

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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,)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)
)
)
Applicant)
_____)

Case No. 13-00390-UT

**TESTIMONY IN SUPPORT OF
SUPPLEMENTAL STIPULATION
OF
HENRY E. MONROY**

August 28, 2015

**TESTIMONY IN SUPPORT OF
SUPPLEMENTAL STIPULATION OF
HENRY E. MONROY
NMPRC CASE NO. 13-00390-UT**

1 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

2 **A.** My name is Henry E. Monroy. I am the Director, Audit and Cost of Service for
3 PNM Resources, Inc., and its subsidiaries, which includes Public Service
4 Company of New Mexico (“PNM” or the “Company”). My address is 414 Silver
5 Avenue, SW, Albuquerque, New Mexico 87102.

6
7 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS**
8 **PROCEEDING?**

9 **A.** Yes, I filed Direct Testimony in this proceeding on December 20, 2013. I filed
10 Supplemental Testimony on July 1, 2014, and July 15, 2014, Testimony in Support of
11 Stipulation on October 31, 2014, Rebuttal Testimony in Support of Stipulation on
12 December 19, 2014, Supplemental Testimony on July 1, 2015 and Supplemental
13 Testimony on July 31, 2015.

14
15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN SUPPORT OF**
16 **THE SUPPLEMENTAL STIPULATION?**

17 **A.** The purpose of my testimony is to update previously filed exhibits and testimony
18 to reflect the impact of the Supplemental Stipulation filed on August 13, 2015. I
19 have updated the following exhibits:

- 20 • PNM Exhibit HEM-2 (July 31, 2015 Supplemental) 2018 incremental
21 revenue requirements;

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- 1 • PNM Exhibit HEM-4 October 31, 2014 in Support of the Stipulation
2 Estimated Revenue Requirement for Undepreciated Investment;
- 3 • PNM Exhibit HEM-5 October 31, 2014 in Support of the Stipulation
4 Estimated Palo Verde 3 Revenue Requirement;
- 5 • PNM Exhibit HEM-6 (July 31, 2015 Supplemental) Estimated SNCR and
6 Balanced Draft Revenue Requirement;
- 7 • PNM Exhibit HEM-10 (July 31, 2015 Supplemental) 20 year incremental
8 revenue;
- 9 • PNM Exhibit HEM-11 (July 31, 2015) Customer Bill Impacts; and
- 10 • PNM Exhibit HEM-17 (July 31, 2015 Supplemental) Comparison of
11 Revenue Requirements.

12

13 **Q. WHAT IS THE IMPACT OF THE SUPPLEMENTAL STIPULATION ON**
14 **THE ESTIMATED 2018 INCREMENTAL REVENUE REQUIREMENT**
15 **FOR THE STIPULATION PORTFOLIO?**

16 **A.** The estimated incremental revenue requirement in 2018 for the Stipulation
17 Portfolio, reflecting the impact of the Supplemental Stipulation, is \$10.7 million
18 as shown on PNM Exhibit HEM-2 Supplemental Stipulation. This is \$5.9 million
19 less than the estimated 2018 revenue requirement described in my Supplemental
20 Testimony on July 31, 2015. The rate impact in 2018 is now estimated to be
21 1.3% which reflects a 0.5% reduction from my July 31, 2015 Supplemental
22 Testimony. Based on the Supplemental Stipulation, the Stipulation Portfolio

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1 proposed by PNM continues to be the most cost-effective portfolio. Customers
2 will also begin to receive the benefits from the new Coal Agreements and the San
3 Juan Generating Station (“San Juan”) Restructuring Agreements beginning in
4 2016, if the Supplemental Stipulation and the modifications it makes to the
5 original Stipulation are approved. PNM Exhibit HEM-17 Supplemental
6 Stipulation shows changes in the incremental revenue requirement from the
7 original Stipulation.

8
9 **Q. HAVE YOU UPDATED THE ESTIMATED INCREMENTAL ANNUAL**
10 **REVENUE REQUIREMENT FOR THE UNDEPRECIATED**
11 **INVESTMENT IN SAN JUAN?**

12 **A.** Yes. The original calculation of the revenue requirement for the undepreciated
13 investment in San Juan Units 2 and 3 included a \$26 million transfer in value
14 from Unit 3 to Unit 4. Under Paragraph 5 of the Supplemental Stipulation PNM will
15 place the additional 132 MW of capacity in Unit 4 on its books at a zero cost. The
16 calculation of the undepreciated investment revenue requirement calculation has
17 removed the \$26 million transfer. The rest of the calculation is unchanged. Please refer
18 to PNM Exhibit HEM-4 Supplemental Stipulation.

19

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1 **Q. HOW DOES THE SUPPLEMENTAL STIPULATION AFFECT THE 2018**
2 **INCREMENTAL REVENUE REQUIREMENT FOR UNIT 3 OF THE**
3 **PALO VERDE NUCLEAR GENERATING STATION (“PALO VERDE”)?**

4 **A.** Under Paragraph 10 of the Supplemental Stipulation, PNM’s interest in Unit 3 of
5 Palo Verde will be included in rate base at its actual net book value. PNM’s most
6 current projection of the net book value of Palo Verde Unit 3 related assets as of
7 December 31, 2017, including the estimated net book value of related
8 transmission assets, is \$1,118/KW. PNM has updated the incremental revenue
9 requirement calculation to reflect this estimated net book value and also updated
10 the associated Accumulated Deferred Income Tax balance related to Palo Verde
11 Unit 3. The 2018 incremental revenue requirement for Palo Verde Unit 3 based
12 on this change is provided in PNM Exhibit HEM-5 Supplemental Stipulation.

13

14 **Q. HAVE YOU UPDATED THE 2018 INCREMENTAL REVENUE**
15 **REQUIREMENT FOR THE INSTALLATION OF SELECTIVE NON-**
16 **CATALYTIC REDUCTION (“SNCR”) TECHNOLOGY AT SJGS UNITS 1**
17 **AND 4?**

18 **A.** Yes. Under the Supplemental Stipulation Paragraph 9, the SNCR capital costs
19 will be depreciated at a rate that provides for full depreciation by July 1, 2022. I
20 have updated the revenue requirement for the SNCR Project to reflect an increase
21 resulting from the change in depreciation for SNCR beginning January 1, 2018, as
22 shown in PNM Exhibit HEM-6 Supplemental Stipulation. There is no change in

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1 the incremental revenue requirement related to balanced draft from what was
2 provided in my July 31, 2015 Supplemental Testimony.

3
4 **Q. HAVE YOU PROVIDED AN UPDATE TO THE 20 YEAR**
5 **INCREMENTAL REVENUE REQUIREMENT OF THE STIPULATION**
6 **PORTFOLIO BASED ON THE SUPPLEMENTAL STIPULATION?**

7 **A.** Yes. The estimated twenty-year incremental revenue requirement analysis in
8 PNM Exhibit HEM-10 Supplemental Stipulation has been updated to reflect the
9 benefits of the Supplemental Stipulation, discussed above.

10
11 **Q. HAVE YOU INCLUDED THE COST OF THE PURCHASES REQUIRED**
12 **BY PARAGRAPH 8 OF THE SUPPLEMENTAL STIPULATION**
13 **BEGINNING IN 2020?**

14 **A.** No. PNM's portfolio analysis provided by Mr. O'Connell already includes a cost
15 impact for potential carbon regulation in an amount likely to be greater than the
16 \$7 million requirement in Paragraph 8 of the Supplemental Stipulation for PNM
17 to purchase RECs. This cost impact was also included in my previous revenue
18 requirement analyses. Thus, there is not expected to be any additional or
19 incremental costs associated with this requirement. PNM Witness O'Connell
20 discusses this further in his testimony.

21

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1 **Q. PLEASE SUMMARIZE THE ESTIMATED ANNUAL CUSTOMER BILL**
2 **IMPACT UNDER THE UPDATED STIPULATION PORTFOLIO.**

3 **A.** PNM Exhibit HEM-11 Supplemental Stipulation presents the estimated annual
4 customer bill impacts in 2018 of the Stipulation Portfolio, reflecting the net
5 benefit of the Supplemental Stipulation. In these calculations the total revenue
6 requirement was allocated among rate classes in proportion to the revenue
7 generated by each rate class in 2012. For example, in 2012, residential customers
8 contributed 44.38% of total revenues, so the bill impact estimate allocates 44.38%
9 of the revenue requirements associated with the Stipulation Portfolio to the
10 residential customers.

11

12 For an average residential customer consuming 600 kWh per month, the estimated
13 annual bill impact in 2018 of the Stipulation Portfolio, updated for the
14 Supplemental Stipulation, is \$10.29, which is less than one dollar per month.
15 This compares to \$63.18 previously estimated on October 31, 2014, prior to
16 securing final Coal Agreements and Ownership Restructuring Agreements and the
17 Supplemental Stipulation. A small power customer consuming 1,500 kWh per
18 month would experience an estimated annual bill impact of \$27.02 in 2018
19 compared to \$165.89 previously estimated. Average bill impacts for other
20 customer classes are shown on PNM Exhibit HEM-11 Supplemental Stipulation.

21

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1 **Q. IS PNM ASKING THE COMMISSION TO APPROVE THE ESTIMATED**
2 **BILL IMPACTS OR TO AUTHORIZE A CHANGE IN RATES AT THIS**
3 **TIME?**

4 **A.** No. The estimated bill impacts have been presented solely to provide the
5 Commission with information regarding the potential impact of the Stipulation
6 Portfolio on future customer bills. The actual bill impact will depend on the actual
7 revenue requirements and rate design adopted when new rates are set in future
8 PNM retail rate proceedings.

9

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY IN SUPPORT OF THE**
11 **SUPPLEMENTAL STIPULATION?**

12 **A.** Yes.

GCG#520407

PNM EXHIBIT HEM-2 Supplemental Stipulation

Consisting of 1 page

PNM Exhibit HEM-2 Supplemental Stipulation
 Summary of 2018 Estimated Revenue Requirements for the Stipulation Portfolio, Updated - August 28, 2015

Line No.	Description	A Amount	B Reference
1	Estimated Incremental Annual Revenue Requirement for Undepreciated Investment in SJGS Unit 2 and 3		
2	Incremental Revenue Requirement	\$ (9,279,116)	PNM Exhibit HEM-4 Supplemental Stip, Page 1, Column A, Line 30
3	Subtotal	<u>(9,279,116)</u>	
4			
5	SNCR and Replacement Power Revenue Requirements		
6	Estimated 2018 Palo Verde Unit 3 Revenue Requirement	47,798,217	PNM Exhibit HEM-5 Supplemental Stip, Page 1, Column C, Line 49
7	Estimated 2018 SNCR Revenue Requirement	10,778,673	PNM Exhibit HEM-6 Supplemental Stip, Page 1, Column A, Line 28
8	Estimated Balanced Draft Revenue Requirement	6,392,907	PNM Exhibit HEM-6 Supplemental Stip, Page 1, Column B, Line 28
9	Estimated 2018 Revenue Requirement for 187 MW Gas Peaker	16,616,108	PNM Exhibit HEM-7 (July 31, 2015 Supplemental), Page 1, Column A, Line 47
10			
11	Subtotal	<u>81,585,904</u>	
12			
13	Other Impacts of Stipulation Portfolio compared to FIP		
14	Estimated 2018 O&M and Fuel Handling Savings	(13,775,799)	PNM Exhibit HEM-2 (July 31, 2015 Supplemental), Page 1, Column A, Line 13
15	Estimated 2018 Base Fuel Impacts	(49,518,513)	PNM Exhibit HEM-2 (July 31, 2015 Supplemental), Page 1, Column A, Line 14
16	Estimated 2018 Revenue Requirement of Additional SJ4 and SJ Common Capital Investment	1,290,035	PNM Exhibit HEM-2 (July 31, 2015 Supplemental), Page 1, Column A, Line 15
17	Impact from Plant Decommissioning Agreement	1,556,291	PNM Exhibit HEM-2 (July 31, 2015 Supplemental), Page 1, Column A, Line 16
18			
19	Estimated 2018 Incremental Revenue Requirements on Coal Mine Reclamation	375,367	PNM Exhibit HEM-2 (July 31, 2015 Supplemental), Page 1, Column A, Line 18
20	Subtotal	<u>(60,072,620)</u>	
21	Palo Verde Unit 3 Spent Nuclear Fuel DOE Settlement	(1,500,000)	PNM Exhibit HEM-2 (July 31, 2015 Supplemental), Page 1, Column A, Line 20
22	Total Stipulation Portfolio Revenue Requirement compared to FIP	<u><u>\$ 10,734,169</u></u>	line 3 + line 10 + line 19 + line 20

PNM EXHIBIT HEM-3 Supplemental Stipulation

Consisting of 1 page

PNM Exhibit HEM-3 Supplemental Stipulation
 Illustrative Weighted Average Cost of Capital

Line No.	A Capital Component	B Total Capitalization Base Period	C Percentage of Total Capitalization	D Capital Component Cost	E Weighted Average Cost
1					
2	Long Term Debt	1,215,870	49.00%	6.35%	3.11%
3					
4	Preferred Stock	11,529	0.46%	4.62%	0.02%
5					
6	Common Equity	1,254,063	50.54%	10.00%	5.05%
7					
8	Total	2,481,462	100.00%		8.18%
9					
10				Statutory Tax Rate, Beginning 2018	38.62%
11					
12					Tax gross up
13				Long Term Debt	3.11%
14				Preferred Stock	0.03%
15				Common Equity	8.23%
16				Pre-Tax WACC	11.37%

PNM EXHIBIT HEM-4 Supplemental Stipulation

Consisting of 3 pages

Estimated Incremental Annual Revenue Requirement for Undepreciated Investment in SJGS Unit 2 and 3

Line No	A 2018 Revenue Requirement	B Reference
1 Regulatory Asset - Undepreciated Investment in Unit 2 & 3	\$ 128,744,893	Exhibit HEM-4 Supplemental Stip, Page 2, Column O, Line 36 * 50%
2		
3 Accumulated Amortization	<u>(3,218,622)</u>	
4		
5 Average Unamortized Regulatory Asset	125,526,271	
6 (Line 1 + Line 3)		
7 ADIT	<u>(48,478,246)</u>	
8		
9 Net Regulatory Asset	<u>\$ 77,048,025</u>	
10 (Line 5 + Line 7)		
11		
12 WACC	8.18%	Exhibit HEM-3 Supplemental Stip, Column E, Line 8
13		
14 Carrying Charge on Regulatory Asset	\$ 6,302,528	
15 (Line 9 * Line 12)		
16		
17 Total Amortization Expense	6,437,245	
18		
19 Income Taxes	2,457,847	
20		
21 Total Non-Fuel Revenue Requirement	<u>15,197,620</u>	
22 (Line 14 + Line 17 + Line 19)		
PNM Retail Share of Non-Fuel revenue requirement		
23 (Line 21 * 95.42%)	14,501,569	
24 Revenue Tax @ 0.508573%	73,751	
25 Total PNM Non-Fuel Retail Revenue Requirement, Assuming 20 Year Recovery	<u>\$ 14,575,320</u>	
26 (Line 23 + Line 24)		
27		
28 PNM Retail Revenue Requirement, Assuming 36 Year Recovery	<u>23,854,436</u>	Exhibit HEM-4 Supplemental Stip, Page 3, Column A, Line 25
29		
30 Incremental Revenue Requirement for Undepreciated Investment of Unit 2 & Unit 3	<u>\$ (9,279,116)</u>	Exhibit HEM-2 Supplemental Stip, Page 1, Column A, Line 2
31 (Line 25 - Line 28)		

Estimated Undepreciated Investment in SJGS Unit 2 and 3

Line No.	A Description	B Net book value as of 06/30/13	C Current kW Ownership	D = B / C \$ per kW as of 06/30/13	E Estimated Capital Additions - 07/01/13 - 12/31/14
1	San Juan Unit 1	\$ 95,095,936	170,000	\$ 559	\$ 5,473,048
2	San Juan Unit 2	112,640,507	170,000	663	2,602,718
3	San Juan Unit 3	170,124,725	248,000	686	4,645,958
4	San Juan Unit 4	120,485,000	195,000	618	12,146,648
5	San Juan Common & Switchyard	95,478,709			17,277,986
6	Total San Juan	\$ 593,824,878	783,000	\$ 758	42,146,358
7					
8					
9					
		F Estimated Additional Accumulated Depreciation - 07/01/13 - 12/31/14	G = B + E + F Estimated Balance at 01/01/15	H = G / C \$ per kW as of 01/01/15	I Transfer of kW
10					
11	San Juan Unit 1	\$ (3,824,170)	\$ 96,744,814	\$ 569	-
12	San Juan Unit 2	(4,420,751)	110,822,474	652	-
13	San Juan Unit 3	(7,866,054)	166,904,629	673	(132,000)
14	San Juan Unit 4	(5,971,609)	126,660,039	650	132,000
15	San Juan Common & Switchyard	(3,724,030)	109,032,665		
16	Total San Juan	(25,806,614)	\$ 610,164,621	\$ 779	-
17					
18					
19					
		J \$ Value of Transferred kW ⁽¹⁾	K = G + J Estimated Net Book Value at 01/01/15, after Transfer	L Estimated Capital Additions - 01/01/15 - 12/31/17	M Estimated Additional Accumulated Depreciation - 01/01/15 - 12/31/17
20					
21	San Juan Unit 1	\$ -	\$ 96,744,814	\$ 19,046,786	\$ (8,907,004)
22	San Juan Unit 2	-	110,822,474	-	(9,203,127)
23	San Juan Unit 3	-	166,904,629	-	(11,034,189)
24	San Juan Unit 4	-	126,660,039	8,752,098	(16,999,045)
25	San Juan Common & Switchyard	-	109,032,665	8,211,145	(7,390,328)
26	Total San Juan	\$ -	\$ 610,164,621	\$ 36,010,029	\$ (53,533,693)
27					
28					
29					
		N Estimated Ending Net Book Value at 12/31/2017	O Estimated Unrecovered Investment in San Juan Unit 2 and 3		
30					
31	San Juan Unit 1	\$ 106,884,596	\$ -		
32	San Juan Unit 2	101,619,347	101,619,347		
33	San Juan Unit 3	155,870,440	155,870,440		
34	San Juan Unit 4	118,413,093	-		
35	San Juan Common & Switchyard	109,853,482	-		
36	Total San Juan	\$ 592,640,957	\$ 257,489,787		
37					
38	(1) Value pursuant to Stipulation				

Estimated Annual Revenue Requirement of SJGS Unit 2 & 3 Based on Remaining Life of SJGS

<u>Line No</u>	<u>A</u> <u>2018</u> <u>Revenue</u> <u>Requirement</u>	<u>B</u> <u>Reference</u>
1	\$ 257,489,787	Exhibit HEM-4 Supplemental Stip, Page 2, Column O, Line 36
2		
3	<u>(3,576,247)</u>	
4		
5	253,913,540	
6	<i>(Line 1 + Line 3)</i>	
7	<u>(98,061,409)</u>	
8		
9	<u>\$ 155,852,131</u>	
10	<i>(Line 5 + Line 7)</i>	
11		
12	8.18%	Exhibit HEM-3 Supplemental Stip, Column E, Line 8
13		
14	\$ 12,748,704	
15	<i>(Line 9 * Line 12)</i>	
16		
17	7,152,494	
18		
19	4,971,713	
20		
21	<u>24,872,912</u>	
22	<i>(Line 14 + Line 17 + Line 19)</i>	
PNM Retail Share of Non-Fuel revenue requirement		
23	23,733,732	
24	<u>120,703</u>	
25	<u>\$ 23,854,436</u>	Exhibit HEM-4 Supplemental Stip, Page 1, Column A, Line 28
26	<i>(Line 23 + Line 24)</i>	

PNM EXHIBIT HEM-5 Supplemental Stipulation

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Line No	A 2018 Revenue Requirement Before Adjustment	B	C 2018 Revenue Requirement	D Reference
1	Gross Plant			
2	Production Plant		233,507,547	
3	Transmission Plant		10,101,523	
4	Total Gross Plant	-	243,609,071	
5				
6	Accumulated Reserve			
7	Production Plant		(91,541,653)	
8	Transmission Plant		(5,180,520)	
9	Total Accumulated Reserve	-	(96,722,173)	
10				
11	Average NBV			
12	Production Plant	-	141,965,894	
13	Transmission Plant	-	4,921,003	
14	Total Average NBV	-	146,886,897	
15	<i>(Line 4 + Line 9)</i>			
16	ADIT		(66,075,494)	
17	Working Capital		31,909,139	
18				
19	Rate Base	-	112,720,543	
20	<i>(Line 14 + Line 16 + Line 17)</i>			
21				
22	WACC	8.18%	8.18%	8.18%
23				
24	Return on Rate Base	-	9,220,540	Exhibit HEM-3 Supplemental Stip, Column E, Line 8
25	<i>(Line 19 * Line 22)</i>			
26				
27	Depreciation Expense			
28	Production Plant		5,787,851	
29	Transmission Plant		231,507	
30	Total Depreciation Expense	-	6,019,358	
31				
32	Decommissioning Expense		1,300,000	
33				
34	Income Taxes		3,595,807	
35				
36	Property Taxes			
37	Production Plant		1,561,625	
38	Transmission Plant		54,131	
39	Total Property Tax	-	1,615,756	
40				
41	O&M		22,933,006	
42				
43	Third Party Transmission Expense		5,154,516	
44				
45	Total Non-Fuel Revenue Requirement	-	49,838,983	
46	<i>(Line 24 + Line 30 + Line 32 + Line 34 + Line 39 + Line 41 + Line 43)</i>			
	PNM Retail Share of Non-Fuel revenue requirement			
47	<i>(Line 21 * 95.42%)</i>		47,556,358	
48	Revenue Tax @ 0.508573%		241,859	
49	Total PNM Non-Fuel Retail Revenue Requirement	-	47,798,217	Exhibit HEM-2 Supplemental Stip, Page 1, Column A, Line 6
50	<i>(Line 47 + Line 48)</i>			

PNM EXHIBIT HEM-6 Supplemental Stipulation

Consisting of 1 page

Line No	SNCR A 2018 Revenue Requirement	Balanced Draft B 2018 Revenue Requirement	Total C 2018 Revenue Requirement	D Reference
1	\$ 25,933,743	\$ 52,277,041	\$ 78,210,784	
2				
3	(4,365,875)	(3,936,099)	(8,301,973)	
4				
5	21,567,868	48,340,942	69,908,811	
6	<i>(Line 1 + Line 3)</i>			
7	(1,716,440)	(5,233,834)	(6,950,273)	
8				
9	\$ 19,851,428	\$ 43,107,109	\$ 62,958,537	
10	<i>(Line 5 + Line 7)</i>			
11				
12	8.18%	8.18%	8.18%	Exhibit HEM-3 Supplemental Stip, Column E, Line 8
13				
14	\$ 1,623,847	\$ 3,526,162	\$ 5,150,008	
15	<i>(Line 9 * Line 12)</i>			
16	5,391,967	1,375,712	6,767,679	
17				
18	633,301	1,375,204	2,008,505	
19				
20	153,966	388,778	542,744	
21				
22	3,435,792	-	3,435,792	
23				
24	\$ 11,238,873	\$ 6,665,855	\$ 17,904,728	
25	<i>(Line 14 + Line 16 + Line 18 + Line 20 + Line 22)</i>			
26	10,724,132	6,360,559	17,084,691	
27	54,540	32,348	86,888	
28	\$ 10,778,673	\$ 6,392,907	\$ 17,171,579	Exhibit HEM-2 Supplemental Stip, Page 1, Column A, Line 7
29	<i>(Line 26 + Line 27)</i>			

PNM EXHIBIT HEM-10 Supplemental Stipulation

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PNM Exhibit HEM-10 Supplemental Stipulation
 Estimated 20-Year Annual Revenue Requirements for Alternative Resource Portfolios

(In millions)

Year	Stipulation Portfolio with Supplemental Benefits	Stipulation Portfolio - Updated 7/31/15	Stipulation Portfolio	FIP	RSIP without PV3, 132 MW of SJ4	Retirement of all Four Units at SJGS
2014	\$ (10)	\$ (10)	\$ (9)	\$ -	\$ (10)	\$ 2
2015	\$ (8)	\$ (8)	\$ (7)	\$ 32	\$ (8)	\$ (0)
2016	\$ (71)	\$ (71)	\$ (25)	\$ 67	\$ (71)	\$ 21
2017	\$ (59)	\$ (59)	\$ (1)	\$ 73	\$ (59)	\$ 119
2018	\$ 11	\$ 17	\$ 66	\$ 71	\$ 20	\$ 114
2019	\$ 10	\$ 16	\$ 65	\$ 68	\$ 18	\$ 125
2020	\$ (12)	\$ (6)	\$ 46	\$ 66	\$ 3	\$ 59
2021	\$ (41)	\$ (35)	\$ 23	\$ 63	\$ (24)	\$ 48
2022	\$ (72)	\$ (63)	\$ 27	\$ 61	\$ (52)	\$ 35
2023	\$ (48)	\$ (37)	\$ 22	\$ 59	\$ (26)	\$ 17
2024	\$ (65)	\$ (54)	\$ (5)	\$ 58	\$ (42)	\$ (15)
2025	\$ (63)	\$ (53)	\$ (3)	\$ 57	\$ (39)	\$ (22)
2026	\$ (57)	\$ (47)	\$ 4	\$ 56	\$ (31)	\$ (30)
2027	\$ (70)	\$ (60)	\$ (10)	\$ 55	\$ (42)	\$ (39)
2028	\$ (65)	\$ (56)	\$ (0)	\$ 55	\$ (39)	\$ (67)
2029	\$ (70)	\$ (61)	\$ (7)	\$ 54	\$ (42)	\$ (82)
2030	\$ (97)	\$ (88)	\$ (34)	\$ 53	\$ (61)	\$ (93)
2031	\$ (99)	\$ (90)	\$ (36)	\$ 52	\$ (65)	\$ (117)
2032	\$ (107)	\$ (99)	\$ (43)	\$ 51	\$ (64)	\$ (129)
2033	\$ (114)	\$ (106)	\$ (50)	\$ 51	\$ (73)	\$ (131)
NPV	(\$420.57)	(\$367.60)	\$67.41	\$518.15	(\$281.66)	\$152.71

Note: NPV is based on a discount rate of 8.18%.

PNM EXHIBIT HEM-11 Supplemental Stipulation

Consisting of 5 pages

Customer Bill Impact

Residential Customers Allocation by Year

Line No.	Year	Notes	2018
1	Stipulation Portfolio	[A]	\$10,734,169
2	Cost Allocators	[B] = 2012 Class Revenue /Total Revenue	44.38%
3	Estimated Residential Stipulated Portfolio Allocation	[C] = [A] * [B] \$	4,763,832
4	Residential kWh (2012 Actuals)	[D]	3,333,146,888
5	Estimated Stipulation Portfolio Rate per kWh	[E] = [C] / [D]	\$0.001429

Residential Customers Estimated Stipulation Portfolio Bill Impact

Line No.	kWh Use	Estimated Annual Stipulation Portfolio Bill Impact for 2018 [G] = \$0.001429 * [F] * 12
6	[F]	
7	600	\$10.29
8		

Small Power Customers Allocation by year

Line No.	Year	Notes	2018
9	Stipulation Portfolio Revenue Requirement	[A]	\$10,734,169
10	Cost Allocators	[H] = 2012 Class Revenue/Total Revenue	13.51%
11	Estimated Small Power Stipulation Portfolio Allocation	[I] = [A] * [H] \$	1,450,684
12	Small Power kWh (2012 Actuals)	[J]	966,425,575
13	Estimated Stipulation Portfolio Rate per kWh	[K] = [I] / [J]	\$0.001501

Small Power Customers Estimated Stipulation Portfolio Bill Impact

Line No.	kWh Use	Estimated Annual Stipulation Portfolio Bill Impact for 2018
	[L]	[M] = \$0.001501 * [L] * 12
14		
15	1,500	\$27.02
16		

All Other Customer Classes Cost Allocators by Year

Line No.	Customer Class	2018 [N] = 2012 Class Revenue / Total Revenue
17	3B/3C - General Power	21.26%
18	4B - Large Power	12.06%
19	5B - Mines 46/115 kV	0.72%
20	10 - Irrigation	0.29%
21	11B - Wtr/Swg Pumping	1.44%
22	15B - Universities 115 kV	0.81%
23	30B - Manuf. (30 MW)	4.30%
24	6 - Private Lighting	0.34%
25	20 - Streetlighting	0.89%

All Other Customer Classes Allocation by Year

Line No.	Customer Class	2018 [O] = [N]class * \$10,734,169
26	3B/3C - General Power	\$ 2,281,690
27	4B - Large Power	\$ 1,294,167
28	5B - Mines 46/115 kV	\$ 77,212
29	10 - Irrigation	\$ 31,482
30	11B - Wtr/Swg Pumping	\$ 154,361
31	15B - Universities 115 kV	\$ 86,964
32	30B - Manuf. (30 MW)	\$ 461,736
33	6 - Private Lighting	\$ 36,467
34	20 - Streetlighting	\$ 95,575

2012 Actual kWh - All Other Classes

Line No.	Customer Class	2018 [P]
35	3B/3C - General Power	1,939,015,568
36	4B - Large Power	1,411,906,111
37	5B - Mines 46/115 kV	91,241,920
38	10 - Irrigation	28,455,014
39	11B - Wtr/Swg Pumping	191,783,766
40	15B - Universities 115 kV	101,874,529
41	30B - Manuf. (30 MW)	633,849,603
42	6 - Private Lighting	16,252,906
43	20 - Streetlighting	50,551,135

Estimated Stipulation Portfolio - All Other Classes

Line No.	Customer Class	2018 [Q]=[O]/[P]
44	3B/3C - General Power	\$0.001177
45	4B - Large Power	\$0.000917
46	5B - Mines 46/115 kV	\$0.000846
47	10 - Irrigation	\$0.001106
48	11B - Wtr/Swg Pumping	\$0.000805
49	15B - Universities 115 kV	\$0.000854
50	30B - Manuf. (30 MW)	\$0.000728
51	6 - Private Lighting	\$0.002244
52	20 - Streetlighting	\$0.001891

Estimated Average Annual Stipulation Portfolio - All Other Classes

Line No.	Customer Class	Est. Average Monthly kWh Based on 2012 Actuals [R]	Estimated Average Annual Stipulation Portfolio Bill Impact for 2018 [S] = [Q] * [R] * 12
53	3B/3C - General Power	35,248 \$	497.73
54	4B - Large Power	476,871 \$	5,245.25
55	5B - Mines 46/115 kV	3,801,747 \$	38,605.90
56	10 - Irrigation	7,842 \$	104.11
57	11B - Wtr/Swg Pumping	101,796 \$	983.19
58	15B - Universities 115 kV	8,489,544 \$	86,964.44
59	30B - Manuf. (30 MW)	52,820,800 \$	461,736.40
60	6 - Private Lighting	N/A	N/A
61	20 - Streetlighting	N/A	N/A

Annual No. of Customer Bills - All Classes

Line No.	Customer Class	Annual No. of Bills - Projected 2018 <i>[T]</i>
62	1A/1B - Residential	5,539,706
63	2A/2B - Small Power	659,200
64	3B/3C - General Power	55,010
65	4B - Large Power	2,961
66	5B - Mines 46/115 kV	24
67	10 - Irrigation	3,629
68	11B - Wtr/Swg Pumping	1,884
69	15B - Universities 115 kV	12
70	30B - Manuf. (30 MW)	12
71	6 - Private Lighting	0
72	20 - Streetlighting	1,716

Average Dollar per Bill Impact - All Classes

Line No.	Customer Class	Average Dollar per Bill Impact <i>[U]</i>
73	1A/1B - Residential	\$0.86
74	2A/2B - Small Power	\$2.20
75	3B/3C - General Power	\$41.48
76	4B - Large Power	\$437.10
77	5B - Mines 46/115 kV	\$3,217.16
78	10 - Irrigation	\$8.68
79	11B - Wtr/Swg Pumping	\$81.93
80	15B - Universities 115 kV	\$7,247.04
81	30B - Manuf. (30 MW)	\$38,478.03
82	6 - Private Lighting	N/A
83	20 - Streetlighting	N/A

PNM EXHIBIT HEM-17 Supplemental Stipulation

Consisting of 1 page

PNM Exhibit HEM-17 Supplemental Stipulation
Comparison of Revenue Requirements and Bill Impacts

Line No.	Resource	2018 Revenue Requirement	Customer Impact	Customer Bill Impact (Annual)	
				Residential @ 600 kWh	Small Power @1,500 kWh
1	Incremental Revenue Requirement on SJGS Unit 2 and 3, after \$52 M transfer	4,216,477			
2	Estimated 2018 Palo Verde Unit 3 Revenue Requirement at \$2,500 kW	69,275,438			
3	Estimated 2018 SNCR Revenue Requirement	14,214,387			
4	Estimated 2018 Revenue Requirement for 177 MW Gas Peaker	22,526,314			
5	O&M and Fuel Handling Savings	(12,115,572)			
6	Base Fuel Impacts	(2,086,094)			
7	Estimated 2018 Revenue Requirement of Additional SJ4 and SJ Common Capital Investment	1,290,035			
8	Estimated Fuel and Inventory Impacts from Fuel Arrangement	(5,088,211)			
9	Estimated Impacts of SJGS Common O&M from January 1, 2018 - June 30, 2022	2,882,537			
10	Estimated 2018 Incremental Revenue Requirements on Coal Mine Reclamation	375,367			
11					
12	Total Revised SIP with PV3 132 MW of SJ4 Revenue Requirement	<u>95,490,677</u>	10.3%	\$ 91.54	\$ 240.36
13					
14	50% recovery of undepreciated investment of SJGS Unit 2 & 3, after \$26 M transfer	(12,558,635)			
15	O&M savings on property taxes on \$26M transfer	(206,458)			
16	Reduction of Palo Verde Unit 3 value to \$1,650 kW	(12,439,701)			
17	Forego recovery of SJGS Common O&M Regulatory Asset	(2,882,537)			
18	Reduction, via Fuel Clause, of Palo Verde Unit 3 DOE Spent fuel refunds	(1,500,000)			
19	Subtotal of 2018 Reductions per Stipulation	<u>(29,587,331)</u>			
20					
21	Total Stipulation Portfolio Revenue Requirement - Filed October 31, 2014	<u>65,903,345</u>	7.1%	\$ 63.18	\$ 165.89
22	Percentage Reduction in 2018 revenue requirements (line 18/ line 12)	<u>-31.0%</u>			
23					
24	Update for Gas Peaker Replacement Power Capital Investment	(5,910,206)			
25	Remove fuel and inventory impacts from Fuel Arrangement (benefit included in line 26)	5,088,211			
26	Update to Fuel - Coal Price - Coal Sales Agreement	(47,432,419)			
27	Fuel Handling - New Coal Agreement and Gas Transportation Costs included in Gas Peaker	(1,251,160)			
28	Estimated 2018 Impact - Plant Decommissioning per new Agreement	1,556,291			
29	Update for SNCR and Balance Draft Capital Investment	(1,367,499)			
30	Subtotal of Updates to October 31, Stipulation	<u>(49,316,782)</u>			
31					
32	Updated Stipulation Portfolio Revenue Requirement - July 31, 2015	<u>16,586,563</u>	1.8%	\$ 15.90	\$ 41.75
33	Percentage Reduction in 2018 revenue requirements (line 32/ line 21)	<u>-74.8%</u>			
34					
35	Reflect \$0M transfer at SJGS	(936,958)			
36	Update PV3 to Book Value	(9,037,519)			
37	Update to SNCR Depreciation	4,324,691			
38	Update O&M to reflect Property Taxes saving on no \$26M transfer	(202,609)			
39	Subtotal of Updates to July 31, 2015 Stipulation	<u>(5,852,394)</u>			
40					
41	Updated Stipulation Portfolio Revenue Requirement - Supplemental Stipulation	<u>10,734,169</u>	1.3%	\$ 10.29	\$ 27.02
42		<u>-35.3%</u>			

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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,)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)
)
Applicant)
_____)


Case No. 13-00390-UT

AFFIDAVIT

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)


HENRY E. MONROY, Director, Cost of Service and Internal Audit, Public Service Company of New Mexico, upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing **Testimony in Support of Supplemental Stipulation of Henry E. Monroy** and it is true and accurate based on my own personal knowledge and belief.

SIGNED this 26th day of August, 2015.



HENRY E. MONROY

SUBSCRIBED AND SWORN to before me this 26th day of August, 2015.



NOTARY PUBLIC IN AND FOR
THE STATE OF NEW MEXICO

