BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF NEW MEXICO FOR APPROVAL OF THE ABANDONMENT OF THE FOUR CORNERS POWER PLANT AND ISSUANCE OF A SECURITIZED FINANCING ORDER	)	**Case No. 21-_____-UT**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant	)	

DIRECT TESTIMONY

OF

MICHAEL J. SETTLAGE

January 8, 2021

NMPRC CASE NO. 21-____-UT
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MICHAEL J. SETTLAGE

WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

DIRECT TESTIMONY
OF MICHAEL J. SETTLAGE
NMPRC CASE NO. 21-_____-UT

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND YOUR POSITION AT PNM.

A. My name is Michael J. Settlage. I am a Lead Pricing Analyst for Public Service Company of New Mexico ("PNM" or "Company"). For my contact information and more about my qualifications, including cases before the New Mexico Public Regulation Commission ("NMPRC" or "Commission") in which I have testified, please see PNM Exhibit MJS-1.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my testimony is to: 1) describe the Four Corners Power Plant ("FCPP") Securitization rider, FCPP Securitization Charge and FCPP Securitization Charge adjustment process; 2) describe the true-up mechanism to ensure that the FCPP Securitization charge is appropriately collected from customers; 3) describe the FCPP securitization rider adjustment schedule; and 4) provide examples of potential ranges of customer bill impacts from PNM's early exit from FCPP.

II. FOUR CORNERS SECURITIZATION RIDER

Q. WHAT IS THE PURPOSE OF THE FCPP SECURITIZATION RIDER?

A. The FCPP Securitization Rider is the proposed rate mechanism to recover the energy transition costs defined in Section 2(H) of the Energy Transition Act from

PNM customers for FCPP. The purpose of the Rider is to: 1) allocate recovery of ongoing FCPP energy transition costs to each customer class and rate schedule; and 2) recover these ongoing FCPP energy transition costs allocated to each rate schedule from PNM customers through a non-bypassable energy transition charge. As described in the testimony of PNM Witnesses Sanchez and Atkins, the special purpose entity (the "SPE") formed to issue the energy transition bonds will be obligated to make semiannual payments of principal and interest on these bonds and will incur other ongoing financing expenses that are energy transition costs under Section 2(H) of the Energy Transition Act. The FCPP Securitization Rider will collect the funds that will be paid to the SPE to pay the required semi-annual payments and other ongoing financing expenses associated with the bonds.

Q. PLEASE DESCRIBE THE FCPP SECURITIZATION RIDER.

A. The FCPP Securitization Rider is provided in PNM Exhibit MJS-2 and includes the formulas and methods to allocate energy transition costs to customers and recover those costs through a non-bypassable charge. The proposed forms that will be included in the true-up adjustment filings described below are attached as Appendices 1 through 4 to the FCPP Securitization Rider. The energy transition costs will be allocated to customer rate classes and recovered through an energy transition charge as required in the Energy Transition Act Section 5(F)(3). The energy transition charge will be calculated for customers receiving service under PNM rate schedules and shown as a separate line item on customer bills as required

by ETA Section 5(F)(3). A True-Up Adjustment Mechanism, as required by the ETA, Section 6(A), corrects for any over-or under-collection of the energy transition charge to provide for the timely payment of energy transition costs.

Q. IS THERE ANY DIFFERENCE BETWEEN THE FCPP SECURITIZATION RIDER AND THE SJGS SECURTIZATION RIDER APPROVED IN NMPRC CASE NO. 19-00018-UT?

A. No. Both the rider discussed in this case and the rider approved in NMPRC Case No. 19-00018-UT (the "SJGS Securitization Rider") are designed to comply with the Energy Transition Act. The only difference is that the SJGS Securitization Rider is designed to recover costs associated with the retirement of the San Juan Generation Station and the FCPP Securitization Rider is designed to recover costs associated with the retirement of FCPP. Besides the timing and amounts, the substance and mechanics of the two riders are identical.

Q. WHEN WILL THE FCPP SECURITIZATION RIDER BECOME EFFECTIVE?

A. Under Section 5(J) of the Energy Transition Act, the energy transition charge will become effective 15 days after the filing of an advice notice following the issuance of the energy transition bonds. PNM anticipates the energy transition charge will become effective 30 days after issuance of the energy transition bonds. For example, if the bonds were issued on January 15, 2025, PNM anticipates the energy

transition charge would become effective on February 14, 2025 and would be assessed for electric service provided thereafter.

Q. WILL THE FCPP SECURITIZATION RIDER EVER BE REDUCED TO ACCOUNT FOR COSTS THAT ARE ULTIMATELY INCLUDED IN RATES?

A. No. The energy transition charge, which will be recovered through the FCPP Securitization Rider, is defined as part of the energy transition property that is "owned" by the SPE which must fully recover all of the energy transition cost components. PNM witness Baker provides an explanation of PNM's proposed ratemaking treatment that will avoid any "double recovery", when the energy transition charge goes into effect, for the undepreciated investment costs that are in current rates and are also included in the energy transition property and recovered through the energy transition charge.

Q. WHEN WILL THIS ENERGY TRANSITION CHARGE STOP BEING RECOVERED?

A. Under Section 5(F)(3) of the Energy Transition Act, the energy transition charge will remain effective until the energy transition bonds, and the financing costs related to those bonds, are paid in full. As described in PNM Witness Atkins' testimony, the energy transition bonds have a twenty-five (25) year scheduled final maturity after the issuance of the bonds. The energy transition charge will cease

once the bonds and associated ongoing financing costs have been paid in full, which is expected to be at the scheduled maturity.

Q. PLEASE DESCRIBE THE COST RECOVERY PROCESS.

A. The energy transition cost recovery process provides for the assessment of a non-bypassable energy transition charge on customers' bills over the life of the energy transition bonds, with the energy transition charge subject to periodic adjustment to ensure proper recovery through the True-Up Adjustment Mechanism. The energy transition costs are calculated, allocated to customers, and recovered on a periodic basis, typically six months, referred to in this testimony as "Remittance Periods."

Q. WHAT IS MEANT BY THE TERM "REMITTANCE PERIOD"?

A. Except with respect to the initial Remittance Period, which is expected to be approximately nine months, a Remittance Period is a six-month period that begins when the adjusted energy transition charge goes into effect.

Q. HOW WILL THE TRUE-UP ADJUSTMENTS BE MADE?

A. In month three of the then current Remittance Period, a True-Up Adjustment filing will be made. The True-Up Adjustment Mechanism process will typically reference three Remittance Periods: (1) the most recently completed six-month Remittance Period, for which actual collections are known, and (2) the current six-month

Remittance Period, during which actual collections will be known for a portion of the period and revenues will be projected for the remainder of the period at current energy transition charge rates, and (3) the upcoming six month Remittance Period, for which all revenues will be projected revenues at current energy transition charge rates. The True-Up Adjustment will be made during the current Remittance Period to account for revenues needed for the current and upcoming Remittance Period. These calculations are reflected in PNM Exhibit MJS-2 Appendix 1, which is a form that will be filed with each True-Up Adjustment letter.

Q. PLEASE DISCUSS THE HOW THE ENERGY TRANSITION COSTS WILL BE DETERMINED FOR INITIAL REMITTANCE PERIOD AND THE TIMING OF THE ONGOING ADJUSTMENTS.

A. The initial Remittance Period will be the period from the issuance of the energy transition bonds until the first scheduled payment of principal and interest on the bonds. Based on the testimony of PNM Witness Atkins, PNM anticipates the first securitization bond payment will be due approximately nine months following the issuance of the bonds. The energy transition charge for the initial Remittance Period is designed to recover revenues sufficient to pay the first scheduled payment of principal and interest on the bonds at month nine, and to pay all other ongoing financing costs during the initial Remittance Period. The revenue requirement is adjusted for projected collection lag and estimated uncollectable amounts, as described in PNM Witness Baker's testimony. The adjusted revenue requirement

is the billing requirement. After determining the billing requirement for the initial Remittance Period, the Company will then allocate the billing requirement to customer classes and calculate the initial energy transition charge for each customer class.

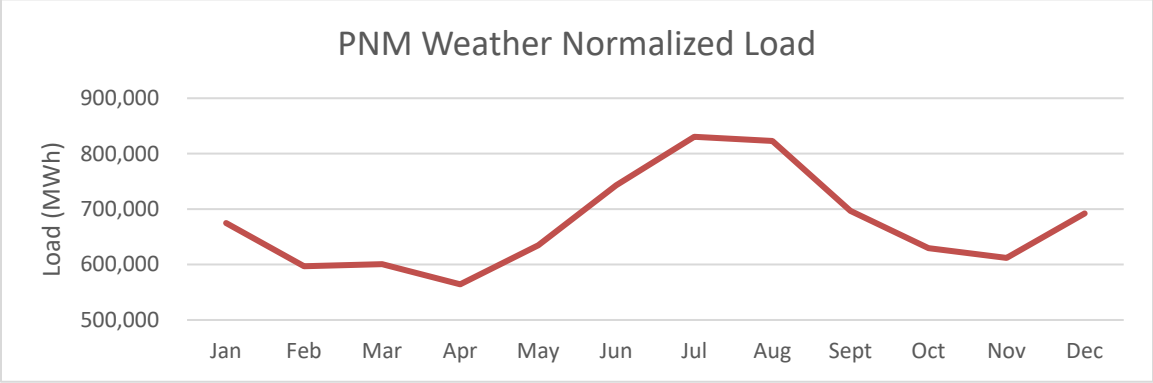
The Company will make filings to implement the True-Up Adjustment Mechanism every six months, with the first adjustment under the True-Up Adjustment Mechanism expected to occur approximately six months following the issuance of the energy transition bonds. As discussed further below, each True-Up Adjustment Mechanism filing will consider actual collections prior to the filing (including any over or under collection in the prior Remittance Period) and will look forward to projected collections over the remainder of the current Remittance Period and the next Remittance Period. The Company anticipates implementing the adjusted energy transition charge under the True-Up Adjustment Mechanism approximately three months prior to each semiannual bond payment, with bond payments made at the end of each six-month Remittance Period.

Q. WHY WILL PNM USE A TWELVE-MONTH FORECAST PERIOD FOR ONGOING RECOVERY WHEN TRUE-UPS OCCUR EVERY SIX MONTHS?

A. PNM's customer energy and demand follows an annual cycle. PNM Chart MJS-1 shows weather normalized load on an annual basis. The load shape is asymmetrical

and load in the two contiguous six-month periods does not follow the same pattern. In order to account for the annual cyclic nature of load, a twelve-month forecast period is used for evaluating projected collections over two six- month remittance periods. A twelve-month forecast is also used for customer energy and demand forecasts which will smooth the variability associated with six-month increments.

PNM Chart MJS-1-PNM Annual Weather Normalized Load (MWh)



Q. HOW WILL THE COMPANY CALCULATE THE FCPP ENERGY TRANSITION CHARGE?

A. The Company's proposed calculation of the energy transition charge involves a multi-step process that begins with an estimate of the energy transition charge collections that would be necessary to pay, on a timely basis, all scheduled payments of principal and interest (or deposits to sinking funds with respect to principal and interest) and all other ongoing financing costs over a Remittance Period (the estimated revenue required for such period, also known as the "Periodic Revenue Requirement"). Other than establishing the charge for the initial

Remittance Period, the Periodic Revenue Requirement will consider over- or under-collections of energy transition charges during the prior Remittance Period under the True-Up Adjustment Mechanism. The Periodic Revenue Requirement is adjusted, as described in PNM Witness Baker's testimony, to account for projected collection lag and estimated uncollectable amounts to arrive at the billing requirement (the "Periodic Billing Requirement").

After determining the Periodic Billing Requirement, the next step in the Company's proposed process for calculating the energy transition charge involves allocating the Periodic Billing Requirement to the Company's various customer classes. The final step in the Company's proposed process involves determining the energy transition charge for customers within each customer class based on the portion of the Periodic Billing Requirement allocated to each class. In accordance with the requirements of Sections 5(F)(3) and 6(A) of the Energy Transition Act, the Company's proposed process would assess the charge in a manner that is designed to be consistent with energy and demand cost allocations within each customer class.

Q. WHY ARE NON-PAYMENT WRITE OFFS AND DELINQUENCIES ACCOUNTED FOR IN THIS PROCESS?

A. In order to support the highest possible bond rating, the SPE must account for non-payment write-offs and delinquent payments in order to ensure that there are

sufficient collections through the FCPP Securitization Rider to make the semiannual debt service payments and to pay its other ongoing financing costs.

Q. PLEASE DESCRIBE THE METHOD USED TO ALLOCATE THE PERIODIC BILLING REQUIREMENT TO CUSTOMER CLASSES.

A. Sections 5(F)(3) and 6(A) of the Energy Transition Act authorizes PNM to charge customers an energy transition charge which shall be allocated to customer classes consistent with the production cost allocation methodology established by the Commission in PNM's most recent general rate case. At the time of this filing the current method was approved in Case No. 15-00261-UT and was also carried over in Case No. 16-00276-UT. This allocation method is based on the coincident peak during the four highest peak months of the year: 3 summer months (June, July, and August) and 1 winter month (December) ("3S1W"). These four coincident peaks are used to calculate the allocation factors for each customer class as described in the Case No. 15-00261-UT rate case. As the Commission establishes new production cost allocation methodologies for PNM, the then-current method will be adopted for energy transition charge allocation. A detailed description of the allocation methodology is provided as PNM Exhibit MJS-3.

Q. THE ENERGY TRANSITION ACT REFERENCES CUSTOMER CLASSES. WHY DOES PNM ALLOCATE ENERGY TRANSITION COSTS TO AND ASSESS THE CHARGE ON INDIVIDUAL RATE SCHEDULES?

A. The current production allocation method allocates costs to customer classes. Within some customer classes, the Commission has approved PNM rate schedules that further segregate customers based on their usage characteristics. Customers are served under PNM rate schedules based on the characteristics of the customers and their rate schedule. In order to recover the energy transition costs from all customers consistent with demand and energy, PNM proposes to utilize the unique characteristics of each rate schedule in calculating the energy transition charge. For customer classes with multiple rate schedules, the energy transition costs allocated to the customer class are further sub-allocated to the constituent rate schedules.

For example, the residential customer class has the Residential l A rate schedule and the Residential l B rate schedule. If the Residential l A rate schedule accounts for 99% of the energy of the residential customer class, then the Residential l A rate schedule will be allocated 99% of the customer class energy transition costs. PNM Exhibit MJS-4 describes the sub-allocation of customer class costs to rate schedule costs.

Q. PLEASE DESCRIBE HOW ALLOCATED ENERGY TRANSITION COSTS WILL BE RECOVERED THROUGH THE NON-BYPASSABLE ENERGY TRANSITION CHARGE ON CUSTOMER BILLS.

A. Energy Transition Act Section 5(F)(3) directs PNM to recover energy transition costs through a non-bypassable energy transition charge consistent with the energy and demand allocations within each customer class. PNM proposes an energy transition charge specific to each rate schedule that will appear as a new line item on customer bills. The specific energy transition charge type for each customer class is described later in my testimony.

Q. ONCE PNM HAS ALLOCATED THE ENERGY TRANSITION COSTS TO EACH RATE SCHEDULE, HOW DOES PNM PROPOSE TO CALCULATE THE SPECIFIC ENERGY TRANSITION CHARGE NECESSARY FOR RECOVERY FROM EACH RATE SCHEDULE?

A. PNM rate schedules have varying metering requirements and numbers of customers. PNM considered many potential methods to calculate the energy transition charge to recover energy transition costs from specific rate schedules. These methods have various advantages and disadvantages and may not be applicable based on the metering requirements and customer counts of each individual rate schedule. The impacts of weather are more pronounced with some methods and less with others. The availability of granular forecasts of customer

counts, energy, and demand also impacts the feasibility of application of the methods to the PNM rate schedules.

Q. PLEASE DESCRIBE THE GENERAL OPTIONS PNM CONSIDERED FOR THE TYPE OF CHARGE.

A. Because of the diversity of rate schedules and customers, PNM examined a variety of energy transition charge types including customer charge, energy charge, demand charge, unit charge, block charge, and hybrids of these methods. These are the same charge types that PNM considered in NMPRC Case No. 19-00018-UT.

Q. WHAT SPECIFIC CHARGE TYPES DO YOU PROPOSE FOR EACH RATE SCHEDULE?

A. PNM Proposes to use the same charge types approved by the Commission in NMPRC Case No. 19-00018-UT. PNM Exhibit MJS-5 describes the proposed energy transition charge types and calculation methods for each rate schedule. PNM Table MJS-1 summarizes the energy transition charge types.

PNM Table MJS-1 - Proposed energy transition charge Types

Line	Rate Schedule	Charge Type
1	1A - Residential	Customer Block ($/bill)
2	1B - Residential - TOU	Customer ($/bill)
3	2A - Small Power	Customer ($/bill)
4	2B - Small Power - TOU	Customer ($/bill)
5	3B - General Power	Demand ($/kW)
6	3C - General Power Low LF	Demand ($/kW)
7	3D - Pilot Municipalities and Counties General Power - TOU	Demand ($/kW)
8	3E - Pilot Municipalities and Counties General Power Low LF - TOU	Demand ($/kW)
9	4B - Large Power	Demand ($/kW)
10	5B - Lg. Svc. (8 MW)	Individual Customer ($/bill)
11	10A - Irrigation	Customer ($/bill)
12	10B - Irrigation - TOU	Customer ($/bill)
13	11B - Wtr/Swg Pumping	Customer ($/bill)
14	15B - Universities 115 kV	Individual Customer ($/bill)
15	30B - Manuf. (30 MW)	Individual Customer ($/bill)
16	33B - Lg. Svc. (Station Power)	Individual Customer ($/bill)
17	35B - Lg. Svc. (3 MW)	Individual Customer ($/bill)
18	36B - SSR - Renew. Energy Res.	Individual Customer ($/bill)
19	6 - Private Lighting	Light ($/bill)
20	20 - Streetlighting	Light ($/bill)

III. FCPP SECURITIZATION RIDER TRUE-UP ADJUSTMENT MECHANISM PROCESS

Q. WHAT IS THE TRUE-UP ADJUSTMENT MECHANISM?

A. The True-Up Adjustment Mechanism is a formula-based mechanism to periodically adjust the energy transition charge to correct for any over-collection or under-collection of the energy transition charge and to provide for timely payment of scheduled principal of and interest (or deposits to sinking funds for principal and interest) on the energy transition bonds and the payment of other ongoing financing costs. The True-Up Adjustment Mechanism will remain in effect until the energy transition bonds and all financing costs have been fully paid and recovered, any

under-collection is recovered from customers and any over-collection is returned to customers. The Company proposes that the True-Up Adjustment Mechanism should include both standard adjustments ("Standard True-Up Adjustments") and non-standard adjustments ("Non-Standard True-Up Adjustments").

Q. WHAT IS THE SEMI-ANNUAL STANDARD TRUE-UP ADJUSTMENT MECHANISM PROCESS?

A. A Standard True-Up Adjustment is an automatic adjustment to the energy transition charge that is required to occur at least semiannually. In order to implement a Standard True-Up Adjustment, the Company, as servicer under a servicing agreement described in the testimony of PNM Witness Atkins, will provide the Commission a Standard True-Up Adjustment letter, which will include the calculations required by Section 6(B) of the Energy Transition Act. The Standard True-Up Adjustment letter also will include a compliance Advice Notice for the adjusted energy transition charge for all rate schedules. The semiannual Standard True-Up Adjustment Mechanism process (1) calculates the adjusted Periodic Revenue Requirement for the current and upcoming Remittance Periods, (2) calculates the adjusted Periodic Billing Requirement based on the adjusted Periodic Revenue Requirement and consideration of collection lag and uncollectible amounts, as described in the testimony of PNM Witness Baker, and (3) resets the energy transition charge that appear on customer bills. These steps are performed sequentially. The adjusted Periodic Revenue Requirement is calculated first, taking

into account changes in the Periodic Revenue Requirement for the applicable Remittance Period and any over or under collection of the energy transition charge based on actual collections. The Periodic Billing Requirement is then determined as described in the testimony of PNM Witness Baker, then that adjusted Periodic Billing Requirement is allocated to customer classes and used to recalculate the FCPP Securitization Rider energy transition charge rates. These recalculated rates will be implemented through the compliance Advice Notice filed with the Standard True-up Adjustment letter as contemplated by Section 6 of the Energy Transition Act.

Q. WHAT IS THE PURPOSE OF THE TRUE-UP ADJUSTMENT MECHANISM?

A. The True-Up Adjustment Mechanism has two objectives: (1) reducing variations in the energy transition charge to customers; and (2) ensuring that the SPE has sufficient funds, no more and no less, to make timely payments on the bond principal and interest and to pay other ongoing financing costs. PNM intends to collect only what is needed to make these payments. As a result, on a semiannual basis, the Standard True-Up Adjustment Mechanism recalculates the energy transition charge needed to collect sufficient funds to make timely payments of these costs. The calculation of the adjusted Periodic Billing Requirement (1) trues-up any over or under collection of actual funds from the previous Remittance Period and the completed months of the current Remittance Period; and (2) forecasts the

funds to be billed and collected for the upcoming months (the remaining months in the current Remittance Period and the six months in the next Remittance Period). Adjusted energy transition charge rider rates will be calculated to go into effect approximately three months preceding each bond payment date. PNM Chart MJS-2 displays the timing of the bond payments and the effective dates of the adjusted energy transition charge.

PNM Chart MJS-2. Sample energy transition charge Adjustment and Bond Payment Timeline

Date	Activity
1/15/2025	Bonds are Issued
2/14/2025	Initial Charge becomes effective
6/2/2025	Adjusted Charge effective Date
9/1/2025	Bond Payment #1
12/1/2025	Adjusted Charge effective Date
3/2/2026	Bond Payment #2
6/1/2026	Adjusted Charge effective Date
9/1/2026	Bond Payment #3

Q. WILL STANDARD TRUE-UP ADJUSTMENTS EVER OCCUR MORE FREQUENTLY THAN SEMIANNUALLY?

A. Yes. As required by Section 6(C) of the Energy Transition Act, Standard True- Up Adjustments will be made at least quarterly during the two-year period preceding the final maturity date of the energy transition bonds. In addition, PNM's proposed form of financing order includes authority for PNM to implement optional Standard

True-Up Adjustments at any time and for any reason, without limitation as to frequency, in order to ensure timely payment of scheduled principal of and interest (or deposits to sinking funds in respect of principal and interest) on the energy transition bonds and the payment of other ongoing financing costs. All such adjustments would also be accomplished through the compliance Advice Notice filed with the True-up Adjustment letter as contemplated by Section 6 of the Energy Transition Act.

Q. WHAT ARE THE NON-STANDARD TRUE-UP ADJUSTMENTS YOU REFERENCED ABOVE?

A. A Non-Standard True-Up Adjustment is an adjustment to the energy transition charge that will be made in connection with any general rate case, as necessary to reflect any adjustments in the allocation of energy transition charge as a result of changes in the production cost methodology used in such general rate case. In order to implement a Non-Standard True-Up Adjustment, the Company, as servicer under a servicing agreement described in the testimony of PNM Witness Sanchez, will file with the Commission a Non-Standard True-Up Adjustment letter, which will include the calculations required by Section 6(B) of the Energy Transition Act. Consistent with Standard True-Up Adjustments, Non-Standard True-Up Adjustments will become effective as provided in Section 6 of the Energy Transition Act.

Q. ARE FCPP SECURITIZATIONN RIDER ADJUSTMENTS LIMITED TO ANY SPECIFIC CUSTOMER CLASS?

A. No. The adjustment is calculated based on projected and actual recovery over all customers receiving service under every rate schedule. Shortfalls/overages in any rate class are allocated to all rate classes. This is necessary because customer classes may be added or removed over time. As compared to an annual true-up, a semiannual true-up reduces the variation in the energy transition charge by calculating changes in customer numbers and rate schedules closer to real time. This frequency ensures that adequate funds are available in the SPE to pay bond principal and interest and to pay other ongoing financing costs.

IV. FCPP SECURITIZATION RIDER ADJUSTMENT SCHEDULE

Q. PLEASE DESCRIBE THE FCPP SECURITIZATION RIDER ADJUSTMENT SCHEDULE.

A. The calculation of the Periodic Billing Requirement for each Remittance Period is based on the amount of funds that need to be recovered in order to make timely payments of principal and interest on the bonds and the other ongoing financing costs of the SPE on the bonds. While most of these costs making up the Periodic Billing Requirement will be fixed amounts (debt service and the servicing fee), other ongoing financing costs will be subject to variability. The calculation of the energy transition charge involves projecting the forecasted Periodic Billing Requirement, customer count, customer demand, and customer energy usage.

Because forecasts will not perfectly predict the future, adjustments will be necessary to correct for any over or under collection in any Remittance Period. The True-Up Adjustment will occur in the middle of the then current Remittance Period and will adjust the billing requirement to account for the actual rider collections from sales to-date plus what is forecasted to be collected in the remaining months of the Remittance Period and the upcoming Remittance Period at the current rider energy transition charge rates. That determines the under or over collection that should exist at the end of the Remittance Periods. Using this process, the Periodic Billing Requirement will be forecasted, and the necessary energy transition charge will be calculated.

Q. DOES FILING AN INTERIM STANDARD TRUE-UP ADJUSTMENT OR NON-STANDARD TRUE-UP ADJUSTMENT ALTER THE DESCRIBED SEMIANNUAL PROCESS?

A. No. The semiannual schedule stays the same. The interim True-Up Adjustment Mechanism would adjust the ETA rider amount within the current Remittance Period but would not make the projections for the next Remittance Period. The next semiannual Standard True-Up Adjustment would include the three Remittance Periods as described above.

Q. DESCRIBE THE FCPP SECURITIZATION RIDER TRUE-UP ADJUSTMENT MECHANISM SCHEDULE.

A. The Standard True-Up Adjustment happens semiannually at a minimum. The FCPP Securitization Rider forms and associated workpapers will be filed in a manner designed to cause the True-Up Adjustment and the ETC effective date to occur approximately three months before each scheduled bond payment.

Q. HOW IS COMMISSION REVIEW INCORPORATED INTO THE TRUE-UP ADJUSTMENTS?

A. As discussed earlier, in order to implement each periodic True-Up Adjustment, PNM will provide the Commission a True-Up Adjustment request letter that will include the proposed adjustment forms (see PNM Exhibit MJS-2 Appendix 1, Appendix 2, Appendix 3 and Appendix 4) and supporting workpapers containing the information required by Section 6(B) of the ETA. The True-Up Adjustment request letter also will include an Advice Notice with respect to the adjusted energy transition charge for each rate schedule.

Unless the Commission is notified of any mathematical errors in the FCPP Securitization Rider adjustment calculation within 20 days of the filing of the adjustment forms and supporting workpapers and makes the determination set forth in Section 6(F)(2) of the Energy Transition Act, the proposed adjustment will be

deemed approved 30 days after the filing of the True-Up Adjustment request letter and Advice Notice.

Q. WHEN DOES PNM EXPECT TO FILE ITS SEMI-ANNUAL TRUE-UP ADJUSTMENT REQUEST LETTERS?

A. PNM intends to have its semi-annual True-Up Adjustments become effective approximately three months before each sem-iannual debt service payment on the energy transition bonds. In light of the timing provisions of the ETA and to have access to the most current data when filing its True-Up Adjustment request letter, PNM expects to generally file these requests approximately not less than 30 days prior to the proposed effective date of each True-Up Adjustment. As discussed above, PNM anticipates the True-Up Adjustments becoming effective approximately three months prior to each semiannual debt service payment on the energy transition bonds.

V. FCPP SECURITIZATION RIDER SAMPLE CUSTOMER IMPACTS

Q. HAVE YOU DEVELOPED SAMPLE CUSTOMER IMPACTS FROM RETIRING AND REPLACING THE FOUR CORNERS POWER PLANT?

A. Yes. The main changes to revenue requirements from FCPP abandonment are described by PNM Witness Baker and include savings from the closure of FCPP, the FCPP Securitization Charge, other costs not included in the securitization charge, non-fuel costs for replacement resources, and fuel savings due to change in

resource mix. I show example customer class impacts under two scenarios developed by PNM and discussed by PNM Witness Phillips. These samples impacts are not a forecast of what the actual customer impacts will be because no resource portfolio has been approved at this time. PNM Witness Phillips provides the details of the assumption associated with these two scenarios in his testimony.

Q. WHAT EFFECT WILL SCENARIO ONE HAVE ON PNM CUSTOMER CLASSES?

A. Scenario 1, described by PNM Witness Phillips and shown in PNM Table TSB-8, has an overall net impact of reducing the revenue requirement by $58.8M for PNM Customers. PNM Exhibit MJS-6 page 1 shows the impacts on each individual customer class for Scenario one.

Q. WHAT EFFECT WILL SCENARIO TWO HAVE ON PNM CUSTOMER CLASSES?

A. Scenario two, described by PNM Witness Phillips and shown in PNM Exhibit TSB-8, has an overall net impact of reducing the revenue requirement by $49.0M for PNM Customers. PNM Exhibit MJS-6 page 2 shows the impacts on each individual customer class for scenario two.

Q WHAT EFFECT WILL THE TWO SCENARIOS HAVE ON AVERAGE MONTHLY CUSTOMER BILLS?

A. The Residential 1A and Small Power 2A rate schedules account for over 99% of all PNM customer bills. PNM Exhibit MJS-7 shows the potential impacts of these Scenarios on average monthly bills over a range of usage. For a Residential 1A customer, the impacts range from an increase of $1.32 to a decrease of $19.31 per month based on usage and scenario. For a Small Power 2A customer, the impacts range from an increase of $2.89 to a decrease of $133.12 per month based on usage and scenario.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

GCG#527519

Michael J. Settlage
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Michael J. Settlage

Address: PNM Resources, Inc.
MS 0605
414 Silver SW, Albuquerque, NM 87102

Position: Principal, Pricing and Regulatory Service
Public Service Company of New Mexico (PNM)

Education: Bachelor of Science- Electrical and Computer Engineering
Clemson University, 1984

Master of Science- Electrical and Computer Engineering
Specialization in Power Engineering
Clemson University, 1985

Employment:
- *Lead Pricing Analyst*, PNM (02/2019-Present);
- *Manager of Grid Modernization,* PowerServices, Inc. (07/2017-02/2019);
- *Director of Engineering and Project Management,* Nexgrid, LLC. (01/2017-07/2017);
- *Operations Manager,* ElectriCities of NC. (01/2011-01/2017);
- *Owner, ConciseConcept, LLC. (01/2007-11/2013);*
- *Various Positions,* Carolina Power & Light/ Progress Energy/ Progress Ventures/ Arclight Energy Marketing. (01/1986-06/2007);
- *Research Associate,* Clemson University, Clemson University Electric Power Research Association (CUEPRA). (08/1983-12/1985).

Previous Testimony:

Proceeding	**Body**	**Docket**
Adjustment of Base Rates for Fuel Costs of Carolina Power & Light Company	Public Service Commission of South Carolina	1995-1-E

Annual Review of Carolina Power and Light Base Rates for Fuel Costs	Public Service Commission of South Carolina	1998-1-E
Testimony Supporting Reconciliation of PNM's 2018 Energy Efficiency Incentive	NMPRC	17-00076-UT
Testimony in Support of PNM's 2020 Energy Efficiency Incentive	NMPRC	17-00076-UT
PNM's Application for Approval of PNM Solar Direct Voluntary Renewable Energy Program	NMPRC	19-00158-UT
PNM's Renewable Energy Act Plan for 2020	NMPRC	19-00159-UT
PNM's Consolidated Application for Abandonment of San Juan Generating Station	NMPRC	19-00195-UT
PNM's Application for Approval of Energy Efficiency 2021 Plan	NMPRC	20-00087-UT
PNM's Application for Approval of Demand Response Plan	NMPRC	20-00218-UT

GCG#527497

PNM Exhibit MJS-2

PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. X

ENERGY TRANSITION ACT – PNM ENERGY TRANSITION ACT CHARGES

A) EXPLANATION OF RIDER: Pursuant to the terms of the Energy Transition Act ("ETA"), NMSA 1978, §§ 62-18-1 to -23 and the Financing Order issued by the New Mexico Public Regulation Commission ("NMPRC") in Case No. 19-____-UT on _____, this Rider sets forth the methodology to calculate the non-bypassable Energy Transition Charges for customers taking retail service under PNM retail rates

B) DEFINITIONS:

a) **Energy Transition Charge:** The non-bypassable charge, as required in the ETA Section 5(F)(3), assessed to PNM Customers to recover Energy Transition Costs including True-up Adjustments.

b) **Energy Transition Costs ("ETA Costs"):** The upfront and ongoing cost of the Energy Transition Bonds.

c) **Energy Transition Cost Allocators:** The percentages used to allocate the ETA Costs to customer classes consistent with the production cost allocation methodology established by the NMPRC in PNM's most recent rate case.

d) **True-up Adjustment:** The adjustment of Energy Transition Charges to correct for any over or under recovery of Energy Transition Costs from prior periods and to ensure timely payment of scheduled principal and interest (or deposits to sinking funds in respect of principal and interest) and other ongoing ETA Costs.

e) **True-up Period:** The period over which actual ETA Cost recovery is compared to planned recovery. Initially, the period from issuance of the bonds to the first scheduled debt payment date, then every six-months, or less, as required in ETA Section 6(B). For the final two years prior to final maturity of the Bonds, the adjustment period is three months as required in ETA Section 6(C).

f) **Forecast Period:** The 12-month period including the next True-up Period that is used for all customer count, customer load, customer demand, and ETA costs forecasts.

g) **Final ETA Reconciliation:** Section 4(B)(10) of the ETA.

h) **SPE:** [SPE], LLC, the special purpose entity identified in the Financing Order (the "SPE").

C) APPLICABILITY: The Energy Transition Charge applies to all customers taking service under the following PNM Rate Schedules: 1A, 1B, 2A, 2B, 3B, 3D, 3C, 3E, 4B, 5B, 10A, 10B, 11B, 15B, 30B, 33B, 35B, 36B 6 and 20. Should any new PNM Rate Schedules be added during the time that this Rider is in effect, Energy Transition Charges will be derived during the next applicable true up filing. All charges assessed and collected under this rider are owned by the SPE. PNM (or any successor utility) is acting as collection agent and servicer for the SPE during the time that this rider is in effect.

PNM Exhibit MJS-2

PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. X

ENERGY TRANSITION ACT – PNM ENERGY TRANSITION ACT CHARGES

D) COMPONENTS OF ENERGY TRANSITION CHARGE BY RATE SCHEDULE:

Rate Schedule	Customer Charge ($/Bill)	Demand Charge ($/kW)	Light Charge ($/Light)
1A – Residential	X (Block)		
1B - Residential TOU	X		
2A - Small Power	X		
2B - Small Power TOU	X		
3B - General Power TOU		X	
3D - General Power TOU Pilot Municipal and Counties		X	
3C - General Power TOU (Low Load Factor)		X	
3E - General Power TOU (Low Load Factor) Pilot Municipal and Counties		X	
4B - Large Power TOU		X	
5B - Large Service TOU (>= 8,000 kW)	X (Per Indiv. Cust.)		
10A – Irrigation	X		
10B - Irrigation TOU	X		
11B - Water and Sewage Pumping TOU	X		
15B - Large Service for Public Universities (>= 8,000 kW)	X (Per Indiv. Cust.)		

_____
Mark A. Fenton
Executive Director, Regulatory Policy and Case Management
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PNM Exhibit MJS-2

PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. X

ENERGY TRANSITION ACT – PNM ENERGY TRANSITION ACT CHARGES

Rate Schedule	Customer Charge ($/Bill)	Demand Charge ($/kW)	Light Charge ($/Light)
30B - Industrial Large Service (>= 30,000 kW)	X (Per Indiv. Cust.)		
33B: Large Service for Station Power TOU	X (Per Indiv. Cust.)		
35B: Large Power Service (>=3,000 kW TOU)	X (Per Indiv. Cust.)		
36B: Special Service - Renewable Energy Resources	X (Per Indiv. Cust.)		
6 - Private Area Lighting			X
20 – Streetlighting			X

E) RATE ADJUSTMENT PROVISIONS FOR ENERGY TRANSITION COST ALLOCATORS:

The Energy Transition Cost allocators shall be reset every six-months in accordance with the timing set forth in the ETA Section 6.

The cost elements that will be recovered through the ETA Rider shall include the debt service, any adjustments necessary to account for prior over/under recovery, and any other adjustments necessary to ensure the Financing Costs identified in the Financing Order are recovered.

a) The Revenue Requirement includes the up front and ongoing energy transition costs and adjustments for previous period under or over recovery.

$$Revenue\ Requirement\ (\$) = Energy\ Transition\ up\ front\ costs + Energy\ Transition\ ongoing\ costs + true\text{-}up\ adjustments$$

b) The Billing Requirement is the Revenue Requirement adjusted for projected collection lag and estimated uncollectable amounts.

Mark A. Fenton
Executive Director, Regulatory Policy and Case Management
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PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. X

ENERGY TRANSITION ACT – PNM ENERGY TRANSITION ACT CHARGES

$$Billing\ Requirement(\$) = revenue\ requirement\ (\$) + adjustments\ for\ collection\ lag\ and\ estimated\ uncollectable\ amounts$$

c) The Billing Requirement is allocated to individual NMPRC approved rate schedules through Energy Transition Act allocators.
d) The energy transition act allocators are re-calculated, consistent with the NMPRC approved methodology, for each true-up adjustment using the most recent forecasts of load and energy.
e) Applying the updated allocators, the ETA costs are allocated to the individual rate schedules based on the proportion of rate schedule to tariff class forecast energy.

$$rate\ schedule\ revenue\ requirement\ (\$) = revenue\ requirement\ (\$) \times allocator \times \frac{forecast\ rate\ schedule\ energy}{forecast\ customer\ class\ energy}$$

F) **ENERGY TRANSITION CHARGE COMPONENT CALCULATION METHODOLOGY**: Customers receiving service under this Rider will be required to pay a non-bypassable Energy Transition Act Charge. The Energy Transition Costs to be recovered are allocated to the Rate Schedules in a manner consistent with the production cost allocation methodology approved in the most recent rate case. For each rate schedule, the specific ETA charges are calculated as indicated in the following sections.

a) ETA Charges consist of a demand charge for general power and large power rate schedules (3B, 3C, 3D, 3E, and 4B). The same demand charge is applied to each customer served by the rate schedule.

$$Demand\ Charge\ \left(\frac{\$}{kW}\right) = \frac{rate\ schedule\ billing\ requirement\ (\$)}{forecast\ rate\ schedule\ demand\ (kW)}$$

Mark A. Fenton
Executive Director, Regulatory Policy and Case Management
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PNM Exhibit MJS-2

PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. X

ENERGY TRANSITION ACT – PNM ENERGY TRANSITION ACT CHARGES

b) ETA Charges consist of a customer charge for the large service and special service rate schedules: (5B, 15B, 30B, 33B, 35B, and 36B). Each customer served by these rate schedules will have a specific customer charge based on their rate schedule and their percentage of the total rate schedule demand.

$$\text{Individual } Customer\ Charge\ \left(\frac{\$}{bill}\right) = rate\ schedule\ billing\ requirement\ (\$)\ \times \frac{forecast\ customer\ demand\ (kW)}{forecast\ rate\ schedule\ demand\ (kW)}$$

c) ETA Charges consist of a light charge for the lighting rate schedules (6 and 20). Every account served by one of these rate schedules has the same unit charge.

$$Light\ Charge\ \left(\frac{\$}{light}\right) = \frac{rate\ schedule\ billing\ requirement\ (\$)}{forecast\ rate\ schedule\ light\ count}$$

d) ETA Charges consist of block customer charges for the residential 1A rate schedule. The ETA recovery follows the existing usage blocks in the rate schedule and charges a distinct ETA customer charge for each block.

block$_1$ customer charge is applicable to all customers regardless of net usage.
block$_3$ customer charge is applicable to customers who use energy in block three.

$$block_n\ customer\ charge = \frac{rate\ schedule\ billing\ requirement\ (\$)}{forecast\ block_n\ customers} \times \frac{forecast\ block_n\ energy}{forecast\ Rate\ Schedule\ energy}$$

$$Customer\ Charge\ \left(\frac{\$}{bill}\right) = \sum_{n=1,3} applicable\ block_n\ customer\ charge$$

e) ETA Charges consist of a customer charge for the remaining rate schedules (1B, 2A, 2B, 10A, 10B, 11B). Every customer served by one of these rate schedules has the same energy charge.

Mark A. Fenton
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PNM Exhibit MJS-2

PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. X

ENERGY TRANSITION ACT – PNM ENERGY TRANSITION ACT CHARGES

$$Customer\ Charge\ \left(\frac{\$}{bill}\right) = \frac{rate\ schedule\ billing\ requirement\ (\$)}{forecast\ rate\ schedule\ customer\ count}$$

G) RECOVERY PERIOD TRUE-UP FORM:

The Recovery Period True-up Form can be found as Appendix 1, which is attached to this Rider.

H) CUSTOMER CLASS ALLOCATION FORM:

The Customer Class Allocation Form can be found as Appendix 2, page 1, which is attached to this Rider.

I) RATE SCHEDULE ALLOCATION FORM:

The Rate Schedule Allocation Form can be found as Appendix 2, page 2, which is attached to this Rider.

J) ETC CALCULATION FORM:

The ETC Calculation Form can be found as Appendix 3, pages 1 through 5, which is attached to this Rider.

K) ENERGY TRANSITION CHARGES FORM:

The Energy Transition Act Charges Form can be found as Appendix 4, which is attached to this Rider.

Sections 5(F)(3) and 6(A) of the Energy Transition Act authorize PNM to charge customers an energy transition charge ("ETC") as defined in Section 2(G) of the Energy Transition Act which shall be allocated to customer classes consistent with the production cost allocation methodology established by the commission in PNM's most recent general rate case. At the time of this filing the method was approved in Case No. 15-00261-UT and was also filed in the stipulated Case No. 16-00276-UT. This allocation method is based on the coincident peak during the four highest peak months of the year: 3 summer months (June, July, and August) and 1 winter month (December) ("3S1W"). These four coincident peaks are used to calculate the allocation factors for each customer class as described in the Case No. 15-00261-UT rate case.

As the NMPRC establishes updated production cost allocation methodologies for PNM, the then current method will be adopted and used to develop allocation factors for each customer class.

At each true-up, new customer class allocation factors will be calculated using the commission established method. The Periodic Billing Requirement is multiplied by the allocation factors to calculate the revenue requirement for each customer class.

$$\begin{aligned} &Customer\ Class\ Billing\ Requirement\ (\$) \\ &\quad = Periodic\ Billing\ Requirement\ (\$) \\ &\quad \times production\ allocation\ factor \end{aligned}$$

The form of the Periodic Revenue Requirement calculation is from PNM Exhibit MJS-2 Appendix 1.

The form of the customer class billing requirement is provided in PNM Exhibit MJS-2, Appendix 2, page 1.

The Periodic Billing Requirement, described in PNM Witness Settlage's testimony, is allocated to the customer classes as described in PNM Exhibit MJS-3. This exhibit describes how the customer class billing requirements are sub allocated to the rate schedules.

PNM currently has fifteen customer classes with nineteen active rate schedules approved by the Commission. These customer classes and rate schedules are listed in PNM Table MJS-2.

PNM Table MJS-2 Customer Classes and Rate Schedules

Customer Class	Rate Schedule(s)
1 Residential	01A and 01B
2 Small Power	02A and 02B
3B General Power	3B and 3D
3C General Power (Low LF)	3C and 3E
4B Large Power	4B
5B Large Service (>= 8,000 kW)	5B
10 Irrigation	10A and 10B
11B Water and/Sewage Pumping	11B
15B Large Service for Public Universities (>= 8,000 kW)	15B
30B Industrial Large (>= 30,000 kW)	30B
33B Large Service for Station Power	33B
35B Large Service (>=3,000 kW)	35B
36B Special Service - Renewable Energy Resources	36B
6 Private Area Lighting	06
20 Streetlighting	20

Five customer classes currently aggregate two rate schedules. PNM will allocate the customer class revenue requirements on a more granular level to each individual rate schedule.

Customer Class Billing Requirements allocated to rate classes with multiple rate schedules, currently Residential, Small Power, General Power, General Power Low LF, and Irrigation customer classes, will be sub-allocated to each individual rate schedule using tariff class to rate schedule allocators.

The rate schedule allocator is calculated as the forecast energy for the rate schedule divided by the total energy for the rate schedules in the customer class, expressed as a percentage.

$$Rate\ Schedule\ Allocator\ (\%) = \frac{forecast\ rate\ schedule\ load\ (kWh)}{forecast\ customer\ class\ load\ (kWh)}$$

$$Rate\ Schedule\ Billing\ Requirement\ (\$) = Rate\ Schedule\ Allocator\ (\%) \times Customer\ Class\ Billing\ Requirement(\$)$$

For example, if customers served under rate schedule 2B Small Power Service Time Of Use account for 2% of the forecast energy in rate class Small Power, that rate schedule is allocated 2% of the customer class billing requirement.

The most recent forecasts that cover the recovery period are used for the allocator calculations. The allocators are re-calculated for each True-Up Adjustment to account for changes in customer usage.

The rate schedule billing requirement calculation form is provided in PNM Exhibit MJS-2, Appendix 2, page 2.

To ensure that energy transition charges are non-bypassable, and to recover energy transition costs consistent with energy and demand allocations within each customer class, PNM proposes different energy transition charge types suited to the specific characteristics of the PNM rate schedules and the customers served thereunder.

The Form of the energy transition charges is provided in PNM Exhibit MJS-2, Appendix 3, pages 1 through 5.

The proposed energy transition charge types include a customer charge ($/bill) that applies to all customers within the rate schedule, an individual customer charge that is different for each customer within the rate schedule, a block customer charge that is assessed to Residential 1A customers based on their usage, a demand charges ($/kW) that is applies to all customers within the rate schedule, and a light charge ($/light) that applies to all lights within the rate schedule.

Customer Charge

A rate schedule customer charge is proposed for the PNM rate schedules 1B, 2A, 2B, 10A, 10B, 11B. These rate schedules have hundreds to thousands of customers each and do not have demand metering. Every customer served by one of these rate schedules has the same energy charge.

$$Customer\ Charge\ \left(\frac{\$}{bill}\right) = \frac{rate\ schedule\ billing\ requirement\ (\$)}{forecasted\ rate\ schedule\ customer\ count}$$

Individual Customer Charge

An individual customer charge is proposed for the large service, universities, manufacturing, and special service rate schedules: (5B, 15B, 30B, 33B, 35B, and 36B). These rate schedules currently have from one to four customers each. Each customer served by these rate schedules will have a specific customer charge based on their percentage of the total rate schedule demand.

$$Individual\ Customer\ Charge\ \left(\frac{\$}{bill}\right) = rate\ schedule\ billing\ requirement\ (\$) \times \frac{forecasted\ customer\ demand\ (kW)}{forecasted\ rate\ schedule\ demand\ (kW)}$$

Block Customer Charge

Block customer charges are proposed for the residential 1A rate schedule. This rate schedule has the largest number of customers and does not have demand metering. The 1A rate schedule has 3 energy blocks. The proposed charge method follows the existing usage blocks and utilizes a distinct charge for the first and third blocks.

$block_1$ customer charge is applicable to all customers regardless of net usage.

$block_3$ customer charge is applicable to customers who use energy in block three.

$$block_n\ customer\ charge = \frac{rate\ schedule\ billing\ requirement\ (\$)}{forecasted\ block_n\ customers} \times \frac{forecasted\ block_n\ energy}{forecasted\ rate\ schedule\ energy}$$

$$Customer\ Charge\ \left(\frac{\$}{bill}\right) = \sum_{n=1,3} applicable\ block_n\ customer\ charge$$

Demand Charge

A demand charge is proposed for general power and large power rate schedules (3B, 3D, 3C, 3E, and 4B). The same demand charge is applied to each customer served by the rate schedule. These rate schedules have from hundreds to thousands of customers each and have demand metering.

$$Demand\ Charge\ \left(\frac{\$}{kW}\right) = \frac{rate\ schedule\ billing\ requirement\ (\$)}{forecasted\ rate\ schedule\ demand\ (kW)}$$

Light Charge

A light charge is proposed for the lighting rate schedules (6 and 20). These rate schedules have thousands of accounts and do not typically have metering. Every account served by one of these rate schedules has the same unit charge.

$$Light\ Charge\ (\$) = \frac{rate\ schedule\ billing\ requirement\ (\$)}{forecasted\ rate\ schedule\ light\ count}$$

The rate schedule billing requirement is the ETA cost allocated to the rate schedule as described in PNM Exhibit MJS-4.

The forecasted rate schedule demand is based on the twelve-month forecast for the recovery period.

PNM
Four Corners Power Plant Adandonment with Scenario 1
Net impact of Securitization and Replacement

Line	Consolidated Customer Class	[A] Savings from Closure of Four Corners Power Plant Non Fuel ($)	[B] Energy Transition Charge Securitization ($)	[C] Other Costs Not Included in Energy Transition Charge ($)	[D] Scenario 1 Non Fuel ($)	[E] Scenario 1 Net Fuel Impact ($)	[F] A+B+C+D+E Net Impact ($)
1	1 - Residential	($31,846,944)	$9,176,849	($4,343,582)	$6,977,023	($8,360,653)	($28,397,307)
2	2 - Small Power	($6,760,203)	$1,947,985	($922,019)	$1,481,024	($2,518,668)	($6,771,881)
3	3B - General Power	($9,014,754)	$2,597,644	($1,229,516)	$1,974,951	($4,487,145)	($10,158,820)
4	3C - General Power Low LF	($1,267,800)	$365,323	($172,914)	$277,749	($460,389)	($1,258,031)
5	4B - Large Power	($5,294,900)	$1,525,751	($722,168)	$1,160,006	($2,540,062)	($5,871,373)
6	5B - Lg. Svc. (8 MW)	($277,709)	$80,023	($37,876)	$60,840	($103,084)	($277,806)
7	10 - Irrigation	($186,542)	$53,753	($25,442)	$40,868	($55,855)	($173,219)
8	11B - Wtr/Swg Pumping	($467,716)	$134,775	($63,791)	$102,467	($412,461)	($706,727)
9	15B - Universities 115 kV	($288,607)	$83,163	($39,363)	$63,228	($193,514)	($375,093)
10	30B - Manuf. (30 MW)	($1,529,104)	$440,619	($208,553)	$334,996	($996,627)	($1,958,670)
11	33B - Lg. Svc. (Station Power)	($12,433)	$3,583	($1,696)	$2,724	($9,136)	($16,958)
12	35B - Lg. Svc. (3 MW)	($868,051)	$250,133	($118,393)	$190,173	($1,313,333)	($1,859,471)
13	36B - SSR - Renew. Energy Res.	($107,238)	$30,901	($14,626)	$23,494	($675,406)	($742,875)
14	6 - Private Lighting	($30,388)	$8,756	($4,145)	$6,657	($38,603)	($57,722)
15	20 - Streetlighting	($87,987)	$25,354	($12,001)	$19,276	($70,765)	($126,122)
		($58,040,376)	$16,724,612	($7,916,086)	$12,715,476	($22,235,701)	($58,752,075)

PNM Exhibit MJS-6
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PNM
Four Corners Power Plant Adandonment with Scenario 2
Net impact of Securitization and Replacement

Line	Consolidated Customer Class	[A] Savings from Closure of Four Corners Power Plant Non Fuel ($)	[B] Energy Transition Charge Securitization ($)	[C] Other Costs Not Included in Energy Transition Charge ($)	[D] Scenario 2 Non Fuel ($)	[E] Scenario 2 Net Fuel Impact ($)	[F] A+B+C+D+E Net Impact ($)
1	1 - Residential	($31,846,944)	$9,176,849	($4,343,582)	$0	$100,423	($26,913,254)
2	2 - Small Power	($6,760,203)	$1,947,985	($922,019)	$0	$30,253	($5,703,985)
3	3B - General Power	($9,014,754)	$2,597,644	($1,229,516)	$0	$53,897	($7,592,729)
4	3C - General Power Low LF	($1,267,800)	$365,323	($172,914)	$0	$5,530	($1,069,862)
5	4B - Large Power	($5,294,900)	$1,525,751	($722,168)	$0	$30,510	($4,460,807)
6	5B - Lg. Svc. (8 MW)	($277,709)	$80,023	($37,876)	$0	$1,238	($234,324)
7	10 - Irrigation	($186,542)	$53,753	($25,442)	$0	$671	($157,561)
8	11B - Wtr/Swg Pumping	($467,716)	$134,775	($63,791)	$0	$4,954	($391,779)
9	15B - Universities 115 kV	($288,607)	$83,163	($39,363)	$0	$2,324	($242,482)
10	30B - Manuf. (30 MW)	($1,529,104)	$440,619	($208,553)	$0	$11,971	($1,285,068)
11	33B - Lg. Svc. (Station Power)	($12,433)	$3,583	($1,696)	$0	$110	($10,437)
12	35B - Lg. Svc. (3 MW)	($868,051)	$250,133	($118,393)	$0	$15,775	($720,536)
13	36B - SSR - Renew. Energy Res.	($107,238)	$30,901	($14,626)	$0	$8,113	($82,850)
14	6 - Private Lighting	($30,388)	$8,756	($4,145)	$0	$464	($25,312)
15	20 - Streetlighting	($87,987)	$25,354	($12,001)	$0	$850	($73,784)
		($58,040,376)	$16,724,612	($7,916,086)	$0	$267,081	($48,964,769)

PNM Exhibit MJS-6
Page 2 of 2

Four Corners Power Plant

PNM
Four Corners Power Plant Adandonment with Scenario 1
Comparison of Existing vs Securitization and Replacement

A	B	C	D	E	F	G	H	I
							B+C+D+E+F+G	H-B

Residential Schedule 1A

Line No.	kWh Use	Existing Monthly Bill ($)	Savings from Closure of Four Corners Power Plant Non Fuel ($)	Energy Transition Charge Securitization ($)	Other Costs Not Included in Energy Transition Charge ($)	Scenario 1 Non Fuel ($)	Scenario 1 Net Fuel Impact ($)	New Monthly Bill ($)	Net Impact ($)
1	0	$7.11	$0.00	$1.32	$0.00	$0.00	$0.00	$8.43	$1.32
2	50	$12.34	($0.50)	$1.32	($0.05)	$0.11	($0.13)	$13.09	$0.75
3	100	$17.56	($1.00)	$1.32	($0.09)	$0.22	($0.26)	$17.74	$0.18
4	150	$22.79	($1.50)	$1.32	($0.14)	$0.33	($0.39)	$22.40	($0.39)
5	200	$28.01	($2.00)	$1.32	($0.19)	$0.44	($0.53)	$27.06	($0.96)
6	250	$33.24	($2.50)	$1.32	($0.23)	$0.55	($0.66)	$31.71	($1.53)
7	300	$38.46	($3.00)	$1.32	($0.28)	$0.66	($0.79)	$36.37	($2.09)
8	400	$48.92	($4.00)	$1.32	($0.37)	$0.88	($1.05)	$45.68	($3.23)
9	500	$61.03	($5.00)	$1.32	($0.47)	$1.10	($1.31)	$56.66	($4.37)
10	600	$74.82	($6.00)	$1.32	($0.56)	$1.32	($1.58)	$69.31	($5.51)
11	700	$88.60	($7.00)	$1.32	($0.65)	$1.53	($1.84)	$81.96	($6.64)
12	750	$95.50	($7.50)	$1.32	($0.70)	$1.64	($1.97)	$88.28	($7.21)
13	800	$102.39	($8.00)	$1.32	($0.75)	$1.75	($2.10)	$94.61	($7.78)
14	900	$116.17	($9.00)	$1.32	($0.84)	$1.97	($2.36)	$107.25	($8.92)
15	1,000	$131.65	($10.01)	$3.44	($0.94)	$2.19	($2.63)	$123.71	($7.94)
16	1,200	$162.60	($12.01)	$3.44	($1.12)	$2.63	($3.15)	$152.39	($10.21)
17	1,600	$224.51	($16.01)	$3.44	($1.50)	$3.51	($4.20)	$209.74	($14.76)
18	2,000	$286.41	($20.01)	$3.44	($1.87)	$4.38	($5.25)	$267.10	($19.31)

Small Power Schedule 2A

Line No.	kWh Use	Existing Monthly Bill ($)	Savings from Closure of Four Corners Power Plant Non Fuel ($)	Energy Transition Charge Securitization ($)	Other Costs Not Included in Energy Transition Charge ($)	Scenario 1 Non Fuel ($)	Scenario 1 Net Fuel Impact ($)	New Monthly Bill ($)	Net Impact ($)
19	0	$15.77	$0.00	$2.89	$0.00	$0.00	$0.00	$18.66	$2.89
20	500	$71.33	($3.53)	$2.89	($0.47)	$0.77	($1.31)	$69.69	($1.64)
21	1,000	$126.90	($7.05)	$2.89	($0.94)	$1.54	($2.63)	$120.72	($6.18)
22	1,500	$182.46	($10.58)	$2.89	($1.40)	$2.32	($3.94)	$171.75	($10.71)
23	2,000	$238.03	($14.10)	$2.89	($1.87)	$3.09	($5.25)	$222.78	($15.24)
24	3,000	$349.16	($21.15)	$2.89	($2.81)	$4.63	($7.88)	$324.84	($24.31)
25	4,000	$460.28	($28.20)	$2.89	($3.74)	$6.18	($10.51)	$426.91	($33.38)
26	5,000	$571.41	($35.25)	$2.89	($4.68)	$7.72	($13.13)	$528.97	($42.45)
27	7,000	$793.67	($49.35)	$2.89	($6.55)	$10.81	($18.39)	$733.09	($60.58)
28	9,000	$1,015.93	($63.45)	$2.89	($8.42)	$13.90	($23.64)	$937.21	($78.71)
29	12,000	$1,349.31	($84.60)	$2.89	($11.22)	$18.53	($31.52)	$1,243.39	($105.92)
30	15,000	$1,682.70	($105.75)	$2.89	($14.03)	$23.17	($39.40)	$1,549.58	($133.12)

Four Corners Power Plant

PNM
Four Corners Power Plant Adandonment with Scenario 2
Comparison of Existing vs Securitization and Replacement

A	B	C	D	E	F	G	H	I
							B+C+D+E+F+G	H-B

Residential Schedule 1A

Line No.	kWh Use	Existing Monthly Bill ($)	Savings from Closure of Four Corners Power Plant Non Fuel ($)	Energy Transition Charge Securitization ($)	Other Costs Not Included in Energy Transition Charge ($)	Scenario 2 Non Fuel ($)	Scenario 2 Net Fuel Impact ($)	New Monthly Bill ($)	Net Impact ($)
1	0	$7.11	$0.00	$1.32	$0.00	$0.00	$0.00	$8.43	$1.32
2	50	$12.34	($0.50)	$1.32	($0.05)	$0.00	$0.00	$13.11	$0.77
3	100	$17.56	($1.00)	$1.32	($0.09)	$0.00	$0.00	$17.79	$0.23
4	150	$22.79	($1.50)	$1.32	($0.14)	$0.00	$0.00	$22.47	($0.32)
5	200	$28.01	($2.00)	$1.32	($0.19)	$0.00	$0.01	$27.15	($0.86)
6	250	$33.24	($2.50)	$1.32	($0.23)	$0.00	$0.01	$31.83	($1.41)
7	300	$38.46	($3.00)	$1.32	($0.28)	$0.00	$0.01	$36.51	($1.95)
8	400	$48.92	($4.00)	$1.32	($0.37)	$0.00	$0.01	$45.87	($3.05)
9	500	$61.03	($5.00)	$1.32	($0.47)	$0.00	$0.02	$56.90	($4.14)
10	600	$74.82	($6.00)	$1.32	($0.56)	$0.00	$0.02	$69.59	($5.23)
11	700	$88.60	($7.00)	$1.32	($0.65)	$0.00	$0.02	$82.29	($6.32)
12	750	$95.50	($7.50)	$1.32	($0.70)	$0.00	$0.02	$88.63	($6.86)
13	800	$102.39	($8.00)	$1.32	($0.75)	$0.00	$0.03	$94.98	($7.41)
14	900	$116.17	($9.00)	$1.32	($0.84)	$0.00	$0.03	$107.67	($8.50)
15	1,000	$131.65	($10.01)	$3.44	($0.94)	$0.00	$0.03	$124.18	($7.47)
16	1,200	$162.60	($12.01)	$3.44	($1.12)	$0.00	$0.04	$152.95	($9.65)
17	1,600	$224.51	($16.01)	$3.44	($1.50)	$0.00	$0.05	$210.49	($14.02)
18	2,000	$286.41	($20.01)	$3.44	($1.87)	$0.00	$0.06	$268.03	($18.38)

Small Power Schedule 2A

Line No.	kWh Use	Existing Monthly Bill ($)	Savings from Closure of Four Corners Power Plant Non Fuel ($)	Energy Transition Charge Securitization ($)	Other Costs Not Included in Energy Transition Charge ($)	Scenario 2 Non Fuel ($)	Scenario 2 Net Fuel Impact ($)	New Monthly Bill ($)	Net Impact ($)
19	0	$15.77	$0.00	$2.89	$0.00	$0.00	$0.00	$18.66	$2.89
20	500	$71.33	($3.53)	$2.89	($0.47)	$0.00	$0.02	$70.25	($1.09)
21	1,000	$126.90	($7.05)	$2.89	($0.94)	$0.00	$0.03	$121.84	($5.06)
22	1,500	$182.46	($10.58)	$2.89	($1.40)	$0.00	$0.05	$173.42	($9.04)
23	2,000	$238.03	($14.10)	$2.89	($1.87)	$0.00	$0.06	$225.01	($13.02)
24	3,000	$349.16	($21.15)	$2.89	($2.81)	$0.00	$0.09	$328.19	($20.97)
25	4,000	$460.28	($28.20)	$2.89	($3.74)	$0.00	$0.13	$431.36	($28.92)
26	5,000	$571.41	($35.25)	$2.89	($4.68)	$0.00	$0.16	$534.54	($36.88)
27	7,000	$793.67	($49.35)	$2.89	($6.55)	$0.00	$0.22	$740.88	($52.78)
28	9,000	$1,015.93	($63.45)	$2.89	($8.42)	$0.00	$0.28	$947.23	($68.69)
29	12,000	$1,349.31	($84.60)	$2.89	($11.22)	$0.00	$0.38	$1,256.76	($92.55)
30	15,000	$1,682.70	($105.75)	$2.89	($14.03)	$0.00	$0.47	$1,566.28	($116.41)

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF NEW MEXICO FOR APPROVAL OF THE ABANDONMENT OF THE FOUR CORNERS POWER PLANT AND ISSUANCE OF A SECURITIZED FINANCING ORDER	)	**Case No. 21-_____-UT**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant	)	

SELF AFFIRMATION

MICHAEL J. SETTLAGE, Principal, Pricing, PNMR Services Company, upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **Direct Testimony of Michael J. Settlage** and it is true and correct based on my personal knowledge and belief.

DATED this 8th day of January, 2021

/s/ Michael J. Settlage
MICHAEL J. SETTLAGE

GCG #527500