LOLE of 0.1 days per year. PNM witnesses Duane and  
16 Wintermantel provide the detailed modeling and LOLE results supporting the reliability  
17 showing for the proposed portfolio.  
18

19 **Q. Some of the resource adequacy analyses refer to “generic” firm gas resources that are**  
20 **not part of the approvals requested in this case. Is PNM asking the Commission to**  
21 **approve those generic resources here?**

22 **A.** PNM is not seeking approval for any “generic” gas units in this proceeding. The references  
23 to generic firm resources are used in the portfolio modeling and reliability analyses as a

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1 sensitivity or benchmark to demonstrate how different assumptions about future firm  
2 resources impact reliability and portfolio economics. These sensitivities help quantify the  
3 effects of having varying levels of firm capacity available to support the system during the  
4 2029–2032 period. PNM witness Wintermantel discusses the resource adequacy  
5 assessment based on LOLE, which includes scenarios that assume the presence of generic  
6 firm resources. Additionally, PNM witness Duane explains how these modeling  
7 sensitivities influenced PNM's conclusions and the next steps to be taken.

8  
9 **Q. If PNM is not seeking approval of those generic firm resources here, how is PNM  
10 addressing the need for additional firm capacity reflected in the modeling?**

11 **A.** The resource portfolio requested in this case aims to meet the near-term needs for 2029–  
12 2032 while balancing cost, deliverability, and execution risk. The modeling results also  
13 indicate the potential for more economical bids to achieve the firm dispatchable needs.  
14 Therefore, PNM has used the generic resources as a proxy to meet these needs at this time.  
15 For this reason, as explained by PNM witness Duane, PNM plans to pursue additional firm  
16 resources through the supplemental RFP and procurement and will seek any necessary  
17 approvals in a future filing. This case seeks approval for the specific PPAs, ESAs, CCN,  
18 and related actions described in the Application.

19  
20 **Q. Is the proposed portfolio the lowest-cost option available?**

21 **A.** No, because “lowest cost” was not the only consideration. PNM selected the lowest  
22 reasonable-cost portfolio that satisfies many critical objectives including reliability,  
23 deliverability, and execution-risk considerations. PNM’s portfolio selection was designed

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1 to identify the least-risk portfolio capable of satisfying reliability and deliverability  
2 requirements, not simply the lowest projected-cost portfolio under a single set of  
3 assumptions. PNM’s portfolio also balances maintaining an ETA compliant portfolio. Cost  
4 is critical, but the evaluation also considers execution risk, interconnection and  
5 deliverability, portfolio diversity, and exposure to scenarios where modeled assumptions  
6 do not materialize. PNM’s competitive procurement process and portfolio modeling,  
7 supported by PNM witnesses Duane and Wintermantel, evaluated the portfolio across  
8 scenarios and sensitivities and supports the conclusion that it provides reliable service  
9 across a range of futures at reasonable cost.

10  
11 **VI. ECONOMIC DEVELOPMENT AND CUSTOMER IMPACTS**

12  
13 **Q. How does the Application address customer impacts?**

14 **A.** While PNM is not requesting final rate treatments or rate impacts, PNM Table KTS-2  
15 below shows the revenue requirements for the elements included within the filing. These  
16 are broken into the items specifically being requested for approval in this filing and  
17 estimates of the amounts for items to be included in future filings. PNM believes it is  
18 important to show this information, even if the estimates are preliminary, to allow for a full  
19 picture of customer impacts under this portfolio. PNM witness Aguirre provides testimony  
20 on the rate impacts associated with these revenue requirements.

21

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**PNM Table KTS-2 – Revenue Requirement Summary**

Annual Revenue Requirement (in Millions)	All Retail Customer Resources	Rate 36B - Designated Resources	Economic Development Load Resources	SB170 Resources	Total
<b>Resources Requested in Filing</b>					
Palomas PPA - SSC	\$ -	\$ 97.8	\$ -	\$ -	\$ 97.8
Palomas PPA	-	-	73.4	24.5	97.8
Cat Hills PPA	17.6	-	-	-	17.6
Cat Hills ESA	21.4	-	-	-	21.4
Wildcat PPA	-	-	-	10.9	10.9
Wildcat ESA	-	-	-	7.9	7.9
Gila Monster ESA	20.0	-	-	-	20.0
Encino ESA	-	-	24.6	-	24.6
TAG II ESA	-	-	20.5	-	20.5
Britton ESA	-	13.8	-	-	13.8
La Luz II	25.8	-	-	-	25.8
Reeves Extension	19.3	-	-	-	19.3
Four Corners Abandonment	(38.0)	-	-	-	(38.0)
Transmission Interconnections	0.8	0.3	0.4	0.6	2.1
<b>Supplemental Revenue Requirement Impacts</b>					
Midstate Transmission Line	-	34.0	25.5	8.5	68.1
Generic Firm Gas	-	-	40.2	40.2	80.5
Four Corners Securitization (ETC)	11.2	-	-	-	11.2
	<b>\$ 78.0</b>	<b>\$ 146.0</b>	<b>\$ 184.8</b>	<b>\$ 92.6</b>	<b>\$ 501.3</b>

2

3

4 **Q. Some of the forecasted load growth is associated with large customers and economic**  
5 **development activity. How does PNM ensure that the costs of this portfolio are fairly**  
6 **allocated?**

7 **A.** PNM's obligation to serve requires the Company to plan for and procure resources  
8 sufficient to meet all forecasted load, including load associated with large customer  
9 additions. At the same time, PNM recognizes that fairness to existing customers requires  
10 that costs be allocated in a manner proportionate to the benefits received and consistent  
11 with Commission-approved ratemaking principles.

12

13 Several mechanisms address this concern. First, to the extent that specific large customers  
14 execute contracts or arrangements that include cost responsibility provisions tied to the  
15 incremental system impacts of their load, those arrangements will be reflected in any  
16 allocations of costs in future filings. Second, PNM recognizes the need to ensure existing

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1 customers are not burdened by the costs added to the system by new large load customers.  
2 To address this, PNM will likely need to perform incremental cost tests in future rate  
3 proceedings to ensure new large load customers are fully covering costs being added to the  
4 system to serve their respective loads. PNM witness Aguirre discusses the analytical  
5 framework and assumptions considered to illustrate the evaluation of the incremental cost  
6 resulting from the resources and load presented in this case. Third, while PNM is not asking  
7 the Commission to decide customer class allocation or cost responsibility methodologies  
8 in this proceeding; PNM has assigned resources and cost to the specific loads in order to  
9 evaluate customer impacts. However, actual cost responsibility methodologies will  
10 properly be addressed in the appropriate rate proceedings where all interested parties have  
11 a full opportunity to participate and inform Commission decisions.

12  
13 **Q. Has PNM allocated the requested resources to the various loads and system needs for**  
14 **purposes of illustrative customer impacts in this filing?**

15 **A.** Yes. Please see PNM Table KTS-2 above for how PNM has assigned the resources and  
16 associated costs to the specific loads. These allocations are for illustrative purposes, and  
17 any final allocation would be subject to a future rate case proceeding. This is discussed in  
18 more detail below and in the testimony of PNM witness Aguirre.

19  
20 **Q. Briefly describe how PNM has allocated the costs in this proceeding to determine the**  
21 **illustrative customer impacts.**

22 **A.** PNM's analysis started with a reallocation of existing costs as determined in the Phase II  
23 rates in PNM's last rate case in Docket No. 24-00089-UT ("2024 Rate Case") using

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1 updated system allocations based on the new load profiles projected for 2031 as used for  
2 the resource selection.<sup>1</sup> PNM used the same allocation methodologies as approved in the  
3 2024 Rate Case for this step. This reallocated the existing costs to all customers including  
4 the new economic development customers. PNM then added all the incremental costs or  
5 revenue requirement associated with the proposed resource portfolio as shown in the table  
6 above and allocated these to specific load segments, including economic development load,  
7 to determine the estimated cost allocations and customer impacts. This methodology is  
8 described in greater detail in the testimony of PNM witness Aguirre.

9  
10 **Q. Is PNM proposing to “direct assign” any of the resource costs to specific customers?**

11 **A.** Yes, but only for those resources covered under the existing contractual service  
12 arrangements under the Special Service Contract approved under Schedule 36B – Special  
13 Service Rate – Renewable Energy Resources. Furthermore, while PNM has assigned  
14 individual resources and costs to specific load segments for ease of modeling purposes in  
15 the customer impacts in this filing, PNM would not expect to use a direct assignment  
16 approach in an actual rate proceeding. From a policy perspective, the use of direct  
17 assignments of costs often leads to the unintended consequence of segmenting the system  
18 and requiring further direct assignments of existing assets to existing customers. Therefore,  
19 any future proposed new allocation methodologies will ensure the new large load  
20 customers are allocated the portion of the system to cover all incremental costs and a  
21 portion of the existing system.

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<sup>1</sup> For the calculation of “existing” fuel and purchased power costs, PNM included a projection of all the existing PPAs and fuel costs associated with existing generation assets for 2031.

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**Q. Are there other economic development considerations associated with this portfolio beyond customer impacts and benefits?**

**A.** Yes. This portfolio represents significant capital investments within the state of New Mexico. Not just for PNM owned assets, but for the assets associated with the PPAs and ESAs as well. Certain capital investments will be subject to New Mexico property tax. These costs are presumably included within the costs of all the resources, but the benefits associated with the additional property tax funding will flow directly back into New Mexico communities. Additionally, there will be job creation through construction and development of the resources, customer infrastructure and ongoing employment at these new companies. These impacts bolster the overall economy of the state.

**VII. LA LUZ II PROJECT CCN**

**Q. Please generally describe the La Luz II Project.**

**A.** The La Luz II Project is a PNM-owned, 40 MW natural gas project included as part of the proposed 2029–2032 portfolio. The detailed project description, costs, schedule, contracting approach, and design benefits are provided by PNM witnesses Barnard and Duane, with transmission/interconnection addressed by PNM witness Hakimian.

**Q. Why is PNM proposing a natural-gas resource or extending an existing gas plant at a time when New Mexico policy is focused on reducing carbon emissions?**

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1   **A.**    The question raises an important policy issue for this filing and the ETA. The ETA does  
2           not prohibit new dispatchable gas generation. Rather, it establishes a system-wide  
3           emissions-intensity limit of 200 lbs. CO<sub>2</sub>/MWh beginning in 2032, and PNM must comply  
4           with this standard on an aggregate portfolio basis. The La Luz II Project is a small, fast-start  
5           dispatchable unit proposed to manage reliability risk during periods of low renewable  
6           output. The portfolio modeling referenced by PNM witness Duane shows limited, but  
7           essential, expected run time within a renewable-and-storage dominated mix.

8  
9           The Commission has recognized that reliable service requires dispatchable capability to  
10          respond to conditions variable resources cannot fully cover. That need is most acute in  
11          2029–2032, because PNM plans to exit Four Corners in 2031 while bringing on major  
12          renewable resources and energy storage. The La Luz II Project functions as operational  
13          reliability insurance during this transition for customers during extreme conditions.

14  
15          Approval of the CCN for the La Luz II Project is, therefore, consistent with the public  
16          interest because an all-non-dispatchable approach would increase reliability risk  
17          inconsistent with the 0.1 LOLE standard. PNM witnesses Duane, Barnard, and  
18          Wintermantel provide supporting details.

19  
20    **Q.**    **What general standard applies to the Commission’s decision to grant a CCN?**

21    **A.**    Section 62-9-1 of the Public Utility Act (“PUA”) establishes the general requirement that  
22           a public utility obtain a CCN before beginning construction or operation of certain utility  
23           plant or system additions. The Commission has equated “public convenience and

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1 necessity” with the public interest and has applied a net public benefit concept in CCN  
2 analyses.<sup>2</sup>

3

4 **Q. What depreciable life has PNM assumed associated with the La Luz II project?**

5 **A.** PNM has assumed a depreciable life for the La Luz II project through the end of 2044 to  
6 comply with the requirements of the ETA. PNM recognizes that this project could extend  
7 past 2044 and continue to serve customers, but to reduce the potential of undepreciated  
8 investments being collected from customers, PNM has modeled fully depreciating the plant  
9 through the end of 2044. If the plant were to extend beyond 2044, PNM would assume the  
10 need to make a conversion to an alternate, carbon-free fuel source beyond 2044.

11

12 **Q. Why is the La Luz II Project reasonable within this portfolio?**

13 **A.** The La Luz II Project is proposed as part of a co-optimized portfolio intended to both  
14 maintain reliability during 2029–2032 and manage execution and deliverability risk. The  
15 detailed evidence supporting why this resource was selected and how it performs within  
16 the portfolio is provided by PNM witnesses Duane, Barnard, and Wintermantel.

17

18 **VIII. FOUR CORNERS ABANDONMENT IN 2031**

19

20 **Q. Why is PNM seeking abandonment of FCPP in 2031?**

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<sup>2</sup> Case No. 23-00162-UT, Recommended Decision, at 12, (Dec. 8, 2003), approved in Final Order (Dec. 21, 2023) (citing *Re Valle Vista Water Co. Inc.*, Recommended Decision, Case No. 3571, May 18, 2001, at 6-7, approved in Final Order (June 19, 2001).

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1   **A.**    PNM is seeking approval to abandon FCPP in 2031 to support the Company’s transition  
2           strategy and primarily to position PNM’s system to comply with ETA carbon emissions  
3           requirements that become more stringent in 2032. The timing aligns with key contractual  
4           and operational considerations for the plant and with PNM’s resource planning for  
5           replacement resources necessary to maintain reliability.

6  
7   **Q.**    **Has PNM evaluated scenarios of FCPP abandonment in its 2023 IRP, which is PNM’s**  
8           **most recent Integrated Resource Plan?**

9   **A.**    Yes. On April 23, 2024, PNM filed an update in Case No. 23-00409-UT, consistent with  
10          the Action Plan accepted in the NMPRC’s April 4, 2024 Order, in which PNM evaluated  
11          opportunities for an early abandonment from FCPP. PNM determined it was in the best  
12          interest of customers to continue participation in FCPP through July of 2031, when the  
13          current Coal Supply Agreement expires. As discussed by PNM Witness Warner, there is  
14          potential for the Coal Supply Agreement to be extended through November 2031 to cover  
15          the summer peak period. The 2024 FCPP modeling and analyses considered operational  
16          feasibility and availability of replacement resources and relative financial impacts to  
17          customers. The 2024 analyses showed a reduction in potential savings for customers (as  
18          compared to earlier analysis in 2021) due to higher costs of replacement resources, coal  
19          buyout costs required to facilitate an early exit, and the passage of time (abandonment in  
20          2026 or thereafter is less beneficial than exiting in 2024 as previously proposed).  
21          Additionally, PNM tested sensitivities, such as the effects of delays in replacement  
22          resources and increases in economic development load, resulted in increased costs to PNM  
23          customers. Because net financial benefits from exiting FCPP decline each year, customers

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1 are better positioned if PNM remains in Four Corners to 2031, after ample time to construct  
2 replacement portfolios through the IRP Rule’s RFP process.

3  
4 **Q. What is the regulatory framework applicable to PNM’s request to abandon FCPP?**

5 **A.** Abandonment is governed by NMSA 1978, Section 62-9-5, which requires Commission  
6 approval after notice and hearing and a finding that continued service or use of the facility  
7 is unnecessary or not required for present or future public convenience and necessity,  
8 considering impacts on consumers. As discussed further in my testimony, I explain how  
9 PNM meets the regulatory requirements for abandonment.

10  
11 **Q. Are there prior Commission Orders related to the abandonment of FCPP?**

12 **A.** Yes. In Case No. 21-00017-UT, PNM previously sought approval to abandon and transfer  
13 its interest in FCPP. The Commission denied the abandonment request in that proceeding  
14 primarily because PNM did not identify actual potential replacement resources and instead  
15 relied on proxy modeling with generic placeholders, which the Commission found  
16 insufficient to evaluate substitute service and to support deferral of replacement-resource  
17 approvals.<sup>3</sup> As discussed below, PNM has identified the specific resources that will replace  
18 FCPP in this case.

19  
20 A secondary reason for the denial of the requested abandonment of FCPP was that PNM  
21 did not submit a cost benefit analysis for abandonment of FCPP in 2024 and 2028 pursuant

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<sup>3</sup> Case No. 21-00017-UT, *Order on Recommended Decisions on Request for Approval of the Sale and Abandonment of PNM’s Interest in the Four Corners Power Plant and Issuance of a Securitized Financing Order*, at 9, ¶ 32 (Dec. 15, 2021). (“Final Order”).

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1 to the revised stipulation in PNM’s 2016 rate case, Case No. 16-00276-UT.<sup>4</sup> In the Final  
2 Order in Case No. 21-00017-UT, PNM was directed to conduct specific modeling for the  
3 early abandonment of FCPP in the next case seeking abandonment of the plant.<sup>5</sup> Pursuant  
4 to 1.2.2.40 NMAC, PNM respectfully requests a variance from the modeling requirements  
5 in the Final Order in Case No. 21-00017-UT. My direct testimony and the direct testimony  
6 of PNM witness Duane provide the factual support for the requested variance pursuant to  
7 1.2.2.40(B) NMAC.

8  
9 **Q. What does the Final Order require with respect to PNM’s future FCPP abandonment**  
10 **filing?**

11 **A.** The Final Order provides that PNM is to submit a cost benefit analysis of early exits in  
12 2024 and 2028, and that each analysis include the assumptions that PNM will receive full  
13 cost recovery of, and return on, PNM’s undepreciated investment in Four Corners, together  
14 with full recovery of all existing contractual obligations, including default payments and  
15 penalties.<sup>6</sup> The hypotheticals under the Final Order modeling requirement place all the risk  
16 and cost of an early abandonment in 2024 and 2028 on PNM’s customers.

17  
18 **Q. What are the grounds that support PNM’s request for a variance from the FCPP**  
19 **abandonment analyses in the Final Order?**

---

<sup>4</sup> Final Order, at 11, ¶ 38.

<sup>5</sup> Final Order at 13, ¶ F.

<sup>6</sup> Final Order, at ¶ F; and *Modified Revised Stipulation in Compliance with and Conforming to Commission’s Orders Granting Conditional Approval*, at 9, ¶ 10, Case No. 16-00276-UT (Jan. 23, 2018).

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1   **A.**   Several years have passed and circumstances have changed since the stipulation was  
2           approved in Case No. 16-00276-UT and the Final Order was issued in Case No. 21-00017-  
3           UT. The ETA was enacted in 2019<sup>7</sup> which sets up a comprehensive regulatory framework  
4           for the early abandonment of New Mexico coal-fired powerplants, limitations on carbon  
5           emissions from utility fleets serving New Mexico customers, and recovery for  
6           abandonment costs incurred by utilities. The ETA did not exist when the stipulation in Case  
7           No. 16-00276-UT was approved. Most importantly, it is 2026, so an analysis of the  
8           abandonment of Four Corners effective in 2024 would be of no use in analyzing the  
9           abandonment of Four Corners in this case.

10

11           Similarly, an analysis of the abandonment of FCPP effective in 2028 would be of no  
12           practical value in this case. This is explained by PNM witness Duane who confirms that it  
13           is not feasible to abandon Four Corners in 2028 because PNM cannot secure necessary  
14           replacement resources in time and would have to rely on uncertain market purchases to  
15           replace the energy and capacity provided by FCPP, placing reliability at risk and imposing  
16           significant costs on customers.

17

18   **Q.    Has PNM conducted analyses of the early abandonment of FCPP?**

19   **A.**    As confirmed by PNM witness Duane, PNM has conducted a number of analyses of the  
20           abandonment of FCPP since 2021. These include the analysis of a 2024 Four Corners  
21           abandonment in Case No. 21-00017-UT, and the analysis of the abandonment of Four

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<sup>7</sup> NMSA 1978, § 62-18-1 to 62-18-23 (2019)

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1           Corners effective in 2026 as part of the update to PNM’s Action Plan in its 2023 Integrated  
2           Resource Plan in Case No. 23-00409-UT. The latter analysis was filed with the  
3           Commission in 2024 and showed that it was in the best interest of customers for PNM to  
4           continue participation in Four Corners due to increased costs of abandonment through July  
5           of 2031, when the current Coal Supply Agreement expires.<sup>8</sup> These modeling analyses  
6           confirm that PNM has been prudently assessing Four Corners since 2021. To the extent the  
7           Commission deems the analyses under the Final Order as having some useful purpose in  
8           this case, PNM respectfully requests that the Commission grant the variance on the basis  
9           that PNM has substantially complied with appropriate modeling requirements by means of  
10          the prior modeling as just described.

11  
12   **Q.    Is the requested variance from the abandonment analysis requirements under the**  
13   **Final Order in the public interest?**

14   **A.**    Yes. Granting the variance is in the public interest because circumstances have changed  
15          since the Final Order was issued, and requiring PNM to conduct the analyses called for  
16          under the Final Order would not result in any information useful for purposes of this case.  
17          As noted above, the timing of the approvals in this case is important to the resource vendors  
18          and PNM’s customers. The variance will avoid a delay of this proceeding and facilitate the  
19          timely deployment of needed resources in the 2029 to 2032 timeframe and help preserve  
20          the applicability of federal tax benefits. The variance will not deprive the Commission, the  
21          parties or the public of any useful or material information concerning the abandonment of

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<sup>8</sup> *PNM 2023 Integrated Resource Plan First Annual Action Plan Report Update*, Case No. 23-00409-UT (Dec. 13, 2024).

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1 Four Corners for the reasons stated above. The prior PNM abandonment modeling analyses  
2 presented in Case Nos. 21-00017-UT and 23-00409-UT, and the abandonment analysis  
3 presented in the Application in this case, are much more useful and reliable than the  
4 modeling called for under the Final Order, which requires the use of unrealistic  
5 hypothetical assumptions which are costly and risky for customers.

6  
7 **Q. What are the specific resources that will replace FCPP?**

8 **A.** As discussed above and in greater detail by PNM witness Williams, the portfolio was co-  
9 optimized to achieve multiple goals, including the replacement resources needed for the  
10 FCPP abandonment. PNM attempted to assign resources to these goals and needs as shown  
11 above in PNM Table KTS-2. The resources identified in the “All Retail Customers” are  
12 largely identified to meet the needs of replacing FCPP; however, these resources also  
13 address normal and on-going load growth for existing retail customer classes.

14  
15 **Q. What has PNM assumed associated with the recovery of undepreciated costs  
16 associated with the FCPP?**

17 **A.** For modeling and evaluation purposes, PNM has assumed the undepreciated investment  
18 would be securitized, as authorized by the ETA. PNM has included the estimated Energy  
19 Transition Charge (“ETC”) as a component of the overall evaluation of the portfolios.  
20 Additionally, PNM has included the annual ETC as a component of the customer impact  
21 analysis discussed above. Please see PNM Table KTS-2 above for the estimated annual  
22 ETC revenue requirement assumed in the modeling.

23

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1 **Q. Is PNM requesting a financing order or securitization in this case for expenses related**  
2 **to the abandonment of FCPP?**

3 **A.** No. PNM is not seeking securitization or a financing order pursuant to the ETA in this  
4 proceeding. Given the importance and timing of getting the approval of the replacement  
5 resources and preserving the federal tax benefits, PNM did not want to wait to seek  
6 approval of abandonment and the replacement resources. Additionally, given that the  
7 interest rate for the securitized assets will be set at the time of debt issuance which will be  
8 at or shortly after abandonment, it is prudent to wait to seek the financing order at a time  
9 period that is also closer to the actual time of abandonment. Any request for a financing  
10 order, if pursued, would be made in a future application.

11

12 **Q. Has the Commission addressed the issue of Four Corners prudence that was deferred**  
13 **from Case No. 16-00276-UT?**

14 **A.** Yes. In Case No. 22-00270-UT, the Commission took administrative notice of relevant  
15 evidence from Case Nos. 15-00261-UT, 16-00276-UT, and 21-00017-UT. This was done  
16 specifically to address prudence and remedial issues related to past Four Corners'  
17 investments in that general rate case. The issue of PNM's decision to continue as a FCPP  
18 participant was resolved by the Commission in Case No. 22-00270-UT, and the  
19 Commission's decision concerning an appropriate remedy was upheld on appeal by the  
20 New Mexico Supreme Court in Case No. S-1-SC-40307. PNM has implemented all  
21 disallowances ordered in Case No. 22-00270-UT. The current proceeding does not involve  
22 prudence or ratemaking issues and is limited to the statutory standards concerning PNM's

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1 request for abandonment and whether sufficient substitute service will be available based  
2 on the proposed portfolio and the evidence provided.

3  
4 **Q. In evaluating abandonment requests, has the Commission sometimes considered the**  
5 **“Commuters’ Committee” factors, and how do they relate to this case?**

6 **A.** Yes. NMSA 1978, Section 62-9-5 provides the controlling statutory standard for  
7 abandonment. In prior matters, the Commission has sometimes also referenced a four-  
8 factor balancing framework commonly referred to as the “Commuters’ Committee” factors  
9 as an analytical lens. To the extent the Commission considers that framework here, the  
10 Application supports abandonment because continued reliance on Four Corners is not  
11 required after the proposed exit date and adequate substitute service will be available  
12 through the integrated replacement portfolio presented in this case. I further discuss these  
13 factors in Part X of my testimony.

14  
15 **Q. What evidence supports the substitute-service and reliability components of that**  
16 **showing?**

17 **A.** PNM witness Duane provides the portfolio modeling and selection rationale; PNM witness  
18 Wintermantel provides the resource adequacy and LOLE results; and PNM witness  
19 Hakimian addresses transmission deliverability and interconnection status. PNM witness  
20 Warner provides the plant-specific factual record regarding Four Corners ownership,  
21 agreements, and obligations.

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**IX. REEVES LIFE EXTENSION**

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**Q. What is the Reeves Generating Station?**

**A.** Reeves, which is in northern Albuquerque, is a 146 MW natural gas-fired generating plant that is wholly owned and operated by PNM. PNM witness Warner describes Reeves' history, configuration, operational role, and the engineering basis for continued operation.

**Q. Why is extending the operating life of Reeves to the end of 2044 in the public interest?**

**A.** From public policy and operational perspectives, Reeves serves as existing dispatchable peaking capacity within PNM's generation fleet. Its continued operation up through 2044 supports system reliability during the same 2029–2032 transition period addressed by the new resources in this Application, and beyond. Retiring Reeves prematurely or allowing its authorized operating life to expire without affirmatively extending it, would remove dispatchable capacity from the portfolio at a time when PNM is already managing the reliability implications of exiting FCPP and integrating new variable resources.

From a customer cost perspective, continuing to operate an existing, substantially depreciated facility avoids much of the capital cost and execution risk associated with procuring equivalent replacement capacity. The engineering basis for continued safe and reliable operation to the end of 2044 is provided by PNM witness Warner. PNM is not requesting a new CCN for Reeves because Reeves is an existing certificated facility currently in operation; the regulatory framework applicable to its continued operation and any necessary depreciation study updates are addressed in the sections that follow.

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**Q. Is PNM asking the Commission in this docket to approve a depreciation change or to make a ratemaking determination related to Reeves?**

**A.** No. This proceeding is not a base-rate case and PNM is not requesting that the Commission set depreciation rates, approve a depreciation study, or make ratemaking determinations for Reeves here. Depreciation practices and any adjustments to depreciation rates or service lives are addressed through the Commission’s depreciation rules, including Rule 17.3.340 NMAC (“Rule 340”), which contemplates utility studies/reviews and Commission approval when changes are requested by application. Consistent with that framework, PNM would address any depreciation-study updates and related ratemaking treatment for Reeves in a future general rate case or other appropriate depreciation proceeding.

**X. REGULATORY REQUIREMENTS**

**PPAs and ESAs**

**Q. What standards apply to Commission approval of the PPAs and ESAs in the proposed resource portfolio?**

**A.** Rule 551 requires Commission written approval before an electric utility becomes irrevocably bound by a long-term PPA, and the Commission has applied a modified public convenience and necessity/public interest concept in reviewing these agreements. The Application includes Rule 551 informational showings, with detailed Rule 551 elements supported primarily by PNM witness Barnard and the contract exhibits.

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1 **Q. Does Rule 551 provide a decision timeline?**

2 **A.** Yes. The Commission's rule for approval of purchased power agreements at 17.9.551.10  
3 NMAC directs that the Commission shall issue a final order on an application for approval  
4 of a PPA or ESA within six months of the date the application is filed, or the application is  
5 deemed approved.

6

7 **Q. Is PNM's Application being filed within thirty days of the execution of the PPAs and**  
8 **ESAs as provided in Rule 551.8(B)?**

9 **A.** Yes, PNM is requesting approval of the PPA and ESAs in this Application submitted within  
10 30 days of the execution of these agreements. While the cover pages state April 30, 2026,  
11 PNM did not execute the contracts until May 5, 2026.

12

13 **Q. What, if any, impact does the PPA and ESAs have on the Company's financial metrics**  
14 **as provided in Rule 551.8(D)(7)?**

15 **A.** PNM does not expect the PPA or ESAs to have a material adverse impact on its financial  
16 metrics under Rule 17.9.551.8(D)(7). The agreements are structured and expected to be  
17 accounted for as service arrangements and are not anticipated to result in the recognition  
18 of lease liabilities or imputed debt that would affect the Company's balance sheet or credit  
19 profile.

20

21 **Q. Has PNM submitted evidence that PNM's Application satisfies the requirements of**  
22 **Rule 551?**

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1   **A.**    Yes. PNM’s Application, testimony, and exhibits satisfy all informational and filing  
2           requirements of Rule 551.8. Please see PNM Exhibit 1 to the Application for a table  
3           showing where each provision of Rule 551 is addressed in PNM’s testimonies.

4  
5           **CCN**

6   **Q.**    **What general standards apply for granting a public utility CCN in New Mexico?**

7   **A.**    Section 62-9-1 of the PUA establishes the general standard for issuance of CCNs and  
8           requires that, “[n]o public utility shall begin construction or operation of any public utility  
9           plant or system or of any extension of any plant or system without first obtaining from the  
10          commission a certificate that public convenience and necessity require or will require such  
11          construction or operation.”

12  
13 **Q.**    **Does the PUA have other general requirements for issuance of a CCN?**

14 **A.**    Yes. Section 62-9-6 requires that a corporation applying for a CCN have its articles of  
15          incorporation on file with the Commission. PNM previously filed its current articles of  
16          incorporation with the Commission, and they are located in the record of Case No. 13-  
17          00390-UT, in PNM Exhibit GTO-2 to the December 20, 2013, Direct Testimony of Gerard  
18          T. Ortiz. PNM requests that the Commission take administrative notice of this exhibit in  
19          the Commission’s records.

20  
21          Section 62-9-6 also requires evidence, as the Commission may require, demonstrating the  
22          consent and franchise of the municipality where construction and operation of a new

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1 facility will occur. All necessary permits from municipalities will be obtained during the  
2 project development process.

3

4 **Q. Is location approval for the La Luz II Project from the Commission required?**

5 **A.** No, location approval is not required pursuant to Section 62-9-3 of the Public Utility Act.  
6 The La Luz II Project is not designed for or capable of operation at a capacity of three  
7 hundred thousand kilowatts or more, nor is it a transmission line project that falls within  
8 the location statute.

9

10 **Q. Does the La Luz II Project meet the CCN standards listed in section 62-9-1?**

11 **A.** Yes, the Commission equates “public convenience and necessity” with the public interest  
12 and has held that the CCN statute implies there must be a net public benefit in order to  
13 grant a CCN.<sup>9</sup> PNM must demonstrate that the resource it proposes is the most effective  
14 resource among feasible alternatives.<sup>10</sup> PNM witnesses Barnard, Williams, and Duane  
15 discuss in more detail how the La Luz II Project satisfies this requirement.

16

17 **ETA**

18 **Q. How does the ETA relate to the requested approvals?**

19 **A.** The ETA establishes emissions limitations of 200 lbs CO<sub>2</sub>/MWh on PNM’s generation  
20 fleet beginning in 2032, and the proposed portfolio and the planned FCPP abandonment

---

<sup>9</sup> See, e.g., Case No. 19-00349-UT, Recommended Decision at 16 (Nov. 16, 2020).

<sup>10</sup> *Id.* at 16-17 (citing Case No. 15-00261-UT, Corrected Recommended Decision (Aug. 15, 2016), Case No. 13-00390-UT, Final Order (Dec. 16, 2015); Case No. 15-00205-UT, Order Partially Granting PNM Motion to Vacate and Addressing Joint Motion to Dismiss (Dec. 22, 2015); and Case No. 2382, Final Order Approving Recommended Decision (Nov. 20, 1995)).

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1 are presented as part of PNM’s transition strategy to meet those requirements while  
2 maintaining reliability.

3  
4 **Abandonment of FCPP**

5 **Q. What standards under the ETA and PUA apply to the proposed abandonment of a**  
6 **generating resource?**

7 **A.** The primary standard applicable to abandonment under the PUA is Section 62-9-5, which  
8 requires Commission permission and approval, after notice and hearing, and a finding that  
9 continuation of the service or use of the facility is unwarranted or that the present and future  
10 public convenience and necessity do not otherwise require continuation, with specific  
11 consideration of the impacts on consumers served in New Mexico, directly or indirectly.<sup>11</sup>

12 The Commission has interpreted this public convenience and necessity standard as  
13 requiring a factual showing that abandonment will result in a “net benefit to the public.”<sup>12</sup>

14  
15 Section 62-18-4 of the ETA, is also relevant in that it establishes the statutory framework  
16 for energy transition cost recovery through a financing order for qualifying generating  
17 facilities, but it ties that financing-order authority to the prerequisite that the utility first  
18 obtain Commission approval to abandon the facility under Section 62-9-5.<sup>13</sup> The ETA also

---

<sup>11</sup> NMSA 1978 § 62-9-5.

<sup>12</sup> Case No. 19-00018-UT, Recommended Decision on Abandonment and Non-Securitized Costs at 26 (Feb. 21, 2020), adopted by Final Order on Request of PNM for Authority to Abandon its Interests in San Juan Generating Station Units 1 and 4 and Recover Non-Securitized Costs (April 1, 2020) (citing *Re Alto Lakes Water Corporation*, Recommended Decision, Case No. 07-00398-UT, February 6, 2008, at 6, approved in Final Order (Feb. 14, 2008); *Re Valle Vista Water Co. Inc.*, Recommended Decision, Case No. 3571, March 18, 2001, at 6-7, approved in Final Order (June 19, 2001); *Re Southwestern Public Service Co.*, Corrected Recommended Decision, Case No. 2678, (Nov. 25, 1996), at 19-20 approved in Final Order (Jan. 28, 1997); *New Energy Econ., Inc. v. Pub. Regulation Comm’n*, 2018-NMSC-024, ¶ 14, 416 P.3d 2).

<sup>13</sup> NMSA 1978 § 62-18-4.

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1           contemplates that resource approvals associated with an abandonment may be addressed  
2           in connection with an abandonment proceeding, depending on the relief sought.<sup>14</sup> PNM is  
3           not requesting a financing order in this proceeding.

4  
5   **Q.    What factors has the Commission used to determine if abandonment should be**  
6   **authorized?**

7   **A.**    In addition to the “net benefit to the public” standard stated above, in considering requests  
8           for abandonment the Commission has also applied the four factors used in *Commuters’*  
9           *Committee v. Pennsylvania Pub. Util. Comm’n*,<sup>15</sup> which specifically related to the  
10          discontinuance of rail service by a railway carrier, in determining whether the proposed  
11          abandonment is consistent with the public convenience and necessity. These factors are:  
12          (1) the extent of the carrier's loss on the particular branch or portion of the service, and the  
13          relation of that loss to the carrier's operation as a whole; (2) the use of the service by the  
14          public and prospects for future use; (3) a balancing of the carrier's loss with the  
15          inconvenience and hardship to the public upon discontinuance of service; and (4) the  
16          availability and adequacy of substitute service. The Commission's test is a flexible one that  
17          can and should be adapted to meet the specific facts and circumstances being evaluated.

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<sup>14</sup> NMSA 1978 § 62-18-4(C)-(D).

<sup>15</sup> 88 A.2d 420, 424 (Pa. Super. Ct. 1952).

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1 In Case No. 19-00018-UT, the Commission approved the abandonment of the two  
2 remaining units of the San Juan Generating Station upon a finding that it would result in a  
3 net public benefit and that the *Commuters' Committee* factors had been satisfied.<sup>16</sup>  
4

5 **Q. Are the *Commuters' Committee* factors for abandonment met in this case?**

6 **A.** Yes. To the extent the Commission considers the *Commuters' Committee* framework here,  
7 the factors are satisfied because the proposed FCPP abandonment will not compromise  
8 reliable service and substitute service will be available through the replacement resources  
9 and system planning actions presented in this case.  
10

11 **Q. Please address the first *Commuters' Committee* factor in the context of PNM's**  
12 **Application to abandon FCPP.**

13 **A.** The first *Commuters' Committee* factor considers the extent of the utility's loss or burden  
14 associated with continuing the facility and how that burden relates to the utility's operations  
15 as a whole. In this case, continuing participation in FCPP beyond 2031 would threaten  
16 PNM's ability to comply with the emissions limitations under the ETA that become  
17 effective beginning in 2032. In addition, PNM's participation in FCPP operations beyond  
18 the proposed abandonment date would continue to impose on PNM and its customers  
19 ongoing cost and risk exposure associated with continued operation, maintenance, and  
20 required capital investments. As discussed by PNM witness Warner, this Application  
21 provides specific evidence regarding PNM's ownership obligations and expected costs

---

<sup>16</sup> Case No. 19-00018-UT, *Recommended Decision on Abandonment and Non-Securitized Costs* at 26, 34, adopted by *Final Order on Request of PNM for Authority to Abandon its Interests in San Juan Generating Station Units 1 and 4 and Recover Non-Securitized Costs* (April 1, 2020).

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1 through the proposed exit timeframe and explains why limiting future investment to what  
2 is needed for prudent and reliable operation is reasonable pending abandonment.

3  
4 **Q. Is the second *Commuters' Committee* factor applicable?**

5 **A.** Yes, but it must be applied in a manner appropriate to a generating facility. The second  
6 factor concerns the public's use of the service and prospects for future use. In the generation  
7 context, this factor is best understood as whether continued operation and use of the  
8 resource is necessary to provide adequate, efficient, and reasonable service going forward.  
9 Here, continued reliance on FCPP is not reasonably feasible due to the ETA carbon limits,  
10 nor is FCPP required after the proposed abandonment date because PNM has identified  
11 replacement resources and a portfolio intended to maintain reliability and serve customer  
12 needs as the Company transitions to comply with ETA-related requirements that become  
13 more stringent beginning in 2032.

14  
15 **Q. Please address the third and fourth *Commuters' Committee* factors with respect to**  
16 **FCPP.**

17 **A.** The third factor balances the utility's loss or burden against inconvenience and hardship to  
18 the public from discontinuance of service, and the fourth factor considers the availability  
19 and adequacy of substitute service. Both factors favor abandonment here. PNM's  
20 Application is supported by evidence that the portfolio of resources proposed for 2029–  
21 2032, together with the related deliverability and resource adequacy analyses, are intended  
22 to maintain reliable service as PNM exits FCPP, and that substitute service will be  
23 available. PNM also provides testimony addressing (i) portfolio modeling and selection

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1 rationale, (ii) resource adequacy/LOLE results, and (iii) transmission deliverability and  
2 interconnection status supporting the conclusion that customers will continue to receive  
3 adequate service without undue hardship.

4  
5 **Q. Are the cost savings to customers of abandoning FCPP relevant to the *Commuters'***  
6 ***Committee* factors?**

7 **A.** Yes. Customer cost impacts and cost savings are relevant to the *Commuters' Committee*  
8 analysis, particularly the first factor (utility burden) and the third factor (balancing utility  
9 burden against public hardship). However, cost is not the sole consideration. The  
10 Commission's abandonment review considers whether, under Section 62-9-5 or as  
11 informed by the *Commuters' Committee* factors, adequate substitute service will be  
12 available and whether the proposed abandonment is consistent with present and future  
13 public convenience and necessity. For that reason, this filing addresses both customer  
14 impact considerations and the reliability and deliverability showings that support substitute  
15 service.

16  
17 **XI. COST RECOVERY**

18  
19 **Q. How does PNM plan to recover the costs associated with the proposed resource**  
20 **portfolio?**

21 **A.** PNM will recover the energy costs associated with the PPAs through PNM's Fuel and  
22 Purchased Power Cost Adjustment Clause ("FPPCAC") in accordance with Rule 551.9(A).  
23 PNM will seek recovery ESA costs in a PNM general rate review filing where PNM seeks

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1 to adjust its base rates. Cost recovery associated with the La Luz II Project, will be sought  
2 in a PNM general rate review filing where PNM seeks to adjust its base rates. For resources  
3 specifically designated as a SSC, these resources will be recovered directly through Rider  
4 No. 47, consistent with the SSC and the Rate 36B customer.

5  
6 **Q. Is PNM asking the Commission to decide cost allocation or class allocation issues in  
7 this case?**

8 **A.** No. PNM is not seeking approval of customer class allocation methodology in this  
9 proceeding, and those issues are generally addressed in base rate proceedings.

10  
11 **XII. SB 170 PROJECTS**

12  
13 **Q. Please summarize PNM's requests in this case related to economic development  
14 projects under SB 170.**

15 **A.** As discussed in greater detail in the testimony of PNM witness Williams, PNM is seeking  
16 to add additional resources to meet potential future economic development loads. These  
17 projects will allow for timely integration into the New Mexico power grid and New Mexico  
18 communities of future economic development opportunities. As shown in PNM Table  
19 KTS-2 above, PNM has identified certain projects or portions of certain projects to meet  
20 these future system opportunities.

21  
22 **Q. Are the sites for these resources certified as economic development sites?**

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1   **A.**   Not necessarily. While the NM Department of Economic Development has certified  
2           multiple sites in PNM service territory, the specific sites associated with the resources  
3           needed to service those economic development sites are not explicitly certified. However,  
4           it is critical to have the necessary resources to serve the future load and the concept of  
5           serving the loads is directly contemplated within the statute.

6

7   **Q.**    **Will the resources be able to serve anticipated load at sites certified by the NM**  
8           **Department of Economic Development?**

9   **A.**    Yes. The generation from the resources will be able to provide electricity to the SB 170  
10          certified economic development sites. In addition to sites certified in 2025, the NM  
11          Economic Development Department certified nine additional sites that were previously  
12          certified as SB 169 sites. The certification letter is provided as PNM Exhibit KTS-2 – New  
13          Mexico Economic Development Certification Letter.

14

15 **Q.**    **What accounting treatment is PNM requesting relative to these resources?**

16 **A.**    PNM is seeking an accounting order that allows PNM to track the costs of these projects  
17          or portions thereof for deferral to a regulatory asset, until such time that the future loads  
18          materialize. This treatment is consistent with section E of NMSA 62-6-26.

19

20 **Q.**    **What will occur if the future loads do not materialize?**

21 **A.**    If the projected SB 170 loads do not materialize within a reasonable period, PNM will  
22          identify a fallback treatment for the associated capacity and will not shift assigned costs to  
23          other customer classes without further Commission review.

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**XIII. FUTURE RELATED REGULATORY FILINGS**

1  
2  
3 **Q. Are there other regulatory filings that the company will be making with the NMPRC**  
4 **related to the actions requested in this proceeding?**

5 **A.** Yes. While PNM believes the Commission has all the needed and required information to  
6 act on the requests being sought in this filing, it is important to provide a transparent  
7 roadmap of future filings that PNM expects to make that are tangential to the requests being  
8 sought here. First, PNM expects to request the NMPRC regulatory approvals for the Mid-  
9 State Transmission line as quickly as possible, with a targeted goal of no later than early  
10 2027. Next, PNM expects to make a secondary resource filing in conjunction with the  
11 recently issued an RFP supplement, as discussed by PNM witness Williams. PNM would  
12 also need to make a general rate review filing or filings to seek recovery of costs not yet  
13 included in rates. Additionally, PNM plans to make a filing to establish a tariff for large  
14 load customers. And lastly, PNM would expect to make a filing with respect to the  
15 treatment of any undepreciated investments in FCPP.

16  
17 **Q. Can you briefly describe the Mid-State Transmission line regulatory filing and**  
18 **explain why it is not included in this filing?**

19 **A.** The Mid-State Transmission line is a 345 kV transmission line that is necessary to deliver  
20 wind energy from the Palomas wind resources to PNM's customer base. PNM has included  
21 cost estimates and a term sheet for the construction of the line in this filing. However, PNM  
22 has not requested regulatory approvals from the NMPRC in this filing as not all required  
23 environmental and right-of-way studies can be completed in time to meet the needs of this

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1 filing. As stated earlier, getting approval of the renewable resources timely to optimize the  
2 sunsetting Federal tax benefits for our customers is a paramount concern and should not be  
3 delayed for the items necessary for regulatory approval of the Mid-State Transmission line  
4

5 **Q. Please briefly describe the secondary resource selection filing.**

6 **A.** PNM has issued an RFP Supplement for firm dispatchable resources needed to meet  
7 capacity needs on our system. PNM believes that more cost-effective resources can be  
8 achieved through this RFP, so we have sought additional bids to meet these needs. Once  
9 bids are received, PNM, along with the independent monitor, will evaluate the bids and  
10 make proposed selections of resources and seek approval of those resources at that time.  
11

12 **Q. Please briefly describe future general rate review filing or filings.**

13 **A.** As discussed above, PNM is not seeking rate treatment for many of the requested resources  
14 in this proceeding; therefore, PNM will need to make a future filing as a general rate review  
15 to capture these costs in customer rates. Given that the resources come online from 2029  
16 through 2031, this may require multiple general rate review filings during that time period  
17 to reflect the costs of these resources in customer rates.  
18

19 **Q. Please briefly describe the future large load tariff filing.**

20 **A.** PNM expects to that a filing to establish a large load tariff to provide service to the  
21 economic development load customers discussed above in my testimony. While not all of  
22 PNM's proposed provisions of this tariff are yet determined, PNM expects the concepts  
23 discussed in around cost allocation to be captured in the proposed tariff filing. Primarily

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1 the concept that the large load customer rate should cover the incremental costs their load  
2 adds to the system and a portion of the costs of the existing system. PNM would expect to  
3 make this tariff filing either as a stand-alone filing or part of a general rate review.

4  
5 **Q. Please briefly describe a future filing related to undepreciated investments in FCPP?**

6 **A.** As the expected 2031 exit from PNM's interest in FCPP gets closer in time, PNM would  
7 expect to make a filing to seek securitization associated with the undepreciated investment  
8 in the plant. PNM believes it is important to wait until closer to the abandonment date of  
9 the plant to provide better estimates of the undepreciated investments and impacts of  
10 securitization. Additionally, this will allow greater certainty as to the other owners'  
11 interests in the plant and any transfer agreements of PNM's interest that may be achieved.  
12 Any benefits associated with a potential transfer agreement could then be captured in that  
13 filing and properly passed on to PNM's customers.

14  
15 **XIV. CONCLUSION**

16  
17 **Q. Please summarize PNM's requests in this case.**

18 **A.** PNM requests that the Commission approve the PPAs and ESAs under Rule 551, issue a  
19 CCN for the La Luz II Project, and authorize the abandonment of PNM's interest in FCPP  
20 in 2031. Together, these actions are designed to maintain reliable service during 2029–  
21 2032 while supporting PNM's compliance carbon emissions obligations beginning in  
22 2032, and the record demonstrates the portfolio, reliability, deliverability, and customer-

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1 impact support necessary for the Commission to evaluate the request as an integrated  
2 package.

3

4 **Q. What is your recommendation to the Commission?**

5 **A.** I recommend that the Commission approve, within six months from the date of filing this  
6 Application, the long-term PPAs, ESAs, and the La Luz II Project CCN; authorize the  
7 abandonment of PNM's interest in the Four Corners Power Plant in 2031; and approve the  
8 associated regulatory findings necessary to ensure continued reliable and cost-effective  
9 service to customers. These approvals are consistent with statutory requirements,  
10 Commission precedent, and New Mexico's energy policy objectives.

11

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

13 **A.** Yes.

GCG#535330

Kyle T. Sanders Educational Background and Relevant Employment Experience

# PNM Exhibit KTS-1

Is contained in the following 3 pages.

**KYLE T. SANDERS**  
**EDUCATIONAL AND PROFESSIONAL SUMMARY**

Name: Kyle T. Sanders

Address: PNM Resources Inc.  
MS 1105  
414 Silver SW  
Albuquerque, NM 87102

Position: Vice-President, PNM Regulatory

Education: Bachelor of Accountancy, New Mexico State University, 2009

Employment: PNM Services Company:  
Senior Revenue Requirements Analyst (2012-2013)  
Financial Analyst (2013-2015)  
Manager of Cost of Service (2015-2017)  
Director Financial Planning and Load Forecasting (2017)  
Director of Corporate Budget and Cost of Service (2019-2023)  
Executive Director of Financial Planning, Corporate Budget, and Cost of Service (2023-2025)  
Vice-President, PNM Regulatory (Current)  
New Mexico Gas Company:  
Director of Planning and Forecasting (2017-2019)

Testimony and Affidavit Filed:

**New Mexico Public Regulation Commission**

- In the Matter of the Application of Public Service Company of New Mexico for Approval of Renewable Energy Rider No. 36 Pursuant to Advice Notice No. 439 and for Variances from Certain Filing Requirements, NMPRC Case No. 12-00007-UT, filed February 26, 2016 (PNM's Rider No. 36 Reconciliation for 2015.)
- In the Matter of PNM's Application for Approval of Its Renewable Energy Act Plan for 2017 and Proposed 2017 Rider Rate under Rate Rider No. 36, NMPRC Case No. 16-00148-UT, filed June 1, 2016
- In the Matter of the Application of Public Service Company of New Mexico for Approval of Renewable Energy Rider No. 36 Pursuant to Advice Notice No. 439 and for Variances from Certain Filing Requirements, NMPRC Case No. 12-00007-UT, filed February 28, 2017 (PNM's Rider No. 36 Reconciliation for 2016.)
- In the Matter of PNM's Application for Approval of Its Renewable Energy Act Plan for 2018 and Proposed 2018 Rider Rate under Rate Rider No. 36, NMPRC Case No. 17-00129-UT, filed June 1, 2017
- In the Matter of PNM's Application for Approval of Two Purchased Power Agreements and an Energy Storage Agreement Pursuant to 17.9.551 NMAC, An Addendum to the Special Service Contract with Great Kudu LLC, and Amended Rider No. 49, NMPRC Case No. 21-00031-UT, filed February 8, 2021

- In the Matter of the Application of Public Service Company of New Mexico for Decertification and Abandonment of 114 MW of Leased Palo Verde Nuclear Generating Station Capacity and Sale and Transfer of Related Assets and for Approval to Procure New Resources under 17.9.551 NMAC, NMPRC Case No. 21-00083-UT, filed April 2, 2021
- In the Matter of Public Service Company of New Mexico's Request for Approval of New Resources under 17.9.551 NMAC to Replace 114 MW of Leased Palo Verde Nuclear Generating Station Capacity, NMPRC Case No. 21-00215-UT, filed August 27, 2021
- In the Matter of Public Service Company of New Mexico's Request for Continued Use of Fuel and Purchased Power Cost Adjustment Clause, NMPRC Case No. 21-00166-UT, filed June 17, 2022
- In the Matter of Public Service Company of New Mexico's Application for Authorization to Implement Grid Modernization Components that Include Advanced Metering Infrastructure and Application to Recover the Associated Costs Through a Rider, Issuance of Related Accounting Orders and Other Associated Relief, NMPRC Case No. 22-00058-UT, filed October 3, 2022
- 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. 595, NMPRC Case No. 22-00270-UT, filed December 5, 2022
- 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, NMPRC Case No. 24-00089-UT, filed June 14, 2024.

#### **Federal Energy Regulatory Commission**

- Public Service Company of New Mexico Filing to Revise Depreciation Rates in PNM's Transmission Formula Rate, FERC Docket No. ER 16-2713-000, filed September 30, 2016
- Public Service Company of New Mexico Filing of Transmission Service Agreements with Leeward Renewable Energy Development, LLC, FERC Docket No. ER 21-1363-001, affidavit filed April 19, 2021

#### **Public Utility Commission of Texas**

- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rates, PUCT Docket No. 44953, filed July 17, 2015
- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rates, PUCT Docket No. 45559, filed January 29, 2016
- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rates, PUCT Docket No. 46184, filed July 19, 2016
- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rates, PUCT Docket No. 46786, filed January 20, 2017
- In the Matter of the Application of Texas-New Mexico Power Company for A Distribution Cost Recovery Factor, PUCT Docket No. 50731, filed April 6, 2020

- In the Matter of the Application of Texas-New Mexico Power Company for A Distribution Cost Recovery Factor, PUCT Docket No. 51959, filed April 6, 2021
- In the Matter of the Application of Texas-New Mexico Power Company for Authority to Change Rates, PUCT Docket No. 58964, filed November 14, 2025

*GCG#533987*

New Mexico Economic Development Certification Letter

# PNM Exhibit KTS-2

Is contained in the following 39 pages.



Michelle Lujan Grisham • Governor  
Rob Black • Cabinet Secretary  
Isaac Romero • Deputy Cabinet Secretary

May 13, 2026

**TO:** Monique Jacobson  
Senior Vice President, Corporate Services

**FROM:** Rob Black Cabinet Secretary, New Mexico Economic Development  
Department

**RE:** PNM's Request for Section 62-6-26(f) EDNM Certification Letter: Strategic  
Economic Development Sites; Incremental Capacity

The New Mexico Economic Development Department (EDNM) has reviewed the application for certification submitted by Public Service Company of New Mexico (PNM) pursuant to Subsection F of Section 62-6-26 NMSA 1978 (S.B. 170, 57th Leg. 1st Sess. § 3(F) (N.M. 2025)). After review, EDNM certifies that the sites listed below are locations that will support reasonably anticipated economic development in the state.

**Sites Proposed for SB 170 Certification:**

Each of the following sites was previously designated as a strategic economic development site under SB 169 and has undergone full GLS site readiness evaluation, including analysis of utility capacity, infrastructure needs, and development potential:

- City Center: 43 acres at 3200 Civic Center Circle NE, Rio Rancho, Sandoval County
- Tamaya Ventures – Site 5: 35 acres in Bernalillo, Sandoval County
- Tamaya Ventures – Sites 1, 3, 11, and 13: 64 acres in Bernalillo, Sandoval County
- Max Q @ Kirtland: 64 acres in Albuquerque, Bernalillo County
- 9615 Broadway Blvd. SE: 61 acres in Albuquerque, Bernalillo County
- Upper Petroglyphs Industrial: 694 acres in Albuquerque, Bernalillo County
- Deming Industrial Park: 400 acres at 2960 McCan Rd. SE, Deming, Luna County
- Section 36: 529 acres in Rio Rancho, Sandoval County
- Double Eagle II: 1,044 acres at 7401 Paseo Del Volcan NW, Albuquerque, Bernalillo County

**Statutory Standard:**

Section 62-6-26(F) NMSA 1978 directs EDNM to certify, using industry-standard site selection guidelines, whether a proposed economic development project will support reasonably anticipated economic development within the state. The statute requires EDNM to provide an opportunity for public comment before certification and to issue a certification letter within sixty days of a request

from a public utility or project developer. The certification letter is then included in the utility's application filed under Subsection E. The purpose of this process is to identify sites that (with appropriate investment in pre-development activities, including utility pre-deployment) can be marketed for efficient construction and development of economically valuable projects.

### **Scope of EDNM's Review:**

EDNM's statutory role under Section 62-6-26(F) is limited to evaluating whether proposed sites demonstrate reasonable economic development potential for the state. Determinations regarding the location, method, or means of electricity generation, transmission, and distribution fall within the jurisdiction of the Public Regulation Commission, not EDNM. *See* NMSA 1978, § 62-6-26.

Because each site identified in PNM's request has already undergone full site readiness evaluation under SB 169, EDNM's existing findings provide the analytical foundation for SB 170 certification. That prior evaluation relied on applicant-provided data, public comment, and independent analysis developed through the Department's site readiness program, and included assessments of site logistics, environmental considerations, development constraints, utility access, ownership, and entitlement status.

Consistent with Section 62-6-26(F), EDNM provided an opportunity for public comment on the present application and received zero comments.

### **Economic Development Rationale:**

The sites proposed for certification represent a combined portfolio of strategic commercial and industrial properties positioned to support a range of existing and anticipated end users. Now, more than ever, site selectors demand access to power and speed to occupancy is critical. According to a recent survey of site selection trends between July 2024 and May 2026, ready access to power is the dominant concern of site selectors. Over 49% of projects surveyed ranked power cost and availability as the #1 factor in site selection, and 73% of projects said power cost and affordability is in the top three factors. Power costs and availability was named three times more often than the next most important factor, supply chain availability.

Additionally, for site selectors surveyed, speed to occupancy is the binding constraint, with over 75% requiring occupancy within 12 months. Ensuring reliable power is available from day one is critical to attracting industrial companies. EDNM's own site characterization studies at each individual site set out estimated timelines to prepare each site for the likely required industrial power demands. Based on this analysis, with minimal investment, the 9 listed sites could demand over 65 MW of power, ranging up to 150 MW with more significant investments but still within the occupancy lead time required by most site selectors.

As such, near-term development activity at these locations will require reliable access to electricity, and PNM has identified a corresponding need for incremental generation and system capacity to serve projected load growth. Certification under SB 170 provides the evidentiary basis for PNM to procure the necessary incremental capacity so that infrastructure development keeps pace with customer timelines and supports statewide economic growth.

**Certification:**

EDNM hereby certifies that the sites listed above, as submitted in the PNM application, meet the criteria set forth in Section 62-6-26(F) as marketable sites with the potential to provide meaningful economic opportunity for New Mexico, provided sufficient investment in pre-development activities occurs.



Rob Black  
Cabinet Secretary  
New Mexico Economic Development Department

CC: Cholla Khoury, PRC

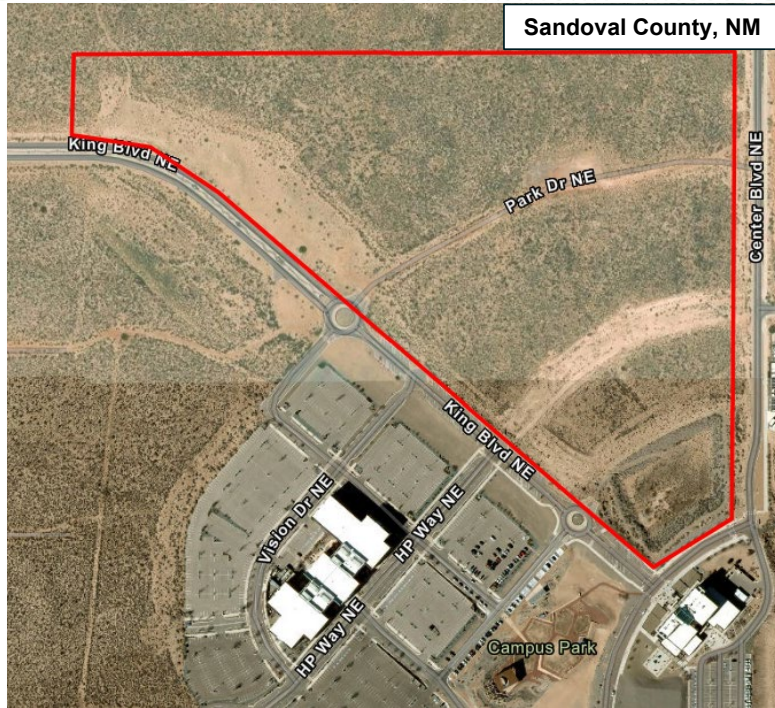


NEW MEXICO SITE READINESS

# City Center



# City Center



## Advantages:

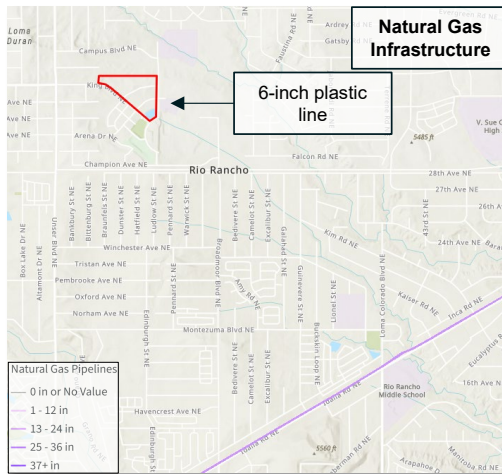
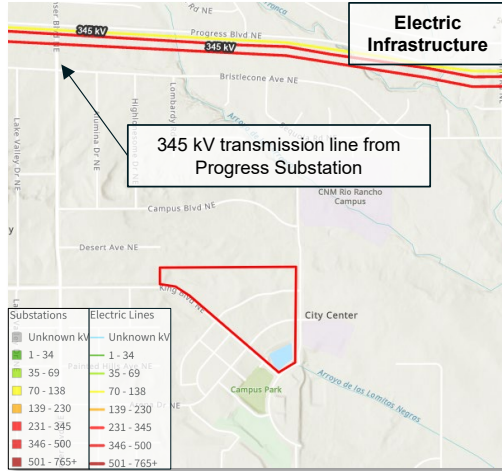
- Publicly owned site
- Zoned as Central Business District which aligns with what the community would support at site
- Willing to sell or lease property
- 5MW electric capacity, would take roughly 12 months to serve
- Strong area for gas users; would need to bring in infrastructure
- Multiple site access points
- Water and wastewater infrastructure in place and capacity is available

## Disadvantages:

- Due diligence has not been completed on the site but has been completed on nearby parcels
- Total site size is 43 acres; due to existing roads, the largest contiguous developable acreage is 20 acres. Site is small for industrial but for the intended use, likely works well.

# Site Utilities

CITY CENTER



## City Center Site Profile

**Electric:** Site is served by Public Service Company of New Mexico (PNM). The nearest substation is the Progress Substation approximately 1.75 miles from the site. The nearest distribution line is 195 feet from the site. The system's current excess capacity available to the site is 5.7 MW. To get construction power to the site, a short, 3-phase line extension is required. Infrastructure improvements to get construction power to the site are expected to take 12 months. No additional improvements are required to serve 5 MW. To serve 10 MW, a new transformer and two feeders are required at the Progress Substation. Infrastructure improvements to serve 10 MW are expected to take 24 months. To serve 50 MW, an expansion of the Progress Substation, three new transformers, and feeders are required. Infrastructure improvements to serve 50 MW are expected to take 36 months.

**Natural Gas:** Site is served by New Mexico Natural Gas Company. A 6-inch plastic line Center Blvd. NE along the site's eastern border. Excess capacity and required improvements are currently unknown.

**Water:** Site is served by The City of Rio Rancho. A water master plan is currently in progress. Existing 12, 14, and 18-inch water lines are located along Center Blvd. NE along the site's eastern border. The system's total capacity is 800 gpm, or approximately 1.15 MGD. Excess capacity is currently unknown. For fire flow, 4,000 gpm can likely be made available.

**Wastewater:** Site is served by The City of Rio Rancho. A wastewater master plan is currently in progress. An existing 8-inch sewer line is located along Center Blvd. NE along the site's eastern border. An additional pressure reducing valve that serves the hospital is located east of the site. The system's total capacity is 200 gpm, or approximately 288,000 GPD. Improvements to upgrade the existing force main will be brought before the governing body in November 2024. These improvements are expected to take 36 months, with construction starting in 2027. For larger demands, on-site septic will be on-site through the state. It would likely take 5 years to serve larger demands via the existing City Center system.

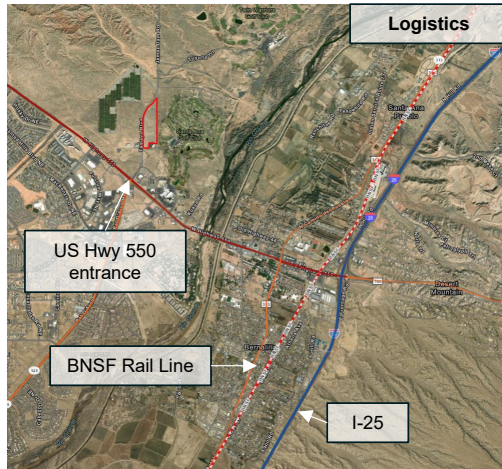
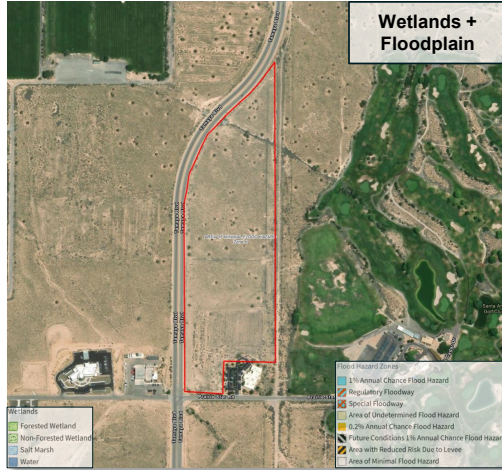


NEW MEXICO SITE READINESS

# Tamaya Ventures Site 5

# Site Characteristics

TAMAYA VENTURES SITE 5



## Tamaya Ventures Site 5 Site Profile

**Site Name:** Tamaya Ventures Site 5  
**Location:** Bernalillo, Sandoval County, New Mexico  
**Coordinates:** (35.33490, -106.56815)  
**Total Acreage:** +/- 35, with 29 contiguous and developable  
**Ownership:** Publicly owned (1 Owner – Pueblo of Santa Ana with master business lease with Sandoval Investments DBA Tamaya Ventures); For Lease (25+ years).  
**Zoning:** Commercial; Rezoning is required and process will be through Tamaya Ventures.

**Developability Impacts:** There are no known developability impacts on the site.

**Due Diligence Studies Completed:**

- Cultural Resources study was completed on the site; No copy provided.

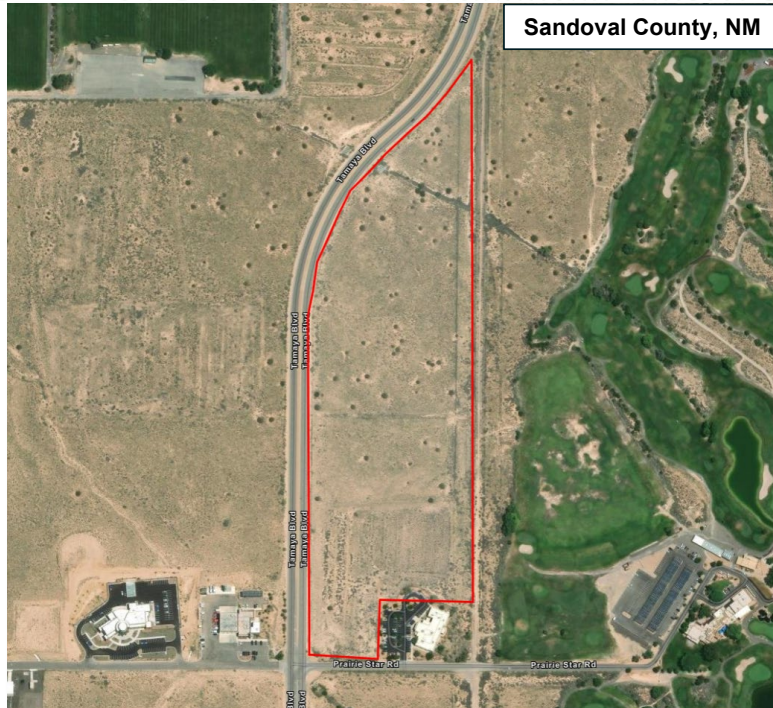
**Air Quality Attainment:** The county is in attainment for all criteria pollutants.

**Interstate:** 2.7-mile drive east to the I-25 on-ramp.

**Highway:** 0.35-mile drive south to the 4-lane highway US Hwy 550 entrance.

**Rail:** On-site rail service is not available.

# Tamaya Ventures Site 5



### Advantages:

- Publicly-owned by Pueblo Of Santa Ana under a master business lease with Tamaya Ventures
- Surrounding land could be available for additional growth opportunities
- No known use restrictions on the site as it relates to height or noise
- 2.5 miles to I-25 entrance
- 0.4 miles to 4-lane US Hwy 550

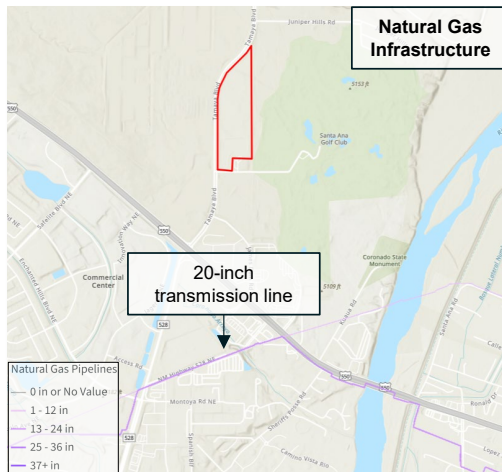
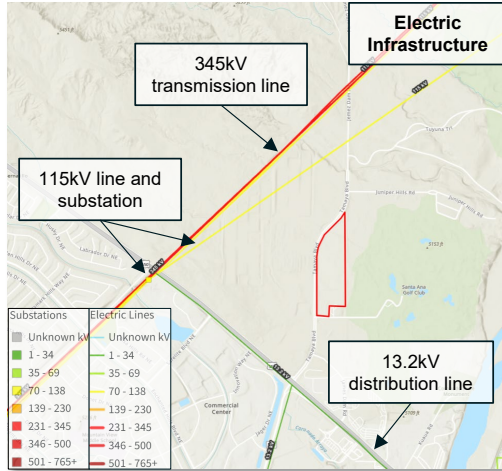
### Disadvantages:

- For ground lease only; Restrictive for industrial users who often require purchase
- Site is approximately 35 acres but due to development limitations, the largest contiguous and developable acreage is approximately 29 acres; this size is limiting for industrial-type users
- Rezoning likely required; Current zoning is Commercial
- Surrounding use is primarily commercial and residential; Not suitable for heavy industrial users
- Utility capacities are unknown

Fatal Flaw Analysis	
Labor Intensive	Capital Intensive
Total Site Size	Total Site Size

# Site Utilities

TAMAYA VENTURES SITE 5



## Tamaya Ventures Site 5 Profile

**Electric:** Site is served by PNM. An existing 12.47kV line is located near the site. To serve the site with 5-10 MW, a new transformer and feeder is required. A feeder will require 3-4 acres on-site. To serve the site with 10 MW. To serve the site with 50 MW, a new substation is required.

**Natural Gas:** Site is served by New Mexico Gas Company. An existing high-pressure distribution line is located on the property. To serve the site with 50 MCF/h, only a meter station is required. To serve the site with 100 MCF/h, a main line extension and meter station is required. Improvements to serve the site with 100 MCF/h are expected to take less than 6 months. To serve the site with 200 MCF/h, a transmission extension is required. Improvements to serve the site with 200 MCF/h are expected to take 6-12 months at a cost of \$600,000.

**Water:** Site is served by Santa Ana Pueblo Utility. A water line is currently being built out adjacent to the site, along Tamaya Blvd. The water system being built out is expected to be a modular system with capacity up to 3 MGD. The system is being designed to serve several small users and the nearby soccer fields.

**Wastewater:** Site is served by the Santa Ana Pueblo Utility. The existing wastewater treatment plant can be expanded to up to 1 MGD in capacity. Up to 200,000 GPD can currently be serve to the site. To serve 1 MGD, additional equipment such as pumps or lift station may be required for additional capacity.

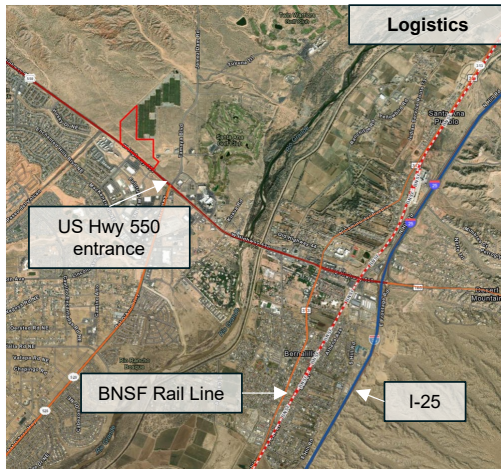
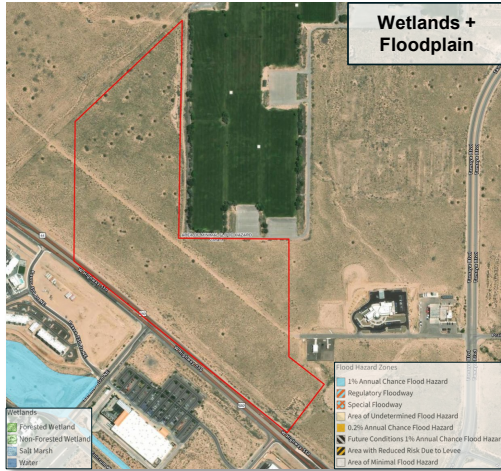


NEW MEXICO SITE READINESS

# Tamaya Ventures Site 1, 3, 11 and 13

# Site Characteristics

TAMAYA VENTURES SITE  
1, 3, 11 AND 13



## Tamaya Ventures Site 1, 3, 11 and 13 Site Profile

**Site Name:** Tamaya Ventures Site 1, 3, 11 and 13

**Location:** Barnalillo, Sandoval County, New Mexico

**Coordinates:** (35.33487, -106.57432)

**Total Acreage:** +/- 64 (rounded to the nearest whole number), with 56 contiguous and developable.

**Ownership:** Publicly owned (1 Owner – Pueblo of Santa Ana with master business lease with Sandoval Investments DBA Tamaya Ventures); For Lease (25+ years).

**Zoning:** Commercial; Rezoning is required and process will be through Tamaya Ventures.

**Developability Impacts:** A 115kV electric line bisects the site's northern acreage. The site is gently rolling (~3.6% grade).

**Due Diligence Studies Completed:**

- Cultural Resources study completed in 2024; results not provided.

**Air Quality Attainment:** The county is in attainment for all criteria pollutants.

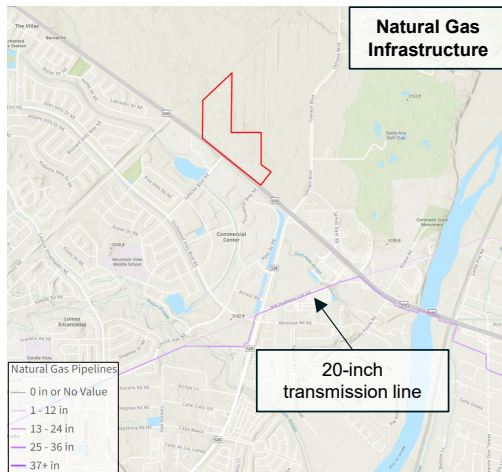
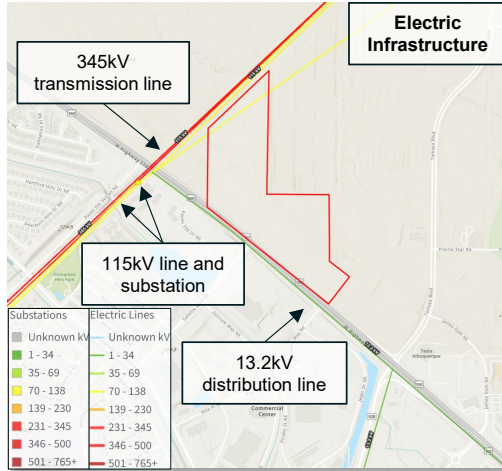
**Interstate:** 3.0-mile drive east to the I-25 on-ramp.

**Highway:** 0.5-mile drive south to the 4-lane highway US Hwy 550 entrance.

**Rail:** On-site rail service is not available.

# Site Utilities

TAMAYA VENTURES SITE  
1, 3, 11 AND 13



## Tamaya Ventures Site 1, 3, 11 and 13 Profile

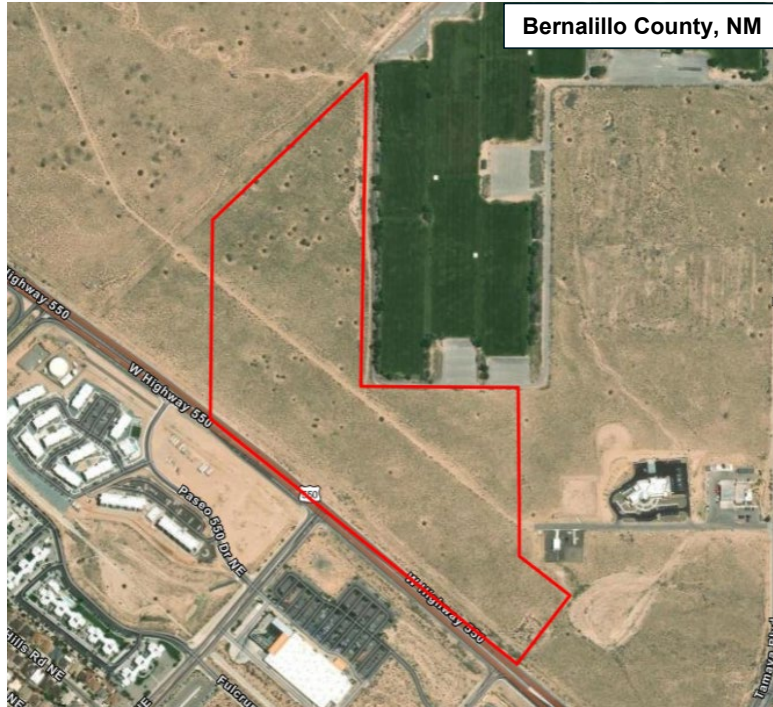
**Electric:** Site is served by PNM. An existing 12.47kV line is located near the site. To serve the site with 5-10 MW, a new transformer and feeder is required. A feeder will require 3-4 acres on-site. To serve the site with 10 MW. To serve the site with 50 MW, a new substation is required.

**Natural Gas:** Site is served by New Mexico Gas Company. An existing high-pressure distribution line is located approximately 0.25 miles from the property. To serve the site with 50 MCF/h, a line extension is required. Improvements to serve the site with 50 MCF/h are expected to take 12-24 months at a cost of \$228,677. To serve the site with 100 MCF/h, a main line extension and meter station is required. Improvements to serve the site with 100 MCF/h are expected to take 1-2 years at a cost of \$250,000. To serve the site with 200 MCF/h, a transmission extension is required. Improvements to serve the site with 200 MCF/h are expected to take 12-24 months at a cost of \$1.4MM.

**Water:** Site is served by Santa Ana Pueblo Utility. A water line is currently being built out adjacent to the site, along Tamaya Blvd. The water system being built out is expected to be a modular system with capacity up to 3 MGD. The system is being designed to serve several small users and the nearby soccer fields.

**Wastewater:** Site is served by the Santa Ana Pueblo Utility. The existing wastewater treatment plant can be expanded to up to 1 MGD in capacity. Up to 200,000 GPD can currently be serve to the site. To serve 1 MGD, additional equipment such as pumps or lift station may be required for additional capacity.

# Tamaya Ventures Site 1, 3, 11 and 13



**Advantages:**

- Publicly-owned by Pueblo Of Santa Ana under a master business lease with Tamaya Ventures
- Surrounding land could be available for additional growth opportunities
- No known use restrictions on the site as it relates to height or noise
- 3 miles to I-25 entrance
- Adjacent to 4-lane US Hwy 550

**Disadvantages:**

- For ground lease only; Restrictive for industrial users who often require purchase
- Site is approximately 65 acres but due to development limitations, the largest contiguous and developable acreage is approximately 56 acres
- Rezoning likely required; Current zoning is Commercial
- Surrounding use is primarily commercial and residential; Not suitable for heavy industrial users
- Utility capacities are unknown

Fatal Flaw Analysis	
Labor Intensive	Capital Intensive
Total Site Size	Total Site Size

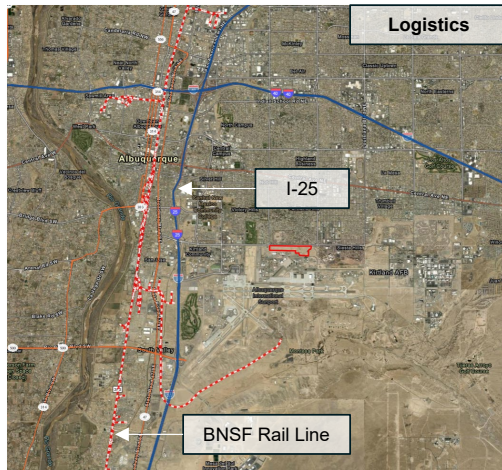


NEW MEXICO SITE READINESS

# MaxQ @ Kirtland

# Site Characteristics

MAXQ @ KIRTLAND



## MaxQ @ Kirtland Site Profile

**Site Name:** MaxQ @ Kirtland

**Location:** Albuquerque, Bernalillo County, New Mexico

**Coordinates:** (35.056761, -106.601262)

**Total Acreage:** +/-70, with 9 contiguous and developable

**Ownership:** Publicly owned (1 owner – U.S. Government); For Lease Only (50-year leases); Asking lease rate is \$2.50 per square foot.

**Zoning:** Mixed-Use (Allowable Uses Include Office, R&D, and Manufacturing); Rezoning is not required; Height restriction is 65 feet; Approval by Kirtland Air Force Base is required.

**Developability Impacts:** Existing uses on-site include a fitness center, athletic courts/fields, and research labs. Several paved roads and parking lots are on-site to serve existing users.

### Due Diligence Studies Completed:

- Final Environmental Assessment completed in 2020 with no impacts related to threatened and endangered species or hazardous materials and wastes.
- **Air Quality Attainment:** The county is in maintenance for Carbon Monoxide (1971).

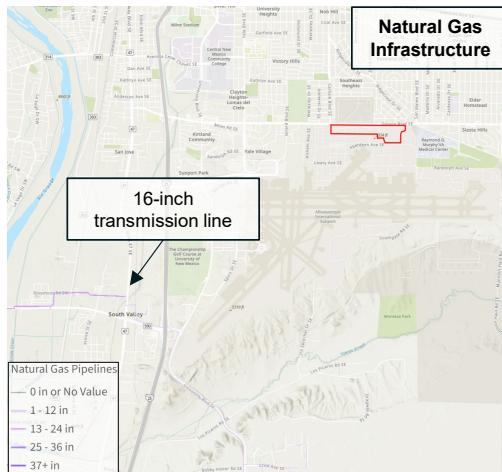
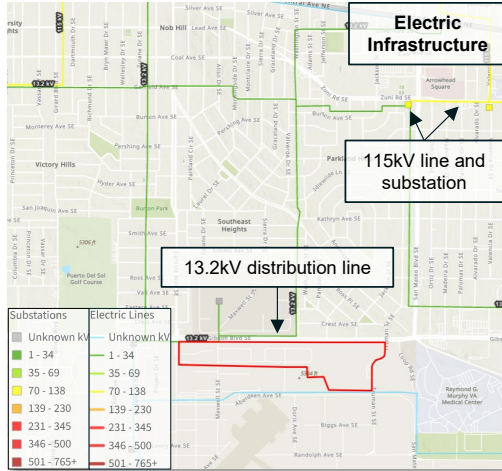
**Interstate:** 2.0-mile drive west to the I-25 on-ramp.

**Highway:** Adjacent to the 4-lane Gibson Blvd. SE.

**Rail:** On-site rail service is not available.

# Site Utilities

MAXQ @ KIRTLAND



## MaxQ @ Kirtland Profile

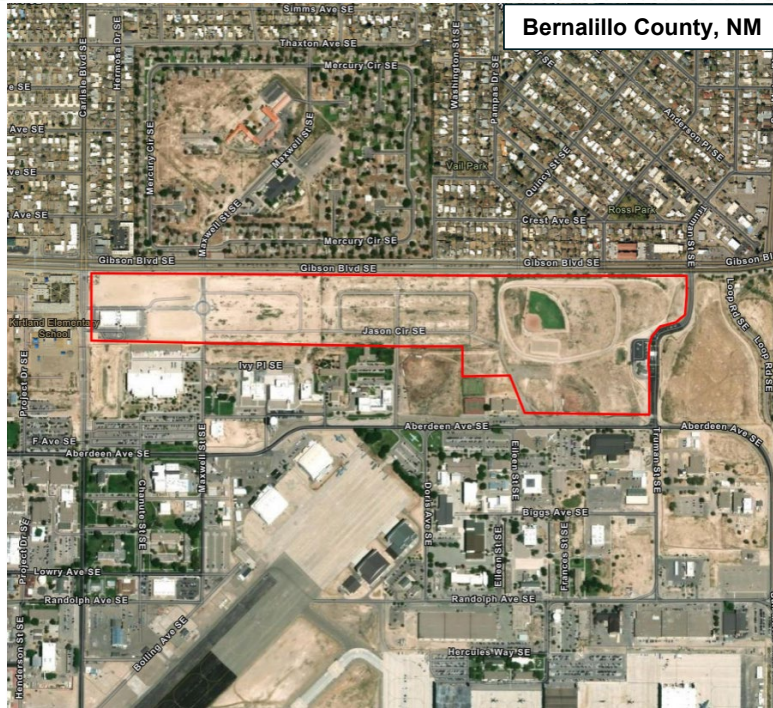
**Electric:** Site is served by PNM. An existing 13.2kV distribution line is currently located along the northern site boundary. The existing Cornell Substation is located 2 miles north of the site and has 8.5 MW available in excess capacity. The existing feeder line at the site can serve up to 2.3 MW. To serve the site with 5-10 MW, a new transformer and feeder from the Cornell Substation is required. Infrastructure improvements are expected to take 15 months at a cost of \$3.5MM. To serve the site with 50 MW, a new substation is required. Infrastructure improvements to serve 50 MW are expected to take 24 months at a cost of \$44MM.

**Natural Gas:** Site is served by New Mexico Gas Company. There is an existing 10-inch line located along Gibson Blvd. adjacent north of the site and 2-inch PE plastic line on-site. To serve the site with 50 MCF/h, a small diameter main line extension is required. Infrastructure improvements to serve 50 MCF/h are expected to take less than 6 months. To serve the site with 100 MCF/h, a small main line extension and station are required. Infrastructure improvements to serve 100-200 MCF/h are expected to take less than 6 months at a cost of \$50,000-100,000. To serve the site with 50 MCF/h, a small diameter MLX is required.

**Water:** Site is served by the Albuquerque Bernalillo County Water Utility Authority. There is an existing 36-inch main water line located along Gibson Blvd. adjacent north of the site and 12-inch water line on-site. The existing excess capacity available to serve the site is 200,000 GPD.

**Wastewater:** Site is served by the Albuquerque Bernalillo County Water Utility Authority. There is an existing 60-inch sewer main line located along Gibson Blvd. adjacent north of the site and a 15-inch sewer lien on-site. The existing excess capacity on the system available to serve the site is 200,000 GPD.

# MaxQ @ Kirtland



### Advantages:

- Publicly owned land
- Does not follow City of Albuquerque zoning, and should not require rezoning for industrial uses
- Due diligence studies have been completed on the site with no major findings
- Multiple site access points are in-place
- Adjacent to 4-lane Gibson Blvd. SE
- Within 2 miles of I-25 entrance and 3 miles of I-40 entrance

### Disadvantages:

- On Airforce Federal Land; End uses require approval by Air Force Base
- For lease only; Restrictive for industrial users who often require full control of property
- Site is approximately 70 acres but due to development limitations, the largest contiguous and developable acreage is approximately 9 acres
- Site is within 0.5 miles of several residential neighborhoods, parks, and other sensitive receptors; Likely not suitable for heavy industrial users
- New transformers, feeder lines, and service lines are required for industrial electric demands
- Water and wastewater lines are adjacent, but existing capacities are limited

Fatal Flaw Analysis	
Labor Intensive	Capital Intensive
Total Site Size	Total Site Size

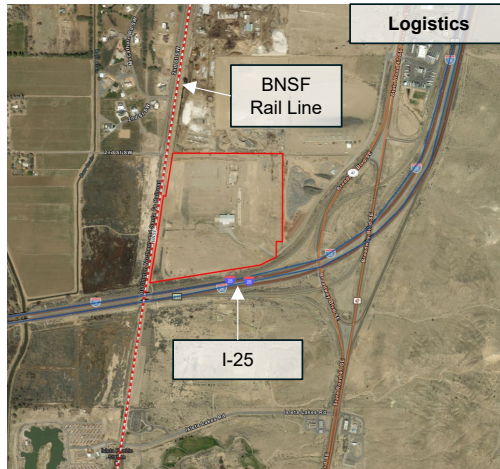
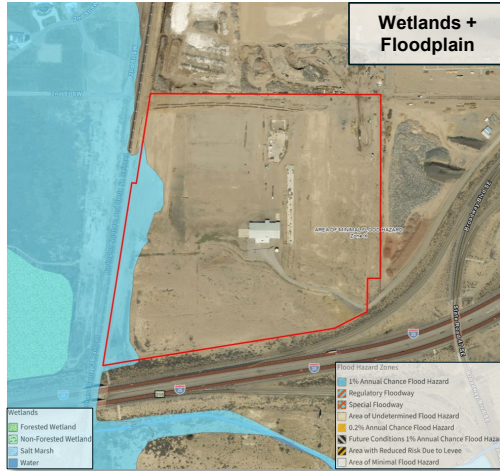


NEW MEXICO SITE READINESS

# 9615 Broadway Blvd. SE

# Site Characteristics

9 6 1 5 B R O A D W A Y B L V D . S E



## 9615 Broadway Blvd. SE Site Profile

**Site Name:** 9615 Broadway Blvd. SE  
**Location:** Albuquerque, Bernalillo County, New Mexico  
**Coordinates:** (34.95285, -106.66639)  
**Total Acreage:** +/- 61, with 22 contiguous and developable  
**Ownership:** Privately owned (1 owner – New Mexico Terminal Services); For Sale or Lease; Asking lease price is \$90,000/month for the entire property.  
**Zoning:** Rural Agricultural with Special Use Permit (SUIP); Special Use permit expires within 20 years; Rezoning is required; Height restriction is 3 stories.

**Developability Impacts:** An existing 25,690 square-foot building is on-site. The site's western acreage is in the FEMA 100-year floodplain. The site is gently rolling (3% grade).

**Due Diligence Studies Completed:**

- Phase 01 ESA study completed in 2015; All recommended remediation of concentrate chicken manure and replacement of septic system has been completed.

**Air Quality Attainment:** The county is in maintenance for Carbon Monoxide (1971).

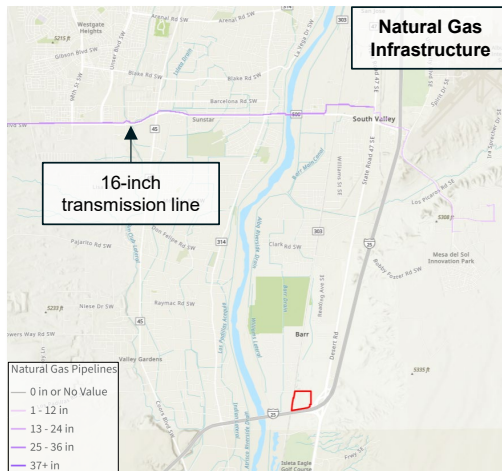
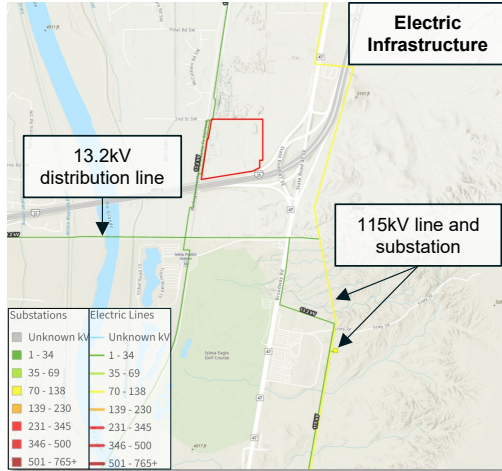
**Interstate:** 0.1-mile drive east to the I-25 on-ramp.

**Highway:** The nearest 4-lane highway is I-25.

**Rail:** An existing BNSF Railway line is located adjacent west of the site. BNSF is currently working on a possible transload location on the site. Engineering has been approved for additional rail line siding. To serve the site, New Mexico Department of Transportation approval is required, as well as an agreement to determine who will provide service.

# Site Utilities

9 6 1 5 B R O A D W A Y B L V D . S E



## 9615 Broadway Blvd. SE Profile

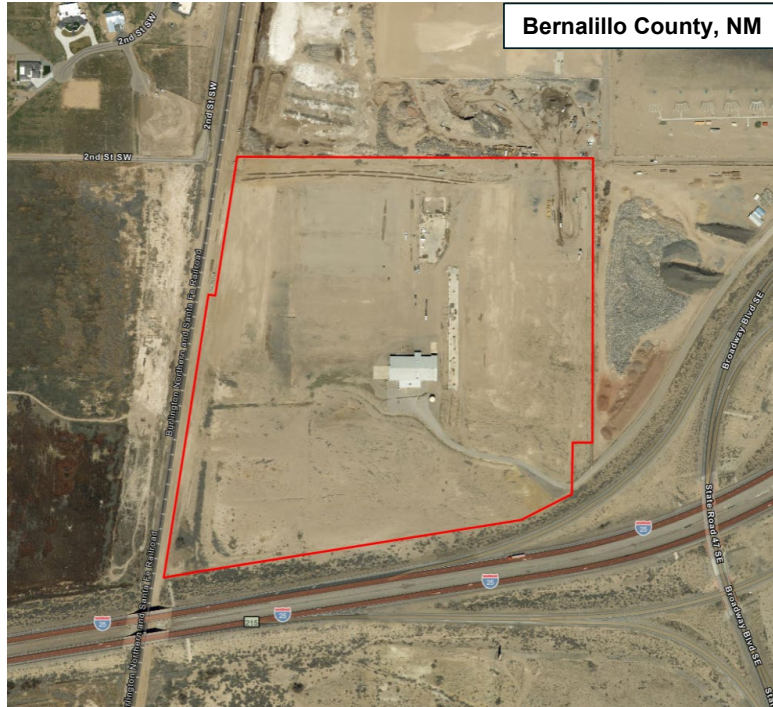
**Electric:** Site is served by PNM. An existing 12.47kV, 3-phase power line is located within 0.2 miles of the site. The existing Loudon Hills Substation is located approximately 2.6 miles from the site. Construction power and up to 3.5 MW is currently available at the site. To serve the site with 5 MW, a small line extension and backbone conductor upgrades are required. Infrastructure improvements to serve 5 MW are expected to take 12 months at a cost of \$1.5MM. To serve 10 MW, a new feeder from the Loudon Hills Substation is required. Infrastructure improvements to serve 10 MW are expected to take 15 months at a cost of \$4MM. To serve the site with 50 MW, a new substation is required. Infrastructure improvements to serve 50 MW are expected to take 24 months at a cost of \$44MM.

**Natural Gas:** Site is served by New Mexico Gas Company. There is an existing small diameter line on the site. To serve the site with 50 MCF/h, a small diameter main line extension is required. Infrastructure improvements to serve 50 MCF/h are expected to take less than 6 months at a cost of \$462,000. To serve the site with 100-200 MCF/h, a main line extension and station are required. Infrastructure improvements to serve 100-200 MCF/h are expected to take 12-24 months at a cost of \$6.8MM.

**Water:** Site is served by two private wells. The wells have an excess capacity of 22,000 GPD available to serve the site. The owner has water rights to the site, with a consumptive use water right of 7 acre-feet per year. The water is meant to be used for domestic, irrigation, and commercial uses. Further conversations with owner and nearby water companies are required to understand if larger water demands can be served.

**Wastewater:** Site is served by a new septic system. Existing available excess capacity is unknown.

# 9615 Broadway Blvd. SE



### Advantages:

- 2 points of site access are in-place
- Within 0.1 miles of I-25 entrance, with ideal truck route from site to interstate entrance
- A Phase I ESA has been completed on the property with no major findings
- On-site BNSF rail service is underway
- Within 0.1 miles of I-25 entrance

### Disadvantages:

- Site is approximately 61 acres but due to development limitations, the largest contiguous and developable acreage is approximately 22 acres; this size is limiting for industrial-type users
- Approximately 5 acres in 100-year floodplain along western border
- Rezoning likely required; Current zoning is Rural Agricultural with Special Use Permit for Industrial Park
- Limited due diligence has been completed on the property
- Limited existing water and wastewater capacity (on-site wells and septic system)

Fatal Flaw Analysis	
Labor Intensive	Capital Intensive
No Identified Fatal Flaws	No Identified Fatal Flaws

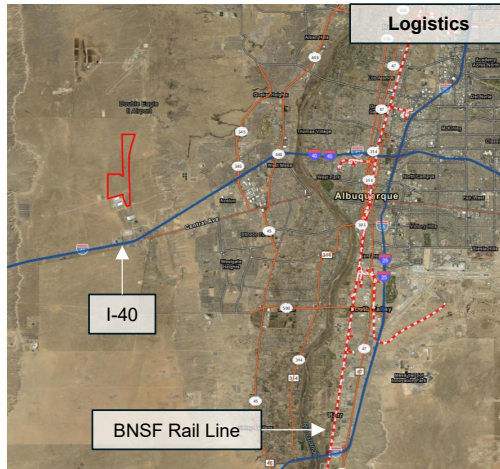
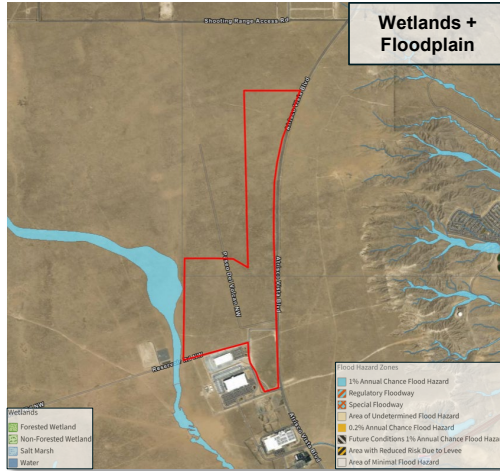


NEW MEXICO SITE READINESS

# Upper Petroglyphs Industrial

# Site Characteristics

UPPER PETROGLYPHS  
INDUSTRIAL



## Upper Petroglyphs Industrial Site Profile

**Site Name:** Upper Petroglyphs Industrial

**Location:** Albuquerque, Bernalillo County, New Mexico

**Coordinates:** (35.08842, -106.79835)

**Total Acreage:** +/- 694, with 280 contiguous and developable

**Ownership:** Privately owned (1 owner – Western Albuquerque Land Holdings LLC); For Sale or Lease.

**Zoning:** Primarily SD-UP-C-LI Special District-Urban Planned-Commercial-Light Industrial and some SD-UP-IP Special District-Urban Planned-Industrial Park; Rezoning is not required; Height restriction is 40 feet, but variance is feasible.

**Developability Impacts:** A 115kV electric transmission line runs through the site's southern acreage. A paved access road runs through the site's southern acreage, and a dirt road (Paseo Del Volcan NW) runs through the site.

### Due Diligence Studies Completed:

- Phase 01 ESA study completed (year unknown) with impacts unknown.
- Cultural Resources study completed (year unknown) with impacts unknown.
- Endangered Species study completed (year unknown) with impacts unknown.

**Air Quality Attainment:** The county is in maintenance for Carbon Monoxide (1971).

**Interstate:** 1.7-mile drive south to the I-40 on-ramp.

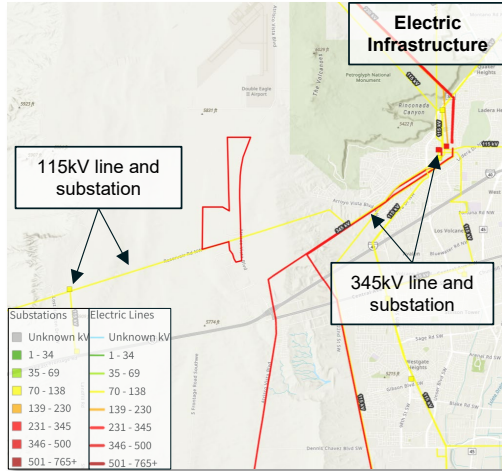
**Highway:** The nearest 4-lane highway is I-40.

**Rail:** No rail service.

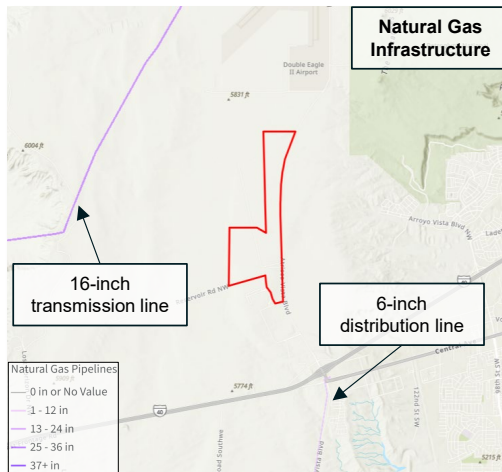
# Site Utilities

## UPPER PETROGLYPHS INDUSTRIAL

### Upper Petroglyphs Industrial Profile



**Electric:** Site is served by PNM. An existing 115kV transmission line runs through the site. The existing Petroglyph Substation is 1 miles from the site and has 22.8 MW available in excess capacity. To serve the site with 5 MW or 10 MW, a new feeder extension from the Petroglyph Substation is required. Infrastructure improvements to serve 5 MW or 10 MW are expected to take 12 months at a cost of \$5MM. To serve 50 MW, a new capacitor bank at Petroglyph Substation, 345/115kV transformer at Pajarito Substation, and a 115kV line from Pajarito Substation to Petroglyph Substation is required. Infrastructure improvements to serve 50 MW are expected to take 48 months at a cost of \$119MM.

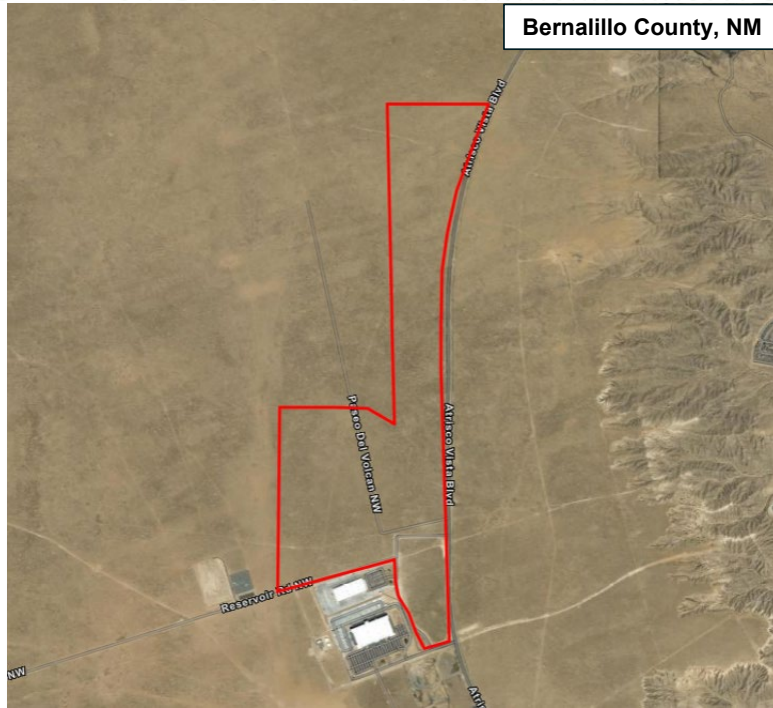


**Natural Gas:** Site is served by New Mexico Gas Company. There is an existing 4 or 8-inch line located at the southeast corner of the site, at the intersection of Atrisco Vista Blvd. and Ladera Dr. To serve the site with 50 MCF/h, a small line extension is required. Infrastructure improvements to serve 50 MCF/h are expected to take less than 6 months. To serve the site with 100 MCF/h, a main line extension and station is required. Infrastructure improvements to serve 100 MCF/h are expected to take 12-24 months at a cost of \$5.5MM. To serve the site with 200 MCF/h, a main line extension and station are required. Infrastructure improvements to serve 200 MCF/h are expected to take 12-24 months at a cost of \$7.2MM.

**Water:** Site is served by the Albuquerque Bernalillo Water Utility Authority. There is an existing 12-inch line and existing 24-inch line approximately 0.4 miles southeast of the site along Atrisco Vista Blvd. at the Amazon facility. The site will likely be served by the existing 12-inch line. The existing water system can currently serve large users. To serve the site, a short line extension is required. No additional improvements are anticipated to serve up to 1 MGD.

**Wastewater:** Site is served by the Albuquerque Bernalillo Water Utility Authority. There is an existing 21-inch interceptor approximately 0.4 miles southeast of the site along Atrisco Vista at the Amazon facility. The existing wastewater system can currently serve large users. To serve the site, a short line extension is required. No additional improvements are anticipated to serve up to 1 MGD.

# Upper Petroglyphs Industrial



## Advantages:

- Ability to sell or lease property
- Site is currently zoned Light Industrial, and should not require rezoning for industrial uses
- Site is approximately 691 acres with approximately 280 acres contiguous and developable
- Very flat topography; No grading or clearing anticipated to be required
- Due diligence studies have been completed on the property
- 2.5 miles to I-40 entrance
- Natural gas on site with ability to serve 50 MCF/hour
- Sufficient water and wastewater available to the site; Only small line extensions required to serve 1 MGD of water and wastewater

## Disadvantages:

- Height restriction of 40-feet; Variance likely required for industrial users (ex: Amazon received variance)
- Electric demands over 5 MW would require a new feeder station from the existing Petroglyph substation (~1 mile)

Fatal Flaw Analysis	
Labor Intensive	Capital Intensive
No Identified Fatal Flows	No Identified Fatal Flows

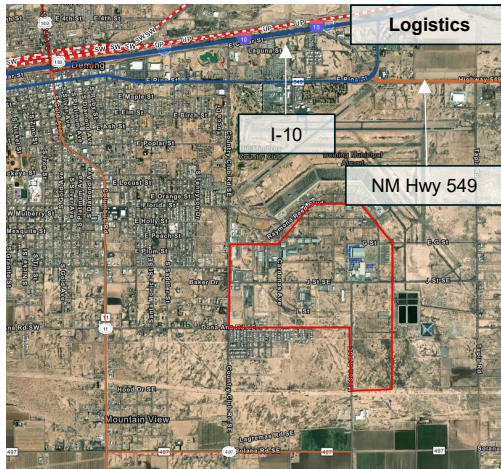


NEW MEXICO SITE READINESS

# Deming Industrial Park

# Site Characteristics

## DEMING INDUSTRIAL PARK



### Deming Industrial Park Site Profile

**Site Name:** Deming Industrial Park

**Location:** Deming, Luna County, New Mexico

**Total Acreage:** +/- 400, with 90 contiguous and developable

**Ownership:** Publicly owned (1 owner – City of Deming); For Sale or Lease.

**Zoning:** Industrial; Rezoning is not required. The Northern part of the property requires FAA approval for development.

**Developability Impacts:** Several existing buildings and operations are located in the park including, but not limited to: Compass Manufacturing Services, Diamond Storage, US Customs and Border Protection, High Desert Veterinary Care, the Olam Food Ingredients Deming Plant, and Deming Animal Shelter. Additionally, many paved access roads bisect the site including, but not limited to, C Street, D Street, E Street, G Street, H Street, J Street, Cardenas Ave., and McCan Rd. SE.

**Due Diligence Studies Completed:** No due diligence studies have been completed on the site. Burrowing owls have been encountered on the site.

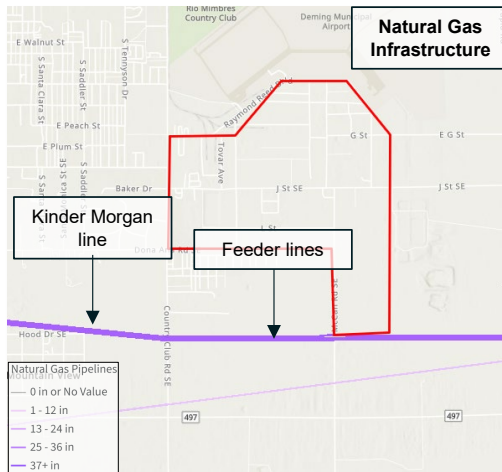
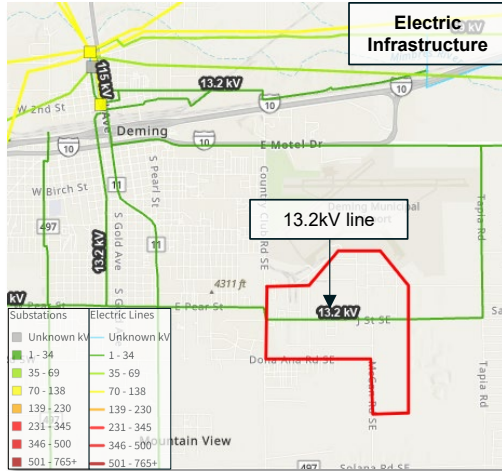
**Interstate:** 2.9-mile drive northwest to the I-10 on-ramp.

**Highway:** 2.0-mile drive north to the 4-lane NM Hwy 549 entrance.

**Rail:** Direct rail access is not feasible on the proposed acreage. The nearest rail line is 2.5 miles north of the site, on the other side of the interstate.

# Site Utilities

## DEMING INDUSTRIAL PARK



### Deming Industrial Park Site Profile

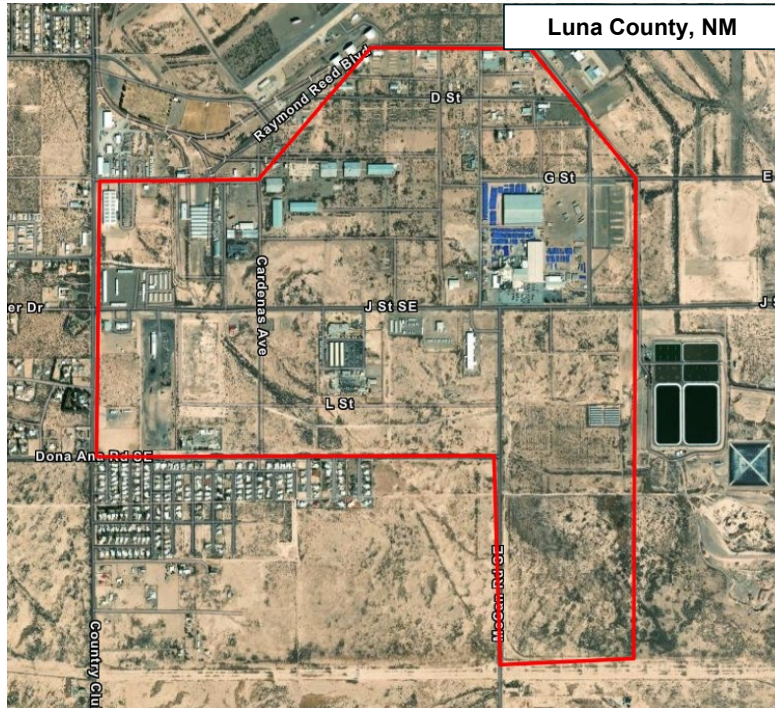
**Electric:** Site is served by Public Service Company of New Mexico (PNM). The Gold Substation is located approximately 4.6 miles from the site and currently serves the area, and the Hermanas Substation is located approximately 3.8 miles from the site. The nearest feeder line, Gold 12, is currently 150 feet from the site. The existing substation and line currently has an excess capacity of 3 MW that can served the site. To serve the site with 5 MW, reconduction of 12,000-feet of line is required. Infrastructure improvements to serve 5 MW are expected to take 12 months. To serve the site with 10 MW, an additional feeder line and extension, new Vista gear, primary meter, and capacitor bank are required. Infrastructure improvements to serve 10 MW are expected to take 12-18 months. To serve 50 MW, a new transmission line and customer substation are required. Infrastructure improvements to serve 50 MW are expected to take 24 months.

**Natural Gas:** Site is served by the City of Deming, who gets supply from El Paso. There are three existing small feeder lines from the Kinder Morgan transmission line located at the southern border of the site. Capacity is limited on these feeder lines. Exact excess capacity and infrastructure improvements required to serve the site are currently unknown.

**Water:** Site is served by the City of Deming. There is existing water infrastructure in the area, but exact size of the lines are unknown. To serve the site, a small expansion from the main line is required. The city is comfortable with serving the site with 75,000 GPD, however, 1 MGD is expected to stretch capacity. However, the exact excess capacity of the system is currently unknown.

**Wastewater:** Site is served by the City of Deming. There is existing wastewater infrastructure in the area, but exact size of the lines are unknown. The city is comfortable serving 50,000 GPD to the site. However, the exact excess capacity of the system is currently unknown. To serve 500,000 GPD, a specialized pipeline and booster pump are required. Cost and timeline estimates are currently unknown.

# Deming Industrial Park



## Advantages:

- Publicly owned site
- Existing established business park, roughly 400 acres including existing tenants.
- Willing to sell or lease
- Zoned industrial
- Utility easements and infrastructure at site
- Several site access points that accommodate trucking
- 3MW of current electric capacity available to serve the site

## Disadvantages:

- Adjacent to airport, could be perceived as a risk for some industry
- Lack of due diligence on property
- Burrowing owls have been spotted on the property which are listed on the Threatened and Endangered Species list
- Nearby residential could be a perceived risk for industrial projects; there has been no residential pushback thus-far
- Utility capacity is unknown
- The park is platted and divided into 1-3 acre parcels that can be pieced together for larger tracts. For users looking for larger acreage sizes, this could be a perceived hassle when purchasing the property.

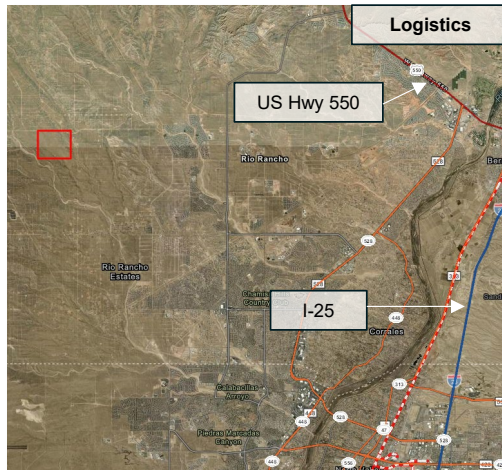
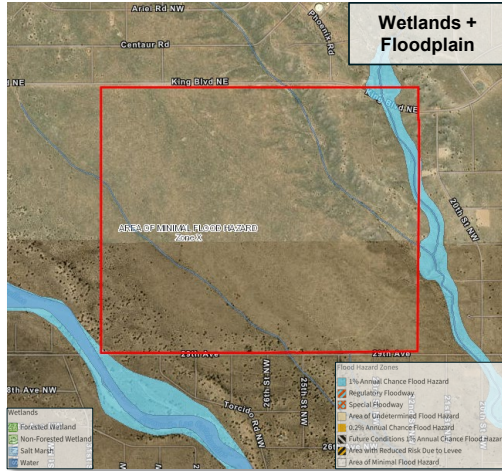


NEW MEXICO SITE READINESS

# Section 36

# Site Characteristics

SECTION 36



## Section 36 Site Profile

**Site Name:** Section 36

**Location:** Rio Rancho, Sandoval County, New Mexico

**Total Acreage:** +/- 529, with 315 contiguous and developable

**Ownership:** Publicly owned (1 owner – State of New Mexico Land Office, but Sandoval County has an Economic Development Lease on the site); For Sale or Lease; Asking price is TBD.

**Zoning:** Site is currently unzoned – State and locality are open to any zoning on the site; Rezoning is required. The process can be expedited and goes before governing body; The city has a 65-foot height restriction, but the site is outside of city limits and not expected to be annexed.

**Developability Impacts:** NWI identified three blueline streams running diagonally through the site. FEMA shows 100-year floodplain in the northeast corner of the site (+/- 15 acres). King Blvd. NE is a dirt road and crosses the northeast corner of the site, along the floodplain.

**Due Diligence Studies Completed:** No due diligence studies have been completed on the site.

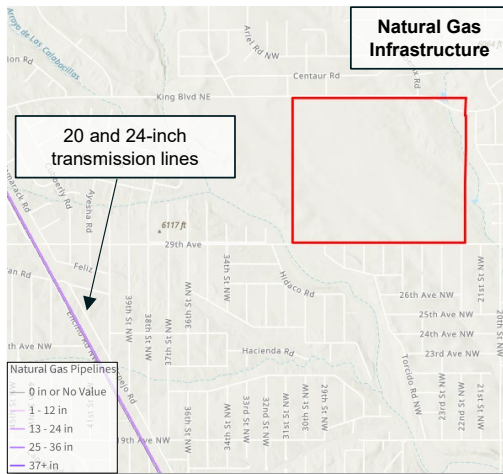
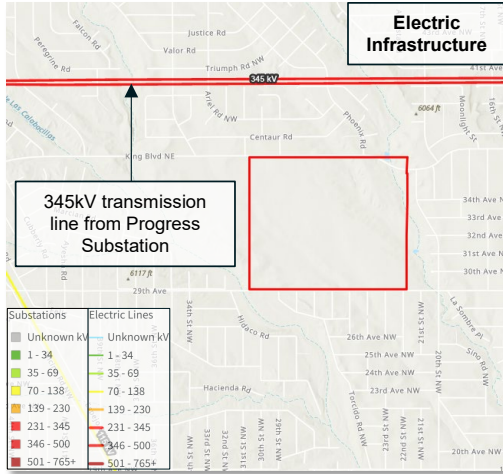
**Interstate:** 18-mile drive east to the I-25 on-ramp.

**Highway:** 14-mile drive east to the 4-lane US Hwy 550 entrance.

**Rail:** Direct rail access is not feasible. The nearest rail line is 14 miles east of the site.

# Site Utilities

SECTION 36



## Section 36 Site Profile

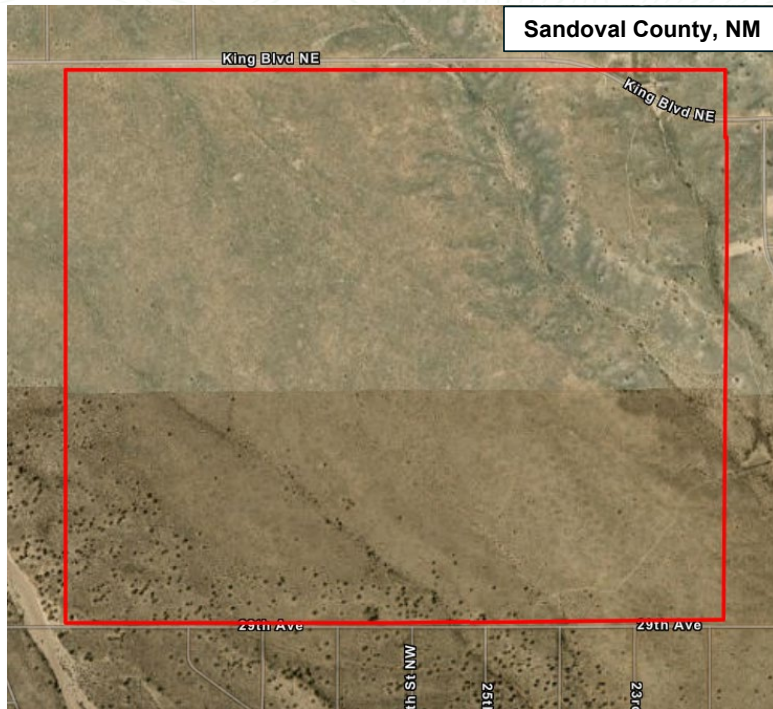
**Electric:** Site is served by Public Service Company of New Mexico (PNM). The nearest substation is the Progress Substation approximately 4 miles from the site. The nearest distribution line is 84 feet from the site. The system does not have any excess capacity available to the site. To get construction power to the site, a new transformer at Progress Substation and a new 5-mile feeder are required. Infrastructure improvements to get construction power to the site are expected to take 24 months. To serve 5 MW, a new transmission line, two new transformers, and two feeders are required. Infrastructure improvements to serve 5 MW are expected to take 24 months. No additional improvements are required to serve 10 MW. To serve 50 MW, an expansion of the Progress Substation, three new transformers, and feeders are required. Infrastructure improvements to serve 50 MW are expected to take 36 months.

**Natural Gas:** Site is served by New Mexico Natural Gas Company. Existing 20 and 24-inch transmission lines are located 2 miles west of the site. To serve the site, a very high pressure line will be extended to the site from the transmission line. The extension can be done along the King Blvd. right of way.

**Water:** Site is served by The City of Rio Rancho. An existing well is located adjacent north of the site and is expected to be active in the next 36 months. The well will have a total capacity of 1 MGD. Existing distribution lines are near the site along King Blvd. To serve the site, the line will need to be redone to lead water to the site. To serve the site, the user will have to wait for the off-site well to become active. An on-site well is unlikely to be supported by the city, so it is unknown how a load greater than 1 MGD will be served.

**Wastewater:** Site is served by The City of Rio Rancho. There is not currently sewer infrastructure in the area. To serve the site, a line will need to be tied in at City Center. On-site septic could be done through the state, but this is unlikely to be supported by the city. Development of sewer to the site is in a 5-year plan, and should be evaluated further.

## Section 36



### Advantages:

- Publicly owned site
- Site is approx. 529 acre with largest contiguous acreage approx. 315 acres due to development impediments
- Solar project likely going nearby which could provide renewable energy to the site
- Willing to sell or lease but would have to go out to bid to sell
- Remote location could be an advantage for industries wanting buffer

### Disadvantages:

- Site is remote
- Roads accessing the site are unpaved
- Site is not zoned, unsure if zoning is needed
- Electric infrastructure and capacity is not at site however infrastructure is near site
- Gas is approx. 2 miles from site; capacity is unknown
- Well water 3 years out from being active but once online, will have ample capacity to serve site
- Wastewater is not at site

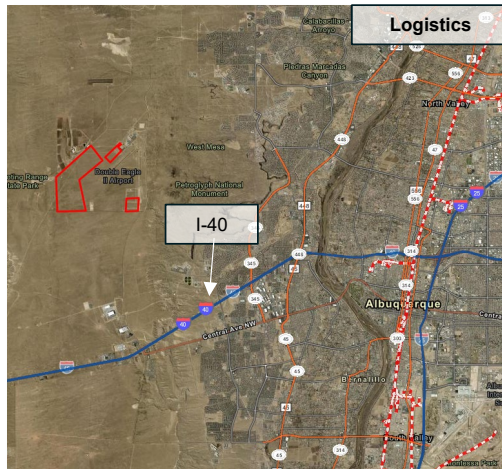
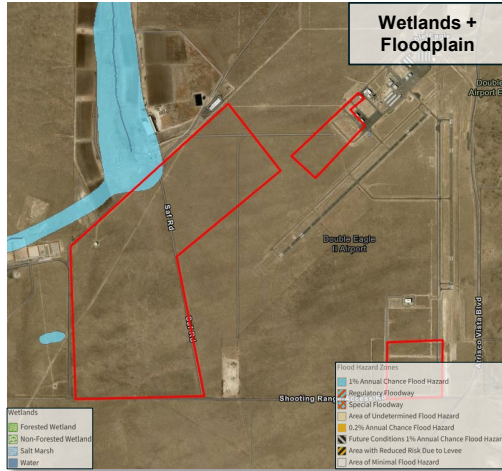


NEW MEXICO SITE READINESS

# Double Eagle II

# Site Characteristics

DOUBLE EAGLE II



## Double Eagle II Site Profile

**Site Name:** Double Eagle II

**Location:** Albuquerque, Bernalillo County, New Mexico

**Total Acreage:** +/- 1,044 acres remaining, with 440 contiguous and developable

**Ownership:** Publicly owned (1 owner – City of Albuquerque); For Lease Only with options up to 50 years.

**Zoning:** NR-SU – Non-Residential Sensitive Use; Rezoning or a special use variance is required, and the process is expected to take 6-12 months. The rezoning process would be done publicly with approval from the city required. The city height restriction is 85 feet.

**Developability Impacts:** FEMA shows the 100-year floodplain cross over the western border of the site for approximately 400 feet.

**Due Diligence Studies Completed:** It is unknown if any due diligence has been completed on the property.

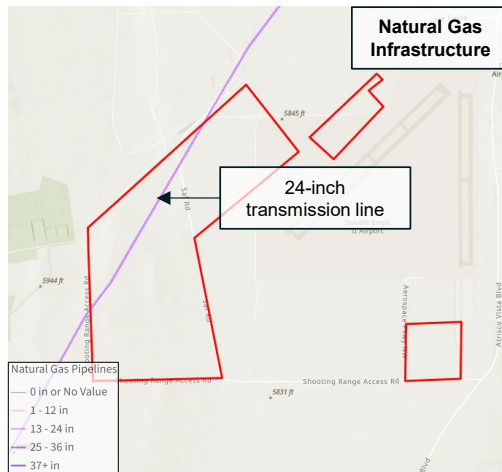
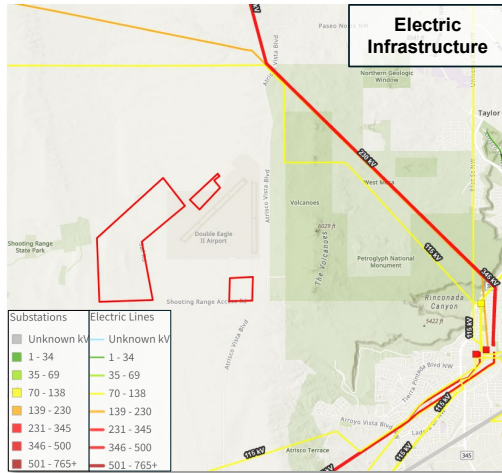
**Interstate:** 6.3-mile drive east to the I-40 on-ramp.

**Highway:** The nearest 4-lane highway is I-40.

**Rail:** Direct rail access is not feasible. The nearest rail line is 9 miles east of the site on the opposite side of I-40.

# Site Utilities

DOUBLE EAGLE II



## Double Eagle II Site Profile

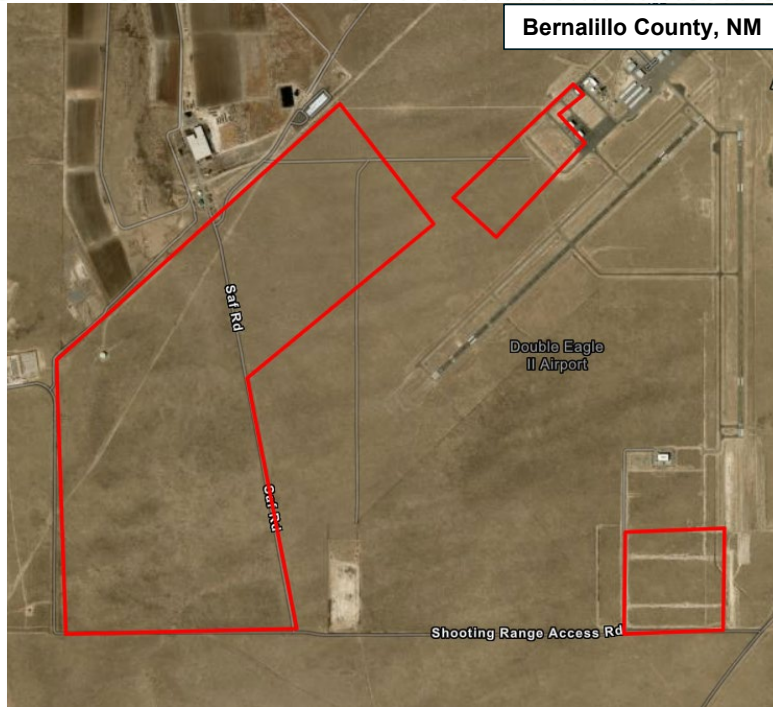
**Electric:** Site is served by Public Service Company of New Mexico (PNM). The closest feeder line is Scenic 12. The Scenic Substation is located 6 miles east of the site, but expansions are limited on this substation. Therefore, the Petroglyph Substation located 3.5 miles east of the site will serve the site. To serve 5 MW, an underground feeder will need to be extended from the Petroglyph Substation. Infrastructure improvements to serve 5 MW are expected to take 12 months. To serve 10 MW, infrastructure improvements are the same. To serve 50 MW, a new transmission line and new on-site customer substation are required. Infrastructure improvements to serve 50 MW are expected to take 24 months.

**Natural Gas:** Site is served by New Mexico Gas Company. An existing 24-inch transmission line runs through the site's western acreage. An existing 6-inch distribution line also runs into the site. The user would tap off this 6-inch distribution line. While exact capacities are unknown, New Mexico Gas Company has stated they are comfortable with capacity in this area.

**Water:** Site is served by Albuquerque-Bernalillo Water Authority. The water system has a total capacity of 234 MGD, with an excess capacity of 87 MGD. Further evaluation of the impacts of serving 1 MGD at the site will need to be completed. Depending on the location of the site, additional water lines may be required as some areas do not have infrastructure. To serve larger flows, improvements to the pump stations are expected. Additionally, depending on the size and material type of the building, the fire flow will also need to be analyzed. Oftentimes, fire flow demand governs infrastructure design/capacity. In the case of the larger flow, the modeling is needed.

**Wastewater:** Site is served by Albuquerque-Bernalillo Water Authority. An existing pump station is located near the site. There are some collector lines that convey flow to two existing lift stations. These lift stations convey flow through an existing 8-inch force main. Additional modeling and analysis of the lift stations and force mains will be required to understand the impacts of larger flows.

# Double Eagle II



## Advantages:

- Publicly owned site
- Master Plan is in place
- Active general aviation airport which provides potential tenants with flight and runway access
- Could handle less than 50MW from existing substations in the area and an extension would take approximately 18 months to complete.
- High pressure distribution gas line is on-site. Serving gas to the site should not be an issue with current capacity.
- Wastewater pump station is near the site which could help with servicing wastewater to the site.
- Site has existing water infrastructure and excess capacity.
- Large site, over 1000 acres with the largest contiguous acreage being 440 acres.

## Disadvantages:

- Site is adjacent to Petroglyph National Monument which is considered holy to Native American tribes. This could be perceived as a developmental risk for industrial projects.
- Building height is restricted to 65 feet which could be a deterrent for some projects.
- Zoned Non-Residential-Sensitive-Use; Projects would likely have to go through city approval process (6-12 months).
- Electric infrastructure is not currently at the site.
- Site is 6 miles from nearest highway or interstate.
- Located in air quality maintenance area for Carbon Monoxide.

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

IN THE MATTER OF PUBLIC SERVICE )  
COMPANY OF NEW MEXICO’S APPLICATION )  
FOR APPROVAL OF PURCHASED POWER )  
AGREEMENTS, ENERGY STORAGE )  
AGREEMENTS, AND CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY FOR 2029-2032 ) **Docket No. 26-0000** \_\_\_\_  
SYSTEM RESOURCES AND THE ABANDONMENT )  
OF THE FOUR CORNERS POWER PLANT )  
 )  
PUBLIC SERVICE COMPANY OF NEW MEXICO, )  
 )  
 )  
**Applicant.** )  
\_\_\_\_\_ )

**AFFIDAVIT**

STATE OF NEW MEXICO )  
 ) ss  
COUNTY OF BERNALILLO )

**KYLE T. SANDERS, Vice President, PNM Regulatory, PNMR Services Company,**  
upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing  
**Direct Testimony of Kyle T. Sanders,** and it is true and accurate based on my own personal  
knowledge and belief.

DATED this 29<sup>th</sup> day of May, 2026.

/s/ Kyle T. Sanders  
**KYLE T. SANDERS**