

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF PUBLIC SERVICE COMPANY OF)
NEW MEXICO’S APPLICATION FOR AUTHORIZATION)
TO IMPLEMENT GRID MODERNIZATION)
COMPONENTS THAT INCLUDE ADVANCED) **Case No. 22-00058-UT**
METERING INFRASTRUCTURE AND APPLICATION)
TO RECOVER THE ASSOCIATED COSTS THROUGH)
A RIDER, ISSUANCE OF RELATED ACCOUNTING)
ORDERS, AND OTHER ASSOCIATED RELIEF)**

APPLICATION

In 2020, the Legislature adopted Section 62-8-13 (“Grid Modernization Statute” or “Statute”) of the New Mexico Public Utility Act (“PUA”) to encourage grid modernization projects that benefit customers and the State of New Mexico. Public Service Company of New Mexico (“PNM”) files this Application pursuant to the Grid Modernization Statute. PNM’s approach to grid modernization aligns with the Legislature’s statutory goals and balances the interests of customers and investors. The projects included in this Application improve customers’ ability to customize their use of energy and ensure that customers, including low-income customers, are a top priority and will benefit consistent with the Grid Modernization Statute. PNM’s proposal to modernize its electricity grid through infrastructure and technology improvements also increases the efficiency, reliability, resilience, and security of PNM’s electric system.

I. SUMMARY OF PNM’S GRID MODERNIZATION IMPLEMENTATION PLAN

Grid modernization is the keystone for achieving New Mexico’s energy transition. PNM is re-designing the electricity grid over the next decade to partner with customers on realizing decarbonization goals and tailoring energy usage to meet each customer’s evolving needs. Grid modernization, however, is not instantaneous or free. A modernized grid requires two-way

communications and automation of the system itself. With increasingly sophisticated communications and automation comes the need for increased cybersecurity. A comprehensive and orderly long-term plan is critical to supporting the energy transition with modernized infrastructure and technology.

Importantly, the primary focus of PNM's grid modernization effort is to ensure that its customers experience tangible benefits and new opportunities in alignment with stated customer preferences. PNM undertook an approximately 20-month engagement process, holding customer and stakeholder meetings to receive input and understand customer priorities and answer stakeholder concerns. To ensure that no customer group is left out of this effort, PNM has focused on the interests of low-income customers, prioritizing deployment of metering and distribution infrastructure to low-income portions of PNM's service territory.

PNM's Grid Modernization Implementation Plan ("Implementation Plan") begins in Year 1 with planning, program management and engineering efforts, moving quickly to installation and deployment of advanced metering infrastructure ("AMI"), communications equipment and other technology necessary for the deployment of AMI for PNM's customer base.¹ AMI deployment will continue through Year 4. In Year 2, PNM will advance the use of customer energy data by implementing a Customer Energy Management Platform, aiding customers in making informed decisions about their individual energy use and utility programs and rates that support their choices. PNM's Implementation Plan also includes a significant distribution planning and engineering element throughout Years 1-6. Years 7-11 are presented for informational purposes

¹ The Implementation Plan is attached to the Direct Testimony of PNM witness Laura E. Sanchez as PNM Exhibit LES-3.

only, and PNM’s actual grid modernization projects and plans for those outer years will be the subject of a future application.²

II. PNM’S REQUESTED APPROVALS AND TIMING

PNM is filing its Application in accordance with the Grid Modernization Statute, as well as two relevant orders from the New Mexico Public Regulation Commission’s (“NMPRC” or “Commission”) issued in this docket: the March 23, 2022 Order³ and the May 25, 2022 Order.⁴

In its March 23, 2022 Order at Paragraph 7, the Commission found that:

[T]he implementation of AMI comports with the Grid Modernization Statute, will benefit PNM’s New Mexico retail customers and the public, and will provide a net public benefit. Specifically, the implementation of AMI will: facilitate grid modernization; improve the efficiency, reliability, resilience, and security of PNM’s system; give customers real time data regarding energy usage that allows them to monitor and reduce consumption as they deem appropriate; allow PNM to maintain reasonable operations, maintenance, and customer costs; improve PNM’s ability to develop and implement demand-side management programs; improve PNM’s ability to accommodate increased levels of distributed energy resources; reduce emissions; increase New Mexico’s capability to supply regional needs through clean and renewable electricity; increase access to and use of renewable energy; support a flexible, diversified, and distributed energy portfolio; improve customer education; and allow for capital investment and skilled jobs in related services.

Consistent with the Commission’s orders, the Application seeks authorization to implement grid modernization projects that include AMI, intelligent grid devices, communication networks, distribution system hardening, and physical and cybersecurity, among other technologies (“Grid Mod Projects” or “Projects”). PNM requests approval of the first six years of investments in Grid Mod Projects that will total \$344 million, with this total investment subject to

² PNM’s 11-year strategic vision for grid modernization is discussed in EnerNex’s Guide for PNM’s Grid Modernization Implementation (“Guide”), which is attached to the Direct Testimony of PNM witness Laura E. Sanchez as PNM Exhibit LES-2.

³ *Order Requesting Public Service Company of New Mexico to File an Application for Authorization to Implement Grid Modernization Components that Include Advanced Metering Infrastructure*, Case No. 22-00058-UT (Mar. 23, 2022) (“March 23, 2022 Order”).

⁴ *Order Granting Extension of Time to File an Application for Authorization to Implement Grid Modernization Act*, Case No. 22-00058-UT (May 25, 2022) (“May 25 Order”).

an annual review and reconciliation proceeding through which PNM will file both updated forecasted costs for the following rate year based on the best available information and will true-up forecasted costs from the prior year to the actual costs incurred. The estimated revenue requirement for Year 1 is \$9.8 million.

The Application seeks to recover the costs of these Projects through a Grid Modernization Rider (“Grid Mod Rider” or “Rider”), for which PNM will file an advice notice after Commission approval of PNM’s Application. In this Application, PNM seeks approval of the proposed ratemaking methodologies used to develop the Grid Mod Rider, as well as PNM’s proposal to collect the Grid Mod Rider as a fixed monthly charge per customer. PNM also seeks approval of the monthly charge amount by customer class listed in the proposed Grid Mod Rider, subject to the Commission’s approval of this Application.

Specifically, PNM seeks approval of the following actions:

- 1) Approval of PNM’s Application by July 1, 2023,⁵ authorizing PNM’s Implementation Plan, which represents the first phase (Years 1-6) of PNM’s overall 11-year strategy for grid modernization;
- 2) Approval of Grid Mod Project costs and related ongoing operations and maintenance (“O&M”) costs identified in PNM’s Implementation Plan and discussed in witness testimony;

⁵ In order to begin timely deployment of projects necessary to implement AMI technologies, PNM requests that the Commission issue a Final Order on PNM’s Application during the second quarter of 2023, within six to nine months of the filing date, or by no later than July 1, 2023.

- 3) Approval of the proposed Grid Mod Rider by September 1, 2023⁶—for which an advice notice will be filed after the approval of PNM’s application—subject to an annual review and reconciliation process;
- 4) Authorization for PNM to create related regulatory assets and liabilities, permitting PNM to record for recovery or refund the following:
 - a) costs incurred for the development and implementation of PNM’s Implementation Plan between the requested approval of the Application on July 1, 2023, and the implementation of the Grid Mod Rider by September 1, 2023;
 - b) undepreciated investments associated with legacy meters being replaced with AMI meters; and
 - c) over- or under-collection of costs through the Grid Mod Rider;
- 5) Approval of the proposed format of an Opt-Out Consent Form, for which PNM will file an advice notice with the Commission prior to AMI meter deployment;
- 6) Approval of the methodology to determine PNM’s proposed cost-based opt-out fees, which includes a one-time fee and a monthly fee, for which PNM will seek approval in separate advice notices;
- 7) Approval of the reporting criteria by which PNM proposes to establish a baseline regarding the deployment of the Grid Mod Projects and track PNM’s progress;
- 8) Approval of variances from Commission Rules 410 and 530;

⁶ Should the Commission approve PNM’s Application prior to July 1, 2023, PNM would prefer to implement the Rider prior to September 1, 2023, taking into consideration PNM’s concerns with implementing the Rider during the summer peak season. PNM witness Stella Chan addresses implementation of the Rider during the summer months of June, July and August.

9) Approval of a revision to PNM's Petition for Variance from Rule 17.9.560 NMAC and Case No. 2124 Order on Meter Testing Program, filed on June 17, 2022 in this matter; and

10) Such other approvals, authorizations and actions required under the Grid Modernization Statute, the Public Utility Act, and Commission rules and orders to implement PNM's Grid Mod Projects and recover costs associated with its Implementation Plan.

PNM respectfully requests the earliest reasonable date for issuance of a Final Order on its Application, in order to move forward as promptly as possible to implement Year 1 of the Implementation Plan.

In support of this Application, PNM states the following:

III. PNM's Implementation Plan

After a 20-month process, with almost a dozen meetings with stakeholders and customers, resulting in significant input, PNM developed its 6-year Implementation Plan. The Implementation Plan identifies the Grid Mod Projects covered by the Application that further the goals of the Grid Modernization Statute. The Implementation Plan explains (1) the purpose and benefits of PNM's proposed grid modernization investments, (2) the proposed timeline for deploying the proposed Projects; (3) an overview of Project costs; and (4) identification of the witnesses sponsoring each Project. Finally, the Implementation Plan explains how PNM will collect the costs associated with the Projects via the Grid Mod Rider and how PNM will update the Grid Mod Rider as part of an annual review and reconciliation filing with the Commission.

IV. Grid Modernization Statute

The Grid Modernization Statute authorizes PNM to file an application to “include requests for approval of investments or incentives to facilitate grid modernization, rate designs or programs that incorporate the use of technologies, equipment or infrastructure associated with grid modernization and customer education and outreach programs that increase awareness of grid modernization programs and of the benefits of grid modernization.”⁷ The Statute further provides that in evaluating applications seeking approval of grid modernization projects, the Commission shall consider the reasonableness of the projects and whether the requested investments, incentives, programs, and expenditures are:

- 1) reasonably expected to improve the public utility’s electrical system efficiency, reliability, resilience and security; maintain reasonable operations, maintenance and ratepayer costs; and meet energy demands through a flexible, diversified and distributed energy portfolio, including energy standards established in Section 62-16-4 NMSA 1978;
- 2) designed to support connection of New Mexico’s electrical grid into regional energy markets and increase New Mexico’s capability to supply regional energy needs through export of clean and renewable electricity;
- 3) reasonably expected to increase access to and use of clean and renewable energy, with consideration given for increasing access to low-income users and users in underserved communities;
- 4) designed to contribute to the reduction of air pollution, including greenhouse gases;
- 5) reasonably expected to support increased product and program offerings by utilities to their customers; allow for private capital investments and skilled jobs in related services; and provide customer protection, information or education;
- 6) transparent, incorporating public reporting requirements to inform project design and commission policy; and
- 7) otherwise consistent with the state's grid modernization planning process and

⁷ NMSA 1978, § 62-8-13(A).

priorities.⁸

Based on this comprehensive legislative framework, the Commission can determine that the Projects set out in PNM's supporting testimonies and Implementation Plan satisfy the statutory criteria and are in the public interest. PNM's Implementation Plan and supporting testimonies satisfy the criteria in the Grid Modernization Statute as follows:

- Section 62-8-13(B)(1): PNM witnesses Omni Warner and Jonathan Hawkins detail how PNM's Implementation Plan is reasonably expected to enhance reliability, resilience and security, as well as maintain reasonable operations and maintenance and meet future energy demands with a flexible, diversified portfolio of resources. The planned Projects in this case will transform PNM's aging system into a more transparent, advanced digitalized and flexible system. The proposed grid modernization projects support enhanced integration of carbon-free resources to more efficiently interconnect and optimize the use of distributed energy resources ("DERs"). The proposed upgrades also will reduce outages and restore power faster with new sensors and automation. PNM witnesses Warner and Laura Sanchez address how the Grid Mod Projects are expected to minimize ratepayer costs.
- Section 62-8-13(B)(2): As discussed in the testimony of PNM witnesses Warner and Sanchez, the increased capability to integrate carbon-free resources, including optimization of interconnected DERs, could facilitate export of power into regional energy markets. PNM has focused the first six years of its grid modernization plan on the distribution upgrades in this Application, but will continue to invest in its transmission system outside of the Implementation Plan. PNM continues to explore participation in a regional

⁸ NMSA 1978, § 62-8-13(B)(1)-(7).

transmission organization (“RTO”) or other regional market and is committed to that endeavor. The optimization and efficiency gains PNM expects from the Grid Mod Projects proposed in the Implementation Plan, particularly distribution automation, will help ensure PNM’s grid is optimized for joining an RTO and participating in regional markets in the future.

- Section 62-8-13(B)(3): PNM’s proposal is reasonably expected to increase access to and use of clean and renewable energy, with consideration given for increasing access to low-income users and users in underserved communities. PNM witness Warner discusses how the proposed distribution upgrades will increase PNM’s ability to integrate clean and renewable energy, particularly DERs. PNM witness Sanchez addresses how PNM is prioritizing the AMI deployment along meter reading routes with high concentrations of low-income customers, ensuring that low-income customers will be in the first groups of customers able to take advantage of AMI data once PNM fully deploys the Customer Energy Management Platform and the other technologies required to process and make AMI data accessible to customers. Mr. Warner and Ms. Sanchez discuss the use of a geographic mapping and screening tool that allows PNM to screen and review environmental and demographic data (*i.e.*, low-income data) to assist PNM in prioritizing Grid Mod Projects and assessing the impact of the Projects on communities, particularly disadvantaged communities, as well as developing mitigation responses where Project impacts are identified.
- Section 62-8-13(B)(4): PNM’s proposal is designed to contribute to the reduction of air pollution, including greenhouse gases, by facilitating interconnection of renewable resources of varying sizes, and providing customers with usage information that improves

their ability to select energy efficiency and demand response programs, and time-of-day rates. These features also aid in the transition to carbon-free generation required by the Energy Transition Act, as well as PNM's commitment to be carbon-free by 2040. The capabilities of the Customer Energy Management Platform are described in the testimony of PNM witness Mario Cervantes, and the integration of DERs is described in the testimony of PNM witness Warner.

- Section 62-8-13(B)(5): PNM's proposal is reasonably expected to support increased product and program offerings by PNM to its customers, as described in the testimony of PNM witnesses Cervantes and Stella Chan. The Implementation Plan also allows for increased private capital investments given the faster and more efficient interconnection of DERs, as outlined in the testimony of PNM witness Warner. The Implementation Plan results in increased numbers of skilled jobs in related services, with one example being PNM's planned redeployment of meter readers to higher-skilled positions, as described in the testimony of PNM witness Eric Morgan. PNM's Implementation Plan also provides increased customer protections, both in terms of empowering customers to control their own energy usage, but also via cybersecurity and data privacy protections specific to the grid modernization technology, as described in the testimony of PNM witnesses Cervantes and Hawkins. An important part of PNM's proposal is its ongoing Customer Education and Communication Plan to inform its customers about the benefits of grid modernization, as discussed in the testimony of PNM witness Julie Rowey.
- Section 62-8-13(B)(6): PNM has taken a transparent approach to its Implementation Plan. PNM representatives participated in the New Mexico Energy, Minerals and Natural Resources Department's ("EMNRD") Grid Modernization Roadmap development

(“Roadmap”). Additionally, several PNM representatives participated in the Commission’s Grid Modernization workshops facilitated by GridWorks. As addressed by PNM witness Sanchez, PNM proposes regular reporting metrics intended to provide transparency on PNM’s grid modernization efforts. As further described above, PNM’s screening tool will be used to engage traditionally disadvantaged communities on project design and potential impacts.

- Section 62-8-13(B)(7): PNM participated in and reviewed extensively the Roadmap recommendations developed as a result of multiple stakeholder meetings held by EMNRD over the course of a year. PNM ensured that the Roadmap and the U.S. Department of Energy’s Modern Distribution Grid Report (2019)⁹ were consulted in forming PNM’s Implementation Plan, consistent with the state’s grid modernization planning process and priorities.

The Grid Modernization Statute provides that applications for approval of grid modernization projects should be filed under Section 62-9-1 of the PUA, as applicable. Section 62-9-1 does not apply to PNM’s requests in this case, as PNM is not seeking authorization to construct or operate a plant or system for which a Certificate of Convenience and Necessity would be required, and instead is proposing a series of distribution projects that would fall within applicable informational provisions of Rule 17.5.440 NMAC.¹⁰ Should the Commission

⁹ See U.S. Department of Energy, Modern Distribution Grid (DSPx), available at https://gridarchitecture.pnnl.gov/media/Modern-Distribution-Grid_Volume_I_v2_0.pdf.

¹⁰ See *In the Matter of the Investigation of Public Service Company of New Mexico’s Proposed Construction of a Norton-Tesuque 115 KV Transmission Line Extension and Installation of a Substation on Tesuque Pueblo Land*, Case No. 2673, Final Order (Oct. 19, 1998) (adopting the Recommended Decision that concluded a CCN was not needed for a 115 kV transmission project because it was in the ordinary course of business).

determine that Section 62-9-1 of the PUA applies, PNM's supporting testimonies and exhibits provide sufficient evidence to satisfy the requirements of that statute.

V. PNM's Proposed Grid Mod Rider

The Grid Modernization Statute authorizes a public utility that undertakes grid modernization projects approved by the Commission to recover its reasonable costs through an approved tariff rider or in base rates, or through a combination of the two.¹¹ Costs that are no greater than the amount approved by the Commission for a utility grid modernization project are presumed to be reasonable.¹²

PNM proposes the Grid Mod Rider to recover costs associated with the grid modernization Implementation Plan. The proposed Rider will use forecasted information to calculate a projected revenue requirement, which will be charged for the upcoming rate year. PNM's proposed Rider will recover capital costs, operating expenses, and taxes associated with grid modernization Projects. PNM seeks to implement the Grid Mod Rider through an advice notice filed upon issuance of a Final Order approving PNM's Application and proposed Rider. PNM proposes to re-set the Grid Mod Rider rates annually through a review and reconciliation filing.

The annual review and reconciliation filing will be based on two components: updated forecasted costs for the following rate year based on the best available information; and a reconciliation of the previous period's revenues to actual grid modernization costs. PNM will provide compliance reports on any metrics established by the Commission as part of PNM's annual review and reconciliation filing, together with information in support of the Projects to be implemented during the following rate year. PNM proposes to make the annual review and

¹¹ NMSA 1978, § 62-8-13(C).

¹² *Id.*

reconciliation filing with projected revenue requirements and rates on March 1 of each year to be effective September 1 of the same year. The projected revenue requirement for the following year will either be reduced or increased based on whether the reconciliation of revenues collected to actual costs resulted in an under-collection or over-collection. PNM witness Kyle Sanders discusses the operation of the Rider and the annual review and reconciliation process in more detail, while PNM witness Chan sponsors the derivation of the monthly charges included in the Rider.

VI. Regulatory Assets or Liabilities

PNM seeks approval of two regulatory assets and one regulatory asset or liability. PNM seeks approval of a regulatory asset permitting PNM to record costs incurred between approval of the Application and the effective date of the Grid Mod Rider. PNM also seeks approval of a regulatory asset for the undepreciated investment associated with legacy meters being replaced with AMI meters. Finally, PNM seeks approval of a regulatory asset or liability to record over- or under-collection of costs through the Grid Mod Rider. PNM witness Sanders supports approval of these regulatory assets or liabilities.

VII. PNM Customer Education and Communication Plan and Opt-Out Proposal, including Approval of the Proposed Format of an Opt-Out Consent Form

PNM has prepared a Grid Modernization/AMI Customer Education and Communication Plan (“Communication Plan”) to educate customers on grid modernization, which is sponsored by PNM witness Rowey. Prior to receiving an AMI meter, customers will receive several types of communications over a period of time leading up to the AMI meter installation. The Communication Plan explains how customers can opt-out of AMI, if they choose to do so.

PNM proposes to charge customers who opt out of an AMI meter a one-time fee of either \$18.60 (if the customer opts out of an AMI meter prior to installation of the AMI meter) or \$49.17 (if the customer opts-out of an AMI meter after installation), and a monthly fee of \$28.31. These fees are designed to recover the costs associated with opting out of an advanced meter, are reasonable, and will ensure that the costs of opting out are not subsidized by customers who receive AMI meters.

PNM also seeks approval of the draft of PNM's proposed Opt-Out Consent Form ("Opt-Out Form"), for which PNM will file an advice notice with the Commission prior to AMI meter deployment. PNM witness Morgan sponsors this Opt-Out Form.

VIII. PNM's Reporting Criteria Proposal

Consistent with the Grid Modernization Statute's requirement on transparency, which includes public reporting requirements to inform program design and Commission policy, PNM proposes to provide updates on key metrics through a compliance report included with the annual Grid Mod Rider review and reconciliation filing. PNM's proposed metrics and report schedule are addressed by PNM witness Sanchez.

IX. PNM Witnesses Supporting the Application

In support of its Application, PNM is filing the direct testimony and exhibits of the following eight witnesses:

- a. Laura E. Sanchez, Chief Policy and Legal Advisor, PNMR Services Company, introduces the overall policy objectives of the Application and identifies the Grid Mod Projects. Ms. Sanchez discusses the overall benefits of grid modernization. She also discusses the tools PNM will use to identify portions of its service territory that are low-income and PNM's plans to account for the interests of low-income customers. Ms.

Sanchez explains how the Application meets the criteria of the Grid Modernization Statute. She also details the stakeholder outreach PNM engaged in prior to filing this Application. Ms. Sanchez introduces PNM's proposed evaluation metrics for deployment of PNM's Implementation Plan. She also discusses Grid Reliability and Resilience funding opportunities through the Department of Energy, as a result of the Infrastructure Investments and Jobs Act of 2021. Finally, Ms. Sanchez supports PNM's proposed variances.

- b. Julie A. Rowey, Vice President and Chief Customer Officer, testifies to the importance of the customer perspective to the development of PNM's Implementation Plan, including the customer benefits of PNM's Grid Mod Projects. Ms. Rowey also addresses PNM's customer outreach efforts that informed the Implementation Plan, and the results of the customer surveys conducted to assess interest in and the value of grid modernization technology. Ms. Rowey also discusses focus groups and customer forums held with PNM customers. Ms. Rowey sponsors the Communication Plan for customers regarding AMI deployment, and its benefits and opportunities.
- c. Mario A. Cervantes, Director of Customer Experience, describes how AMI will improve the customer ability to manage electricity usage and understand and manage their bills, including discussing the features and benefits of the Customer Energy Management Platform. Mr. Cervantes also describes PNM's focus on providing benefits to low-income customers via the deployment of AMI and its associated technology. He addresses the call center staffing needs for AMI deployment. Finally, Mr. Cervantes supports PNM's requested variances to NMPRC Rule 410.

- d. Omni B. Warner, Director Distribution Engineering, discusses the specific distribution grid modernization projects included in PNM's filing. Mr. Warner further discusses several of the operational benefits of these projects, cost information on grid-facing modernization projects, PNM's proposed distribution automation projects, and deployment of distribution technologies.
- e. Jonathan C. Hawkins, Associate Director for Innovation and Communications, describes the AMI meters chosen for deployment, as well as the capabilities of these meters. Mr. Hawkins also describes various information and communication technology that must be deployed in conjunction with the AMI meters, as well as the cybersecurity measures PNM proposes to implement with its grid modernization Projects. Mr. Hawkins will also discuss the protection and management of customer data associated with the grid modernization deployment. Mr. Hawkins supports the selection of the AMI vendor, integration of AMI technology into PNM's existing systems, and health and safety concerns over AMI meters.
- f. Eric C. Morgan, Manager for Meter Reading and Collection for PNM, discusses deployment of advanced meters; employee impacts related to AMI integration; the ongoing costs PNM will incur for customers to exercise the option to opt out of receiving an AMI meter; and continuing skilled job opportunities at PNM for meter readers.
- g. Kyle T. Sanders, Director, Cost of Service and Budget, discusses the costs included in and other details of PNM's proposed Grid Mod Rider, as well as the annual review and reconciliation process, and how PNM will address undepreciated investments in legacy meters.
- h. Stella Chan, Director, Pricing, discusses the rate design of PNM's proposed Rider and sponsors the Rider; supports PNM witness Morgan on the function of the opt-out fees and

how PNM intends to collect such fees; and supports the bill impacts of the Rider on customers.

X. Requested Variances

PNM is requesting that the Commission grant a variance from the data filing requirements of Rule 530 to the extent that it is required. Rule 530 requires the filing of extensive data schedules that are unnecessary for review and approval of the Rider in this case. The Commission has granted similar variances from Rule 530 in the past for rate changes that were not part of a general rate case (e.g., Case No. 20-00237-UT, Approval of PNM's Transportation Electrification Program). PNM witness Sanchez addresses the requested variance from Rule 530.

To the extent necessary, PNM also is requesting a variance to the provisions of Rule 17.5.410 that imply that a utility employee will be sent to a customer's premises to discontinue service, once the AMI technology is in place. At that time, PNM plans to connect and disconnect customers remotely rather than manually. For customers that opt out of AMI, the existing provisions of Rule 17.5.410 shall continue to apply. PNM witness Cervantes addresses the variance for the provisions of Rule 17.5.410 NMAC.

Additionally, PNM filed a *Petition for Variance from Rule 17.9.560 NMAC and Case No. 2124 Order on Meter Testing Program* in this docket on June 17, 2022. The Petition describes the reasons for the variance. The date used in the Petition for estimating the number of meters to be replaced and the potential cost to customers was December 31, 2024. However, deployment of advanced meters in this Application will occur on a rolling basis through year four after approval by the Commission, which will extend beyond December 31, 2024. PNM therefore revises its requests for a variance from meter testing through the end of that four-year period.

XI. Compliance with Commission Orders

The March 23, 2022 Order requested that PNM file an application pursuant to the Grid Modernization Statute that addresses the following issues: a) a proposal for AMI or “smart meters,” including automatic meter reading, remote fault detection and includes a discussion of updated rate design options consistent with variable availability resources that use smart meter capabilities and should include time of use options; and b) identification of demand response and grid management programs being considered for implementation using smart meter capabilities and how they work in conjunction with proposed rate design principles. PNM witness Sanchez addresses PNM’s compliance with the March 23, 2022 Order.

XII. Requested Tariffs

In accordance with the Grid Modernization Statute, PNM is proposing a Grid Mod Rider to recover the costs of the Implementation Plan. PNM seeks Commission approval of the form of its proposed Grid Mod Rider, including the rate design and cost recovery methodology, as addressed by PNM witness Chan. The proposed Grid Mod Rider is attached to the Direct Testimony of Stella Chan, but PNM does not seek to implement the Rider at this time. PNM will file an advice notice with the Commission after approval of this Application to implement the Grid Mod Rider.

XIII. Notice and Procedural Requirements

PNM’s proposed Notice to Customers is attached as Exhibit A. Concurrent with filing, PNM served a copy of this Application, a proposed Notice to Customers, and supporting testimony on the Commission’s Utility Division Staff, the New Mexico Attorney General, and all parties to PNM’s most recent general rate case (Case No. 16-00276-UT).

PNM will publish notice of this Application and provide notice to customers as directed by the Commission.

The New Mexico Public Regulation Commission (“Commission”) is authorized by law to provide protection from public disclosure of confidential or proprietary information and trade secrets. NMSA 1978, §§ 14-2-1(A)(6), (8) (2011), 62-6-17(C) (1993). Pursuant to 1.2.2.8(A) and (B) NMAC, a Commission-designated hearing examiner is authorized to enter appropriate protective orders to prevent public disclosure of confidential information. PNM will shortly be filing a Motion for Entry of a Protective Order.

PNM’s attorneys and corporate representatives who should receive all notices, pleadings, discovery requests, and responses and other documents related to this case are:

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All pleadings, correspondence and other documents should also be delivered electronically to the following email addresses:

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Mark.fenton@pnm.com
Carey.salaz@pnm.com

WHEREFORE, PNM respectfully requests that the Commission enter a final order granting the following relief:

- 1) Approval of PNM’s Application by July 1, 2023, authorizing PNM’s Implementation Plan, which represents the first phase (Years 1-6) of PNM’s overall 11-year strategy for grid modernization;
- 2) Approval of Grid Mod Project costs and related ongoing operations and maintenance (“O&M”) costs identified in PNM’s Implementation Plan and discussed in witness testimony;
- 3) Approval of the proposed Grid Mod Rider by September 1, 2023—for which an advice notice will be filed after the approval of PNM’s application—subject to an annual review and reconciliation process;
- 4) Authorization for PNM to create related regulatory assets and liabilities, permitting PNM to record for recovery or refund the following:
 - a) costs incurred for the development and implementation of PNM’s Implementation Plan between the requested approval of the Application on July 1, 2023, and the implementation of the Grid Mod Rider by September 1, 2023;
 - b) undepreciated investments associated with legacy meters being replaced with AMI meters; and
 - c) over- or under-collection of costs through the Grid Mod Rider;
- 5) Approval of the proposed format of an Opt-Out Consent Form, for which PNM will file a compliance advice notice with the Commission prior to AMI meter deployment;

- 6) Approval of the methodology of determining PNM's proposed cost-based opt-out fees, which includes a one-time fee and a monthly fee, for which PNM will seek approval of in separate advice notices;
- 7) Approval of the reporting criteria by which PNM proposes to establish a baseline regarding the deployment of the Grid Mod Projects and track PNM's progress;
- 8) Approval of variances from Commission Rules 410 and 530;
- 9) Approval of a revision to PNM's Petition for Variance from Rule 17.9.560 NMAC and Case No. 2124 Order on Meter Testing Program, filed on June 17, 2022 in this matter; and
- 10) Such other approvals, authorizations and actions required under the Grid Modernization Statute, the Public Utility Act, and Commission rules and orders to implement PNM's Grid Mod Projects and recover costs associated with its Implementation Plan.

Respectfully submitted,

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: /s/ Leslie M. Padilla

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GCG#529880

Exhibit A

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF PUBLIC SERVICE COMPANY OF)
NEW MEXICO’S APPLICATION FOR AUTHORIZATION)
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A RIDER, ISSUANCE OF RELATED ACCOUNTING)
ORDERS, AND OTHER ASSOCIATED RELIEF)**

**FORM OF NOTICE TO PNM’S CUSTOMERS REGARDING PROCEEDING AND
HEARING ON PNM’S GRID MODERNIZATION PLAN APPLICATION**

NOTICE is hereby given of the following matters pertaining to the above-captioned case pending before the New Mexico Public Regulation Commission (“NMPRC” or “Commission”):

On October 3, 2022, Public Service Company of New Mexico (“PNM”) filed its Application for Authorization to Implement Grid Modernization Components that Include Advanced Metering Infrastructure and Application to Recover the Associated Costs Through a Rider, Issuance of Related Accounting Orders, and Other Associated Relief (“PNM Application”) pursuant to the Grid Modernization Act at NMSA 1978, Section 62-8-13 (the “Grid Modernization Statute”). The Application seeks authorization to implement Grid Modernization Projects that include advanced metering infrastructure (“AMI”), intelligent grid devices, communication networks, distribution system hardening, physical security, cybersecurity, and other technologies (“Grid Mod Projects”).

PNM’s Application asks the Commission to approve PNM’s Application, including the following approvals:

- Approval of PNM’s Application by July 1, 2023,¹ authorizing PNM’s Implementation Plan, which represents the first phase (Years 1-6) of PNM’s overall 11-year strategy for grid modernization;
- Approval of Grid Mod Project costs and related ongoing operations and maintenance (“O&M”) costs identified in PNM’s Implementation Plan and discussed in witness testimony;
- Approval of a proposed Grid Modernization Rider (“Grid Mod Rider”) by September 1, 2023²—for which an advice notice will be filed after the approval of PNM’s application—subject to an annual review and reconciliation process;
- Authorization for PNM to create related regulatory assets and liabilities, permitting PNM to record for recovery or refund the following:
 - a) costs incurred for the development and implementation of PNM’s Implementation Plan between the requested approval of the Application on July 1, 2023, and the implementation of the Grid Mod Rider by September 1, 2023;
 - b) undepreciated investments associated with legacy meters being replaced with AMI meters; and
 - c) over- or under-collection of costs through the Grid Mod Rider;
- Approval of the proposed format of an Opt-Out Consent Form, for which PNM will file a compliance advice notice with the Commission prior to AMI meter deployment;
- Approval of the methodology of determining PNM’s proposed cost-based opt-out fees, which includes a one-time fee and a monthly fee, for which PNM will seek approval of in separate advice notices;
- Approval of the reporting criteria by which PNM proposes to establish a baseline regarding the deployment of the Grid Mod Projects and track PNM’s progress;
- Approval of variances from Commission Rules 410 and 530;
- Approval of a revision to PNM’s Petition for Variance from Rule 17.9.560 NMAC and Case No. 2124 Order on Meter Testing Program, filed on June 17, 2022, in Case No. 22-00058; and

¹ In order to begin timely deployment of projects necessary to implement AMI technologies, PNM requests that the Commission issue a Final Order on PNM’s Application during the second quarter of 2023, within six to nine months of the filing date, or by no later than July 1, 2023.

² Should the Commission approve PNM’s Application prior to July 1, 2023, PNM would prefer to implement the Rider prior to September 1, 2023, taking into consideration PNM’s concerns with implementing the Rider during the summer peak season. PNM witness Stella Chan addresses implementation of the Rider during the summer months of June, July and August.

- Such other approvals, authorizations and actions required under the Grid Modernization Statute, the Public Utility Act, and Commission rules and orders to implement PNM’s Grid Mod Projects and recover costs associated with its Implementation Plan.

PNM expects that the first six years of investments in Grid Mod Projects will total approximately \$344 million, with this total investment subject to an annual review and reconciliation proceeding where PNM will file both updated forecasted costs for the following rate year based on the best available information and will true-up forecasted costs from the prior year to the actual costs incurred. As part of PNM’s Application, PNM proposes to recover \$9.8 million through the proposed Grid Mod Rider in Year 1. PNM is proposing that the Grid Mod Rider become effective by September 1, 2023, in addition to any other charges that the customer is paying and be collected through a line-item charge on customers’ bills. The proposed Grid Mod Rider will use forecasted information to calculate a projected revenue requirement, which will be charged for the upcoming rate year. The Grid Mod Rider will recover capital costs, operating expenses, and taxes associated with Grid Mod Projects. PNM seeks to implement the Grid Mod Rider through an advice notice filed upon issuance of a Final Order approving PNM’s Application.

The following tables present the current bills and anticipated bills, including the proposed Grid Mod Rider for Year 1, for each affected customer class:

1A - Residential				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
500 kWh	\$68.93	\$70.13	\$1.20	1.744%
750 kWh	\$107.49	\$108.69	\$1.20	1.118%
1,000 kWh	\$147.85	\$149.05	\$1.20	0.813%

1B - Residential TOU				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
500 kWh	\$96.10	\$97.30	\$1.20	1.251%
750 kWh	\$130.41	\$131.61	\$1.20	0.922%
1,000 kWh	\$164.72	\$165.93	\$1.20	0.730%

2A - Small Power				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
500 kWh	\$85.88	\$88.86	\$2.98	3.466%
1,500 kWh	\$224.95	\$227.93	\$2.98	1.323%
5,000 kWh	\$711.71	\$714.68	\$2.98	0.418%

2B - Small Power TOU				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
1,500 kWh	\$228.98	\$231.95	\$2.98	1.300%
5,000 kWh	\$725.09	\$728.07	\$2.98	0.410%
10,000 kWh	\$1,433.83	\$1,436.81	\$2.98	0.208%

3B / 3D - General Power TOU				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
30,000 kWh and 50 kW	\$2,960.30	\$2,979.93	\$19.63	0.663%
50,000 kWh and 75 kW	\$4,681.97	\$4,701.60	\$19.63	0.419%
75,000 kWh and 150 kW	\$7,844.71	\$7,864.34	\$19.63	0.250%

3C / 3E - General Power Low Load Factor TOU				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
10,000 kWh and 50 kW	\$1,632.07	\$1,649.50	\$17.43	1.068%
12,000 kWh and 50 kW	\$1,857.81	\$1,875.23	\$17.43	0.938%
15,000 kWh and 75 kW	\$2,405.66	\$2,423.09	\$17.43	0.724%

4B - Large Power Service TOU				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
150,000 kWh and 500 kW	\$20,071.59	\$20,168.51	\$96.92	0.483%
500,000 kWh and 1,500 kW	\$61,900.33	\$61,997.25	\$96.92	0.157%
1,500,000 kWh and 2,500 kW	\$140,736.58	\$140,833.49	\$96.92	0.069%

5B - Large Service for Customers >= 8,000kW min. at 115kV, 69kV or 34.5kV				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
2,000,000 kWh and 8,000 kW	\$233,258.77	\$233,379.81	\$121.05	0.052%
2,500,000 kWh and 10,000 kW	\$289,240.25	\$289,361.29	\$121.05	0.042%

10A Irrigation Service				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
1,500 kWh	\$185.26	\$201.15	\$15.90	8.580%
3,500 kWh	\$418.32	\$434.22	\$15.90	3.800%
6,000 kWh	\$709.66	\$725.55	\$15.90	2.240%

10B Irrigation Service TOU				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
5,000 kWh	\$301.78	\$317.67	\$15.90	5.267%
7,500 kWh	\$447.44	\$463.33	\$15.90	3.553%
10,000 kWh	\$593.10	\$608.99	\$15.90	2.680%

11B Water and Sewage Pumping Service TOU				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
75,000 kWh	\$6,744.37	\$6,829.04	\$84.67	1.255%
90,000 kWh	\$7,998.83	\$8,083.50	\$84.67	1.058%
150,000 kWh	\$13,016.67	\$13,101.34	\$84.67	0.650%

15B Large Service for Public Universities > 8,000kW min. at 115kV				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
2,000,000 kWh and 8,000 kW	\$227,184.40	\$227,256.42	\$72.02	0.032%
4,500,000 kWh and 12,000 kW	\$407,054.85	\$407,126.87	\$72.02	0.018%

30B Large Service for Manufacturing >= 30,000kW minimum at distribution voltage				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
25,000,000 kWh and 40,000 kW	\$2,046,107.57	\$2,046,512.86	\$405.29	0.020%
25,000,000 kWh and 45,000 kW	\$2,163,018.12	\$2,163,423.41	\$405.29	0.019%
30,000,000 kWh and 50,000 kW	\$2,496,181.85	\$2,496,587.14	\$405.29	0.016%

33B Large Service for Station Power TOU				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
200,000 kWh and 500 kW	\$13,481.36	\$13,555.79	\$74.43	0.552%
300,000 kWh and 500 kW	\$18,720.18	\$18,794.60	\$74.43	0.398%
400,000 kWh and 750 kW	\$25,233.82	\$25,308.24	\$74.43	0.295%

35B Large Power Service >= 3,000kW TOU				
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Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
2,000,000 kWh and 3,000 kW	\$151,473.91	\$151,595.99	\$122.08	0.081%
3,000,000 kWh and 5,000 kW	\$234,015.34	\$234,133.48	\$118.13	0.050%
4,000,000 kWh and 7,000 kW	\$315,161.32	\$315,279.46	\$118.13	0.037%

36B Special Service Rate - Renewable Energy Resources				
Consumption Level	Annualized Monthly Bill at Present Rates	Annualized Monthly Bill with GMR	\$ Change	% Change
38,963,000 kWh and 61,000 kW	\$1,181,678	\$1,181,750	\$71.81	0.006%
47,618,000 kWh and 73,000 kW	\$1,437,300	\$1,437,372	\$71.81	0.005%
55,278,000 kWh and 88,000 kW	\$1,680,615	\$1,680,687	\$71.81	0.004%

Lighting rate classes	
	GMR per light (\$/light)
Per Light	
6 - Private Area Lights	\$0.03
20 - Streetlighting	\$0.01

The proposed rate changes stated by customer rate class are for informational purposes only. The final rates approved by the Commission in this proceeding may vary from the rates set forth above.

PNM proposes to charge customers who opt out of an AMI meter a one-time fee of \$18.60 if the customer opts out of an AMI meter prior to the installation, or approximately \$49.17 if the customer opts out of an AMI meter after installation, and a recurring monthly fee of \$28.31. These fees are designed to recover the costs associated with opting out of an advanced meter.

On _____, 2022 the Commission entered an Order designating the undersigned to preside over this proceeding and to issue a Recommended Decision.

Further information regarding this case can be obtained by contacting PNM or going to the Commission's website at <https://edocket.nmprc.state.nm.us>. The Commission has assigned Case No. 22-00058-UT to this proceeding and all inquiries or written comments concerning this matter should refer to that case number.

The current procedural schedule for this case is as follows:

- a. On or before November____, 2022, any person desiring to intervene to become a party (“intervenor”) in this case must file a motion for leave to intervene in conformity with NMPRC Rules of Procedure, 1.2.2.23(A) and (B) NMAC.
- b. The Commission’s Utility Division Staff and any intervenor testimony shall be filed by _____, 2023.
- c. Any rebuttal testimony shall be filed by _____, 2023.
- d. A stipulation may be filed by _____, 2023.
- e. Opposition to any stipulation shall be filed by _____, 2023.
- f. Testimony in support of a stipulation shall be filed by _____, 2023.
- g. Testimony in opposition to any stipulation shall be filed by _____, 2023.
- h. A public hearing on this matter shall be held beginning on _____, 2023 commencing at 9:30 a.m. at the _____.

The procedural dates and requirements of this case are subject to further order of the Commission or Hearing Examiner.

The Commission’s Rules of Procedure at 1.2.2 NMAC shall apply to this case except as modified by order of the Commission or Hearing Examiner. A copy of those Rules may be obtained at the official NMAC website, <http://www.nmprc.state.nm.us/nmac/>.

Any person whose testimony has been filed must attend the hearing and submit to examination under oath.

Any interested person may appear at the time and place of the hearing and make written or oral comment pursuant to 1.2.2.23(F) NMAC without becoming an intervenor. All such comments

shall not be considered as evidence in this case. Written comments, which shall reference NMPRC Case No. 22-00058-UT, also may be sent to the Commission at prc.records@state.nm.us.

Interested persons should contact the Commission for confirmation of the hearing date, time and place since hearings are occasionally rescheduled. Any interested person may examine PNM's Application and all other pleadings, testimony, exhibits and other documents filed in the public record for this case at the Commission website, or at the offices of PNM at the following address:

Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, New Mexico 87102
Telephone: (505) 241-2700

Anyone filing pleadings, testimony and other documents in this case must comply with the Commission's electronic filing policy, as amended from time to time. This includes filings in .pdf format, with electronic signatures, sent to the Records Bureau's e-mail address, as set out on the Commission's website, at: prc.records@state.nm.us, within regular business hours of the due date to be considered timely filed. Regular business hours are from 8:00 am to 5:00 pm MDT. Documents received after regular business hours will be considered as filed the next business day. Parties must serve copies of all filings on all parties of record and the Commission's Utility Division Staff ("Staff"). All filings shall be e-mailed to Staff and the parties on the date they are filed with the Commission. All filings shall be e-mailed to the Hearing Examiner at _____ . Additional details regarding this proceeding and its procedural requirements are set forth in the Hearing Examiner's Procedural Order, issued _____, 2022.

Individuals with a disability who require a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, may contact the Commission's docketing office at least 24 hours prior to the hearing. The

Commission's docketing office may be reached at (505) 827-4526. Public documents associated with the hearing can be provided in various accessible forms for disabled individuals. Requests for summaries or other types of accessible forms also should be addressed to the Utility Division at (505) 827-6941.

ISSUED at Santa Fe, New Mexico this _____ day of _____ 2022.

NEW MEXICO PUBLIC REGULATION COMMISSION

Hearing Examiner

GCG#529881