

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF)
AVANGRID, INC., AVANGRID NETWORKS, INC., NM)
GREEN HOLDINGS, INC., PUBLIC SERVICE COMPANY)
OF NEW MEXICO AND PNM RESOURCES, INC. FOR)
APPROVAL OF THE MERGER OF NM GREEN)
HOLDINGS, INC. WITH PNM RESOURCES, INC.;)
APPROVAL OF A GENERAL DIVERSIFICATION PLAN;)
AND ALL OTHER AUTHORIZATIONS AND APPROVALS)
REQUIRED TO CONSUMMATE AND IMPLEMENT THIS)
TRANSACTION) Case No. 20-00222-UT
)
AVANGRID, INC., AVANGRID NETWORKS, INC.,)
NM GREEN HOLDINGS, INC., PUBLIC)
SERVICE COMPANY OF NEW MEXICO AND PNM)
RESOURCES, INC.,)
)
JOINT APPLICANTS.)
_____)

JULY 29, 2021 REBUTTAL TESTIMONY

OF

TODD FRIDLEY

JULY 29, 2021

**NMPRC CASE NO. 20-00222-UT
INDEX TO THE JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY**

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

I. INTRODUCTION AND PURPOSE 1

II. RESPONSE TO STAFF RECOMMENDATIONS FOR RELIABILITY
INDICES AND METRICS..... 4

III. RESPONSE TO GENERAL RECOMMENDATIONS ON RELIABILITY
PROTECTIONS AND OTHER PROPOSALS..... 28

IV. CONCLUSION..... 38

JA Exhibit TF-1 (July 29, 2021) – NMPRC IOU Utility Reliability Data

JA Exhibit TF-2 (July 29, 2021) – Illustration of JA’s Alternative Penalties

SELF-VERIFICATION

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1

I. INTRODUCTION AND PURPOSE

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

3 **A.** My name is Todd Fridley. I am the Vice President of New Mexico Operations for
4 Public Service Company of New Mexico (“PNM”). My business address is Public
5 Service Company of New Mexico, 414 Silver Avenue SW, Albuquerque, NM
6 87102.

7

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS PROCEEDING?**

9 **A.** Yes. I filed my Direct Testimony in Support of Second Amended Stipulation on
10 June 18, 2021.

11

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 **A.** I respond to certain positions and recommendations made by NM AREA, Bernalillo
14 County, Albuquerque Bernalillo Water Utility Authority (“ABCWUA”), New
15 Energy Economy (“NEE”) and Staff regarding the adequacy of the regulatory
16 commitments being made by PNM regarding transmission planning matters and
17 customer service reliability commitments and metrics. Specifically, I address and
18 rebut the incorrect assumptions that PNM’s reliability is deficient and must be
19 penalized to force potentially unnecessary system investments.

20

21 Most fundamentally, the recommendations of Staff Witness Evans have nothing to
22 do with the Proposed Transaction but appear to be a replacement for an industry-

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 wide rulemaking proceeding. PNM does not oppose an effort to alter and refine
2 the reliability requirements for utilities in New Mexico, and PNM agrees with
3 undertaking a review and refinement of reliability criteria, metrics, and potentially
4 applicable penalties. However, what is being proposed has nothing to do with the
5 Proposed Transaction and appears to be an effort to impose a set of standards that
6 PNM is incapable of meeting currently, on PNM alone, notwithstanding that it
7 performs in the top among its peers.

8
9 First, I refute the recommendations of Staff Witness Evans to impose unreasonable
10 and arbitrary metrics and penalties on PNM. There are four primary problems that
11 make Staff’s reliability proposals fundamentally flawed.

- 12 1. Staff assumes without support PNM’s service quality is inadequate;
- 13 2. Staff proposes a penalty system that is not based on an industry-
14 standardized use of reliability metrics;
- 15 3. Staff proposes a penalty system that results in disparate treatment of
16 PNM instead of being vetted through a rulemaking process; and
- 17 4. Staff’s proposed penalty system encourages a utility to chase short-term
18 “fixes” for single distribution feeders rather than systemic
19 improvements.

20 As discussed below, there is no evidence PNM’s service quality is deficient, and it
21 is arbitrary and unreasonable to adopt a rigid and punitive approach for PNM when
22 the other utilities in the state are not held to (and are likely unable to meet) the same

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 or similar requirements. I also refute the recommendation of Bernalillo County to
2 adopt an arbitrary set of standards for PNM’s customer call center.

3
4 Second, I respond to certain recommendations regarding customer protections to
5 ensure continued reliability performance that have been proposed by NM AREA
6 that PNM agrees are reasonable and provide additional assurance that customers
7 will benefit from the Proposed Transaction. I also address certain federal standards
8 that apply to affiliate power sales, and I explain why amending our commitment to
9 explore a Regional Transmission Organization (“RTO”) is unnecessary.

10
11 Finally, I briefly respond to speculate by NEE that the track record of Avangrid
12 Network utilities creates automatic grounds to conclude that PNM’s service quality
13 will degrade after the merger or that Avangrid is unfit to acquire PNM.

14
15 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS REGARDING THE**
16 **RELIABILITY, CUSTOMER SERVICE AND TRANSMISSION**
17 **PLANNING ISSUES RAISED IN THE RESPONSE TESTIMONIES.**

18 **A.** Service quality is a primary concern for customers, and PNM is committed to
19 maintaining and improving its already high quality of service. PNM recognizes
20 that concerns have been raised over the quality of service provided by other
21 Avangrid Networks utilities. While the reliability issues for those other utilities
22 appear to be a product of system-specific and region-specific conditions and

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 difference in regulatory regimes, PNM understands the desire by parties in this case
2 to assure themselves that service quality will not degrade if the Merger is approved.
3 Certain recommendations by NM AREA will ensure the Commission has adequate
4 data and information to reasonably monitor PNM's post-merger performance.

5
6 However, the majority of the recommendations on reliability proposed by Staff
7 opposing the Second Amended Stipulation are unreasonable and can have
8 unintended negative consequences. Staff's proposed standards are arbitrary
9 because they penalize PNM for providing adequate service under any reasonable
10 metric applied. Instead of programmatically improving the system, Staff's
11 proposed penalty system will more likely incentivize short-sighted infrastructure
12 investments to avoid penalties.

13
14 **II. RESPONSE TO STAFF RECOMMENDATIONS FOR**
15 **RELIABILITY INDICES AND METRICS**

16
17 **Q. PLEASE SUMMARIZE STAFF'S POSITION REGARDING PNM'S**
18 **RELIABILITY METRICS.**

19 **A.** While Staff finds no real objection to the stipulated provisions that are designed to
20 maintain and improve PNM's system reliability, Staff nonetheless makes no
21 changes from its initial opposition to the merger formulated prior to the submittal
22 of **Regulatory Commitment #36** for service quality contained in the Second
23 Amended Stipulation. Staff instead continues to insist that the Commission should

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 immediately impose a penalty system on PNM even though PNM is providing
2 reasonable and quality levels of service under any objective measure.

3

4

Adequacy of PNM's service

5 **Q. WHY IS STAFF PROPOSING A SERIES OF RELIABILITY STANDARDS
6 AND PENALTIES?**

7 **A.** Staff takes the unwarranted view that PNM's system will be at risk post-merger
8 because Avangrid will not support its maintenance and improvement plans for
9 expenditures by PNM. Staff also alleges that PNM's reliability metrics indicate
10 "significant degradation" of PNM's reliability, even though PNM provides the
11 same or better service quality than other utilities within the state. As I discuss later
12 in my testimony, the data and information maintained by the Commission on
13 PNM's and other utilities' reliability metrics does not support Staff's assertions.

14

15 **Q. DO PNM'S CURRENT RELIABILITY INDICES REFLECT A HISTORY
16 OF RELIABLE PERFORMANCE THAT IS SIMILAR TO OR BETTER
17 THAN OTHER UTILITIES WITHIN THE STATE?**

18 **A.** Yes. As I explained in my Direct Testimony, PNM's reliability typically ranks in
19 the lower 1st quartile or upper 2nd against peer utilities nationwide.

20

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 **Q. DO YOU AGREE WITH MR. EVANS THAT THERE IS LITTLE TO NO**
2 **VALUE IN COMPARING RELIABILITY METRICS AMONG UTILITIES**
3 **BECAUSE OF THE NUMBER OF DIFFERENCES AMONG SYSTEMS?**

4 **A.** I agree with Mr. Evans only in that the reliability performance of each utility is
5 influenced by numerous factors that are unique to that utility. Service reliability is
6 impacted by weather and geographic factors and accidents outside a utility's
7 control; and therefore utilities cannot be expected to achieve identical metrics as
8 another utility. With an overhead-based transmission and distribution system, the
9 infrastructure serving customers is subject to significant volumetric and intensity-
10 based weather patterns that drive varying performance year over year. Other non-
11 controllable impacts such as vehicle damage, ariel debris, construction damage,
12 birds and animal contacts and vandalism also create significant amounts of service
13 interruptions.

14
15 However, the Commission might find it valuable to explore why one utility it
16 regulates consistently ranks in the top first or second quartiles of reliability among
17 many utilities, and other utilities within its jurisdiction might land in the bottom
18 two quartiles. It is also important to know whether a utility is achieving metrics
19 that are widely recognized throughout the utility industry as representative of a
20 reliable utility system.

21

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 Staff is incorrect in their assertion that there is no objective or comparative value
2 to industry-wide based reliability statistics. It defies logic that Staff wants the
3 Commission to find that PNM has a poor history of reliability that warrants
4 automatic fines and penalties while other utilities, who for the same many years
5 report comparable or worse quality of service for their customers, demonstrate
6 perfectly acceptable reliability that goes unchallenged.

7

8 **Q. HOW DO YOU RESPOND TO STAFF’S TESTIMONY THAT PNM**
9 **SHOULD USE REGIONAL METRICS FOR COMPARISON RATHER**
10 **THAN NATIONAL METRICS?**

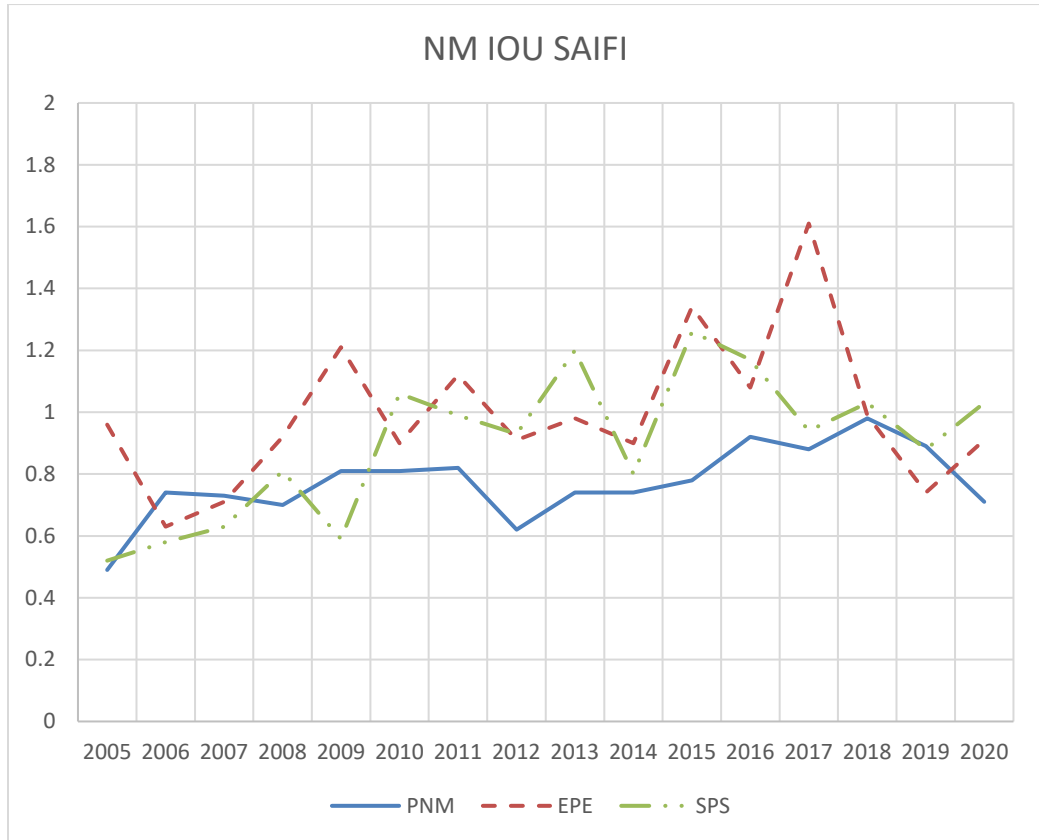
11 **A.** Use of that metric confirms that PNM does not have a reliability problem. PNM
12 compares favorably to the two other multi-state utilities regulated by the
13 Commission. A review of the data that the Commission tracks and makes publicly
14 available shows that PNM’s service reliability metrics are comparable to or better
15 than those of Xcel Energy’s Southwestern Public Service Company (“SPS”) and
16 El Paso Electric Company (“EPE”).¹ Each utility reports their SAIDI and SAIFI
17 metrics on an annual basis on a combined transmission and distribution basis,
18 excluding major events as defined by electric industry standards. JA Exhibit TF-1
19 (July 9, 2021) provides the data for each utility from the NMPRC website
20 (<https://www.nm-prc.org/utilities/reliability-indices/>).

¹ Key reliability performance metrics tracked by the Commission include SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index). These statistics normally exclude Major Event Days in accordance with IEEE Standard 1366-2003.

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

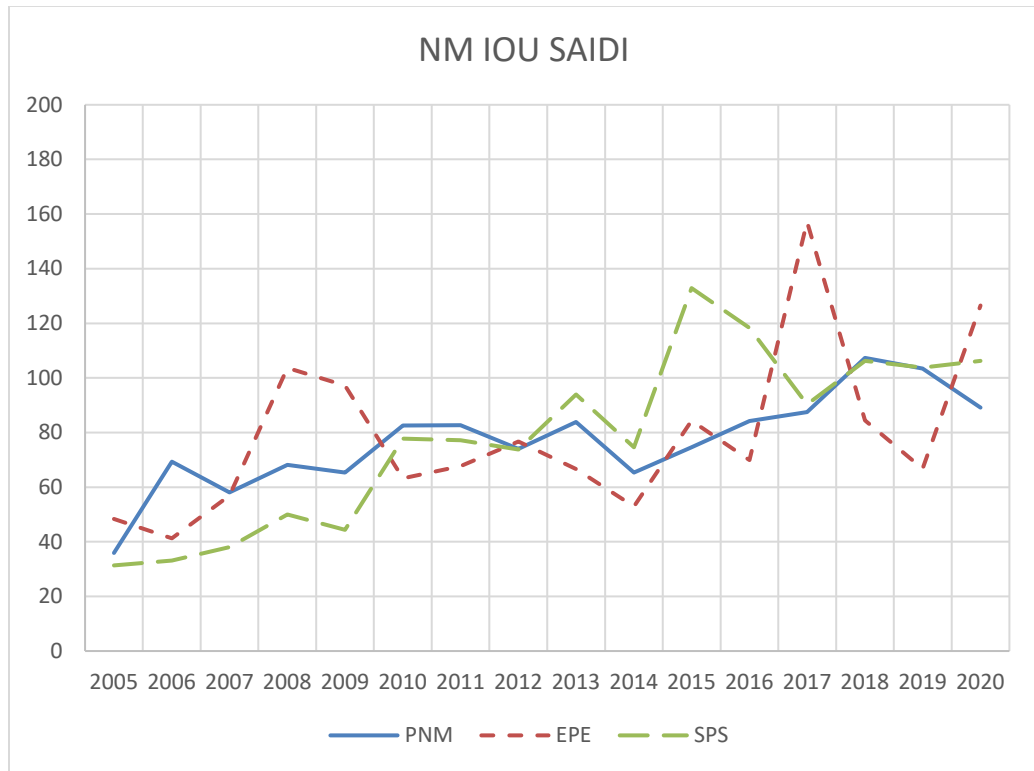
1 The graph below illustrates that PNM’s 2005-2020 SAIFI and SAIDI trends are in
2 fact more favorable than the current trends of EPE and SPS. As can be seen
3 graphically, while PNM’s service metrics are more consistent over the years, there
4 is notable variability in the reliability indices from year to year for all three
5 utilities. Mr. Evans is simply incorrect when he claims on page 17 of his testimony
6 opposing the stipulation that there is a “dramatically rising trend” in PNM outages.
7

JA Graphs TF-1



8

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**



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Staff's Non-Standard Penalty System

Q. WHAT IS STAFF'S RATIONALE FOR ADVOCATING TO IMPOSE AN IMMEDIATE PENALTY ON PNM?

A. Staff proposes this onerous alternative primarily because it questions whether Avangrid has the “ability or desire” to ensure that PNM’s service reliability will not decline and because **Regulatory Commitment # 36** lacks enforceable obligations. Neither justification is supported nor true. If approved, the conditions contained in the Second Amended Stipulation are enforceable as orders of the Commission, and the commitment expressly recognizes that enforcement actions may be brought by Staff of other parties for any failure to comply with its terms.

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 Further, there is no evidence in this case that Avangrid plans to interfere with the
2 local management of PNM's utility operations or plans to direct PNM to reduce its
3 focus on service reliability. In fact, the opposite is true. The provisions of the
4 Second Amended Stipulation demonstrate that the Joint Applicants are committed
5 to investing in PNM's system consistent with PNM's existing multi-year plans. The
6 Joint Applicants will maintain current personnel to provide existing services post-
7 merger. The Joint Applicants are also committed to providing compliance reports
8 and engineering-based performance improvement plans to address individual
9 distribution feeders that consistently under-perform, including working with large
10 customers to assess any unique quality of service issues.

11
12 **Q. WHAT MEASURES DOES THE COMMISSION TAKE TO MONITOR OR**
13 **ADDRESS ANY POTENTIAL CHANGES IN THE QUALITY OF SERVICE**
14 **PROVIDED BY UTILITIES?**

15 **A.** The Commission's broad authority includes overseeing utility operations,
16 investigates complaints, and in past cases has looked into the service quality of
17 electric utilities in dockets such as Case No. 09-00163-UT (performance based
18 ratemaking) and 09-00372-UT (investigation in service quality of El Paso Electric
19 Company). The Commission requires utilities to file annual reliability metrics and
20 makes this data publicly available. The Commission presumably reviews these
21 compliance filings for the purpose of monitoring and supervising the quality of
22 service being provided from year to year. PNM has filed this information for many

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 years without the Commission raising any concerns.

2

3 **Q. IS THERE A BASIS IN SERVICE STANDARD FOR STAFF TO PROPOSE**
4 **A PENALTY SYSTEM WHEN THE EVIDENCE DOES NOT SUPPORT A**
5 **FINDING THAT PNM PROVIDES A POOR QUALITY OF SERVICE?**

6 **A.** There is no sound rationale that justifies radically disparate treatment of PNM than
7 that accorded the other regulated electric utilities in New Mexico. Importantly,
8 Staff does not cite to any Commission service standard rule that PNM has violated.
9 Nor is there an existing rule on which an elaborate penalty system can be based.
10 The proper course of action is to regulate utilities equitably and consistently. That
11 means pursuing an informed and uniform rulemaking to establish reliability
12 standards for utilities within the state. Any penalty system, however, should be
13 vetted through a rulemaking process in which all of the regulated electric utilities
14 and cooperatives can participate.

15

16 It is clear that Staff is *not* simply trying to ensure Avangrid ownership does not
17 degrade PNM’s quality of service. Instead, Staff is attempting to “jump start” the
18 type of penalty system that Staff is unsure they can obtain through a rulemaking.
19 Mr. Evans admits on page 15 of his testimony that Staff is uncertain the
20 Commission would actually promulgate his requested reliability standards and
21 penalties and that rather than Staff facing the potential risks and delays that might
22 accompany appropriate rulemaking processes, he seeks to preemptively

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 implement them as part of merger condition. Staff cannot circumvent the need to
2 undertake a rulemaking process to properly establish consistent reliability metrics
3 that should apply uniformly to all of the electric utilities.

4
5 **Q. DO YOU BELIEVE STAFF’S PROPOSED PENALTY SYSTEM**
6 **REFLECTS A WIDELY ACCEPTED APPROACH IN THE INDUSTRY**
7 **FOR ESTABLISHING RELIABILITY STANDARDS FOR ELECTRIC**
8 **UTILITIES?**

9 **A.** Not that I’m aware of. In fact, most state commissions do not impose a strict
10 penalty system on electric utilities for reliability standards, and state commission
11 typically impose any standards through a rulemaking process. For example, while
12 Staff’s proposal has a superficial similarity to the approach taken in Texas, the
13 Texas rule does not apply such narrow parameters or automatically impose onerous
14 penalties.²

15
16 **Q. WHY IS STAFF’S PENALTY SYSTEM UNREASONABLE?**

17 **A.** Simply put, Staff’s punitive regime is poorly designed from a technical perspective.
18 It does not reflect an engineering-based understanding of reliability issues or an
19 approach designed to encourage planned improvements to the transmission and
20 distribution systems. Staff’s penalty system should be rejected because it:

- 21 • applies an arbitrary baseline;

² See Public Utility Commission of Texas Rules, § 25.52(g).

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

- 1 • applies an impermissibly narrow variance from the baseline that does
2 not account for observable variability caused by uncontrollable events;
- 3 • inappropriately applies combined transmission and distribution average
4 SAIDI and SAIFI metrics as a measure for distribution only systems;
- 5 • unreasonably imposes penalties before PNM can reasonably identify
6 whether an individual distribution feeder underperforms from an
7 engineering perspective rather than due to unrelated and uncontrollable
8 events and before PNM has a reasonable opportunity to address
9 identified performance issues; and
- 10 • rewards preemptive fixes to individual distribution feeders that make
11 the first- and second-year “worst” list, rather than a systematic approach
12 to improving the reliability of the distribution system as a whole.

13 It is also critical that any requirements that single out PNM for disparate standards
14 and penalties that are not imposed on other utilities should only be implemented on
15 an interim basis, and should sunset on a date certain, such as no more than 3-4 years
16 after implementation. If the Commission has not commenced a rulemaking for a
17 permanent and uniform approach to setting standards, it is arbitrary and unfair for
18 PNM to be indefinitely held to a penalty system that bears little relationship to the
19 merger.

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 **Q. WHY IS THE BASELINE PROPOSED BY STAFF UNREASONABLE?**

2 **A.** First of all, Staff refuses to use PNM’s most recent multi-year period of service
3 metrics as a baseline, despite Staff’s stated goal of ensuring that PNM customers
4 will not experience a decline in pre-merger quality of service, post-merger. Staff
5 argues that using the most recent five years of data (2016-2020) as a baseline, as
6 proposed by PNM, would mean that PNM’s “worst performing” years would be
7 included, that therefore “would set a standard of historically poor reliability
8 performance.” Mr. Evans instead hand selects the period 2013-2017, in order to
9 establish a baseline chosen for the purpose of including what Staff considers to be
10 the best performance years for PNM.

11

12 **Q. WHAT IS THE RESULT OF SELECTING AN EARLIER PERIOD?**

13 **A.** This biased hand selection of the five years to be used to set a baseline sets an
14 arbitrarily high bar for PNM that does not reflect the actual baseline of PNM’s
15 current system. If this approach was applied uniformly to other utilities, the
16 arbitrary nature of it becomes clear. By way of example, it would set a baseline
17 of performance for PNM that would not be readily achievable today by any of the
18 three major electric utilities. The 2013-2017 SAIDI average for PNM was 79.12
19 minutes. The following Table based on the Commission’s data in JA Exhibit TF-
20 1 (July 29, 2021) shows that for the past five year, there are only two years in

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 which EPE would have achieved the baseline, and no years in which either PNM
2 or SPS would have achieved the baseline.

New Mexico Electric Utility Reliability: SAIDI

SAIDI ¹	PNM	EPE	SW Public Service (XCEL)
2016	84.18	69.91	118.32
2017	87.44	157.17	90.27
2018	107.33	84.49	106.21
2019	103.39	66.71	103.73
2020	89.15	126.48	106.21
5-yr Avg	95.59	94.57	104.63

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9
10 Importantly, if one were to set individual baselines for EPE and SPS using Staff's
11 criteria (*i.e.*, include the best performance years for that utility), each utility's
12 baseline would have to be set on using *different* five-year periods. Again, for each
13 utility, the baseline would not reflect the actual conditions of the system against
14 which the utility's future performance is to be measured.

15
16 Staff's artificially selected baseline also causes PNM to immediately start its
17 benchmarking by being out of compliance, rather than starting from its actual
18 system baseline. In addition to being patently unfair to PNM, this immediate
19 consequence demonstrates that there is no relationship between Staff's penalty
20 system and Staff's stated rationale that the Commission should employ an

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 enforceable set of standards to ensure PNM's service quality does not decline as a
2 result of the merger with Avangrid.

3
4 **Q. PLEASE EXPLAIN WHY STAFF'S PERFORMANCE PARAMETERS**
5 **ARE NOT CORRECTLY CHOSEN.**

6 **A.** The primary problem is that the tolerance for variance from the baseline for
7 individual distribution feeder performance is unreasonably restrictive. As can be
8 seen in the Commission's data in JA Exhibit TF-1 (July 29, 2021), reliability
9 metrics for each of the utilities can readily swing by a much greater percentage from
10 year to year. These swings are heavily influenced by uncontrollable events
11 common to overhead transmission and distribution systems, as I discussed in my
12 testimony above. This problem is further exacerbated by not benchmarking to
13 actual current system conditions. By way of comparison, the Texas reliability
14 standard for an individual distribution feeder is s SAIDI and SAIFI value that does
15 not more than 300% of the system average of all feeders during any two consecutive
16 reporting years. Staff proposes escalating penalties beginning in year two, for each
17 feeder with ten or more customers that has a SAIDI or SAIFI value that exceeds
18 the system-wide average by only 10%. When combined with Staff's unreasonably
19 low baseline SAIDI and SAIFI averages, there is a notable reduction in the absolute
20 number and duration of allowable events that can occur without penalty. Where
21 reliability indices are set in terms of minutes per year, significant penalties likely

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 will occur as a result of only a couple of minutes difference in annual results under
2 Staff's penalty system.

3

4 Additionally, the amounts of penalties are severe, as I demonstrate below. The
5 unreasonable severity of these penalties stems from setting system-wide penalties
6 at disproportionately high amounts; setting individual distribution feeder penalties
7 that result in a compounding of penalties; and imposing penalties beginning in Year
8 Two. This arbitrarily short period before penalties are imposed does not provide
9 adequate time to properly assess if there is a consistent root cause for an individual
10 distribution feeder's underperformance, and no opportunity to address root cause
11 controllable problems in order to avoid a penalty.

12

13 And it is doubtful that PNM could *ever* avoid penalties based on Staff's proposed
14 reliability metrics and penalty matrix. As evidenced by the Commission data in JA
15 Exhibit TF-1 (July 9, 2021), all of the New Mexico utilities' SAIDI and SAIFI
16 metrics naturally vary from year to year. JA Graph TF-1 above demonstrates that
17 there can be significant variability in these metrics from one year to the next.

18

19 All utilities face some degree of yearly volatility in their statistics due to non-
20 controllable events that create significant amounts of service interruptions. While
21 PNM's metrics are generally more consistent from year to year compared to EPE

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 and SPS, PNM system metrics also display notable variability, which is heavily
2 influenced by uncontrollable events.

3

4 **Q. WHY COULDN'T PNM SIMPLY INVEST IN IMMEDIATE SYSTEM**
5 **IMPROVEMENTS TO AVOID THESE PENALTIES?**

6 **A.** While Staff assumes that PNM could avoid the penalties by preemptively “fixing”
7 distribution feeders that show up as the worst performing for two or more years,
8 actively doing so will have significant unintended outcomes for customers. Staff’s
9 proposal would create a “chasing feeders” condition whereby excess attention
10 would be placed on any feeder showing impacts from the previous year in order for
11 it to not land on the list for a second year in order to avoid penalties.

12

13 **Q. WHAT PERIOD OF TIME IS MORE REASONABLE FOR ASSESSING**
14 **WHETHER THE RELIABILITY OF AN INDIVIDUAL FEEDER WOULD**
15 **BENEFIT FROM INVESTING IN ENGINEERING IMPROVEMENTS?**

16 **A.** First of all, each feeder should not be penalized until there are three or more years
17 of performance issues in order to identify whether a distribution feeder is in fact
18 consistently or chronically under-performing. Staff’s proposal forces PNM to
19 assume that there is a problem with all of the 10% lowest performing feeders, and
20 to fix them before the next year elapses in order to avoid escalating fines from
21 having the feeder on the list two or more years. However, feeders can be in the
22 bottom 10% in consecutive years as a result of unrelated factors beyond PNM’s

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 control, such as weather-related outages, human or animal caused accidents that
2 damage the line, or other one-time occurrences.

3
4 In those circumstances, there may not be improvements to be made, and yet PNM
5 would be penalized for what has been pre-defined to be controllable performance.
6 Additionally, the costs of improvements designed to remove a feeder from the
7 bottom percentages of performance may outweigh the incremental improvements
8 in operational performance, and yet PNM will be under Commission direction to
9 incur those expenditures because failure to do so is a punishable offense for poor
10 performance. Essentially Staff places PNM between a rock and hard place, by
11 forcing PNM to either accept unavoidable penalties, or make investments it might
12 not otherwise choose to make in order to avoid the penalty.

13
14 **Q. WHAT WOULD BE A LIKELY OUTCOME FROM REJECTING THE**
15 **SECOND AMENDED STIPULATION’S RELIABILITY PROVISIONS IN**
16 **FAVOR OF STAFF’S PENALTY SYSTEM?**

17 **A.** When compared with the **Regulatory Commitment # 36** on reliability contained
18 in the Second Amended Stipulation, Staff’s proposal could very well drive PNM
19 toward unnecessary system investments because it artificially defines what
20 constitutes controllable poor performance that requires improvements. This non-
21 engineering-based approach encourages utilities to spend money on immediate
22 fixes that may not impact overall system performance from year to year.

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 The more reasonable approach is to pursue a long-term approach to systematic
2 investments that will quantifiably improve the system. Under the stipulated
3 commitments, PNM will programmatically address underperforming feeders by
4 first conducting an engineering study to determine what if any cost-effective
5 improvements should be made. This is a more practical and feasible approach to
6 ensuring that PNM maintains and improves on its current levels of quality service,
7 without imposing arbitrary penalties on PNM and without burdening customers
8 with the costs of added maintenance and investments that chases a rigid and
9 potentially inaccurate definition of feeder underperformance.

10

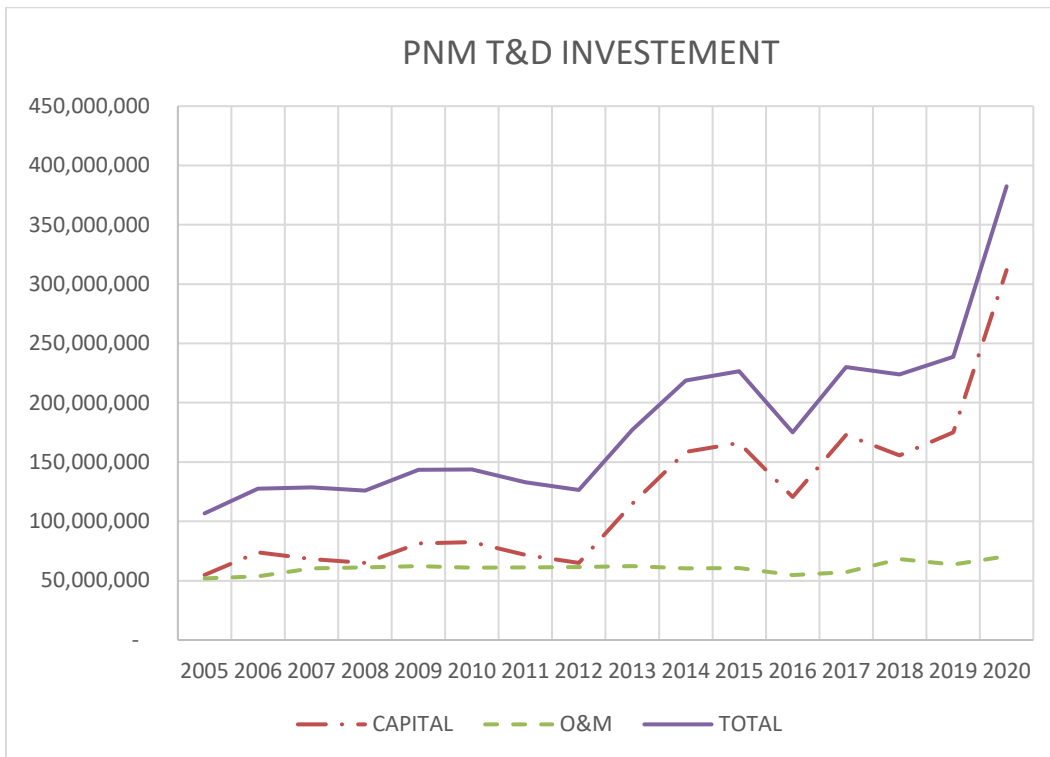
11 **Q. PLEASE COMMENT ON STAFF’S ASSERTION THAT A**
12 **CORRELATION EXISTS BETWEEN OPERATING AND MAINTENANCE**
13 **(“O&M”) SPENDING AND SERVICE RELIABILITY METRICS.**

14 **A.** I agree that there is a general correlation between O&M expenditures and service
15 reliability metrics over time. However, Staff’s Exhibits EDE-4SO and EDE-5SO
16 attached to Mr. Evans’ testimony only include distribution level O&M expenses
17 and does not include transmission-related O&M expenditures or for capital
18 investments PNM makes each year in both its transmission and distribution systems
19 to maintain and improve system reliability (see JA Graph TF-2 below for total
20 O&M and capital T&D investment). Nor does Staff take into account the PNM’s
21 current five-year Wired for the Future plan, which emphasizes capital investments
22 to increase capacity and upgrade the transmission and distribution systems. And

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 again, reliability metrics in a given year can also be highly influenced by weather
2 and other events that are outside of PNM’s control and do not correlate with
3 incremental O&M spend in that year.

JA Graph TF-2



5
6

7 **Q. DO YOU AGREE WITH STAFF’S ASSERTION THAT INFLATION**
8 **ADJUSTED DISTRIBUTION O&M EXPENDITURES REVEALS A**
9 **REMARKABLE DECLINE?**

10 **A.** No, Staff uses a dollar per customer and a dollar per MWh basis to come to this
11 conclusion. However, as with any economy of scale, it does not require the same
12 level of total system O&M for new customer or MWhs as it does the initial. To
13 note, if the 2005 distribution O&M dollars (excluding the same accounts discussed

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 by Staff Witness Evans) of \$15.9 million were only escalated using the same
2 inflation index as Staff witness Evans, 2020 distribution O&M dollars would have
3 been less than the actual distribution expenditures incurred by PNM. The index
4 inflated O&M would have been approximately \$21.0 million; however, the actual
5 distribution O&M PNM incurred in 2020 was approximately \$21.5 million.

6
7 **Q. WHEN COMPARED TO STAFF'S PENALTY SYSTEM, ARE THE**
8 **METRICS INCLUDED IN THE REGULATORY COMMITMENTS A**
9 **REASONABLE BASIS BY WHICH TO MEASURE RELIABILITY?**

10 **A.** Yes. The stipulated metrics are a reasonable basis by which to measure reliability
11 and take measured and planned actions to improve service performance. The
12 Second Amended Stipulation establishes a reasonable PNM baselines: the
13 stipulated average SAIFI index (Excluding Major Event Days) for benchmarking
14 purposes is 0.88; and the stipulated average SAIDI index (Excluding Major Event
15 Days) is 94.3.

16
17 Importantly, the Regulatory Commitments include reasonable provisions that are
18 designed to hold PNM accountable for maintaining service quality, and provide that
19 any party can petition the Commission if PNM does not comply.

20
21 **Q. IS IT POSSIBLE TO ACHIEVE STAFF'S STATED OBJECTIVES**
22 **THROUGH THE RULEMAKING PROCESS?**

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 **A.** Yes. The Joint Applicants are committed to PNM continuing to provide high
2 quality service post-merger. PNM has agreed to working with Staff on establishing
3 potential standards through the rulemaking process, and Staff has not opposed this.
4 A rulemaking process presents the greatest potential for a balanced approach to
5 developing and applying reliability standards that reasonably benefit customers
6 rather than solely penalizing PNM under a standard that does not apply to other
7 utilities.

8

9 **Q. IF ADJUSTMENTS WERE MADE WOULD STAFF’S PROPOSED**
10 **STANDARDS AND PENALTIES BE LESS ARBITRARY?**

11 **A.** Yes. Standards must take into consideration where the system stands at the time
12 penalties will be imposed. Establishing a fixed base line using the most recent five-
13 year period, or a longer period ending in the most recent year of data, is a basic
14 solution to some of the arbitrary outcomes in Staff’s proposal. This approach is
15 more reasonable than hand selecting an out date historical period that does not
16 account for current system conditions.

17

18 Additionally, the variances from the SAIDI and SAIFI baselines for individual
19 feeders should be significantly expanded from the unduly restricted 10% swing
20 recommended by Mr. Evans. An unreasonably narrow bandwidth triggers penalties
21 for shorter-term conditions that are outside the control of the utility. All too often,
22 a single unavoidable event can cause the 10% variance to be exceeded, particularly

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 where the baseline is set artificially low. Finally, the penalties for feeder
2 underperformance should be reduced. While it is important to hold utilities
3 accountable for the reliability of the service they provide, it is far better from a
4 customer perspective to require utilities to spend money on reasonable, impactful
5 investments that improve the system than to require them to pay automatic penalties
6 into the general funds of the state. Any penalty system must sunset within no more
7 than five years and should end earlier if other reliability standards were to be
8 promulgated by the Commission.

9
10 JA Exhibit TF-2 (July 29, 2021) provides an illustration of how potential penalties
11 might be established if Staff's penalty structure were more reasonably constructed.

12
13 As discussed throughout my testimony, the Second Amended Stipulation already
14 includes standards and enforcement provisions to assure PNM's pre-merger quality
15 of service is not adversely affected as a result of the merger, and that quality of
16 service for customers will be maintained and improved as a result of **Regulatory**
17 **Commitment # 36**.

18

19 **Q. PLEASE SUMMARIZE WHY THE SECOND AMENDED**
20 **STIPULATION'S REGULATORY COMMITMENT #36 IS MORE**
21 **REASONABLE THAN THE RIGID AND PUNITIVE APPROACH**
22 **ADVOCATED BY STAFF.**

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 **A.** Staff’s recommendation to impose a rigid and onerous penalty system is based on
2 unachievable standards. It does not provide a solution to their stated objections to
3 the Merger. Staff’s proposed SAIDI and SAIFI indices are not tied to PNM’s
4 current pre-merger system conditions and has the unintended outcome of rewarding
5 isolated investments to fix short term underperformance, rather than encouraging a
6 systematic post-merger approach to maintaining and improving current levels of
7 quality service reliability.

8
9 Even though Staff appears to recognize the reasonableness of the stipulation’s
10 Regulatory Commitment # 36, Staff declines to focus on a planned, engineering-
11 based approach to system improvements. It is fundamentally unreasonable to set
12 up a system that punishes PNM as a response to unrelated Avangrid utility
13 outcomes in jurisdictions which operate under significantly different utility
14 regulations than New Mexico.

15
16 Staff does not deny that that there are other avenues, including a rulemaking to
17 address their issues, but admits such standards might never be enacted. Pursuit of a
18 rulemaking is expressly recognized in the Second Amended Stipulation. This gives
19 Staff and PNM the opportunity to continue to work cooperatively and explore more
20 balanced and reasonable reliability standards.

21

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 In sum, Staff's proposed penalty system does not improve on the benefits of the
2 Merger; does not identify an actual or reasonably anticipated reliability problem
3 that can be attributed to the Proposed Transaction; and does not focus on consistent
4 maintenance and improvement of PNM's system post-merger.

5

6 The Commission should accept the Second Amended Stipulation's **Regulatory**
7 **Commitment # 36** without modification.

8

9 **Q. WHAT IS PNM'S RESPONSE TO BERNALILLO COUNTY'S**
10 **RECOMMENDATION TO IMPOSE SPECIFIC CALL CENTER METRICS**
11 **AND PENALTIES ON PNM AS A CONDITION OF THE MERGER?**

12 **A.** PNM opposes this recommendation. As a condition of the Merger, Bernalillo
13 County is asking the Commission to impose arbitrary four specific customer call
14 center metrics without any baseline information.

15

16 As a preliminary matter, there is no evidence in the record that PNM's customer
17 call center performance is inadequate. In fact, Bernalillo County does not even try
18 to assert any knowledge whatsoever of PNM's customer call center performance or
19 metrics and presents no information or evidence on which the Commission could
20 make an informed decision.

21

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 Further, Customer service standards are typically established by regulation, and the
2 Commission’s customer service regulations can be found in Rules 17.9.410 and
3 17.9.560 NMAC. The County provides no grounds for creating special regulations
4 for PNM beyond asserting that these are standards allegedly imposed on Avangrid’s
5 Maine Power Company (presumably through rules formally established by its state
6 regulator). PNM must be regulated in accordance with rules established by the
7 NMPRC and cannot be subject to a different jurisdiction’s rules without the
8 Commission promulgating rules of its own. The Commission should refuse to
9 regulate PNM disparately by randomly imposing un-vetted customer call center
10 standards on PNM that are not required of other utilities.

11
12 The Joint Applicants’ **Regulatory Commitment # 36** ensures that the Commission
13 will have adequate data and information to confirm that PNM continues to provide
14 quality customer service from its call center, post-merger. **Regulatory**
15 **Commitment # 36** expressly provides that “PNM will meet with representatives
16 from the Commission’s Consumer Relations Division and Utility Division Staff to
17 establish a list of other appropriate customer service quality indices and reliability
18 standards and file a report with the Commission as part of its Rule 17.3.510 NMAC
19 annual report that reflects its performance based on these measures.” The
20 Commission will therefore have the information necessary to monitor customer
21 service reliability on an ongoing basis. The County’s arbitrary proposal to impose

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 (again, solely on PNM) unsupported and random customer call center standards
2 from another jurisdiction should be rejected.

3
4 **III. RESPONSE TO GENERAL RECOMMENDATIONS ON**
5 **RELIABILITY PROTECTIONS AND OTHER PROPOSALS**
6

7 **Q. PLEASE SUMMARIZE THE OTHER RECOMMENDED CHANGES TO**
8 **THE STIPUALTION THAT YOU ADDRESS.**

9 **A.** I address clarifications and other further agreements that NM AREA and Bernalillo
10 County seek relating to Regulatory Commitment # 36 and # 42. I also respond to
11 various statements made by ABCWUA and NEE that reference federal regulations.

12
13 NM AREA seeks clarifications and further agreements relating to several provision
14 in Commitment # 36. The prefatory statement in that Commitment provides
15 assurance that PNM will continue to invest in its system to ensure safety and
16 reliability, in accordance with its ongoing utility obligations. In response to
17 comments made by Staff that this Commitment appears to be PNM-specific, I
18 clarify that Commitment # 36 is made by the Joint Applicants. Practically speaking,
19 however, this Commitment addresses day-to-operations at the utility level, and it
20 will be the responsibility of local PNM management to implement the provisions
21 contained therein.

22

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 PNM makes transmission and distribution investments driven by the core
2 operational values of Safety, Compliance, Reliability, System Performance and
3 Security. I have described PNM's current implementation of a multi-year Wired
4 for the Future program, which focuses on making consistent investments to
5 improve customer reliability and system security. It also enhances PNM's ongoing
6 system maintenance efforts and wildfire management programs. PNM also plans
7 to pursue a statutorily based multi-year grid modernization program. Commitment
8 # 36 encompasses these existing multi-year projects to maintain and improve
9 PNM's system, and in essence summarizes PNM's existing measured and
10 reasonable programmatic response for ensuring quality reliable service to
11 customers.

12
13 **Q. HAS ANY PARTY PROPOSED THAT AN ADDITIONAL REQUIREMENT**
14 **FOR CONTINUED INVESTMENTS BE IMPOSED ON PNM?**

15 **A.** Yes. NM AREA Witness Gorman recommends that the Commission expressly
16 require PNM to continue to maintain minimum capital investments in transmission
17 and distribution infrastructure equal to the remaining four years of PNM's current
18 2021-2015 budget, as adjusted for changed circumstances from year to year.

19
20 Joint Applicants do not object to Commission requiring PNM to continue with its
21 planned multi-year programs for system maintenance and improvement after the
22 merger is approved, in order to assure the Commission that Avangrid will not act

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 post-merger to degrade PNM’s current quality of service. As noted by Mr. Gorman,
2 recovery of these transmission and distribution investments would of course be
3 subject to Commission review and approval in the ordinary course of future rate
4 proceedings.

5

6 **Q. ARE THERE OTHER RECOMMENDATIONS BY NM AREA THAT PNM**
7 **BELIEVES CAN ALSO BE ADOPTED BY THE COMMISSION?**

8 **A.** Yes. PNM is not opposed to performing power quality and service quality studies
9 for customers 10 MW and larger and working with those customers to resolve
10 identified power and service quality issues, if any. Large customers often have
11 specialized voltage requirements for their operations and the proposed studies can
12 identify if there are reasonable upgrades to equipment or facilities on either the
13 utility’s or customer’s side of the meter.

14

15 While PNM does not object to performing these studies, it is unrealistic to require
16 that multiple, complex engineering studies be performed within three months of the
17 merger closure. A more realistic deadline for completion of such a study is twelve
18 months. However, Joint Applicants will work to reach agreement with the subject
19 customers on a shorter deadline if reasonably feasible.

20

21

22

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 **Q. DOES NM AREA MAKE ANY ADDITIONAL RECOMMENDATIONS**
2 **THAT SUPPORT ONGOING MAINTENANCE OF PNM’S**
3 **INFRASTRUCTURE?**

4 **A.** Yes. Mr. Gorman proposes that there be new conditions imposed to ensure PNM
5 continues to employ a sufficient number of employees and contractors to promptly
6 respond to service calls, outages, distribution line knock-downs, substation issues
7 and other similar service issues that can arise. Specifically, Mr. Gorman asks that
8 PNM report in its next three general rate cases on the number of employees and
9 contract works are needed to fulfill this commitment and any material changes, plus
10 or minus 10%, requiring for the proposed rate period. Mr. Gorman also proposes
11 that PNM designate and identify customer service representatives for large
12 customers with month demand greater than 3 MW and have the designated
13 representative assist large customers on technical matters relating to their accounts.
14 Finally, Mr. Gorman proposes that the Joint Applicants be required to commit that
15 they will ensure there will be no diminution in current levels of quality of a
16 customer service or system reliability while Avangrid or an affiliate owns PNMR
17 and PNM. NM AREA believes that these are necessary customer protections to
18 avoid a significant contributing factor to service quality issues of concern for
19 Central Maine Power.

20
21 **Q. ARE THESE ADDITIONAL RECOMMENDATIONS FOR APPROPRIATE**
22 **STAFFING CONSISTENT WITH EXISTING PNM PRACTICES?**

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 **A.** For the most part, yes. PNM promptly responds to service calls, outages,
2 distribution line knock-downs, substation issues and other similar service issues
3 that can arise and retains sufficient personnel and contractors to do so. I note that
4 the Joint Applicants have also committed that up to 20 of the new jobs Avangrid
5 has committed to creating or bringing to the state could be electric service business
6 unit craftspersons at PNM, with priority given to personnel that have been or may
7 otherwise be displaced by the San Juan Generating Station closure. To the extent
8 new positions are needed in upcoming years to maintain prompt service response
9 levels, those would in all likelihood be skilled craftsperson jobs. However, new
10 positions would only be added if PNM determined that they were necessary to meet
11 its continuing utility obligations to provide safe and reliable service to customers.

12
13 Similarly, PNM currently designates customer service representatives as account
14 managers who are responsible for working directly with large customers to address
15 their specific customer service and technical needs. PNM agrees that it is
16 reasonable for PNM to be expected to continue to do so, as recommended by NM
17 AREA.

18 With regard to the recommendation on reporting in rate cases, costs associated with
19 maintenance and service response are included in the information filed in support
20 of PNM's rate case requests. PNM is willing to provide reporting on staffing levels
21 that includes a description of any significant changes for the next three rate case
22 filings.

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 Finally, Mr. Gorman’s request that there be a Joint Applicant commitment to
2 maintaining current levels of service quality and reliability, his request should be
3 read as directed toward avoiding any material negative changes, rather than as an
4 absolute.

5
6 **Q. WHICH RECOMMENDATIONS TO CHANGE OR FURTHER**
7 **CONDITION THE CURRENT REGULATORY COMMITMENTS**
8 **REGARDING REGIONAL TRANSMISSION ORGANIZATIONS DO YOU**
9 **ADDRESS?**

10 **A.** I respond to NM AREA’s suggestions that the regulatory commitment relating to
11 the pursuit of a Regional Transmission Organization (“RTO”) be changed or
12 conditioned. Mr. Gorman suggests that the last sentence be deleted, without
13 explanation, and that certain clarifications be made. I see no reason for deleting the
14 last sentence of the commitment, which states “Participation in the Western EIM,
15 EDAM, or other similar market would not constitute participation in an RTO.”
16 Regulatory Commitment #42 provides that the Joint Applicants will use all
17 reasonable efforts to find or participate in the development of a viable RTO that
18 PNM could join by January 1, 2030, subject to Commission review and approval.
19 An RTO is an independent transmission system operator that coordinates, controls
20 and operates entity that operates and controls a multi-state electric grid, consisting
21 of the transmission systems of multiple utilities, in order to provide uniform and
22 non-discriminatory transmission service for a region as a whole. The last sentence

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 of Commitment # 42 clarifies that participating in organized markets and market
2 activities– which often occur within an independently operated regional
3 transmission system–is not the same as a utility joining an RTO by ceding
4 operational control of its utility-owned electric system to the independent system
5 operator.

6
7 While PNM does not believe Regulatory Commitment #42 requires any
8 amendment, the company agrees that the stipulated provisions for pursuing an RTO
9 and seeking any necessary Commission approvals would not bind any party to a
10 particular position in such a proceeding. Given that the Commission would
11 determine whether PNM should join an RTO, it would be inappropriate for the
12 Commission to also participate in its development. PNM also believes that the
13 provision for a stakeholder process would not preclude participation by
14 Commission Staff, the Attorney General or other interested stakeholders. While we
15 welcome Staff and other parties’ participation, no one should be required to
16 participate if they do not choose to do so voluntarily.

17
18 **Q. PLEASE ADDRESS THE ARGUMENT OF ABCWUA THAT ALL**
19 **AFFILIATE TRANSACTIONS FOR RESOURCE PROCUREMENTS**
20 **SHOULD BE ASSESSED BASED ON A LOWER OF COST OR MARKET**
21 **STANDARD.**

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 **A.** This dual standard does not comport with the applicable Federal Energy Regulatory
2 Commission (“FERC”) requirements for transactions involving power transactions.
3 Rather, FERC imposes a standard that requires that power resources be
4 competitively procured by a utility from an affiliate.

5

6 **Q. HAS FERC APPROVED THE PROPOSED THE MERGER**
7 **TRANSACTION BETWEEN AVANGRID AND PNMR?**

8 **A.** Yes, FERC has approved the proposed merger in its *Order Authorizing Merger,*
9 *Disposition of Jurisdictional Facilities and Acquisition of Securities* issued on April
10 20, 2021.³ In approving the proposed merger, FERC found that taking into
11 consideration the existence of affiliates in the power production business, the
12 proposed merger will not negatively impact horizontal competition.⁴ FERC also
13 found that the proposed transaction would not result in cross-subsidization of a non-
14 utility affiliate or a pledge of any incumbrance of utility assets for the benefit of an
15 affiliate.⁵ Because it will be considered an affiliate transaction, FERC similarly has
16 reviewed and approved the existing Purchase Power Agreements between PNM
17 and La Joya Wind, LLC, an affiliate of Avangrid.⁶ FERC concluded that the
18 agreements are permissible affiliate sales transactions, and specifically authorized

³ The Proposed Transaction was authorized by the Commission on April 20, 2021 in Docket No. EC21-25-000. *Iberdrola, S.A.*, 175 FERC ¶ 61,058.

⁴ See Order at pp. 5-6.

⁵ *Id.* at 16.

⁶ See *La Joya Wind, LLC, Order Granting Authorization to Make Affiliate Sales* (June 23, 2021) Docket No. ER21-1379-000, 175 FERC ¶ 61,242.

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 La Joya Wind to continue to make these market-based rate sales to PNM pursuant
2 to the agreements.

3

4 **Q. PLEASE RESPOND TO THE ASSERTION BY NEE THAT AVANGRID**
5 **AFFILIATES WILL SOMEHOW ENJOY PREFERENTIAL TREATMENT**
6 **FOR INTERCONNECTION, POWER AND ENERGY PURCHASES,**
7 **WHEELING AND ANCILLARY SERVICES AS A RESULT OF THE**
8 **PROPOSED MERGER WITH PNMR.⁷**

9 **A.** This assertion is entirely unsupported and ignores the stringent federal regulatory
10 framework relating to system interconnection and utility power purchases. Again,
11 FERC examined this issue in the context of their approval of the proposed merger.
12 PNM's transmission assets in New Mexico are subject to its Open Access
13 Transmission Tariff ("OATT") which govern interconnection of generating
14 facilities, including PNM's, to the transmission grid.

15

16 **Q. DO YOU HAVE ANY OBSERVATIONS REGARDING THE OPPOSITION**
17 **TO THE MERGER BY NEE WITNESS SANDBURG BASED ON HIS**
18 **VIEWS OF THE SERVICE RELIABILITY FOR OTHER AVANGRID**
19 **NETWORK UTILITIES?**

20 **A.** Yes. The Commission should disregard his opinions as ill-informed. In general,
21 his testimony ascribes bad motivations to the actions of Avangrid and its Networks

⁷ NEE Witness Sandberg Direct at p. 15.

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 utilities. NEE appears to misapprehend the regulatory construct for the North
2 American Bulk Power Systems that is applied by the North American Electric
3 Reliability Corporation (“NERC”). NEE relies on a settlement and penalty
4 agreement between Central Maine Power utility and NERC to support this
5 allegation (Sandburg Exhibit CKS-12). NEE fails to explain, or perhaps is
6 unfamiliar with, how the NERC enforcement process works and misrepresents or
7 misunderstands the content and significance of the settlement agreement. That
8 agreement provides no basis for objecting to Avangrid’s merger with PNM.

9

10 **Q. PLEASE EXPLAIN THE NERC REGULATORY ENFORCEMENT**
11 **PROCESS.**

12 **A.** NERC relies heavily on routine self-reporting by utilities of any violations of the
13 stringent, and highly technical compliance requirements. As part of its enforcement
14 actions, NERC frequently requires utilities to implement mitigation plans which
15 can then be followed by a settlement agreement that includes penalties. Serious
16 violations of NERC standards can result in penalties in the millions of dollars.
17 Based on my knowledge of system operations, the violations contained in the
18 settlement agreement cited by NEE do not have any impact on the quality of service
19 seen by customers or service reliability metrics such as SAIDI and SAIFI. The
20 settlement agreement reflects that NERC noted favorably that the utility
21 implemented a partially successful mitigation plan self-reported the violations,
22 cooperated through the compliance enforcement process, accepted responsibility

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 for the violations, completed mitigation and other corrective actions, and the
2 violations did not pose or serious or substantial risk to reliability of the Bulk Power
3 System. The referenced NERC settlement agreement certainly does not provide
4 evidence that the quality of service provided by the utility is unreliable or non-
5 compliant overall. NEE cannot credibly label Avangrid as a bad actor or unreliable
6 utility system operator.

IV. CONCLUSION

9 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.**

10 **A.** The Regulatory Commitments in the Second Amended Stipulation regarding
11 service quality and reliability and long-term transmission planning provide
12 concrete benefits to PNM's customers and stakeholders. These provisions
13 demonstrate the Joint Applicants' commitment to make ongoing investments to
14 maintain and improve PNM's transmission and distribution systems over the long-
15 term. They also represent a commitment to continue, post-merger, the same or
16 improved levels of reliable service operations that PNM's local management
17 currently provides. The stipulated service quality standards that PNM has agreed
18 to are measurable and reviewable by the Commission. Each of the stipulated
19 Regulatory Commitments I address, including the specific clarifications and further
20 agreements thereto made by the Joint Applicants, will provide concrete, practical
21 benefits to customers in terms of transmission and distribution operations and
22 future system planning and improvements. Approving the merger under the

**JULY 29, 2021 REBUTTAL TESTIMONY
OF TODD FRIDLEY
NMPRC CASE NO. 20-00222-UT**

1 stipulated terms and conditions in the Second Amended Stipulation, as further
2 enhanced in the Joint Applicants' rebuttal testimonies in support of the stipulation,
3 is in the public interest.

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 **A.** Yes, it does.

6

GCG#528641

PUBLIC SERVICE COMPANY OF NEW MEXICO (PNM) RELIABILITY INDICES

Year	SAIFI (index)	SAIDI (minutes)	CAIDI (minutes)	ASAI %
2020	0.71	89.15	125.15	99.983
2019	0.89	103.39	116.56	99.9803
2018	0.98	107.33	109.02	99.9834
2017	0.88	87.44	99.54	99.9834
2016	0.92	84.18	91.38	99.9840
2015	0.78	74.63	96.06	99.9858
2014	0.74	65.39	88.74	99.9876
2013	0.74	83.86	113.53	99.9840
2012	0.62	73.96	118.72	99.9860
2011	0.82	82.72	101.21	99.9974
2010	0.81	82.63	102.08	99.9974
2009	0.81	65.40	81.15	99.9979
2008	0.70	68.16	97.73	99.9979
2007	0.73	58.11	79.86	99.9982
2006	0.74	69.31	93.66	99.9978
2005	0.49	35.92	73.35	99.9989

EL PASO ELECTRIC COMPANY (NEW MEXICO SERVICE TERRITORY) RELIABILITY INDICES

Year	SAIFI (index)	SAIDI (minutes)	CAIDI (minutes)	ASAI %
2020	0.91	126.48	139.36	99.976
2019	0.74	66.71	89.8	99.9873
2018	0.99	84.49	85.71	99.9839
2017	1.61	157.17	97.76	99.9701
2016	1.08	69.91	64.76	99.9867
2015	1.34	84.34	62.98	99.9840
2014	0.90	52.97	58.66	99.9854
2013	0.98	66.66	68.00	99.9854
2012	0.91	76.66	84.49	99.9854
2011	1.12	67.71	60.27	99.9871
2010	0.90	63.19	70.37	99.9980
2009	1.21	97.27	80.20	99.9815
2008	0.92	103.63	112.54	99.9803
2007	0.71	56.86	79.81	99.9892
2006	0.63	41.27	65.01	99.9922
2005	0.96	48.41	50.27	99.9908

SOUTHWEST PUBLIC SERVICE COMPANY (XCEL ENERGY) RELIABILITY INDICES

Year	SAIFI (index)	SAIDI (minutes)	CAIDI (minutes)	ASAI %
2020	1.03	106.21	102.66	99.9800
2019	0.88	103.73	117.78	99.9803
2018	1.03	106.21	102.66	99.9800
2017	0.94	90.27	96.14	99.9829
2016	1.17	118.32	101.53	99.9777
2015	1.26	132.88	105.57	99.9749
2014	0.80	74.57	92.83	99.9862
2013	1.20	93.91	78.37	99.9821
2012	0.93	73.77	79.20	99.9861
2011	0.99	77.17	77.65	99.9855
2010	1.06	77.74	73.60	99.9851
2009	0.59	44.41	75.08	99.9916
2008	0.81	49.96	61.56	99.9906
2007	0.63	38.06	59.96	99.9928
2006	0.58	33.16	57.15	99.9937
2005	0.52	31.35	60.58	99.9940

**ILLUSTRATIVE MODIFICATIONS TO STAFF'S PROPOSED
RELIABILITY STANDARDS AND PENALTIES**

Overall System Transmission and Distribution Reliability Performance: PNM will continue to measure, monitor and report to the Commission its overall system reliability performance using industry standard reliability metrics of SAIDI and SAIFI. To ensure PNM's system reliability upheld to its historic performance, PNM will be subject to the following reliability performance standards and associated penalties for a time-period that terminates upon the earlier of the effective date of reliability metrics rule promulgated by the Commission or five calendar years after the closing of the Proposed Transaction. Upon recommendation by Staff, the Commission may elect to waive payment of the performance penalty in lieu of a shareholder contribution to system improvements in an equal amount.

- **System Performance:** The reliability performance standards will be based upon PNM's average system-wide SAIFI and SAIDI indices performance¹ from the historical period comprised of the reporting years 2016-2020. PNM shall maintain and operate its electric transmission and distribution system so that its SAIFI value does not exceed its system-wide SAIFI standard by more than 30.0%. PNM shall maintain and operate its electric transmission and distribution system so that its SAIDI value does not exceed its system-wide SAIDI standard by more than 30.0%. PNM can petition the Commission to modify the base period to a more relevant period, if PNM can demonstrate the weather in the base period is no longer representative or for improvements in data acquisition systems and PNM is able to demonstrate the new system significantly impacts its reported reliability performance.

¹ Reliability metrics SAIFI and SAIDI will be the industry standard normalized values that exclude Major Event Days in accordance with IEEE Standard 1366

- **System Penalties:** PNM will incur a penalty for reliability performance standards in the amount of \$100,000 per year if its system SAIFI or SAIDI indices, separately, exceed the system-wide standard by 30% or more for two consecutive years. PNM will incur a penalty of \$200,000 for each system SAIFI or SAIDI indices exceeding the system-wide standard by 30% for three consecutive years and PNM will incur a penalty of \$250,000 for each SAIFI or SAIDI exceeding the system-wide standard by 30% for four consecutive years. In determining penalties for reliability performance, the Commission shall consider substantial steps or progress toward improving system reliability, infrastructure improvement programs, advanced controls and monitoring systems and an unusually high level of system events that are outside the control of PNM and shall adjust some or all of the system penalties accordingly. System events that are outside the control of PNM, may include but not be limited to excessive weather events, accident-caused events such as line debris, hit structures or vandalism. Upon recommendation by Staff, the Commission may elect to waive payment of the performance penalty in lieu of a shareholder contribution to system improvements in an equal amount.
- **Individual Distribution Feeder Performance:** PNM shall file a detailed report with the Commission as part of its Rule 17.3.510 NMAC annual report identifying the SAIDI and SAIFI performance² for each feeder that serves 10 or more customers. PNM will provide information by feeder for SAIFI and SAIDI separately and will rank feeders from worst performing to best performing feeders for the reporting year and will include each feeder's ranking for that index for the previous year. If any distribution feeders have SAIFI or SAIDI

² Reliability metrics SAIFI and SAIDI will be the industry standard normalized values that exclude Major Event Days in accordance with IEEE Standard 1366

indices that are in the worst 10% of reported feeders for four or more consecutive years, PNM must develop and file a plan to correct the service reliability issues and submit it to the Commission within 90 days.

- Distribution Feeder Penalties: PNM will incur a performance penalty for each distribution feeder with ten or more customers that sustains a SAIDI or SAIFI value, separately, for a reporting year that is in the worst 10% of all reported distribution feeders and exceeding the average SAIDI or SAIFI value for all PNM reported feeders by 30% for three or more consecutive reporting years. The penalties for each underperforming feeder will be as follows:
 - A penalty of \$8 per customer served for each reliability index that three consecutive years;
 - A penalty of \$12 per customer served for each reliability index that four consecutive years;
and
 - A penalty of \$15 per customer served for each reliability index that five consecutive years.
 - In determining penalties for feeder reliability performance, the Commission shall take into consideration events that are outside the control of PNM, including but not limited to excessive weather events, accidental hit poles or other equipment, cable dig ins or vandalism and the Commission may shall adjust some or all of the potential penalties for individual feeders to reflect such events. Upon recommendation by Staff, the Commission may elect to waive payment of the performance penalty in lieu of a shareholder contribution to system improvements in an equal amount.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION)
OF AVANGRID, INC., NM GREEN HOLDINGS, INC.,)
PUBLIC SERVICE COMPANY OF NEW MEXICO)
AND PNM RESOURCES, INC. FOR APPROVAL OF)
THE MERGER OF NM GREEN HOLDINGS, INC.)
WITH PNM RESOURCES, INC.; APPROVAL OF A)
GENERAL DIVERSIFICATION PLAN; AND ALL) Case No. 20-00222-UT
OTHER AUTHORIZATIONS AND APPROVALS)
REQUIRED TO CONSUMMATE AND IMPLEMENT)
THIS TRANSACTION)
)
)
AVANGRID, INC., NM GREEN HOLDINGS, INC., PUBLIC)
SERVICE COMPANY OF NEW MEXICO AND PNM)
RESOURCES, INC.,)
)
)
JOINT APPLICANTS.)

SELF AFFIRMATION

TODD FRIDLEY, Vice President of New Mexico Operations for Public Service Company of New Mexico, upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **July 29, 2021 Rebuttal Testimony of Todd Fridley** and it is true and correct based on my personal knowledge and belief.

DATED this 29th day of July, 2021.

/s/ Todd Fridley _____
TODD FRIDLEY