

EXECUTIVE SUMMARY

Public Service Company of New Mexico's ("PNM") *Petition for Approval of a Rate Adjustment Mechanism to Remove Regulatory Disincentives and Original Rider No. 52 Pursuant to The Efficient Use of Energy Act and The Public Utility Act*, seeks to decouple the rates of the residential and small power rate classes beginning January 1, 2021. Customers' bills would not be impacted until January 1, 2022. Decoupling is a rate design principle that severs the link between the recovery of fixed costs of the electricity network through volumetric charges. In turn, decoupled rates accomplish the goals of the Efficient Use of Energy Act, NMSA 1978, §§ 62-17-1 *et seq.*, and the Public Utility Act to remove disincentives that promote energy efficiency and conservation, and to ensure that rates are just and reasonable.

An additional goal in this filing is to avoid a general rate case, while taking steps to ensure the stability of PNM to cover the fixed costs of providing reliable electric service to its customers. Because of the COVID-19 pandemic, the already occurring phenomenon of declining usage per customer may well accelerate, putting increased pressure for more frequent and larger general rate cases. By contrast, the decoupling proposal here breaks the traditional connection where a utility's revenues are dependent on the volume of electricity sold.

PNM is proposing a revenue per customer decoupling mechanism in the Shared Cost of Service rider. PNM's proposed rider is symmetrical: It establishes procedures that will permit PNM to recover (in the event of an under-collection) or credit (in the event of an over-collection) the difference between the authorized fixed costs per customer approved for recovery by the Commission in PNM's last litigated rate case, Case No. 15-00261-UT and the actual fixed costs recovered through base rates. Based upon annual accounting tracking, PNM will either credit customers for an over-recovery of its fixed costs, or conversely, charge customers for an under-recovery of its fixed costs for each of the affected customer classes.

PNM proposes to limit the recovery of under-collection to three percent of forecasted revenue for each customer class. By contrast, any over-collection that is due to customers will not have a limit. By authorizing PNM to collect a pre-established amount of revenue toward fixed cost recovery regardless of the actual sales revenues received during any year, PNM is indifferent to the usage levels of the affected customer classes.

This Petition is in the public interest, achieves the policy goals of the Efficient Use of Energy Act and results in just and reasonable rates because it removes regulatory disincentives for conservation, energy efficiency and distributed generation. It further provides stability in recovery of the fixed costs of the electric network during a worldwide pandemic, without increasing the revenue requirement that would be involved in a general rate case.