

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF NEW)
MEXICO FOR REVISION OF ITS RETAIL)
ELECTRIC RATES PURSUANT TO ADVICE)
NOTICE NO. 513)**

Case No. 15-00261-UT

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

Applicant)

DIRECT TESTIMONY AND EXHIBITS

OF

GERARD T. ORTIZ

August 27, 2015

**NMPRC CASE NO. 15-00261-UT
INDEX TO THE DIRECT TESTIMONY OF GERARD T. ORTIZ
WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO**

I. INTRODUCTION AND PURPOSE..... 1

II. NEED FOR RATE RELIEF 4

III. GENERAL OVERVIEW OF APPLICATION AND IDENTIFICATION OF WITNESSES..... 8

IV. TEST PERIOD AND FILING REQUIREMENTS 15

V. BENEFITS OF A FUTURE TEST YEAR..... 17

VI. PNM’S PROPOSED TREATMENT OF COAL SUPPLY EXPENSES 25

VII. ACQUISITION ADJUSTMENT AND REGULATORY ASSET REQUESTS . 28

VIII. KEY RATE DESIGN PRINCIPLES 31

IX. RENEWABLE ENERGY RIDER..... 44

X. BILL IMPACTS OF PROPOSED RATES 50

XI. CREDIT CARD PAYMENT PROGRAM..... 55

XII. COMPLIANCE WITH COMMISSION ORDERS AND RULES 58

XIII. CONCLUSION..... 64

PNM EXHIBIT GTO-1

Résumé of Gerard T. Ortiz

PNM EXHIBIT GTO-2

PNM Rule 510 Compliance Filings 2012, 2013 and 2014

AFFIDAVIT

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

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I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. My name is Gerard T. Ortiz. I am the Vice President of Regulatory Affairs for Public Service Company of New Mexico (“PNM”). My business address is Public Service Company of New Mexico, Main Offices, MS-1105, Albuquerque, New Mexico 87158.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS VICE PRESIDENT, REGULATORY AFFAIRS.

A. As Vice President, Regulatory Affairs, I am responsible for PNM’s overall regulatory strategy in New Mexico. I oversee Pricing and Regulatory Services, Regulatory Policy and Case Management, Retail Renewable Energy, Energy Efficiency and Integrated Resource Planning.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL QUALIFICATIONS.

A. I graduated from New Mexico State University in 1981 with a Bachelor of Science degree in Electrical Engineering. I obtained a Master of Business Administration degree, with a concentration in Finance, from the Robert O. Anderson Graduate School of Management at the University of New Mexico in 1988. I am a Registered Professional Engineer in the State of New Mexico (Registration No. 9687). Since 1981, I have been employed by PNM, and have

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 held a variety of engineering, supervisory, and managerial positions in
2 Distribution Engineering, Electric Marketing, Business Planning, and Market
3 Services in addition to my current assignment. I was promoted to my current
4 position in August 2012. A statement of my experience and qualifications,
5 including a list of the New Mexico Public Regulation Commission (“NMPRC” or
6 “Commission”) proceedings in which I have either testified or filed testimony, is
7 attached as PNM Exhibit GTO-1.

8
9 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

10 **A.** The purpose of my testimony is to:

- 11 (1) identify PNM’s requested approvals;
- 12 (2) provide a general overview of PNM’s application in this case, including
13 identifying the other witnesses who will testify in support of PNM’s filing;
- 14 (3) identify the future test period that PNM is presenting and describe how PNM
15 has met the requirements of the Future Test Year (“FTY”) Rule , 17.1.3
16 NMAC (“FTY Rule”);
- 17 (4) explain why use of a future test period as allowed by the Public Utility Act
18 (“PUA”) benefits customers by reducing the harmful effects of regulatory lag
19 and providing more certainty in the regulatory process;
- 20 (5) summarize the circumstances that dictate the need for the rate relief requested
21 in this case and the importance of PNM’s financial health in accessing capital
22 at reasonable rates and terms;

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

- 1 (6) explain PNM’s proposed treatment of coal supply costs and the alternative
2 treatment of such costs, depending on a final decision in NMPRC Case No.
3 13-00390-UT;
- 4 (7) summarize Commission approvals requested relating to the establishment and
5 recovery of specific regulatory assets and liabilities;
- 6 (8) provide high-level policy support for key rate design proposals, including the
7 promotion of economic development initiatives in accordance with § 62-6-26
8 of the PUA as amended, and implementation of a Revenue Balancing
9 Account (“RBA”) through a four-year pilot mechanism to remove the
10 regulatory disincentives for energy efficiency measures;
- 11 (9) support PNM’s request to continue its existing Renewable Energy Rider; and
12 (10) demonstrate PNM’s compliance with applicable Commission orders and rules.

13
14 **Q. ARE YOU SPONSORING ANY RULE 530 SCHEDULES?**

15 **A.** Yes, I am sponsoring Rule 530 Schedules P-11 (Reserve Margin Information) and
16 Q-2 (Description of Company). Rule 530 Schedule P-11 is being provided in
17 executable electronic format on a DVD-ROM, but is neither fully functional nor
18 required to be filed as fully functional under the FTY Rule. Rule 530 Schedule Q-
19 2 is not being filed in executable electronic format.

20

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

II. NEED FOR RATE RELIEF

Q. WHY DOES PNM NEED RATE RELIEF?

A. PNM faces a revenue deficiency of \$123.5 million. Current rates are simply inadequate to provide the revenues necessary for PNM to accomplish all that needs to be done to properly and reliably serve its customers and to achieve the public policy goals of New Mexico. The most recently approved rates from PNM's prior general rate case, Case No. 10-00086-UT ("2010 Rate Case"), were implemented beginning in August 2011, and relied on data from 2010. Meeting customer needs has required ongoing and significant investment in developing and maintaining necessary infrastructure. The current rates no longer adequately or appropriately recover the current costs of providing safe and reliable service, given the significant investments PNM will have made in its electric system since 2010. Nor do current rates reflect changes in customers' use of electricity resulting from successful energy efficiency programs and declining energy sales experienced in PNM's service territory.

Approximately 77% of the \$123.5 million deficiency directly relates to PNM's capital investments, including depreciation, property taxes, return on investment and associated income taxes. Declines in PNM's energy sales account

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 for approximately 25% of the identified revenue deficiency, or approximately \$31
2 million.¹

3
4 **Q. DO PNM'S CURRENT RATES REFLECT THE CAPITAL**
5 **INVESTMENTS THAT HAVE BEEN MADE SINCE PNM'S LAST RATE**
6 **CASE?**

7 **A.** No. PNM's current rates do not reflect the capital investments that have been
8 made since 2010, which come with additional operating and maintenance
9 obligations. These capital investments are the primary driver for PNM's revenue
10 deficiency.

11
12 **Q. WHY ARE CAPITAL INVESTMENTS THE PRIMARY DRIVER?**

13 **A.** As supported by PNM Witness Monroy, PNM's adjusted Base Period rate base is
14 approximately \$2.067 billion, which represents an increase in rate base made
15 since June 30, 2010 of approximately \$265 million. PNM also expects to place a
16 significant number of capital projects in service through February 2017 that are
17 necessary to maintain system reliability and comply with federal and state
18 regulatory requirements. These investments, combined with other changes to rate
19 base result in total rate base additions of approximately \$390 million from the end
20 of the adjusted Base Period² to the Test Period³.

¹ These drivers are partially offset by reductions in fuel and Palo Verde lease costs. Additionally, PNM's successful efforts to control costs have resulted in operating and maintenance ("O&M") expenses remaining relatively flat over time.

² PNM's "Base Period" is defined as the period of time between April 1, 2014 and March 31, 2015.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. WHY ARE DECLINING SALES THE OTHER PRIMARY DRIVER IN**
2 **PNM’S REVENUE DEFICIENCY?**

3 **A.** Declining sales and changes in customers’ usage patterns have significantly
4 affected PNM’s ability to recover its costs of providing service through existing
5 rate structures. PNM’s success with energy efficiency programs is a primary
6 factor in the decline. Test Period billing determinants in this case are about
7 4.45% lower than the billing determinants used in the illustrative cost of service in
8 the 2010 Rate Case, reflecting the success of PNM’s energy efficiency programs
9 in reducing energy sales and achieving statutory savings targets.

10

11 **Q. WHY MUST PNM CONTINUE TO MAKE CAPITAL INVESTMENTS**
12 **WHEN ENERGY SALES ARE DECLINING?**

13 **A.** Although energy sales are declining, peak demand has continued to increase and
14 PNM must invest in the system to meet these demands. In addition, these
15 investments are necessary to provide safe and reliable service to its customers due
16 to the need to maintain existing infrastructure and meet changing and additional
17 customer loads, even if energy sales are declining.

18

19 **Q. PLEASE DESCRIBE PNM’S CURRENT FINANCIAL CONDITION.**

20 **A.** PNM currently has an investment grade credit rating. Maintaining investment
21 grade ratings is extremely important because higher-cost capital means higher

³ PNM’s “Test Period” is defined as the period of time between October 1, 2015 and September 30, 2016.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 costs to customers. Rating agencies closely monitor regulatory decisions
2 affecting PNM, and consistent and timely decisions by the Commission are
3 necessary to maintaining the Company's credit rating and financial health.

4
5 Maintaining financial health requires that rates be set at a level that allows PNM a
6 fair opportunity to timely recover its reasonable current costs of providing service.
7 PNM's annual Rule 510 Report filed on April 30, 2015, shows that PNM's return
8 on equity ("ROE") for 2014 was approximately 7.24%, well below the
9 Commission's allowed 10% ROE established in PNM's 2010 rate case. A timely
10 decision on PNM's rate request that authorizes a rate base reflective of conditions
11 at the time the new rates will be in effect is critical.

12
13 **Q. DO OUTDATED RATES IMPACT PNM'S ABILITY TO RELIABLY**
14 **MAINTAIN AND INVEST IN ITS OPERATING SYSTEM?**

15 **A.** Yes. Adequate rates are necessary for PNM to access the capital markets to
16 attract large amounts of capital over the next several years to fund new capital
17 projects and refinance maturing long-term debt. The current revenue deficiency
18 can impair PNM's ability to do so on favorable terms.

19

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

**III. GENERAL OVERVIEW OF APPLICATION AND
IDENTIFICATION OF WITNESSES**

Q. PLEASE PROVIDE A SUMMARY OF THIS FILING.

A. The rates approved in PNM's last general rate case became effective over five years ago in August 2011, and were based upon a 2010 illustrative test period. Since then, PNM has made significant capital investments which were necessary to provide continuing safe and reliable service, while aggressively controlling utility costs. A prompt review and determination, within a ten-month period, by the Commission of PNM's Application and proposed rate schedules is extremely important to PNM's ability to provide safe and reliable service at fair and reasonable rates. A prompt determination in this filing is also critical to maintain PNM financial health and reasonable access to capital markets, which translates into keeping costs to customers affordable. Completing this case within the ten month statutory clock should be possible as the case is relatively straightforward. PNM's Test Period begins only six months after the end of the base period. The largest driver of the requested revenue increase is additional capital investment since 2010. Some of this increased rate base is already in service and reflected on PNM's books and records. The remaining utility plant and facilities will be installed during PNM's Linkage Period⁴ and Test Period, and are subject to a thorough review process that ensures the reasonableness of the costs and need for each project. Test period O&M expenses, for the most part, have been escalated from the base period expenses. The base period expenses are derived from PNM's

⁴ PNM's "Linkage Period" is defined as the time between the end of PNM's Base Period and the Beginning of PNM's Test Period.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 books and record, and all adjustments and other changes are identified and explained by
2 PNM's witnesses.

3
4 PNM's proposed cost of service reflects the increased capital investment and
5 other changes in forecasted expenses for the Test Period ending September 30,
6 2016. The resulting revenue requirement is \$981,455,795, representing a fuel and
7 non-fuel revenue increase of \$123,498,612. The increase to the average system
8 rate is approximately 14.39%. PNM's requested base rate increase, combined
9 with savings from a new coal agreement that may be implemented January 1,
10 2016, depending on the outcome of NMPRC Case No. 13-00390-UT and other
11 projected changes in rates, results in an overall impact to the average residential
12 rate class of 7.91%.

13
14 PNM's rate design appropriately mitigates the impact of the rate increase on
15 residential customers. The proposed rate design balances principles of cost
16 causation with potential rate "shock." The redesigned rates also promote
17 economic development; provide improved revenue stability for PNM; and better
18 align cost recovery with cost causation within rate classes.

19
20 PNM's request for approval of new rates that are designed to recover PNM's
21 revenue requirement of \$981,455,795 is fully supported by testimony and
22 exhibits, is just and reasonable, and will provide a fair opportunity for PNM to
23 earn a reasonable rate of return.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 Based on the testimony and supporting evidence in PNM's rate package filing, the
2 Commission should grant the specific approvals requested in PNM's Application
3 and testimonies.

4
5 **Q. WHAT ARE THE KEY ELEMENTS OF PNM'S FILING?**

6 **A.** In accordance with the Commission's Order issued on May 27, 2015, in Case No.
7 14-00332-UT ("2014 Rate Case") as it defines a FTY period, PNM has used a
8 FTY period of October 1, 2015 through September 30, 2016 ("Test Period").
9 PNM's Application and supporting testimonies and exhibits meet the
10 requirements of the FTY Rule ("17.1.3 NMAC"), and Rule 530 ("17.9.530
11 NMAC"). The rate case filing provides a cost of service study and model in a
12 fully functional electronic format, and complies with the Commission's directives
13 regarding completeness in its Order issued on May 13, 2015, in the 2014 Rate
14 Case. Additionally, PNM has filed an embedded class cost of service study and
15 its rate design model in electronic format in support of the proposed rate design
16 for this case.

17
18 **Q. WHAT ARE THE KEY ELEMENTS OF PNM'S RATE DESIGN?**

19 **A.** PNM proposes a rate design that combines an embedded cost of service
20 methodology with the need to keep the proposed changes to rates within a range
21 or "band" that addresses the disproportionate impacts by class of cost allocations.
22 PNM's current rate design is outdated and does not reflect a consistent
23 methodology upon which to base new rates. As a result, the current rate design

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 does not allow PNM to recover the costs of providing service to its customers,
2 and does not provide PNM a reasonable opportunity to earn a fair rate of return.
3

4 **Q. IS PNM SEEKING IMPLEMENTATION OF NEW RATES AS SOON AS**
5 **POSSIBLE?**

6 **A.** Yes. PNM requests that the Commission promptly review and consider PNM's
7 rate request within nine months from the date of suspension of the proposed rates.
8 On December 11, 2014, PNM filed the 2014 Rate Case, and sought to implement
9 new rates effective January 1, 2016. After over five months of prehearing
10 discovery and hearing preparation, the Commission determined that certain
11 aspects of PNM's electronic cost of service model were not fully functional or
12 were otherwise incomplete, and dismissed PNM's case on May 13, 2015, rather
13 than allowing PNM to supplement its filing. The resulting delay has exacerbated
14 the need for rate relief. It is critical for PNM to have new rates implemented as
15 soon as possible in accordance with the provisions of the PUA, but in any event
16 no later than the statutory nine month suspension period that ends July 1, 2016.
17

18 **Q. PLEASE INTRODUCE THE OTHER WITNESSES TESTIFYING ON**
19 **BEHALF OF PNM AND THE AREAS THEY COVER.**

20 **A.** There are 18 additional witnesses testifying on behalf of PNM:

- 21 • Henry Monroy, Director of Internal Audit and Cost of Service, addresses
22 PNM's revenue requirements. Additionally, Mr. Monroy covers certain items
23 included in the calculation of PNM's revenue requirement and explains

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 PNM's request for Commission approval to establish regulatory assets and
2 liabilities. Mr. Monroy sponsors the fully functional cost of service model.

3 • Robert Hevert, Principal in Sussex Economic Advisors, addresses return on
4 equity ("ROE") and related topics, including current economic conditions and
5 confirmation of the reasonableness of PNM's proposed capital structure.

6 • Chris Olson, Vice President, Generation, supports PNM's capital investments
7 in generation facilities and non-fuel operations and maintenance expenses
8 ("O&M"), including appropriate expense adjustments related to the timing of
9 plant outages and changes in the composition of the fleet.

10 • Aubrey Johnson, Vice President of New Mexico Operations, supports PNM's
11 capital investments in transmission and distribution and the related O&M
12 expenses. He also supports PNM's purchase of the 40% leased capacity of the
13 Eastern Interconnect Project ("EIP") and right of way renewals.

14 • Dane Watson, Principal in Alliance Consulting, presents PNM's depreciation
15 study in support of new depreciation rates.

16 • Sheila Mendez, Director of IT Program/Portfolio Management and Quality,
17 supports the corporate capital investments needed to maintain facilities,
18 equipment, and reliable computer systems.

19 • Dr. Ahmad Faruqui, Principal in the Brattle Group, presents and supports
20 PNM's future test year load forecast.

21 • Susan Taylor, Manager-Utility Margins, supports the forecasted fuel and
22 purchased power expenses, and recovery of those expenses through Base Fuel
23 Rates and PNM's existing Fuel and Purchased Power Cost Adjustment Clause

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 (“FPPCAC”). Ms. Taylor also addresses the existing coal supply agreement
2 and the alternative coal supply contract that is dependent on certain approvals
3 in NMPRC Case No. 13-00390-UT.

- 4 • Elisabeth Eden, Vice President and Treasurer, addresses why improving
5 PNM’s financial health is in the best interests of PNM’s customers and
6 supports PNM’s proposed capital structure and weighted-average cost of
7 capital (“WACC”). She also supports the purchase of leases representing 64
8 MW in Palo Verde Generating Station (“PVNGS” or “Palo Verde”) Unit 2.
9 Ms. Eden discusses the annuitization of the pension benefits of PNM’s former
10 gas utility operations. As a result, PNM’s pension plan will cover only
11 electric utility operations going forward, eliminating the need to allocate a
12 portion to gas.

- 13 • Jason Peters, Director, General Accounting, discusses accounting matters relating
14 to PNM’s books and records; the most recent Lead-Lag Study; asset retirement
15 obligations; the 64 MW Palo Verde Unit 2 acquisition adjustment; coal mine
16 reclamation; pension and other postretirement benefits; capital loads; and allocated
17 costs. He also provides cost/benefit analyses supporting the inclusion in cost
18 of service of prepaid pension assets, non-qualified retirement plans, post-
19 employment benefits other than pension, and the unamortized balance of loss
20 on reacquired debt.

- 21 • Erik Buchanan, Director, Corporate Budget, testifies about the Company’s
22 capital budgeting process as it relates to linkage data and the Test Period,
23 including the capital prioritization process, the calculation and allocation of

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 budgeted capital clearings to the FERC Electric Plant Accounts, and the
2 calculations relating to forecasted cost of removal, retirements and
3 depreciation expenses. Mr. Buchanan also identifies construction work in
4 progress (“CWIP”) projects that will be in service within the five months
5 following the Test Period; and presents the calculation of budgeted allowance
6 for funds used during construction (“AFUDC”).

- 7 • Gail Vavruska-Marcum, Director of Compensation, supports the revenue
8 requirements associated with employee base salary and incentive
9 compensation programs, as well as employee benefits.
- 10 • Leonard Sanchez, Associate General Counsel, supports the reasonableness and
11 prudence of PNM’s request for recovery of litigation expenses.
- 12 • Roger Larsen, Manager of Marketing and Energy Efficiency Outreach,
13 supports the reasonableness of PNM’s request for advertising expenses.
- 14 • Matthew Harland, Director of Income Tax, addresses income tax expenses
15 and accumulated deferred income taxes included in rate base.
- 16 • Stella Chan, Director of Pricing and Load Research, supports PNM’s rate
17 design proposals, including: customer class cost allocations and certain
18 modifications that mitigate disproportionate impacts from the embedded cost
19 methodology; PNM’s pilot program to address regulatory disincentives for
20 energy efficiency measures; a new economic development tariff; and other
21 rate design proposals.
- 22 • Julio Aguirre, Senior Pricing Analyst in PNM’s Pricing and Regulatory
23 Services Department, supports PNM’s Rate Design Model and explains the

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 bill impact associated with implementation of PNM’s proposed rates. Mr.
2 Aguirre compares the functional allocation to a per kWh allocation in support
3 of continuation of the Renewable Energy Rider. He also supports: the change
4 to PNM’s time-of-use period underlying its on-peak and off-peak rates; the
5 changes to customer and demand charges; various changes to Rate 16 –
6 Special Charges; and PNM’s proposed rate schedules.

- 7 • Daniel Hansen, Vice President at Christensen Associates Energy Consulting,
8 describes PNM’s RBA pilot mechanism and why it is preferred to other
9 potential alternatives to address regulatory disincentives relating to energy
10 efficiency resources.

IV. TEST PERIOD AND FILING REQUIREMENTS

13 **Q. WHY DID PNM CHOOSE THE TWELVE MONTH PERIOD**
14 **BEGINNING OCTOBER 1, 2015, FOR ITS TEST PERIOD?**

15 **A.** PNM’s Test Period is based on the Commission’s directives in the 2014 Rate
16 Case, which were clarified further by the Commission in Case No. 15-00139-UT,
17 Southwestern Public Service Company’s (“SPS”) most recent rate case filing.
18 The Commission’s orders in these dockets conclude that a FTY period should
19 begin approximately 30 days from the date the rate case application is filed, and
20 further concluded that the suspension period must run concurrently with the Test
21 Period. Although the Commission subsequently indicated that PNM could use

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 calendar year 2016 for the Test Period in this case, it did not indicate that the
2 suspension period would begin within 30 days of the filing date.

3
4 PNM's Base Period is the twelve month period ending March 31, 2015, and the
5 Commission's rules require the Application to be filed within 150 days (*see*
6 17.1.3.7(B) NMAC); that makes the filing date for this case no later than August
7 28, 2015. Advice notices generally cannot go into effect for at least 30 days, and
8 the Commission must suspend the rate case advice notice within that thirty-day
9 period. Therefore, the nine-month suspension period has always ended ten
10 months from the date of filing. However, because the Commission's Order stated
11 that the Commission need not begin the suspension period until the first day of the
12 future test period, a later filing date would have meant a longer period before rates
13 would go into effect. Although PNM does not believe the beginning of the
14 suspension period set by statute could be delayed in this manner, PNM
15 nonetheless chose its Test Period beginning October 1, 2015, rather than January
16 1, 2016, to ensure the suspension period would end by July 1, 2016 rather than
17 October 1, 2016.

18
19 **Q. HOW ELSE DOES THIS APPLICATION RELATE TO THE 2014 RATE**
20 **CASE?**

21 **A.** Practically speaking, this Application is unrelated except for the fact that it is only
22 being filed as a result of the dismissal of the 2014 Rate Case. If that case had
23 proceeded, there would have been no need for this Application. A most obvious

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 difference between this case and the 2014 PNM Rate Case is that they involve
2 different base periods and test periods. Although PNM put this case together
3 very quickly after the dismissal to put adequate rates into effect as soon as
4 practical, PNM reconsidered the important issues addressed in the 2014 Rate
5 Case. In some cases, PNM is making the same proposals as in the prior case. In
6 other instances, PNM has changed its proposals. In all cases, however, PNM's
7 proposals in this case are based on the information and data contained in the
8 supporting schedules, testimonies and exhibits, and do not rely on the 2014 Rate
9 Case filing.

V. BENEFITS OF A FUTURE TEST YEAR

12 **Q. WHAT IS THE PURPOSE OF USING A FUTURE TEST YEAR IN**
13 **SETTING NEW RATES?**

14 **A.** Under the FTY provisions of the PUA, Section 62-6-14, a FTY period is intended
15 to best reflect the conditions to be experienced during the period of time when the
16 new rates will be in effect. PNM expects that new rates resulting from a decision
17 in this case will take effect by July 1, 2016, consistent with the PUA, which
18 provides for a nine-month suspension period. Although the Commission is also
19 allowed to suspend the rates for an additional three months, the Commission has
20 established procedural schedules based on the standard nine-month suspension
21 period.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. IN THIS CASE, WILL THE TEST PERIOD MATCH WHEN RATES**
2 **COULD GO INTO EFFECT?**

3 **A.** No. The beginning of the last quarter of the Test Period will coincide with the
4 effective date of the new rates. The Test Period captures three of the first twelve
5 months of operation under new rates for PNM, while also meeting the
6 Commission’s mandates in the 2014 Rate Case.

7

8 **Q. WHICH OTHER RATE CASES HAVE UTILIZED FUTURE TEST YEAR**
9 **PERIODS?**

10 **A.** In its 2014 Rate Case, PNM used a FTY period that ran concurrently with the first
11 twelve-month period that new rates were expected to go into effect, which was
12 calendar year 2016. In PNM’s 2010 Rate Case, the illustrative cost of service
13 supporting the Amended Stipulation approved by the Commission used budgeted
14 calendar year 2010 operating expenses and a June 30, 2010 rate base with actual
15 base revenues for the first ten months of 2010 and projected base revenues for the
16 last two months of 2010. Those rates went into effect August 21, 2011. That was
17 the first rate case in New Mexico that was filed using a FTY period pursuant to
18 the 2009 amendments to the PUA.

19

20 The Commission also approved new rates for SPS based upon a FTY period in
21 Case No. 12-00350-UT. In Case No. 15-00139-UT, SPS’ most recent general rate
22 case filing filed June 8, 2015, SPS proposed a FTY period of calendar year 2016,
23 which commenced six months after the suspension period normally would have

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 begun. The Commission rejected SPS' filing because the FTY period began after
2 the date by which rates were to be suspended.

3
4 **Q. WHY IS A FTY PERIOD MORE APPROPRIATE IN THIS CASE THAN A**
5 **HISTORICAL TEST PERIOD?**

6 **A.** A FTY period best reflects conditions to be experienced during the period when
7 rates will take effect in this case for several reasons. The proposed rates will
8 recover not only the capital additions already reflected in PNM's books and
9 records, but also those being placed in service during the Test Period. The O&M
10 costs upon which rates are based start with the Base Period, as adjusted for known
11 and measurable changes and accounting for O&M expenses associated with the
12 new plant that will be in service, with a modest escalation from the Base Period.
13 Finally, the rates will be designed based upon the expected billing determinants
14 when the rates are expected to become effective, which take into account
15 customer-specific information and PNM's ongoing energy efficiency and
16 distributed generation programs.

17
18 **Q. HOW SIMILAR OR DIFFERENT IS PNM'S PROPOSED TEST PERIOD**
19 **FROM AN HISTORICAL TEST PERIOD?**

20 **A.** I note that, in many respects, PNM's proposed Test Period is very similar to a
21 historical test period, but with more relaxed time limitations on allowable
22 adjustments to the base period to comport with the use of a FTY period.
23 Traditionally, the Commission has used a historical test year adjusted for known

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 and measurable changes occurring within a short period of time following the end
2 of the test year, usually five to six months. The 2009 amendments to the PUA
3 (Sections 62-3-3(P) and 62-6-14) make it clear that future test periods need not be
4 tied so immediately to the base period. Because new rates are prospective, they
5 should be designed to recover a revenue requirement based on expected operating
6 conditions that will exist concurrently with the new rates. A historical test period
7 represents cost data and past operating conditions that are unlikely to include all
8 of the future operating expense, sales and plant investment that are reasonably
9 known or identifiable and measurable. Historical test periods result in significant
10 regulatory lag between the data upon which rates are set and the actual costs and
11 operating conditions that exist when rates are actually implemented.

12
13 **Q. WHY IS IT IMPORTANT TO INCLUDE ADJUSTMENTS THAT COVER**
14 **THE PERIOD WHEN RATES WILL BE IN EFFECT?**

15 **A.** The longer the period of time between the historical conditions and data and the
16 effective date of new rates, the greater the regulatory lag and the likelihood that
17 new rates will not match with the contemporaneous conditions and costs.
18 Regulatory lag effectively prevents a utility from recovering its full cost of
19 serving customers, particularly during the period when the utility is continuing to
20 make investments in its system, as PNM has been and will continue to do in the
21 near term. Because a utility is always trying to “catch up” to its costs of
22 providing utility service, regulatory lag can result in more frequent rate case

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 filings. Future test years reduce regulatory lag and more closely match operating
2 conditions when new rates become effective.

3
4 **Q. WHY ARE HISTORICAL CONDITIONS CONSIDERED A MISMATCH**
5 **TO OPERATING CONDITIONS THAT WILL EXIST WHEN NEW**
6 **RATES GO INTO EFFECT?**

7 **A.** Unless conditions are so stable that the historical relationships among investment,
8 expenses and revenues will remain constant, the historical test period fails as a
9 reliable predictor of future operating conditions. The resulting regulatory lag using
10 a historical test year cannot be managed adequately when PNM must make large
11 investments to provide reliable service and comply with expanding state and
12 federal environmental regulations.

13
14 **Q. WHY DOESN'T THE NET EFFECT OF A RANGE OF CHANGED**
15 **CIRCUMSTANCES TAKE CARE OF REGULATORY LAG?**

16 **A.** PNM has two options to deal with regulatory lag between rate cases: reduce cost
17 and increase sales. Reducing costs is simply not a reliable or viable long-term
18 strategy and, if taken too far, puts reliability and customer service at risk. At the
19 same time, it is unrealistic to expect sales growth to keep pace with or exceed
20 increasing levels of investment and operating costs, given a weak general
21 economic activity and a strong public policy objective to promote efficient energy
22 use. Absent widespread use of automatic adjustment clauses, a FTY period is the
23 best means available to provide timely recovery of costs. It provides a utility with

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 a reasonable opportunity to recover its costs of service and earn a fair return given
2 that such a period forecasts expected future conditions using planning and
3 forecasting methods well-accepted for business planning purposes, rather than
4 assuming that history will largely repeat itself.

5
6 **Q. HAS PNM'S EFFORTS TO REDUCE COSTS HELPED TO DELAY RATE
7 INCREASES SINCE THE 2010 RATE CASE?**

8 **A.** Yes. PNM avoided seeking a rate increase until the end of 2014 through
9 aggressive cost control. Several initiatives have been undertaken to ensure the
10 Company is operating efficiently and to reduce costs that must be recovered in
11 rates. For example, PNM has been controlling medical benefits costs through
12 effective health care management and wellness initiatives. Likewise, PNM has
13 controlled labor expenses through effective management of vacancies and
14 attrition. PNM also actively pursues cost-effective financing strategies, lowering
15 its cost of long-term debt from PNM's 2010 Rate Case of 6.84% to 5.87% to be
16 effective in the Test Period.

17
18 **Q. CAN PNM CONTINUE TO RELY ON COST CONTROL INITIATIVES
19 TO FORESTALL AN INCREASE IN RATES?**

20 **A.** No. Although its O&M expenses have grown at a pace below the consumer price
21 index level of inflation because of PNM's cost control efforts, PNM must ensure
22 that it implements O&M measures that are adequate to maintain a safe and
23 reliable operating system. Further, the addition of a significant amount of

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 equipment, facilities and operating units come with additional new O&M
2 expenses.

3
4 **Q. HOW DOES THE TEST PERIOD DEVELOPED BY PNM REFLECT**
5 **FUTURE OPERATING CONDITIONS?**

6 **A.** As explained by PNM Witness Monroy, PNM's Base Period begins with
7 historical data from PNM's books and records, and then adjusts that Base Period
8 to appropriately annualize or normalize certain information and to reflect known
9 and measurable changes. The Base Period data are then rolled forward to reflect
10 six months of linkage data, from April 1, 2015 through September 30, 2015, and
11 then through the Test Period. The Test Period data reflect applicable escalation
12 factors, and include other adjustments based on forecasted changes and planned-
13 for capital investments that occur during the Test Period.

14
15 PNM also includes Construction Work in Progress ("CWIP") balances, as
16 allowed by the FTY statute, Section 62-6-14, relating to capital projects that are
17 projected to be in service within five months from the end of the Test Period
18 (which is less than twenty-four months from the rate case filing date).

19
20 **Q. DOES SETTING RATES BASED ON A FUTURE TEST YEAR**
21 **GUARANTEE THAT PNM WILL EARN ITS AUTHORIZED RETURN?**

22 **A.** No. Rates set on a future test year make *possible* the opportunity for PNM to earn
23 its authorized rate of return, whereas greater regulatory lag *prevents* the Company

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 from having the opportunity to earn its authorized rate of return. Regardless of
2 the test period used, PNM must still prudently and efficiently manage its business
3 to earn its authorized return.

4
5 **Q. WHAT ARE SOME OF THE COMMISSION-APPROVED ACTIONS**
6 **THAT HAVE HELPED PNM WITH ITS FINANCIAL HEALTH THAT**
7 **ARE REFLECTED IN PNM'S CURRENT AND PROPOSED RATES?**

8 **A.** The Commission took a significant positive step when it reinstated the FPPCAC
9 in 2008 and renewed it in 2010 and again in 2014 to provide for more timely recovery
10 of actual fuel and purchased power costs. The Commission's approval of the
11 Renewable Energy Rider has been another positive step, and PNM is seeking to
12 renew approval for the Renewable Energy Rider in this case. As noted by PNM
13 Witness Eden, investment analysts also positively view the utilization of future
14 test years in rate cases.

15
16 **Q. WHY IS THE ASSESSMENT BY THE INVESTMENT COMMUNITY OF**
17 **NEW MEXICO'S REGULATORY ENVIRONMENT IMPORTANT?**

18 **A.** Credit rating agencies consider the regulatory environment in which a utility
19 operates to be a key factor in assessing credit worthiness. Even with the
20 constructive NMPRC orders in recent years, credit agencies continue to express
21 the view that New Mexico lacks key credit supportive regulatory characteristics
22 as discussed by PNM Witness Eden. As a result, it is important for PNM to have

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 strong financial metrics, which require adequate rates, and an opportunity to earn
2 a reasonable ROE.

3
4 **VI. PNM'S PROPOSED TREATMENT OF COAL SUPPLY EXPENSES**

5 **Q. PLEASE DESCRIBE POTENTIAL CHANGES IN SAN JUAN COAL**
6 **COSTS THAT COULD IMPACT FUEL COSTS FOR CUSTOMERS**
7 **DURING 2016.**

8 **A.** PNM has proposed certain changes in its existing generation resource portfolio
9 that would impact the number of units in operation at San Juan Generating Station
10 ("SJGS" or "San Juan"), which are pending before the Commission in Case No.
11 13-00390-UT. Tied to these proposed changes is a new coal supply agreement for
12 SJGS that would go into effect January 1, 2016. The new coal contract would
13 result in substantial fuel savings for customers of approximately \$43 million
14 during 2016.

15
16 **Q. HAS PNM ASSUMED THOSE SAVINGS WILL OCCUR DURING THE**
17 **TEST PERIOD WHEN RATES ARE IMPLEMENTED?**

18 **A.** No. The new coal contract will only go into effect if the Commission approves
19 the certificate of public convenience and necessity ("CCN") for the additional 132
20 MW of San Juan Unit 4 capacity being proposed in Case No. 13-00390-UT. PNM
21 does not expect a decision in this case until the fourth quarter of 2015. PNM
22 wanted to avoid any potential issues related to material changes as addressed in

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 17.1.3.19 NMAC in the event that the new coal contract did not become effective
2 if PNM had assumed the lower coal costs in this case. Therefore, PNM has
3 assumed that the existing coal prices for SJGS will be in place for purposes to
4 determining the Test Period fuel and purchased power costs, in order to
5 demonstrate the potential higher costs that would continue to be collected through
6 the FPPCAC.

7
8 **Q. DOES PNM'S FILING PRESENT THE ALTERNATIVE TREATMENT**
9 **OF THE SJGS COAL SUPPLY EXPENSES IF PNM'S PROPOSED**
10 **RESOURCE PORTFOLIO IS APPROVED BY THE COMMISSION?**

11 **A.** Yes. Although PNM has assumed that the existing coal supply agreement for
12 SJGS will be in place based on the initial recommended decision for a CCN for
13 replacement capacity in pending Case No. 13-00390-UT, it has presented the
14 impact on the base fuel and FPPCAC rates if the Commission issues a final order
15 that grants a CCN for additional capacity in SJGS Unit 4, and the new coal supply
16 agreement is implemented beginning January 1, 2016. Both scenarios are
17 discussed by PNM Witness Taylor.

18
19 **Q. IF PNM'S COAL SUPPLY EXPENSES DECREASE, HOW WILL THOSE**
20 **DECREASES BE FLOWED THROUGH TO CUSTOMERS?**

21 **A.** The savings associated with the new coal supply agreement will be automatically
22 flowed through to customers through the FPPCAC, regardless of the fuel costs
23 assumptions in this case. In fact, if the Commission grants the necessary

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 approvals in Case No. 13-00390-UT that allow the new agreement to be
2 implemented beginning January 1, 2016, customers could see these substantial
3 savings reflected in bills beginning with the March 2016 billing cycle.

4
5 **Q. WILL CUSTOMERS SEE OTHER CHANGES EXPECTED IN PNM'S**
6 **FPPCAC THAT ARE NOT COVERED IN THIS RATE GENERAL**
7 **PROCEEDING?**

8 A. Yes. Consistent with the collection of an under recovery amount established in
9 NMPRC Case No. 13-00187-UT, PNM expects that customers will receive a
10 benefit from a lower FPPCAC factor beginning January 2016. PNM's FPPCAC
11 factor currently is designed to collect the balance of that under recovery amount
12 by December 31, 2015. As a result, customers will see a reduction of \$0.004285
13 in the system average factor, or a decline in the amount to be collected of
14 approximately \$35 million. PNM Witness Aguirre provides an illustrative bill
15 impact that compares average bills for July 2015 with July 2016 by customer
16 class, which incorporates the proposed base rate impacts, the impact of the new
17 coal supply, and the impact to the FPPCAC that results from the completion of a
18 prior Commission-approved under collection of fuel and purchased power
19 expenses for a previous period. The proposed bill impacts also reflect expected
20 changes to the Renewable Energy Rider and the Energy Efficiency Rider.

21

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. WHAT ARE THE EXPECTED OVERALL BILL IMPACTS FROM JULY**
2 **1, 2015 TO JULY 1, 2016?**

3 A. As supported by PNM Witness Aguirre, the expected system bill impact, from
4 base rate charges and other projected FPPCAC and rider charges from July 1,
5 2015 to July 1, 2016 is 5.42%. This results in an average residential impact of
6 7.91%.

7

8 **VII. ACQUISITION ADJUSTMENT AND REGULATORY ASSET REQUESTS**

9 **Q. IS PNM SEEKING TO RECOVER A NEW ACQUISITION**
10 **ADJUSTMENT ASSOCIATED WITH LEASE ACQUISITIONS?**

11 A. Yes. PNM is seeking to recover the acquisition cost of three Palo Verde Unit 2
12 leases (totaling 64 MW) at fair market value upon expiration of the leases, as
13 more fully described by PNM Witness Eden.

14

15 **Q. ARE ACQUISITION ADJUSTMENTS RECOVERABLE IN RATES?**

16 A. Yes, they are. Generally, acquisition premiums are recoverable in New Mexico if
17 the acquisition was at arm's-length and resulted in some benefit to customers.
18 Specifically with regard to the Palo Verde Unit 2 leases, in Case No. 1995 the
19 Commission granted PNM authority to exercise its options to renew all or any of
20 the leases and to repurchase all or any portion of the facilities in accordance with
21 the terms of leases at the fair market value of the facilities at the time of such
22 renewal or repurchase (*see* Order issued November 27, 2985, at Paragraph C).

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 In NMPRC Case No. 07-00077-UT, PNM's 2007 rate case, the Commission
2 allowed three acquisition premiums to be included in rates because PNM
3 demonstrated benefits to the customers from the acquisition. As demonstrated by
4 PNM Witness Eden, PNM has negotiated with the unaffiliated lessors to arrive at
5 an acquisition price consistent with recent sales of Palo Verde lease interests, a
6 price that is also consistent with a recent market analysis of the value of Palo
7 Verde ownership interest and with the lease purchase valuation approved by the
8 Commission in Case No. 08-00305-UT. Acquisition of the Palo Verde Unit 2
9 interests when the leases expire guarantees PNM customers that this capacity will
10 continue to be available to serve them. Palo Verde Unit 2 has been part of PNM's
11 reliable base load capacity for almost 30 years and is part of PNM's long-term
12 resource portfolio in PNM's Integrated Resource Plan; further, as more fully
13 discussed by PNM Witness Olson, Palo Verde remains a needed resource in
14 PNM's supply portfolio. PNM has demonstrated that the lease transactions
15 provide significant benefits to customers. Thus, the converted leasehold interests
16 should be included in rate base at the cost of acquisition.

17
18 **Q. PLEASE SUMMARIZE THE AUTHORIZATIONS PNM IS**
19 **REQUESTING WITH RESPECT TO REGULATORY ASSETS AND**
20 **LIABILITIES IN THIS PROCEEDING.**

21 **A.** PNM is requesting the following Commission approvals related to regulatory
22 assets and liabilities: (1) to establish and to begin recovery of the Alvarado Square
23 Lease regulatory asset; (2) to establish and to begin recovery of the Time of Use

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 (“TOU”) regulatory asset; (3) to establish and to begin recovery of the proposed
2 Rate Case Expenses regulatory asset; (4) to establish and begin recovery of the
3 amortization of the PVNGS DOE Settlement regulatory liability through PNM’s
4 FPPCAC; (5) to establish a regulatory asset for costs incurred to implement the
5 requested Credit Card Program; (6) to establish a regulatory liability associated
6 with recovery of asset retirement obligations (“AROs”) on a straight-line basis,
7 instead of using the accretion method as otherwise required under Generally
8 Accepted Accounting Principles (“GAAP”); (7) to establish a regulatory liability
9 associated with recovery of underground coal mine reclamation costs on a
10 straight-line basis, instead of recovery of booked accretion expense, as otherwise
11 required under GAAP; and (8) to establish and begin recovery of a regulatory
12 asset associated with impaired state Net Operating Loss carryforwards. In
13 addition, PNM seeks approval to begin recovery of a previously approved
14 regulatory asset/regulatory liability related to the decommissioning of the Las
15 Vegas Generating Station over a two-year period.

16
17 The proposed treatment of the regulatory assets and liabilities are discussed by
18 PNM Witnesses Monroy, Peters, Harland and myself.

19

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

VIII. KEY RATE DESIGN PRINCIPLES

1
2 **Q. PLEASE SUMMARIZE PNM'S MAJOR RATE DESIGN PROPOSALS.**

3 **A.** PNM is proposing the following: (1) the use of an embedded cost class
4 allocation, in accordance with the 2010 Rate Case, as a starting point for
5 establishing rates; (2) revisions to the monthly customer charge to collect a larger
6 portion of customer-related costs; (3) a four-year pilot to remove the regulatory
7 disincentives for energy efficiency programs, as required by the Efficient Use of
8 Energy Act ("EUEA"); (4) changes to demand charges to recover a larger portion
9 of demand-related costs; (5) implementation of a new economic development
10 tariff; and (6) continuation of the Renewable Energy Rider. PNM Witnesses
11 Chan and Aguirre address the specifics of PNM's rate design in their Direct
12 Testimony, and PNM Witness Dr. Hansen supports the removal of regulatory
13 disincentives resulting from energy efficiency through implementation of a pilot
14 RBA.

15
16 **Q. WHAT ARE THE PRINCIPAL CHALLENGES PNM FACES WITH
17 REGARD TO REVENUE RECOVERY UNDER CURRENT RATES?**

18 **A.** PNM faces several challenges in the recovery of revenues that result from its
19 outdated rate design. As a starting point, PNM's current rates do not reflect the
20 cost to serve its customers. In particular, as detailed by PNM Witness Chan,
21 PNM's rates have not truly reflected its cost of service for some time. While
22 PNM is making efforts to move toward more cost-based rates, in this case it is

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 important to balance this effort by capping the disproportionate rate increase that
2 would result for the residential and irrigation rate classes. To mitigate the rate
3 impact on the residential class, PNM is proposing that the majority of the other
4 rate classes contribute to overall revenue requirements through a uniform non-fuel
5 rate increase for those classes.

6 Another challenge is that Company is experiencing increased demands,
7 particularly from the residential class, in the face of declining usage. Given that
8 PNM's rates are designed to recover a significant portion of revenues through
9 variable energy charges, regardless of whether costs being recovered are fixed or
10 variable, declining sales adversely affects PNM's ability to recover its
11 costs. When declining sales are coupled with increased demands, PNM has been
12 required to continue investing in infrastructure to accommodate the growing peak
13 demand for its residential customers, while recovery of such investments under
14 volumetric rates has declined due to decreased usage.

15
16 Another challenge is that PNM's rates do not adequately reflect the dual peaking
17 nature of PNM's system (whereby the winter peak load is 82% percent of the
18 summer peak load).

19
20 Finally, PNM's rate design can be improved to provide additional opportunities
21 for customers, both in terms of price signals for individual customer usage
22 patterns, as well as economic development opportunities.

23

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. DOES PNM’S CURRENT ALLOCATION METHODOLOGY PROPERLY**
2 **ALLOCATE PNM’S REVENUE REQUIREMENTS AMONG**
3 **CUSTOMERS?**

4 **A.** No. PNM’s current revenue requirement allocation is outdated and is a hybrid
5 approach that reflects an incomplete transition from the use of marginal costs to
6 greater use of embedded costs as the basis for allocating costs among customers.
7 PNM Witness Chan discusses PNM’s transition to the use of embedded cost
8 principles to determine cost causation given that embedded cost of service studies
9 produce more stable results over time and why the application of “across-the-
10 board” changes in allocations in final rates has resulted in PNM rate design not
11 truly reflecting its cost of service.

12

13 **Q HOW HAS PNM MODERATED THE POTENTIAL IMPACTS OF ITS**
14 **CLASS COST ALLOCATION THROUGH ITS RATE DESIGN**
15 **PROPOSALS?**

16 **A.** Because PNM’s current rates do not accurately align cost causation with cost
17 recovery, either within or among rate classes, the first step was to develop cost
18 based revenue requirements by rate class. PNM then moderated the effects of its
19 cost allocation methodology by setting a 15.6% cap on the amount of non-fuel
20 increases allocated to any customer class. This moderated approach provides
21 movement toward customer classes bearing more equal responsibility for costs,
22 but recognizes that it would be inequitable to accomplish complete rehabilitation
23 of PNM’s rate design structure through a single rate case proceeding.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

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Q. HOW HAS THE CHANGING RELATIONSHIP BETWEEN DEMAND AND ENERGY THAT PNM IS EXPERIENCING CONTRIBUTED TO PNM'S REQUEST FOR NEW RATES?

A. Much of PNM's ongoing capital investment requirements are necessary to meet an increasing peak demand. As demand goes up or stays steady but energy usage stays flat or decreases, PNM must still make the necessary capital investments to reliably serve load, which results in an increased cost of service. Because of the dynamic relationship between increasing demand and declining energy sales, PNM is less able to adequately recover costs through existing rates, which are largely designed to recover fixed costs through volumetric energy rates.

Q. WHAT ARE SOME OF THE CONTRIBUTING FACTORS FOR THE RATE DESIGN IMBALANCES THAT PNM IS EXPERIENCING?

A. As mentioned, a significant issue PNM faces is the change in the relationship between system demand and energy sales. In the past, demand forecasts were developed by combining energy sales forecasts with a historical load factor analysis, as peak demand is a function of load factor and energy sales. The result was that changes in the demand forecast were attributable to changes in forecasted energy sales. However, PNM has been observing a trend where peak demand continues to grow as energy sales fall. In 2013, this disparity in the growth rates of demand and energy became more pronounced.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 Another major contributing factor is the success of PNM's energy efficiency
2 programs. Based on the independent evaluator's reports, PNM's energy
3 efficiency programs provided 287 GWh of cumulative savings as of 2014. These
4 cumulative savings number are projected to grow to 436 GWh through 2016.
5 This amounts to an approximate revenue impact of \$21 million in 2015, and \$24.9
6 million in 2016. The effect on PNM's residential class is dramatic. Weather
7 normalized residential use per customer ("UPC") was 592 kWh per month in
8 2014. Without the energy efficiency programs since PNM's 2010 Rate Case,
9 PNM's residential UPC would have been 619 kWh per month.

10
11 **Q. ARE OTHER STATES FACING SIMILAR CHALLENGES?**

12 **A.** These challenges are not unique. A number of states are exploring a variety of
13 mechanisms to address the challenges and opportunities associated with attracting
14 large amounts of capital to meet changing infrastructure needs in a time of
15 economic uncertainty and declining load. As discussed by PNM Witness Hansen,
16 commissions across the country have begun implementing rate design
17 mechanisms that allow a utility to recover its fixed costs regardless of the amount
18 of energy consumed. Rate adjustment clauses for operating expenses, plant
19 additions, environmental requirements and changing economic conditions to
20 recover costs are another means of addressing this problem. Commissions also
21 increasingly rely on the use of partially or fully forecasted future test periods to
22 reflect the expected operating conditions when new base rates will go into effect.

23

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. ARE DISINCENTIVES RELATING TO THE IMPLEMENTATION OF**
2 **ENERGY EFFICIENCY PROGRAMS ADEQUATELY ADDRESSED IN**
3 **PNM'S EXISTING RATES?**

4 **A.** No. The regulatory disincentives for energy efficiency, which Section 62-17-5 of
5 the EUEA requires to be removed, have not been addressed. As discussed by
6 PNM Witnesses Chan and Dr. Hansen, these disincentives have a significant
7 adverse impact on PNM's ability to recover its costs of providing utility service.

8

9 **Q. HOW DOES PNM'S PROPOSED RBA SUPPORT THE STATE'S PUBLIC**
10 **POLICY TO PROMOTE ENERGY EFFICIENCY?**

11 **A.** PNM's proposed RBA, also referred to as "decoupling," is intended to help
12 remove regulatory disincentives that result from the implementation of energy
13 efficiency programs. The EUEA requires that utilities offer a broad range of
14 energy efficiency and load management programs, in recognition that customers
15 benefit from the availability of cost-effective load-side as well as supply-side
16 resources. The EUEA provides incentives to utilities by allowing them the
17 opportunity to earn a profit on cost-effective energy efficiency and load
18 management resource development that, with satisfactory performance, is more
19 financially attractive to the utility than supply-side resources. The Commission
20 reviews and approves EUEA programs and incentives in annual proceedings for
21 PNM, the most recent being Case No. 14-00310-UT. From 2008 through 2016,
22 PNM is projected to spend approximately \$161 million implementing energy

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 efficiency programs, and is on track to achieve the EUEA targeted level of energy
2 savings.

3
4 The EUEA also recognizes that regulatory disincentive or barriers for public
5 utilities result from energy efficiency and load management programs, and tasks
6 the Commission with ensuring that these disincentives are removed in a manner
7 that balances the public interest, consumers' interests and investors' interests.
8 Current rate structures reward a utility for increasing its sales to recover costs and
9 punish a utility for decreasing sales through efficiency. In accordance with the
10 EUEA, the Commission has the responsibility to address this reward structure and
11 remove a utility's disincentives associated with decreasing sales through energy
12 efficiency programs.

13
14 **Q. HOW DOES THE RBA REMOVE THE REGULATORY DISINCENTIVES**
15 **FOR PNM TO ACHIEVE ENERGY EFFICIENCY SAVINGS?**

16 **A.** The RBA, proposed to be implemented under a four-year pilot program, will
17 establish a set amount of fixed costs per customer to be recovered each year from
18 residential and small power customers. If energy sales to these two rate classes
19 are higher in a given year than necessary to recover this total amount of fixed
20 costs allowed by the RBA, PNM will have over-recovered its fixed costs and will
21 refund the overage to customers in the following year. Conversely, if sales are
22 lower than necessary to adequately recover fixed costs from these classes, PNM
23 will have under-recovered its fixed costs and will collect the underage from each

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 of these classes over the course of the following year. PNM's proposal is more
2 fully described in the direct testimonies of PNM Witnesses Chan and Dr. Hansen.

3
4 **Q. DOES IMPLEMENTATION OF THE RBA NEGATE THE COST-
5 EFFECTIVENESS OF ENERGY EFFICIENCY PROGRAMS?**

6 **A.** No, it does not. Under the EUEA, the cost-effectiveness of utility energy
7 efficiency programs is based upon a life-cycle analysis using the utility cost test,
8 which PNM must present in its annual filings. The majority of the benefits
9 attributable to energy efficiency are avoided fuel costs. However, the short-term
10 bill savings of participating customers also include avoided volumetric charges
11 and are considerably higher than avoided fuel costs. The utility bears the cost of
12 these excess savings in the form of unrecovered fixed costs that otherwise would
13 be collected through those volumetric sales. While PNM's proposed disincentive
14 removal mechanism will keep PNM whole for these incidental unrecovered fixed
15 costs, it will not affect the cost-effectiveness of PNM's energy efficiency
16 programs.

17
18 **Q. WHAT ADDITIONAL POLICY CONSIDERATIONS ARE REFLECTED
19 IN PNM'S OTHER PROPOSED RATE DESIGN CHANGES?**

20 **A.** An important policy carried through PNM's revised rate design is to reduce
21 recovery of fixed costs through variable charges. PNM's pilot program to apply
22 the RBA to the residential and small power classes, discussed below, will mitigate
23 the adverse impact on cost recovery that results from the combination of declining

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 energy sales and increasing peak demand. As detailed by PNM Witness Chan,
2 PNM's new rate design increases customer service charges to better reflect the
3 per-customer cost of providing customer-related services, and shifts the recovery
4 of the demand-related costs to PNM's demand, rather than incorporating these
5 costs them into variable charges.

6
7 Currently PNM recovers approximately 74% of its total system non-fuel fixed
8 costs through volumetric charges. This sends incorrect price signals to customers
9 and puts PNM's costs recovery for its existing system at risk. Therefore, PNM
10 proposes to increase its recovery of non-fuel fixed costs through customer and
11 demand charges. If PNM's proposals are approved, recovery of non-fuel fixed
12 costs through volumetric charges will decrease to 62%. While the gap will be
13 narrowing, there will remain a large proportion of fixed costs that are built into
14 the volumetric rate, especially for the residential and small power classes.

15
16 In addition, PNM is proposing TOU rates that better align with system operations
17 and demands, and is proposing demand and energy charges for its non-residential
18 customers that better reflects cost causation within their respective rate classes.

19

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. PLEASE SUMMARIZE THE KEY POINTS CONCERNING THE**
2 **COMPANY'S PROPOSED CHANGES IN DEMAND CHARGES AND**
3 **CUSTOMER CHARGES.**

4 **A.** PNM has proposed modest modifications to its demand charges and customer
5 charges that improve the recovery of non-variable costs based on the fully
6 allocated embedded class cost of service study for each rate class. While the
7 proposed increases provide better cost recovery through demand charges and
8 customer charges consistent with cost causation, they do not achieve full recovery
9 of the allocated fixed and non-variable costs as shown in the embedded cost
10 study. Consequently, some fixed and non-variable costs will continue to be
11 collected in energy charges. To the extent this contributes to the disincentive
12 associated with energy efficiency programs from those rate classes without a
13 demand charge, the RBA is intended to address this issue.

14
15 Importantly, the increased demand charge sends the appropriate price signal to
16 customers to modify their behavior and consequently improve their load factors.
17 Further, they make rates more competitive for new high load factor customers,
18 helping to address New Mexico's existing economic conditions.

19
20 The increased monthly customer charge is designed to recover the customer-
21 related costs that include meters, billing, meter reading, bill processing and
22 customer accounting. Providing for recovery of these customer-related costs
23 through the customer charge sends a more accurate price signal to customers of

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 what it costs to have service available to them regardless of how much energy is
2 used. Under the Company's proposal, other fixed or non-variable costs would
3 remain subject to recovery through volumetric energy charges.

4
5 **Q. ARE PNM'S RATE DESIGN PROPOSALS INCONSISTENT OR**
6 **DUPLICATIVE?**

7 **A.** No, these proposals are complementary. The proposed rates are intended to make
8 progress toward more equitable rates that better recover demand and energy costs
9 from the responsible rate classes. As pointed out above, the proposed customer
10 and demand charges are designed to more accurately match cost recovery with
11 cost causation. Since there will remain a significant amount of fixed and non-
12 variable costs to be recovered through volumetric energy charges in those rate
13 classes without a demand charge, the RBA pilot will address removal of the
14 disincentive for energy efficiency represented by these remaining fixed and non-
15 variable costs.

16
17 **Q. WHAT RATE PROPOSALS ADDRESS THE NEED TO MAINTAIN**
18 **COMPETITIVE RATES FOR ECONOMIC DEVELOPMENT**
19 **PURPOSES?**

20 **A.** PNM proposes to implement a new economic development rate that is intended to
21 promote economic development in its service territory, which continues to
22 struggle with a weak economy. PNM has seen a reduction in the number of Large
23 Power customers in the recent past. In PNM's 2010 Rate Case, PNM had 251

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 Large Power customers. By December of 2012, that number had dropped to 231.
2 It dropped further by November of 2013 to 229 and has continued to decline.
3 There were 221 large power customers as of June 2014 and 220 at the end of the
4 March 2015.

5
6 Because properly developed economic development rates are usually part of
7 discussions to attract or large customers, PNM believes that it is appropriate and
8 beneficial to have a tariff that implements the new PUA provision for economic
9 development rates that went into effect after the recent 2015 legislative session.
10 As detailed in by PNM Witness Chan, the Company is proposing a new economic
11 development tariff that will encourage new industry to locate in New Mexico and
12 incentivize existing customers to further invest in their businesses in this State.

13
14 **Q. WHAT OTHER PROPOSALS MAY HELP TO PROMOTE ECONOMIC**
15 **DEVELOPMENT?**

16 **A.** As described in more detail by PNM Witness Chan, PNM is proposing to add a
17 new tariff to provide service to a “Very Large” customer class to bridge the gap
18 between tariffs that require a minimum demand of 500 kW and tariffs that require
19 a minimum demand of 8,000 kW. There are a handful of existing customers who
20 would greatly benefit from this new tariff schedule and hopefully it will be an aid
21 in attracting new businesses to New Mexico, such as additional high load
22 manufacturing customers and data centers.

23

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. DO YOU BELIEVE THAT PNM’S RATES ARE AN IMPEDIMENT TO**
2 **ECONOMIC DEVELOPMENT IN NEW MEXICO?**

3 **A.** No, I do not. However, I do believe more rate options should be provided to
4 maintain and promote a healthy business environment. A 2014 report released by
5 the American Economic Development Institute (“2014 AEDI Report”) showed a
6 deterioration of the factors used to determine the relative business climate in a
7 state of New Mexico. In the 2014 AEDI Report New Mexico was ranked in the
8 bottom 25 falling from a ranking in the top 25 in 2012. Economic Development
9 rates could be used to attract large customers to New Mexico.

10

11 **Q. WILL THE PROPOSED ECONOMIC DEVELOPMENT RATE HELP TO**
12 **PROMOTE BUSINESS OPPORTUNITIES IN NEW MEXICO?**

13 **A.** Yes. It is important to have a variety of economic options available to promote a
14 healthy business environment. In the 2014 AEDI Report New Mexico received a
15 grade of C in 2014, down from its 2013 grade of B, for the cost of electricity on a
16 traditional grading scale. Economic development rates can be useful tools in
17 attracting a large customer.

18

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

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IX. RENEWABLE ENERGY RIDER

Q. WHY IS PNM ASKING THE COMMISSION TO CONTINUE THE RENEWABLE ENERGY RIDER?

A. In accordance with the Amended Stipulation approved in the 2010 Rate Case, the Renewable Energy Rider is set to expire unless it is reauthorized. PNM is proposing to continue the Renewable Energy Rider because it is a beneficial mechanism for both customers and PNM to recover costs incurred to comply with the Renewable Energy Act (“REA”).

Because PNM is required to seek re-authorization of the Renewable Energy Rider in this general rate case, PNM Witness Monroy has shown the Test Period revenue requirements for costs recovered under the Renewable Energy Rider. However, PNM specifically requests Commission authorization in this proceeding for continued use of the Renewable Energy Rider. If the request for re-authorization is granted, the costs typically recovered through the Renewable Energy Rider will be not be included in base rates and the cost of compliance with the RPS will continue to be set in PNM’s annual Renewable Energy Plan filings.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. WHAT ARE THE BENEFITS TO THE RECOVERY OF RENEWABLE**
2 **ENERGY COSTS THROUGH A RATE RIDER RATHER THAN IN BASE**
3 **RATES?**

4 **A.** As determined by the Commission in NMPRC Case No. 12-00007-UT, the
5 benefits of the Renewable Energy Rider include the avoidance of carrying charges
6 related to renewable energy costs. Because the REA requires full recovery of the
7 costs of compliance with the Renewable Portfolio Standard (“RPS”), in the
8 absence of a rider, those costs are booked as a regulatory asset with carrying
9 charges accumulating until recovery is authorized in a general rate case. The
10 Commission concluded that the carrying charges saved by the Renewable Energy
11 Rider would allow for more headroom under the Reasonable Cost Threshold
12 (“RCT”) to purchase more renewable energy.⁵ The continued use of the
13 Renewable Energy Rider also prevents the pancaking of multiple years of RPS
14 compliance costs in customers’ rates. Instead, customers would pay only the
15 actual cost of RPS compliance in any year. In addition, the Renewable Energy
16 Rider provides transparency of compliance costs to customers.

17
18 Another benefit to the recovery of renewable energy costs through a rider
19 mechanism is that a significant portion of the costs recovered under the RPS is a
20 result of the revenue requirement on utility-owned solar facilities. These facilities
21 have a declining rate base balance, based on favorable tax depreciation, which

⁵ NMPRC Case No. 12-00007-UT, Final Order, pp. 6-7 (Aug. 14, 2012)

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 allows for accelerated tax depreciation, as well as on-going book depreciation.
2 PNM has made significant investments in solar facilities over the past few years
3 that are being recovered through the Renewable Energy Rider. Based on current
4 projections and the production of PNM's current facilities, PNM is not projecting
5 adding significant new solar resources for RPS compliance over the next three to
6 four years. That being the case, there is a high probability that collections under
7 the Renewable Energy Rider will be declining. Inclusion of these balances in a
8 rate rider ensures that customers receive the benefit of these declining revenue
9 requirements each year, as the Renewable Energy Rider provides for a true-up to
10 customers, to ensure that PNM only collects revenue that match up with the cost
11 of the programs. Recovery through the Renewable Energy Rider will allow
12 customers to benefit from the declining revenue requirement. Recovery of these
13 costs through base rates would not afford this opportunity.

14
15 **Q. DOES THE CONTINUED USE OF A RIDER BETTER MATCH THE**
16 **COSTS OF RPS COMPLIANCE WITH THE YEAR IN WHICH COSTS**
17 **ARE INCURRED AND RPS REQUIREMENTS MUST BE MET?**

18 **A.** Yes. More timely recovery of RPS compliance costs provides for a better
19 matching of costs and benefits because PNM would recover RPS compliance
20 costs within the year in which they are incurred and within the timeframe that
21 customers realize the fuel cost savings resulting from renewable expenditures.
22 Matching of costs and benefits of utility investments is an important regulatory

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 objective such that the customers who pay the costs are the ones most likely to
2 receive the benefits associated with the costs.

3
4 **Q. ARE THERE ALSO BENEFITS TO PNM FROM CONTINUATION OF**
5 **THE RENEWABLE RIDER?**

6 **A.** Yes. Through the Renewable Energy Rider, PNM gets more timely cost recovery
7 of the specific costs associated with compliance with the RPS, something that is
8 looked on favorably by the investment community, as described in more detail
9 above.

10
11 **Q. SHOULD THE COMMISSION BE CONCERNED WITH PIECEMEAL**
12 **RATEMAKING RESULTING FROM CONTINUED USE OF THE**
13 **RENEWABLE ENERGY RIDER?**

14 **A.** No. The design of the Renewable Energy Rider and the nature of the costs
15 proposed to be recovered through this Rider overcome the concerns typically
16 associated with piecemeal ratemaking. The primary concern associated with
17 piecemeal ratemaking is the potential for over-earning if the total revenue
18 requirement is not examined in conjunction with separate recovery of a single set
19 of costs. The Commission has applied an earnings test, which mitigates the
20 potential for over-earning; PNM proposes to continue the use of this earnings test.

21

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. PLEASE DESCRIBE THE EARNINGS TEST.**

2 **A.** Under the earnings test, if PNM's actual ROE in a calendar year exceeds fifty
3 basis points above its authorized ROE, PNM refunds to customers the earnings in
4 excess of the fifty basis points above the authorized ROE. In this proceeding,
5 PNM is proposing an ROE of 10.50%. Thus, if actual earnings were to exceed
6 11.00% in a calendar year beginning with 2016, PNM would refund to customers
7 the amount in excess of 11.00%. PNM will continue to apply the same earnings
8 test process, with a fifty basis point differential above the ROE that is allowed by
9 the Commission in establishing PNM's new rates.

10 The process for determining if any refunds are due would remain the same. PNM
11 would make a pro forma filing based on actual accounting records for the
12 previous calendar year. The cost of service would be consistent in form and
13 information required by 17.3.510.12 NMAC. PNM would file the pro forma cost
14 of service by April 1 of the following year.

15

16 **Q. WHY IS A FIFTY BASIS POINT DIFFERENTIAL ABOVE THE ROE
17 REASONABLE FOR PURPOSES OF THE EARNINGS TEST?**

18 **A.** First, as determined by the Commission in NMPRC Case No. 12-00007-UT,
19 absent PNM's agreement, none of the earnings would be subject to refund under
20 the retroactive ratemaking prohibition. Second, the ROE can be expected to
21 fluctuate from year to year for a variety of reasons. Third, the opportunity to earn
22 increased returns provides a strong incentive to control costs. Fourth, the

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 potential for a small level of earnings above the authorized ROE should be
2 tolerated given that the earnings test is applied asymmetrically, i.e., customers are
3 eligible for refunds should the ROE plus the fifty basis point differential be
4 exceeded in a given year, but customers will not be charged should PNM's actual
5 ROE fall below the authorized level.

6
7 **Q. HOW IS THE RENEWABLE ENERGY RIDER DESIGNED?**

8 **A.** As proposed, the Renewable Energy Rider charge will continue to be assessed on
9 per kWh basis on all retail sales. The charges will be adjusted to account for the
10 avoided fuel benefits associated with the Large Customer cap. As required by the
11 Final Order in NMPRC Case No. 12-00007-UT, PNM Witness Aguirre discusses
12 why PNM is not proposing to use a functional allocation for the Renewable
13 Energy Rider's revenue requirements.

14
15 **Q. DOES PNM PROPOSE TO INCLUDE ALL RPS COMPLIANCE COSTS
16 THROUGH THE RENEWABLE ENERGY RIDER?**

17 **A.** No. PNM proposes to continue to recover the costs associated with the New
18 Mexico Wind Energy Center purchased power agreement through the FPPCAC
19 rather than through the Renewable Energy Rider, as allowed in NMPRC Case No.
20 12-00007-UT. I should point out that the Stipulation approved in NMPRC Case
21 No. 14-00158-UT provides for a CCN for the construction and operation of 40
22 MW of solar photovoltaic facilities as a system resource rather than for RPS
23 compliance. Therefore, the costs of these facilities will not be recovered through

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 the Renewable Energy Rider, although Renewable Energy Credits (“RECs”) may
2 be used to meet RPS and diversity requirements.

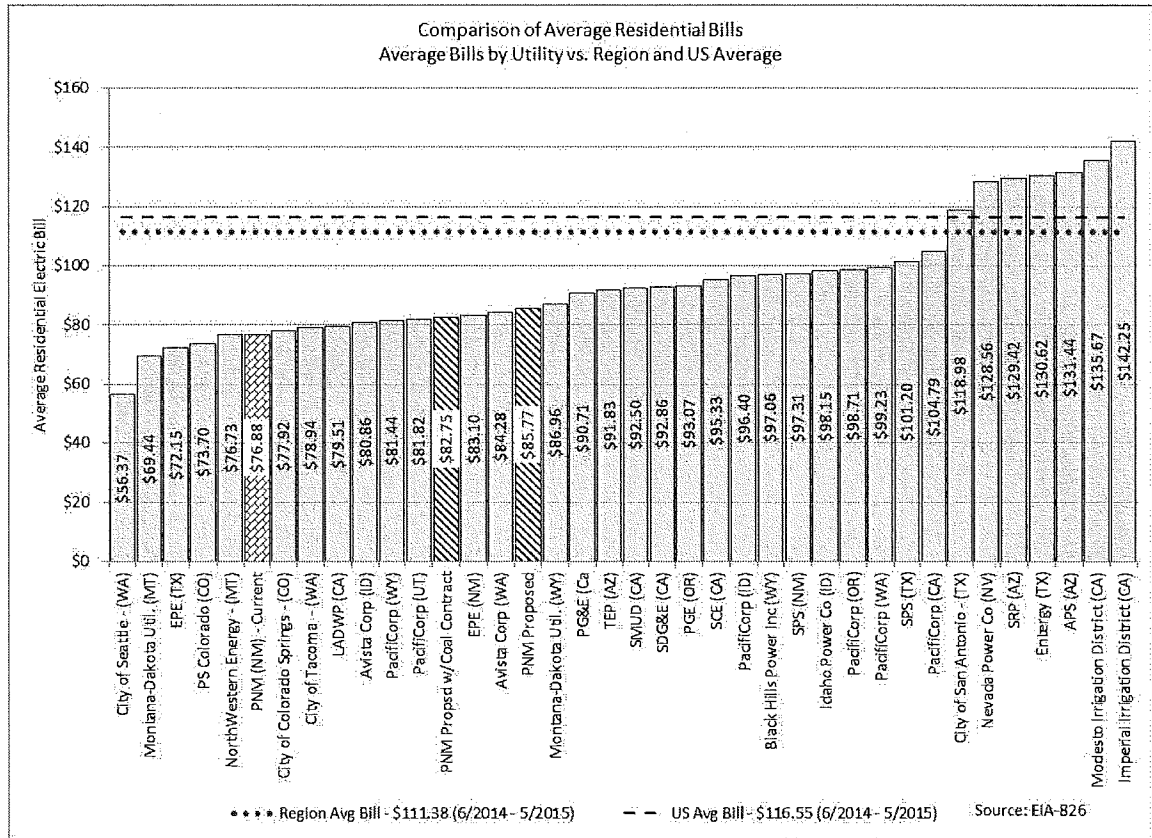
3
4 **X. BILL IMPACTS OF PROPOSED RATES**

5 **Q. HOW DO PNM’S RESIDENTIAL CUSTOMER BILLS COMPARE WITH**
6 **THOSE OF OTHER UTILITIES?**

7 **A.** The average bill that our residential customers pay is significantly lower than
8 regional and national averages. Even after implementation of the proposed rates,
9 PNM will offer low, competitive rates for New Mexico business and residential
10 consumers. Figure GTO-1 below illustrates how PNM’s residential bills after
11 implementation of the full amount of rate relief requested will compare with the
12 bills of other utilities for the timeframe June 2014-May 2015:

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

Figure GTO-1



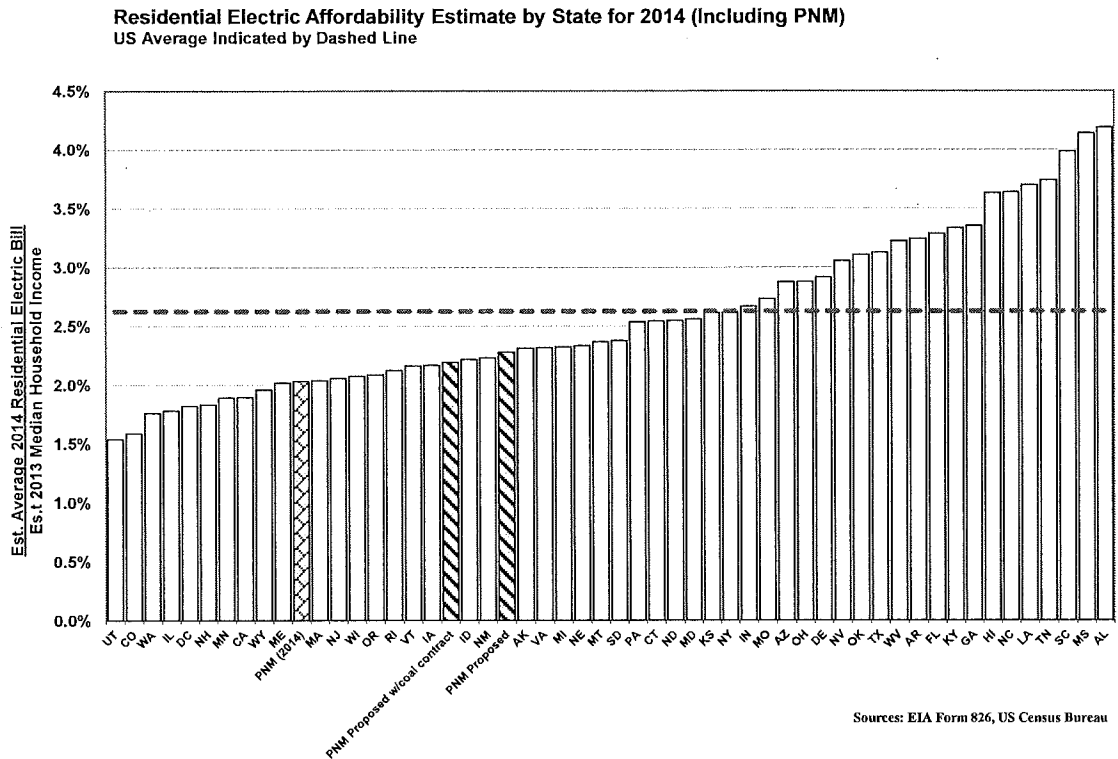
1 PNM recognizes that New Mexico is a low-income state. Even with a low
 2 median income, PNM's bills after implementation of the full amount of rate relief
 3 requested still compare favorably with the 2014 bills of other utilities.

4
 5 Figure GTO-2 below compares state average residential electric bills divided by
 6 each state's median family income to depict the "affordability" of residential
 7 electric service. Figure GTO-2 shows that PNM residential customers pay less for
 8 electric service as a percentage of household income than in most other states, and

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 will continue to do so even if the full amount of the rate relief proposed by PNM
2 is granted.

Figure GTO-2

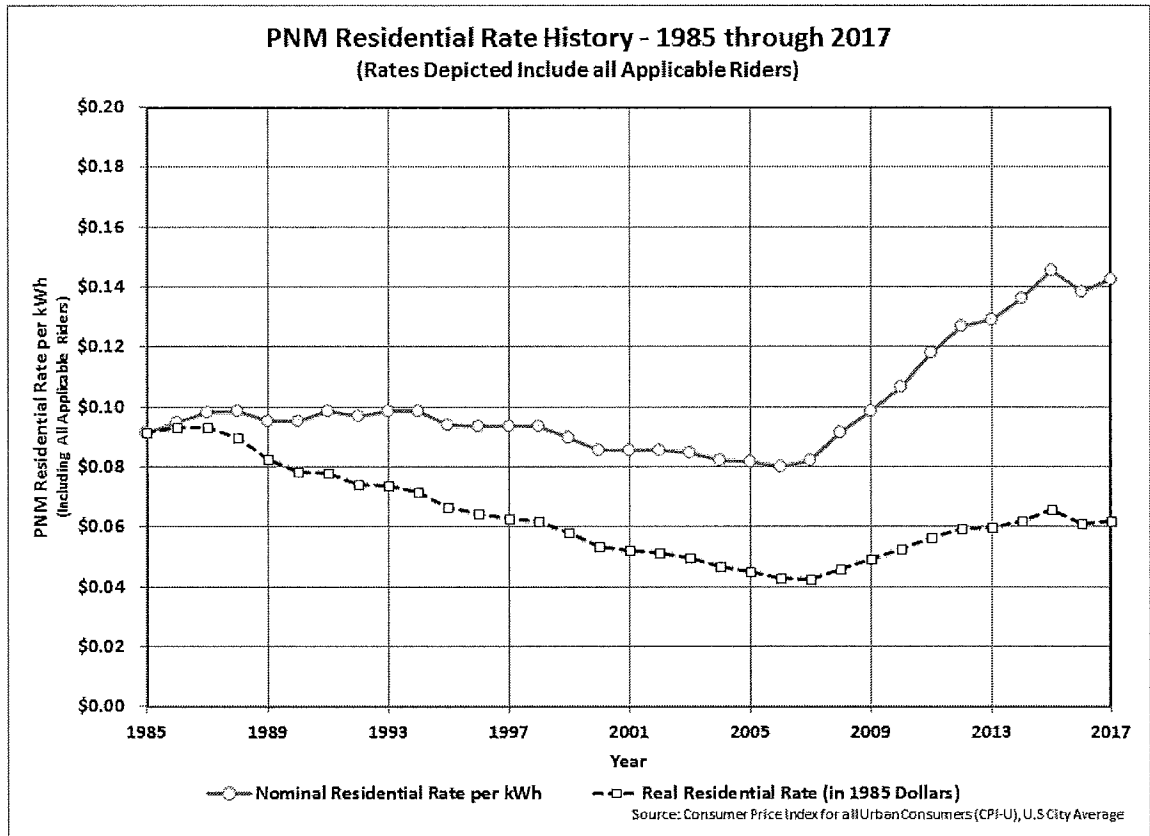


3 It should be noted that PNM’s ranking on Table GTO-2 is conservative. The
4 Table uses PNM’s average bills after its rate request is fully implemented on July
5 1, 2016, but uses average bills from 2014 of other utilities. As many utilities have
6 aging infrastructure that requires investment, the average bills of other utilities are
7 more likely to increase from 2014 levels by the beginning of 2016. The national
8 average for electric bills as a percentage of median household income shown on
9 Table GTO-2 is above 2.5%. PNM’s proposed rates for 2016 would have resulted
10 in average electric bills that would represent about 2.1% of New Mexico median
11 household income had they been in place in 2013.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

- 1 **Q. HAVE PNM'S RATES BEEN RELATIVELY STABLE OVER TIME?**
- 2 **A.** While PNM rates have been increasing since 2008, customers enjoyed a long
3 period during which PNM rates either were stable or decreased. Table GTO-3
4 below shows the history for PNM's residential rates beginning in 1985 and
5 assuming PNM's proposed rate increase in this case is granted. As can be seen,
6 the "real residential rate" in 1985 dollars shows that residential rates through 2017
7 will actually be lower even with the proposed rate increase than they were in
8 1985, when adjusted for inflation.

Figure GTO-3



**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. WHAT IMPACTS WILL CUSTOMERS SEE IN THEIR AVERAGE**
2 **BILLS AS A RESULT OF THIS CASE AND OTHER RATE CHANGES**
3 **THAT PNM WILL BE IMPLEMENTING?**

4 **A.** As a result of PNM's proposed base rate changes, customers will see non-fuel rate
5 class increases that range from 3.41% to 15.6% after banding. PNM Witness
6 Aguirre summarizes the bill impact for each of PNM's rate classes. However, as I
7 discuss above, prior to the implementation of new base rates that may result from
8 this case, customers will experience mitigating impacts on their bills from two
9 occurrences. First, PNM will complete the Commission-approved recovery of
10 under-recovered fuel and purchased power expenses in the FPPCAC Balancing
11 Account at the end of 2015, as discussed earlier in my testimony. This reduces the
12 bill impact to 9.85%. Second, if the Commission approves PNM's pending CCN
13 for 132 MW of replacement capacity in SJGS Unit 4, a new coal supply contract
14 will go into effect beginning January 1, 2016, as further described by PNM
15 witness Taylor. The reduction in fuel expenses would be passed through to
16 customers through the FPPCAC prior to the effective date of the proposed base
17 rate changes, which in combination with changes to other applicable riders like
18 Energy Efficiency and the Renewable Energy Rider results in a total bill impact
19 for customers of 5.42%. These are real savings that should be recognized in
20 assessing the overall impacts to customers' bills that will occur in 2016.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

XI. CREDIT CARD PAYMENT PROGRAM

1
2 **Q. PLEASE DESCRIBE PNM'S PROPOSAL TO IMPLEMENT FREE**
3 **RECURRING CREDIT CARD PAYMENTS FOR CUSTOMERS.**

4 **A.** PNM is proposing to modify its credit card payment program such that customers who
5 sign up for automatic, recurring payments will no longer be charged a \$2.95
6 transaction fee when using a credit card to pay their PNM bill. All customers will
7 be eligible to sign up for free, automatic, recurring payments. PNM is requesting
8 that the Commission establish a regulatory asset for fees incurred in this customer
9 service program. PNM is not seeking immediate recovery of any costs associated with
10 this program in this proceeding, but will include the item in its cost of service going
11 forward. PNM Witness Monroy also addresses the creation of the proposed regulatory
12 asset.

13
14 **Q. WHICH PNM CUSTOMERS CURRENTLY PAY BY CREDIT CARDS?**

15 **A.** Generally, residential customers of all income levels use credit cards to pay their
16 electric bill. For the twelve months ended March 31, 2015, 7.9% of PNM
17 customer payments were made using either credit or debit cards. Industry wide,
18 approximately 8% of utility customer payments were made using a credit card in
19 2012. Over the twelve months ended March 31, 2015, 9% of those credit card
20 payments were made by PNM customers who identified themselves as low
21 income through the Low Income Heating Energy Assistance Program. Customers
22 currently pay a transaction fee of \$2.95 for each payment made by credit card to

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 PNM. PNM proposes that, beginning in July 2016, customers who sign up for
2 automatic and recurring payments will not have to pay a transaction fee for using
3 a credit card. This will remove some of the financial burden to customers paying
4 with a credit card while providing customers with a convenient option for paying
5 their bills.

6
7 **Q. WHY IS PNM NOT MAKING NON-RECURRING CREDIT CARD**
8 **PAYMENT FEES FREE TO CUSTOMERS?**

9 **A.** PNM is able to obtain a lower transaction fee from credit card vendors for
10 customers who participate in automatic, recurring payment programs than for
11 customers who make one-time payments. Vendors are expected to offer PNM a
12 transaction fee of \$1.50 for recurring customer credit card payments versus the
13 original transaction fee of \$2.95 per payment. Vendors have offered a discounted
14 price for recurring credit card payments because the volume of payments should
15 be relatively consistent and predictable each month, leading to lower
16 administrative and processing costs for the vendors. Therefore, absorbing only
17 recurring credit card transactions will be considerably less expensive than
18 absorbing all customer credit card payments.

19
20 PNM will continue to offer one-time credit card payments as an option for
21 customers, but customers using this option will continue to pay a \$2.95
22 transaction fee directly to the vendor.

23

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. WHAT ARE THE COSTS ASSOCIATED WITH THE PROGRAM?**

2 **A.** PNM anticipates that offering free credit card payments to customers who sign up
3 for automatic, recurring payments will cost between \$360,000 and \$630,000
4 annually, based on an anticipated participation level of between 4.0% and 7.0% of
5 customers. This estimate is based on a similar program that PNM had in place
6 prior to 2012, as well as input from external payment processing services.

7

8 **Q. HOW IS PNM PROPOSING TO ACCOUNT FOR THE CREDIT CARD**
9 **FEE EXPENSE TO BE CHARGED BY THE CREDIT CARD**
10 **COMPANIES?**

11 **A.** Because PNM is proposing to implement this program in July 2016, or upon
12 implementation of rates from this proceeding, PNM cannot predict the rate and
13 timing of customers' participation in this new program, and has not estimated the
14 annual amount of fees it expects to incur for this program. As described by PNM
15 Witness Monroy, PNM is instead requesting that the Commission authorize PNM
16 to establish a regulatory asset for the fees incurred for this customer service
17 program. PNM would defer for future recovery all expenses incurred related to
18 the free automatic/recurring credit card fee program upon implementation of the
19 program through the effective date of new rates set in PNM's next rate case after
20 this case.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

XII. COMPLIANCE WITH COMMISSION ORDERS AND RULES

Q. ASIDE FROM TRADITIONAL RATEMAKING ISSUES, ARE THERE SPECIFIC ISSUES PNM IS REQUIRED TO ADDRESS IN THIS CASE BY PREVIOUS COMMISSION ORDERS AND STIPULATIONS?

A. Yes. PNM Witnesses Chan, Aguirre and Dr. Hansen describe the rate design related matters required to be addressed in this case in accordance with the Amended Stipulation approved by the Commission in the 2010 Rate Case. I have addressed the requirement for PNM to seek approval for continued use of the Renewable Energy Rider in this case. In NMPRC Case No. 12-00007-UT, the Commission required PNM to address whether all RPS compliance costs should be recovered through the Renewable Energy Rider and whether a functional allocation of costs should be used for this Rider. I have addressed the issue of whether all RPS compliance costs should be recovered through the Renewable Energy Rider earlier in my testimony and PNM Witness Aguirre evaluates the use of a functional allocation. Also, the Commission's Final Order in NMPRC Case No. 11-00435-UT ("Payment Center Order") requires PNM to address the use of payment centers in this case. My testimony will address this payment center issue below. PNM also is required to propose the ratemaking treatment and allocation of revenues from the anticipated receipt of revenues related to the chemical pre-treatment of coal at SJGS, pursuant to the Final Order Adopting Certification of Stipulation in NMPRC Case No. 13-00187-UT, which I discuss below.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. PLEASE EXPLAIN HOW PNM IS COMPLYING WITH THE**
2 **HISTORICAL REQUIREMENT IN THE FTY RULE?**

3 **A.** The FTY Rule requires PNM to provide certain historical financial information
4 prepared in the normal course of business for a three year period. PNM is
5 providing its Rule 510 compliance filings for yearend 2014, 2013 and 2012 as
6 PNM Exhibit GTO – 2. Additionally PNM would like to make the Commission
7 and others aware that past SEC filings such as 10-K or 10-Q are publically
8 available on the PNMR website (<http://www.pnmresources.com>) and are available
9 for download at any time.

10

11 **Q. PLEASE DESCRIBE THE MANNER IN WHICH PNM WAS REQUIRED**
12 **TO OPERATE THE PAYMENT CENTERS PURSUANT TO THE**
13 **PAYMENT CENTER ORDER.**

14 **A.** The Payment Center Order required PNM to keep the payment centers open and
15 to operate each of the payment centers at least two-days per week.

16

17 **Q. DOES PNM HAVE A RECOMMENDATION FOR THE FUTURE**
18 **OPERATION OF THE PAYMENT CENTERS?**

19 **A.** Yes. After considering a variety of options and factors, PNM recommends that it
20 should continue to operate each of the payment centers on the current operating
21 schedule, which is consistent with the Payment Center Order.

22

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. WHY IS PNM RECOMMENDING NO CHANGE TO THE CURRENT**
2 **OPERATING SCHEDULE?**

3 **A.** Although the payment center statistics show that many customers have made the
4 transition to alternative payment methods to pay their electric bills, the number of
5 customers using the payment centers stabilized after the initial decline in use in
6 response to the twice a week schedule. PNM has seen an over 64% decrease in the
7 number of payments processed in its payment centers statewide since 2011. In
8 2011 an average of 43,432 payments were processed each month. In late 2011
9 PNM announced its intention to close the payment centers. In 2012 the average
10 monthly payments processed in payment centers decreased to 29,113. In
11 accordance with the Payment Center Order, PNM changed its operating schedule
12 to two-days per week in each of the payment centers in September 2012. From
13 2013 to 2014 the average monthly payments continued to decrease from 17,676 to
14 15,400. Through March 2015, the average number of payments processed
15 monthly has remained relatively constant, at 15,431.

16
17 **Q. PLEASE PROVIDE DATA RELATED TO THE METHOD OF PAYMENT**
18 **THAT PNM CUSTOMERS ARE USING AS A RESULT OF**
19 **IMPLEMENTATION OF THE TWO-DAY OPERATING SCHEDULE.**

20 **A.** As a result of implementing a two-day operating schedule, many customers have
21 migrated to alternate payment methods as shown in Table GTO-1:

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

Table GTO-1

Type of Payment	Number of Payments 2011	Number of Payments Apr 2014 - Mar 2015	Percentage Increase
Electronic Payments			
Automatic Payment	572,743	846,552	48%
Online	808,026	1,128,628	40%
Other (i.e., bank bill pay service)	1,028,204	1,108,398	8%
In Person Payments			
Western Union			
Walk-in Payments	219,855	284,496	29%

1 **Q. PLEASE PROVIDE AN OVERVIEW OF THE PAYMENT OPTIONS**
2 **THAT PNM CURRENTLY OFFERS ITS CUSTOMERS.**

3 **A. PNM offers the following payment options to its customers:**

- 4 • Electronic
- 5 ○ On-line (Electronic check, Credit, Debit or ATM card)
- 6 ○ Bank Bill Pay Service
- 7 ○ Phone (Electronic check, Credit, Debit, or ATM card)
- 8 ○ Automatic Payment (Bank Draft)
- 9 • Mail
- 10 • Walk-in
- 11 ○ 63 Western Union locations
- 12 ○ Eight (8) PNM payment centers
- 13 • Drop off at Wells Fargo Bank
- 14 ○ Over 49 Wells Fargo branches

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. PLEASE DESCRIBE OTHER OPTIONS PNM CONSIDERED FOR THE**
2 **PAYMENT CENTERS.**

3 **A.** In addition to the option of maintaining the existing two-day payment center
4 operations for the foreseeable future, PNM also considered a wide range of other
5 options. These options included: (1) full closure of all payment centers; (2)
6 closure of certain payment centers where overall volume is very low; and (3)
7 expanding the days of operation for some or all of the payment centers. Given the
8 trend toward electronic payments among customers, especially with the wide
9 adoption of the internet and increased popularity of mobile devices, PNM believes
10 that it should continue to maintain the current two-day operations at each of its
11 eight payment centers for the foreseeable future. However, PNM will continue to
12 assess future customer payment trends.

13

14 **Q. PLEASE EXPLAIN THE ISSUE REGARDING CHEMICAL PRE-**
15 **TREATMENT OF SAN JUAN COAL.**

16 **A.** The federal government provides tax incentives to entities that are able to reduce
17 NOx emissions by chemically treating coal prior to combustion. In response to
18 these incentives, several entities have developed proprietary processes for coal
19 pre-treatment that meet IRS requirements. The entities seek opportunities at coal
20 burning facilities to deploy their equipment and processes to take advantage of the
21 tax incentives. On behalf of the San Juan owners, PNM entered into a License
22 and Access Agreement with San Juan Fuels, LLC (“SJF”) under which SJF was
23 permitted to install a coal pre-treatment facility at San Juan. In return SJF will

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 pay a licensing and access fee based on the tonnage of coal treated, of which
2 PNM's retail share would be about \$5.6 million per year. The pre-treatment is
3 expected to reduce NOx emissions by approximately 21%, mercury by more than
4 50%, and SO₂ by at least 5.1%. In the Stipulation approved in NMPRC Case No.
5 13-00178-UT ("FPPCAC Stipulation"), PNM was allowed to retain 100% of the
6 revenues from the SJF contract through the effective date of the rates approved in
7 this case. PNM also agreed to include in this case a proposal for the ratemaking
8 treatment of the revenues going forward.

9
10 **Q. WHAT IS PNM PROPOSING AS THE RATEMAKING TREATMENT**
11 **GOING FORWARD?**

12 **A.** First, I must emphasize that PNM did not begin receiving revenues under the
13 contract began much later than expected. PNM's ability to retain revenues from
14 the contract was an important consideration in its agreement to write off \$10.5
15 million in fuel costs as part of the FPPCAC Stipulation. Therefore, PNM
16 proposes that it be allowed to continue to retain 100% of the revenues from the
17 contract through December 31, 2016. Beginning January 1, 2017, PNM will
18 credit 50% of the revenues received from the contract against fuel handling costs
19 through the FPPCAC.

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 **Q. ARE THERE ANY OTHER ADJUSTMENTS TO PNM'S COST OF SERVICE**
2 **THAT HAVE BEEN INCLUDED AS A RESULT OF INFORMATION IN**
3 **OTHER COMMISSION PROCEEDINGS?**

4 **A.** As a result of public comments filed in Case No. 15-00134-UT, the Jicarilla
5 Nation has raised uncertainty for PNM with regard to the potential loss of that
6 wholesale load during the Test Period, if the Nation can permissibly exercise an
7 early termination provision contained in the wholesale contract. Due to this
8 uncertainty, PNM adjusted its allocation of costs between its wholesale and retail
9 customers and has accounted for these wholesale sales in its FPPCAC, as further
10 discussed by PNM Witness Monroy.

11

12

XIII. CONCLUSION

13 **Q. DOES THE COST OF SERVICE REFLECT THE TERMS OF OTHER**
14 **STIPULATIONS APPROVED BY THE COMMISSION?**

15 **A.** Yes, as demonstrated in my testimony above and the testimonies of PNM's other
16 witnesses.

17

18 **Q. PLEASE SUMMARIZE THE APPROVALS THAT PNM IS REQUESTING**
19 **FROM THE COMMISSION IN THIS CASE.**

20 **A.** PNM is requesting Commission approval of a revenue requirement of
21 \$981,455,795, together with the approval of the rate schedules contained in
22 Advice Notice 513. PNM is seeking a non-fuel base revenue increase of

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

1 approximately \$123,498,612 and authorization to collect base revenues of \$763,800,031
2 through an updated rate design. In accordance with the PUA, Section 62-8-7, PNM
3 seeks to implement its new rates as soon possible, but no later than nine months from the
4 date of suspension by the Commission of the proposed rate schedules.

5
6 In addition to approval of the requested increase in revenue requirements and the
7 related rate schedules contained in Advice Notice 513, PNM also requests:

- 8 • approval of the continued use of PNM's existing renewable energy rider;
- 9 • confirmation that PNM's annuitization of the pension benefits of PNM's
10 former gas utility operations will result in eliminating the need to allocate
11 pension expense between electric and gas in future rate cases because
12 100% of the remaining pension expense will be attributable to PNM's
13 electric operations;
- 14 • approval to establish certain new regulatory assets and liabilities and begin
15 recovery of previously established regulatory assets and liabilities;
- 16 • approval to establish a regulatory asset and liability treatment regarding
17 recovery of certain costs over a straight-line basis compared to a present-
18 value accretion basis as required by GAAP;
- 19 • inclusion of coal and nuclear fuel handling expenses and the purchase of
20 spinning reserves in base fuel expense rather than non-base fuel expense;
- 21 • approval of ratemaking treatment for the revenues associated with
22 chemical pretreatment of the coal for SJGS;

**DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 15-00261-UT**

- 1 • approval of comprehensive rate design modifications that rely on an
2 embedded class cost of service study to allocate the revenue requirement
3 among rate classes, subject to mitigation of disproportionate impacts and
4 maintenance of competitive rates for at-risk customers.
- 5 • approval of rate design changes that better align cost causation with cost
6 recovery by seeking recovery of all customer-related costs through
7 monthly customer charges for all but one rate class and by requesting
8 recovery of demand-related costs through demand charges;
- 9 • approval of the RBA, PNM's proposed four-year pilot decoupling
10 mechanism that will remove regulatory disincentives for energy efficiency
11 programs as required by Section 62-17-5F of the PUA; and
- 12 • approval of an economic development tariff to encourage new industry to
13 locate in New Mexico and incentivize existing customers to further invest
14 in their business in this State.

15

16 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

17 **A.** Yes.

GCG#520399

Resume of Gerard T. Ortiz

PNM Exhibit GTO-1

Is contained in the following 6 pages.

GERARD T. ORTIZ EXPERIENCE AND QUALIFICATIONS

Name: Gerard T. Ortiz
 Address: PNM Resources Inc.
 414 Silver Ave. SW
 Albuquerque, NM 87102

Position:
 Professional Engineer Registration: State of New Mexico - #9687

Education: B.S., Electrical Engineering, New Mexico State University, 1981
 M.B.A., Finance Concentration, University of New Mexico, 1988

Employment: Employed by Public Service Company of New Mexico since 1981.
 Positions held within the Company include:
 Executive Director, New Mexico Retail Regulatory Services
 Director, Regulatory Policy and Case Management
 Director, Market Services
 Director, Business Resource Planning
 Marketing Manager, Healthcare/Communications Segment
 Engineering Supervisor
 Distribution Engineer

Testimony Filed:

<u>Proceeding</u>	<u>Regulatory Body</u>	<u>Docket Number</u>
In the Matter of the City of Albuquerque To Institute Retail Pilot Load Aggregation Program and Its Request for Related	NMPUC	2782
In the Matter of PNM's transition plan Pursuant to the Electric Utility Industry Restructuring Act of 1999 – Part II Testimony in Support of Merchant Plant	NMPRC	3137
In the Matter of the application of PNM For Approval of Voluntary Renewable Energy Rider	NMPRC	03-00101-UT

1	<u>Proceeding</u>	<u>Regulatory Body</u>	<u>Docket Number</u>
2	3 4 In the Matter of the application of PNM 5 For Approval of Rio Rancho 2003 Underground 6 Projects Rider Pursuant to Advice Notice 7 No. 299	NMPRC	03-00352-UT
8	9 In the Matter of the application of PNM 10 For Approval of Gas Energy Efficiency 11 Programs and Program Cost Rider Pursuant 12 To the New Mexico Public Utility and 13 Efficient Use of Energy Acts	NMPRC	05-00261-UT
14	15 In the Matter of the application of PNM 16 For a Certificate of Public Convenience 17 And Necessity for the Afton Generation 18 Station	NMPRC	05-00275-UT
19	20 In the Matter of the application of PNM 21 For Approval of Rio Rancho 2005 22 Underground Projects Rider Pursuant to 23 Advice Notice No. 319	NMPRC	05-00418-UT
24	25 In the Matter of Staff's Petition for the 26 Docketing of a Case to Address Issues 27 Arising from PNM's Fiber Optic Network 28 Pilot Program	NMPRC	05-00443-UT
29	30 In the Matter of the application of PNM 31 For Approval of Rio Rancho Unser 32 Boulevard Road Widening Project 33 Underground Rider Pursuant to Advice 34 Notice No. 323	NMPRC	06-00095-UT
35	36 In the Matter of the application of PNM 37 For Approval of Rio Rancho 2006 Underground 38 Project Rider Pursuant to Advice Notice 39 No. 326	NMPRC	06-00302-UT
40	41 In the Matter of the application of PNM 42 For Approval of the ML Tap Underground 43 Project Rider Pursuant to Advice Notice No. 44 328	NMPRC	06-00354-UT
45			

1		Regulatory	Docket
2	<u>Proceeding</u>	<u>Body</u>	<u>Number</u>
3			
4	In the Matter of the application of PNM	NMPRC	07-00053-UT
5	For Approval of Electric Energy Efficiency		
6	Programs and Load Management Programs		
7	Program Cost Tariff Riders Pursuant to the		
8	New Mexico Public Utility and Efficient		
9	Use of Energy Acts		
10			
11	In the Matter of the Investigation of the	NMPRC	07-00151-UT
12	Continuation of PNM's Gas Energy		
13	Efficiency Programs and Program Cost		
14	Tariff Rider		
15			
16	In the Matter of the application of PNM	NMPRC	07-00170-UT
17	For Approval of the City of Santa Fe 2007		
18	Underground Projects Rider Pursuant to		
19	Advice Notice No. 335		
20			
21	In the Matter of the application of PNM	NMPRC	07-00373-UT
22	For Approval of the Santa Fe County 2007		
23	Underground Projects Rider Pursuant to		
24	Advice Notice No. 339		
25			
26	In the Matter of the application of PNM	NMPRC	07-00463-UT
27	For Approval of the City of Albuquerque		
28	Unser 12 2007 Underground Project Rider		
29	Pursuant to Advice Notice No. 344		
30			
31	In the Matter of the application of PNM	NMPRC	08-00100-UT
32	For Approval of the City of Rio Rancho 2008		
33	Underground Projects Rider Pursuant to Advice		
34	Notice No. 346		
35			
36	Inquiry into Charges to Customers	NMPRC	08-00229-UT
37	Of Public Service Company of New		
38	Mexico's Voluntary Renewable Energy		
39	Program Under Rider 11 and the		
40	Emergency Fuel Adjustment Clause		
41			
42	In the Matter of the application of PNM	NMPRC	09-00056-UT
43	For Approval of the County of Santa Fe 2009		
44	Underground Projects Rider Pursuant to Advice		
45	Notice No. 367		
46			

1	Proceeding	Regulatory Body	Docket Number
2			
3			
4	In the Matter of the application of PNM	NMPRC	09-00091-UT
5	For Approval of the City of Rio Rancho 2009		
6	Underground Projects Rider Pursuant to Advice		
7	Notice No. 369		
8			
9	In the Matter of the Application of Public	NMPRC	09-00321-UT
10	Service Company of New Mexico		
11	For Approval of a Plan to		
12	Manage Fuel and Purchased Power Costs		
13	By Entering into Certain Forward Market		
14	Transactions		
15			
16	In the Matter of the Application of Public	NMPRC	10-00018-UT
17	Service Company of New Mexico		
18	For Approval of a New Voluntary		
19	Renewable Energy Program to Replace		
20	The Company's Existing Sky Blue		
21	Program and for Approval to Terminate		
22	The Sky Blue Program		
23			
24	In the Matter of an Investigation by the	NMPRC	10-00042-PL
25	Pipeline Safety Bureau of the New Mexico		
26	Public Regulation Commission Concerning		
27	A Complaint Filed by the International		
28	Brotherhood of Electrical Workers		
29			
30	In the Matter of the Application of Public	NMPRC	10-00073-UT
31	Service Company of New Mexico For		
32	Approval of the City of Rio Rancho 2010		
33	Underground Projects Rider Pursuant to Advice		
34	Notice No. 388		
35			
36	In the Matter of the Application of Public	NMPRC	10-00100-UT
37	Service Company of New Mexico For		
38	Approval of the City of Albuquerque 2010		
39	Underground Projects Rider Pursuant to Advice		
40	Notice No. 391		
41			

1	Proceeding	Regulatory Body	Docket Number
3			
4	In the Matter of the Application of Public Service Company of New Mexico For Approval of 2010 Electric Energy Efficiency And Load Management Programs and Revisions to Program Cost Tariff Riders Pursuant to the New Mexico Public Utility and Efficient Use of Energy Act	NMPRC	10-00280-UT
11			
12	In the Matter of the Application of Public Service Company of New Mexico for Approval of the County of Santa Fe Underground Project Rider Pursuant to Advice Notice No. 401	NMPRC	10-00286-UT
17			
18	In the Matter of the Proposed Revisions to The State Implementation Plan for Regional Haze	EIB	EIB-01(R)
21			
22	In the Matter of the Public Service Company of New Mexico's Renewable Energy Portfolio Procurement Plan for 2012	NMPRC	11-00265-UT
26			
27	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	12-00007-UT
33			
34	In the Matter of Public Service Company of New Mexico's Renewable Energy Portfolio Procurement Plan for 2013	NMPRC	12-00131-UT
38			
39	In the Matter of Public Service Company of New Mexico's Application For a Certificate of Public Convenience And Necessity and Related Approvals For the La Luz Energy Center	NMPRC	13-00175-UT
44			

1	<u>Proceeding</u>	<u>Regulatory Body</u>	<u>Docket Number</u>
3			
4	In the Matter of Public Service Company Of New Mexico's Renewable Energy Portfolio Procurement Plan for 2014 and Proposed 2014 Rider Rate under Rate Rider No. 36	NMPRC	13-00183-UT
8			
9	In the Matter of the Application Of Public Service Company of New Mexico For Continued Use of Fuel and Purchased Power Cost Adjustment Clause	NMPRC	13-00187-UT
10			
11	In the Matter of the Application of Public Service Company of New Mexico for Approval To Abandon San Juan Generating Station Units 2 and 3, Issuance of Certificates of Public Convenience and Necessity for Replacement Power Resources, Issuance of Accounting Orders And Determination of Related Ratemaking Principles and Treatment	NMPRC	13-00390-UT
13			
14	In the Matter of Public Service Company Of New Mexico's Petition for Declaratory Order Regarding the Applicability of Rate 3C To Service Provided to Valencia Power, LLC	NMPRC	14-00102-UT
22			
23	In the Matter of Public Service Company Of New Mexico's Renewable Energy Portfolio Procurement Plan for 2015 and Proposed 2015 Rider Rate under Rate Rider No. 36	NMPRC	14-00158-UT
32			
33	In the Matter of the Application of Public Service Company of New Mexico for Approval of Electric Energy Efficiency Programs and Program Cost Tariff Rider Pursuant to the New Mexico Public Utility And Efficient Use of Energy Acts	NMPRC	14-00310-UT
34			
35	In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant To Advice Notice 507	NMPRC	14-00332-UT
40			
41			
42			
43			
44			

PNM Rule 510 Compliance Filings 2012, 2013 and 2014

PNM Exhibit GTO-2

Is contained in the following 9 pages.

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 10-00086-UT to Base Year 2012

STATEMENT OF EARNINGS & EXPENSES
(In Thousands)

No.	Description	Total Electric		Adjustments		Adjusted Total Electric		New Mexico Jurisdiction		New Mexico Jurisdiction NMPRC Case No. 10-00086-UT
		Yr. Ended 12/31/2012	Yr. Ended 12/31/2012	Yr. Ended 12/31/2012	Yr. Ended 12/31/2012	Yr. Ended 12/31/2012	Yr. Ended 12/31/2012	Yr. Ended 12/31/2012	Yr. Ended 12/31/2012	
Revenue:										
B. (1)(a)	Total Electric Revenues	1,092,264	(8,798) ^a	1,083,466		947,625		914,694		
B. (1)(b)	Net Earnings	91,552		91,552		90,337		90,337		
B. (1)(c)	Equity Return on Equity			1,284,408		948,739		948,739		10.00%
Plant-in-Service:										
B. (1)(f)	Generation Plant-in-Service	2,070,314		2,070,314		1,766,376		1,577,533		
B. (1)(g)	Transmission Plant-in-Service	609,134		609,134		344,467		286,411		
B. (1)(h)	Distribution Plant-in-Service	1,172,397		1,172,397		1,172,397		1,074,492		
Operation & Maintenance Expense:										
B. (1)(i)	Fuel	266,173		261,005		227,481		284,749		
	Nuclear Production O&M	102,988		102,988		80,805		83,331		
	Non-Nuclear Production O&M	81,543		81,543		75,983		70,797		
	Purchased Power Expense	92,228		92,228		87,584		45,759		
	Other O&M Expenses	229,539	2,826	232,365		159,111		160,271		
	Transmission O&M Expenses	37,122	2,120 ^b	39,243		24,087		26,295		
	Distribution O&M Expenses	24,266		24,266		24,266		25,928		
	Customer Service, Accounts & Informational Expense	15,713		15,713		15,713		14,270		
	Sales Expense	5,764		5,764		5,351		4,928		
	Admin. and General O&M Expenses	146,674	706 ^c	147,380		89,695		88,850		
Total Operation & Maintenance Expense										
Deferred Tax Reserves:										
B. (1)(j)	Total Accumulated Deferred Income Tax	577,328	78,014 ^d	655,343		542,863		345,445		
Peak Demand:										
B. (1)(k)	Peak Demand Data excluding Phelps-Dodge	1,948		1,948		1,714				
B. (1)(l)	Total MWh Sales	10,113,366,196		10,113,366,196		8,760,908,453				

B. (1)(f) Please refer to the FERC Form 1 pgs 402-403.1 for the following
Installed Cost
In-service Date
Plant Type
Fuel Source

B. (2) See attached schedule for jurisdictional allocation details.

B. (3)
^a Revenue Adjustments (\$892) Remove mark to market, as it does not impact cost of service calculation.
(\$7,906) PNM adjusted retail revenues to remove the impact associated with non-normal weather.
^b Agreement with WAPA to exchange transmission services.
^c Remove mark to market, as it does not impact cost of service calculation.
^d Removal of ADI balances that are associated with amounts not included in a cost of service.

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 10-00086-UT to Base Year 2012
AMOUNT OF DEBT, AVERAGE COST OF DEBT & CAPITAL STRUCTURE
(In Thousands)

NMPRC Rule No.	Description	New Mexico Jurisdiction NMPRC Case 10-00086-UT	Total Electric Yr. Ended 12/31/2012
Outstanding Debt:			
B. (1)(d)	Short Term Debt	Amount Outstanding Yr. Ended 12/31/2010 190,000	Amount Outstanding Yr. Ended 12/31/2012 21,100
	Long Term Debt	Average Cost of Debt 1,353	Average Cost of Debt 842
	Weighted Average Cost of Long Term Debt Capital	1,055,740	1,215,579
		34,417	77,189
		3.26%	6.35%
Capital Structure:			
B. (1)(e)	Long Term Debt	Effective Rate 6.78%	Amount 1,215,560
	Preferred Stock	Composite Cost of Capital 3.26%	Capital Ratio 48.62%
	Common Equity	0.02%	Effective Rate 4.62%
	Total Capitalization	5.13%	Composite Cost of Capital 3.09%
		8.41%	10.00%
			1,272,879
			2,499,968
			100.00%
			8.20%

B. (2) For current year, PNM used unadjusted data from the 2012 FERC Form 1 and 10-K.
For NMPRC Case No. 10-00086-UT, PNM used unadjusted data as filed.

B. (3) No adjustments were made to the current year data

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 10-00086-UT to Base Year 2012

JURISDICTIONAL ALLOCATORS

NMPRC Rule No. Description	Year Ended 12/31/2012					Case No. 10-00086-UT				
	Total	New Mexico Jurisdiction	Renewables	FERC	Other	Total	PNM North	PNM South	FERC	Other
B. (2) Total Wages and Salaries	113,271,482 100.00%	98,756,159 87.19%	- 0.00%	7,726,026 6.82%	6,789,297 5.99%	121,297,968 100.00%	99,065,961 81.67%	6,610,410 5.45%	8,094,107 6.67%	7,527,490 6.21%
Production Plant	1,267,518,491 100.00%	1,071,635,193 84.55%	- 0.00%	73,396,534 5.79%	122,486,764 9.66%	1,160,229,283 99.99%	889,116,008 76.63%	96,165,196 8.29%	61,549,133 5.30%	113,398,946 9.77%
Transmission Plant	343,639,918 100.00%	194,142,050 56.50%	- 0.00%	145,210,282 42.26%	4,287,586 1.24%	271,404,976 100.00%	133,578,738 49.22%	17,671,080 6.51%	116,244,909 42.83%	3,910,249 1.44%
Distribution Plant	669,544,426 100.00%	666,174,853 99.50%	3,369,573 0.50%	- 0.00%	- 0.00%	624,973,113 100.00%	572,760,728 91.64%	51,980,919 8.32%	231,466 0.04%	- 0.00%
General & Intangible Plant	131,176,717 100.00%	113,934,307 86.86%	270,554 0.21%	13,390,610 10.21%	3,581,246 2.72%	103,009,473 100.00%	82,835,287 80.42%	8,886,336 8.63%	8,972,030 8.71%	2,315,820 2.24%
Total Net Plant	2,408,239,427 100.00%	2,045,866,405 84.95%	- 0.00%	231,997,425 9.63%	130,355,597 5.42%	2,159,616,846 100.00%	1,678,290,761 77.71%	174,703,551 8.09%	186,997,539 8.66%	119,625,015 5.54%
Net Plant without Excluded Plant	2,280,702,837 100.00%	1,931,952,097 84.71%	3,369,573 0.15%	218,606,816 9.59%	126,774,351 5.55%	- 0.00%	- 0.00%	- 0.00%	1,239,833 7.15%	- 0.00%
Generation Demand	18,812,093 100.00%	17,606,794 93.59%	0 0.00%	1,205,299 6.41%	0 0.00%	17,332,172 100.00%	16,092,339 92.85%	- 0.00%	- 0.00%	- 0.00%
Energy	9,830,849 100.00%	9,158,014 93.16%	0 0.00%	672,835 6.84%	0 0.00%	9,499,790 100.00%	8,785,782 92.48%	- 0.00%	714,008 7.52%	- 0.00%
Generation and Transmission Demand	100.00%	68.53%	0.00%	31.47%	0.00%	100.00%	63.65%	4.26%	32.09%	0.00%
Transmission Demand	2,719,357 100.00%	1,533,757 56.40%	0 0.00%	1,185,600 43.60%	0 0.00%	2,446,966 100.00%	1,293,166 52.80%	- 0.00%	1,155,800 47.20%	- 0.00%
Transmission Demand without Network	2,162,971 100.00%	1,533,757 70.91%	0 0.00%	629,214 29.09%	0 0.00%	2,074,227 100.00%	1,293,166 62.34%	166,259 8.02%	614,802 29.64%	- 0.00%
Demand including PNM South	18,578,680 100.00%	16,092,339 86.62%	0 0.00%	86,622 0.47%	0 0.00%	18,578,680 100.00%	16,092,339 86.62%	1,246,508 6.71%	1,239,833 6.67%	- 0.00%
Energy including PNM South	10,104,295 100.00%	8,785,782 86.95%	0 0.00%	86,959 0.86%	0 0.00%	10,104,295 100.00%	8,785,782 86.95%	604,505 5.98%	714,008 7.07%	- 0.00%
Transmission Demand with TNMP	2,615,225 100.00%	1,293,166 49.45%	0 0.00%	1,155,800 44.19%	0 0.00%	2,615,225 100.00%	1,293,166 49.45%	166,259 6.36%	1,155,800 44.19%	- 0.00%

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 10-00086-UT to Base Year 2013
STATEMENT OF EARNINGS & EXPENSES
(in Thousands)

No.	Description	Total Company Yr. Ended 12/31/2013	Adjustments Yr. Ended 12/31/2013	Adjusted Total Company Yr. Ended 12/31/2013	New Mexico Jurisdiction Yr. Ended 12/31/2013	New Mexico Jurisdiction NWPRC Case No. 10-00086-UT
Revenue:						
B. (1)(a)	Total Electric Revenues	1,116,312	(5,166) ^A	1,111,147	968,469	969,799
B. (1)(b)	Net Earnings	87,627		90,629	91,656	92,087
B. (1)(c)	Equity Return on Equity	1,143,363		1,143,363	975,017	970,504
				7.93%	9.40%	10.00%
Plant-in-Service:						
B. (1)(f)	Generation Plant-in-Service	2,174,651		2,174,651	1,863,053	1,577,533
B. (1)(g)	Transmission Plant-in-Service	641,456		641,456	362,675	286,411
B. (1)(h)	Distribution Plant-in-Service	1,232,061		1,232,061	2,457,076	1,074,492
Operation & Maintenance Expenses:						
B. (1)(i)	Fuel	264,244	-	264,244	231,657	284,923
	Nuclear Production O&M	101,809	-	101,809	80,158	83,331
	Non-Nuclear Production O&M	72,819	-	72,819	68,042	70,797
	Purchased Power Expense	114,177	1,573 ^C	115,750	101,854	45,759
	Other O&M Expenses	219,091	(1,991)	217,100	148,804	160,271
	Transmission O&M Expenses	38,104	(1,991) ^A	36,114	24,798	26,295
	Distribution O&M Expenses	24,289	-	24,289	24,289	25,928
	Customer Service, Accounts & Informational Expense	15,722	-	15,722	15,720	14,270
	Sales Expense	5,145	-	5,145	4,778	4,928
	Admin. and General O&M Expenses	135,830	-	135,830	79,220	88,850
Deferred Tax Reserves:						
B. (1)(j)	Total Accumulated Deferred Income Tax	606,700	78,468 ^D	685,167	565,889	345,228
Peak Demand:						
B. (1)(k)	Peak Demand Data (excluding economy service customers)	2,008		2,008	1,764	
B. (1)(l)	Net Energy Sales (kWh):	12,001,979,818		12,001,979,818	10,379,188,064	
B. (1)(f)	Installed Cost					
	In-service Date					
	Plant Type					
	Fuel Source					
B. (2)	See attached schedule for jurisdictional allocation details.					
B. (3)	Revenue Adjustments					
	(\$293) Remove mark to market, as it does not impact cost of service calculation.					
	(\$4,873) PNM adjusted retail revenues to remove the impact associated with non-normal weather.					
	Agreement with WAPA to exchange transmission services.					
	Remove mark to market, as it does not impact cost of service calculation.					
	Removal of ADIT balances that are associated with amounts not included in cost of service.					

B. (1)(f) Please refer to the FERC Form 1 988-402-403.1 for the following

- ^A Revenue Adjustments
- ^B (\$293) Remove mark to market, as it does not impact cost of service calculation.
- ^C (\$4,873) PNM adjusted retail revenues to remove the impact associated with non-normal weather.
- ^D Agreement with WAPA to exchange transmission services.
- ^E Remove mark to market, as it does not impact cost of service calculation.
- ^F Removal of ADIT balances that are associated with amounts not included in cost of service.

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 10-00086-UT to Base Year 2013

AMOUNT OF DEBT, AVERAGE COST OF DEBT & CAPITAL STRUCTURE
(In Thousands)

No.	Description	New Mexico Jurisdiction NMPRC Case 10-00086-UT	Total Electric Yr. Ended 12/31/2013
Outstanding Debt:			
B. (1)(d)	Short Term Debt	Amount Outstanding Yr. Ended 12/31/2010 190,000	Amount Outstanding Yr. Ended 12/31/2013 49,200
	Long Term Debt	Average Cost of Debt 1,353	Average Cost of Debt 1,034
	Weighted Average Cost of Long Term Debt Capital	34,417	77,522
		3.26%	6.35%
Capital Structure:			
B. (1)(e)	Long Term Debt	Effective Rate 6.78%	Amount 1,215,870
	Preferred Stock	Composite Cost of Capital 3.26%	Effective Rate 6.35%
	Common Equity	0.02%	Capital Ratio 49.88%
	Total Capitalization	5.13%	Composite Cost of Capital 3.17%
		8.41%	Effective Rate 4.62%
			Capital Ratio 0.47%
			Effective Rate 10.00%
			Composite Cost of Capital 4.97%
			Effective Rate 8.16%

B. (2) For current year, PNM used unadjusted data from the 2013 FERC Form 1 and 10-K. For NMPRC Case No. 10-00086-UT, PNM used unadjusted data as filed.

B. (3) No adjustments were made to the current year data

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 10-00086-UT to Base Year 2013
JURISDICTIONAL ALLOCATORS

No. Allocators:	Description	Year Ended 12/31/2013					Case No. 10-00086-UT				
		Total	New Mexico Jurisdiction	Renewables	FERC	Other	Total	PNM North	PNM South	FERC	Other
B. (2)	Total Wages and Salaries	113,271,482 100.00%	98,756,159 87.19%	0 0.00%	7,495,907 6.62%	7,097,805 6.27%	121,297,968 100.00%	99,065,961 81.67%	6,610,410 5.45%	8,094,107 6.67%	7,527,490 6.21%
	Production Plant	1,294,882,013 100.00%	1,095,730,209 84.62%	0 0.00%	75,046,807 5.80%	124,104,997 9.58%	1,160,229,283 99.99%	889,116,008 76.63%	96,165,196 8.29%	61,549,133 5.30%	113,398,946 9.77%
	Transmission Plant	365,562,239 100.00%	206,744,370 56.56%	0 0.00%	154,929,972 42.38%	3,887,897 1.06%	271,404,976 100.00%	133,578,738 49.22%	17,671,080 6.51%	116,244,909 42.83%	3,910,249 1.44%
	Distribution Plant	706,163,574 100.00%	700,790,573 99.24%	3,627,361 0.51%	1,745,641 0.25%	0 0.00%	624,973,113 100.00%	572,760,728 91.64%	51,980,919 8.32%	231,466 0.04%	- 0.00%
	General & Intangible Plant	131,250,152 100.00%	111,697,539 85.10%	262,505 0.20%	15,636,139 11.91%	3,653,969 2.78%	103,009,473 100.00%	82,835,287 80.42%	8,886,336 8.63%	8,972,030 8.71%	2,315,820 2.24%
	Total Net Plant	2,493,968,113 100.00%	2,114,962,692 84.80%	0 0.00%	247,358,558 9.92%	131,646,863 5.28%	2,159,616,846 100.00%	1,678,290,761 77.71%	174,703,531 8.09%	186,997,539 8.66%	119,625,015 5.54%
	Net Plant without Excluded Plant	2,366,607,827 100.00%	2,003,265,153 84.65%	3,627,361 0.15%	231,722,420 9.79%	127,992,894 5.41%	17,332,172 100.00%	16,092,339 92.85%	- 0.00%	1,239,833 7.15%	- 0.00%
	Generation Demand	18,812,093 100.00%	17,606,794 93.59%	0 0.00%	1,205,299 6.41%	0 0.00%	9,499,790 100.00%	8,785,782 92.48%	- 0.00%	714,008 7.52%	- 0.00%
	Energy	9,830,849 100.00%	9,158,014 93.16%	0 0.00%	672,835 6.84%	0 0.00%	18,578,680 100.00%	16,092,339 86.62%	166,259 8.02%	614,802 29.64%	- 0.00%
	Generation and Transmission Demand	100.00%	68.53%	0.00%	31.47%	0.00%	100.00%	63.65%	4.26%	32.09%	0.00%
	Transmission Demand	2,719,357 100.00%	1,533,757 56.40%	0 0.00%	1,185,600 43.60%	0 0.00%	2,448,966 100.00%	1,293,166 52.80%	- 0.00%	1,155,800 47.20%	- 0.00%
	Transmission Demand without Network	2,162,971 100.00%	1,533,757 70.91%	0 0.00%	629,214 29.09%	0 0.00%	2,074,227 100.00%	1,293,166 62.34%	166,259 8.02%	614,802 29.64%	- 0.00%
	Demand including PNM South	18,578,680 100.00%	16,092,339 86.62%	0 0.00%	1,205,299 6.41%	0 0.00%	18,578,680 100.00%	16,092,339 86.62%	1,246,508 6.71%	1,239,833 6.67%	- 0.00%
	Energy including PNM south	10,104,295 100.00%	8,785,782 86.95%	0 0.00%	1,318,513 13.14%	0 0.00%	10,104,295 100.00%	8,785,782 86.95%	604,505 5.98%	714,008 7.07%	- 0.00%
	Transmission Demand with TNMP	2,615,225 100.00%	1,293,166 49.45%	0 0.00%	1,322,059 50.55%	0 0.00%	2,615,225 100.00%	1,293,166 49.45%	166,259 6.36%	1,155,800 44.19%	- 0.00%

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 10-00086-UT to Base Year 2014
STATEMENT OF EARNINGS & EXPENSES
(in thousands)

No.	Description	Total Company		Adjustments		Adjusted Total Company		New Mexico Jurisdiction		New Mexico Jurisdiction	
		Yr. Ended 12/31/2014	Yr. Ended 12/31/2014	Yr. Ended 12/31/2014	Yr. Ended 12/31/2014	Yr. Ended 12/31/2014	Yr. Ended 12/31/2014	Yr. Ended 12/31/2014	Yr. Ended 12/31/2014	Yr. Ended 12/31/2014	Yr. Ended 12/31/2014
B. (1)(a)	Revenue	1,147,915	468 ^A	1,148,383	997,127	997,127	969,799				
B. (1)(b)	Total Electric Revenues	86,038		86,038	79,994	79,994	92,087				
B. (1)(c)	Net Earnings				1,090,379	1,090,379	970,504				
B. (1)(c)	Equity				7,246	7,246	10,006				
B. (1)(c)	Return on Equity										
Plant-in-Service											
B. (1)(f)	Generation Plant-in-Service	2,321,674		2,321,674	2,011,228	2,011,228	1,977,533				
B. (1)(g)	Transmission Plant-in-Service	691,650		691,650	380,764	380,764	286,411				
B. (1)(h)	Distribution Plant-in-Service	1,293,587		1,293,587	1,290,318	1,290,318	1,076,492				
Operation & Maintenance Expense											
B. (1)(i)											
	Fuel	276,542	-	276,542	245,797	245,797	284,923				
	Nuclear Production O&M	104,943	-	104,943	86,537	86,537	83,331				
	Non-Nuclear Production O&M	79,163	-	79,163	74,680	74,680	70,797				
	Purchased Power Expense	126,647	(507) ^C	126,140	111,427	111,427	45,759				
	Other O&M Expenses	212,627	2,419	215,046	144,729	144,729	160,271				
	Transmission O&M Expenses	36,627	2,419 ^A	39,046	28,264	28,264	26,295				
	Distribution O&M Expenses	21,773	-	21,773	21,773	21,773	25,928				
	Customer Service, Accounts & Informational Expense	15,798	-	15,798	15,798	15,798	14,270				
	Sales Expense	4,590	-	4,590	3,813	3,813	4,928				
	Admin. and General O&M Expenses	131,859	(1,911) ^D	129,948	72,076	72,076	88,850				
	Total Operation & Maintenance Expense	803,922	1,911	805,833	664,211	664,211	645,061				
	Deferred Tax Reserves										
B. (1)(j)	Total Accumulated Deferred Income Tax	661,533	18,448 ^E	679,981	563,337	563,337	345,228				
Peak Demand											
B. (1)(k)	Peak Demand Data (excluding economy service customers)	1,878		1,878	1,564	1,564					
Net Energy Sales (KWh)											
B. (1)(l)	Total KWh Sales	11,899,342,077		11,899,342,077	10,204,991,649	10,204,991,649					

B. (1)(m) Please refer to the FERC Form 108-402-403.1 for the following
Installed Cost
In-service Date
Plant Type
Fuel Source

B. (2) See attached schedule for jurisdictional allocation details.

B. (3)
A. Revenue Adjustments
(55,996) Remove mark to market, as it does not impact cost of service calculation.
(56,464) PNM adjusted retail revenues to remove the impact associated with non-normal weather.
B. Agreement with WAPA to exchange transmission services.
C. Remove mark to market, as it does not impact cost of service calculation.
D. Removal of non-recurring costs not included in cost of service.
E. Removal of ADIT balances that are associated with amounts not included in cost of service.

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 10-00086-UT to Base Year 2014

AMOUNT OF DEBT, AVERAGE COST OF DEBT & CAPITAL STRUCTURE
(in Thousands)

No.	Description	New Mexico Jurisdiction NMPRC Case 10-00086-UT	Total Electric Yr. Ended 12/31/2014
Outstanding Debt:			
B. (1)(d)	Short Term Debt	Amount Outstanding Yr. Ended 12/31/2010 190,000 Average Cost of Debt 1.353	Amount Outstanding Yr. Ended 12/31/2014 49,200 Average Cost of Debt 1.034
	Long Term Debt	1,055,740 34.417	1,215,870 77,522
	Weighted Average Cost of Long Term Debt Capital	3.26%	6.35%
Capital Structure:			
B. (1)(e)	Long Term Debt	Effective Rate 6.78%	Amount 1,215,870
	Preferred Stock	4.62%	11,529
	Common Equity	10.00%	1,262,856
	Total Capitalization	8.41%	2,490,255
		Composite Cost of Capital 3.26%	Composite Cost of Capital 3.10%
		Effective Rate 4.62%	Effective Rate 4.62%
		10.00%	10.00%
		8.41%	100.00%
			8.19%

B. (2) For current year, PNM used unadjusted data from the 2014 FERC Form 1 and 10-K. For NMPRC Case No. 10-00086-UT, PNM used unadjusted data as filed.

B. (3) No adjustments were made to the current year data

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 10-00086-UT to Base Year 2014
JURISDICTIONAL ALLOCATORS

No. Description	Year Ended 12/31/2014					Case No. 10-00086-UT				
	Total	New Mexico Jurisdiction	Renewables	FERC	Other	Total	PNM North	PNM South	FERC	Other
B. (2) Total Wages and Salaries	115,767,245 100.00%	102,329,914 88.39%	0 0.00%	6,260,118 5.41%	7,177,213 6.20%	121,297,968 100.00%	99,065,961 81.67%	6,610,410 5.45%	8,094,107 6.67%	7,527,490 6.21%
Production Plant	1,346,378,555 100.00%	1,148,679,741 85.32%	0 0.00%	66,983,018 4.98%	130,715,776 9.71%	1,160,229,283 99.99%	889,116,008 76.63%	96,165,196 8.29%	61,549,133 5.30%	113,398,946 9.77%
Transmission Plant	404,167,346 100.00%	217,875,741 53.91%	0 0.00%	157,888,833 39.07%	28,402,771 7.03%	271,404,976 100.00%	133,578,738 49.22%	17,671,080 6.51%	116,244,909 42.83%	3,910,249 1.44%
Distribution Plant	741,894,873 100.00%	735,835,828 99.18%	4,589,452 0.62%	1,469,593 0.20%	0 0.00%	624,973,113 100.00%	572,760,728 91.64%	51,980,919 8.32%	231,466 0.04%	- 0.00%
General & Intangible Plant	147,902,817 100.00%	130,868,161 88.48%	20,683 0.01%	13,780,692 9.32%	3,233,281 2.19%	103,009,473 100.00%	82,835,287 80.42%	8,886,336 8.63%	8,972,030 8.71%	2,315,820 2.24%
Total Net Plant	2,635,733,436 100.00%	2,233,259,472 84.73%	0 0.00%	240,122,136 9.11%	162,351,828 6.16%	2,159,616,846 100.00%	1,678,290,761 77.71%	174,703,531 8.09%	186,997,539 8.66%	119,625,015 5.54%
Net Plant without Excluded Plant	2,492,440,754 100.00%	2,102,391,311 84.35%	4,589,452 0.18%	226,341,444 9.08%	159,118,547 6.38%	- 0.00%	- 0.00%	- 0.00%	- 0.00%	- 0.00%
Generation Demand	16,278,160 100.00%	15,381,100 94.49%	0 0.00%	897,060 5.51%	0 0.00%	17,332,172 100.00%	16,092,339 92.85%	0 0.00%	1,239,833 7.15%	- 0.00%
Energy	9,989,607 100.00%	9,433,734 94.44%	0 0.00%	555,874 5.56%	0 0.00%	9,499,790 100.00%	8,785,782 92.48%	0 0.00%	714,008 7.52%	- 0.00%
Generation and Transmission Demand	100.00%	69.59%	0.00%	30.41%	0.00%	100.00%	63.65%	4.26%	32.05%	0.00%
Transmission Demand	2,578,597 100.00%	1,478,067 57.32%	0 0.00%	1,100,530 42.68%	0 0.00%	2,448,966 100.00%	1,293,166 52.80%	0 0.00%	1,155,800 47.20%	- 0.00%
Transmission Demand without Network	2,043,442 100.00%	1,478,067 72.33%	0 0.00%	565,375 27.67%	0 0.00%	2,074,227 100.00%	1,293,166 62.34%	166,259 8.02%	654,802 29.64%	- 0.00%
Demand Including PNM South	100.00%	100.00%	100.00%	100.00%	100.00%	18,578,660 100.00%	16,092,339 86.62%	1,246,508 6.71%	1,239,833 6.67%	- 0.00%
Energy Including PNM South	100.00%	100.00%	100.00%	100.00%	100.00%	10,104,295 100.00%	8,785,782 86.95%	604,505 5.98%	714,008 7.07%	- 0.00%
Transmission Demand with TNMP	100.00%	100.00%	100.00%	100.00%	100.00%	2,615,225 100.00%	1,293,166 49.45%	166,259 6.36%	1,155,800 44.19%	- 0.00%

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

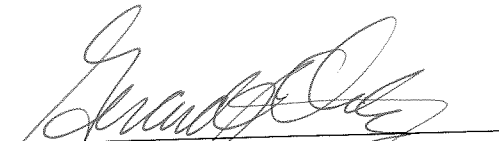
**IN THE MATTER OF THE APPLICATION OF)
OF PUBLIC SERVICE COMPANY OF NEW)
MEXICO FOR REVISION OF ITS RETAIL) Case No. 15-00261-UT
ELECTRIC RATES PURSUANT TO ADVICE)
NOTICE NO. 513,)
)
PUBLIC SERVICE COMPANY OF NEW MEXICO,)
Applicant.)
_____)**

AFFIDAVIT

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

**GERARD T. ORTIZ, Vice President of Regulatory Affairs for Public Service
Company of New Mexico**, upon being duly sworn according to law, under oath, deposes
and states: I have read the foregoing **Direct Testimony and Exhibits of Gerard T.
Ortiz** and it is true and accurate based on my own personal knowledge and belief.

SIGNED this 21st day of August, 2015.


GERARD T. ORTIZ

SUBSCRIBED AND SWORN to before me this 21st day of August, 2015.



NOTARY PUBLIC IN AND FOR
THE STATE OF NEW MEXICO

My Commission Expires:

1.21.16