

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF PUBLIC SERVICE)
COMPANY OF NEW MEXICO'S)
RENEWABLE ENERGY PORTFOLIO)
PROCUREMENT PLAN FOR 2015 AND)
PROPOSED 2015 RIDER RATE)
UNDER RATE RIDER NO. 36)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO)
)
Petitioner.)
_____)**

Case No. 14-00____-UT

**PUBLIC SERVICE COMPANY OF NEW MEXICO'S
RENEWABLE ENERGY PORTFOLIO PROCUREMENT PLAN
FOR 2015**

June 2, 2014

**PUBLIC SERVICE COMPANY OF NEW MEXICO
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I. INTRODUCTION

Public Service Company of New Mexico (“PNM”) files this Renewable Energy Portfolio Procurement Plan for 2015 (“2015 Plan”) in compliance with the Renewable Energy Act (“REA”), NMSA 1978, §§ 62-16-1 to -10 and 17.9.572 NMAC (“Rule 572”) of the rules of the New Mexico Public Regulation Commission (“NMPRC” or “Commission”).

SUMMARY OF REQUESTED APPROVALS FOR PROCUREMENTS

To comply with the Renewable Portfolio Standard (“RPS”) in 2016 PNM requests Commission approval of the following renewable energy procurements in 2015:

- a. New Solar Procurement: The construction under a turnkey contract in 2015 of 40 MW of PNM-owned solar photovoltaic (“PV”) facilities at sites within PNM’s service area. RECs from these facilities are needed to meet the projected 2016 RPS requirement of the REA and Rule 572.¹ In addition, PNM requests a Certificate of Public Convenience and Necessity (“CCN”) for these facilities, to the extent that the Commission determines that a CCN is required.
- b. Distributed Generation Capacity Reservation: PNM requests Commission approval to set a 2015 capacity reservation of 2 MW_{AC} at a price of \$0.02 per kWh REC for systems sized over 100 kW_{AC} and up to 1 MW_{AC}. PNM requests a variance from the final order in Case No. 11-00265-UT to implement the \$0.02 per kWh REC price. The Commission has approved similar requests in Case Nos. 12-00131-UT and 13-00183-UT.

¹ PNM notes that while its proposed 2015 procurements are needed to meet 2016 RPS requirements, they will be “procured” in 2015 in that PNM will need to “commit to generate or purchase” these procurements in 2015. See Rule 572.7(A).

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c. Revised Geothermal Procurement:

In Case No. 12-00131-UT, the Commission approved the procurement of energy and RECs from a proposed 10 MW geothermal generating facility under a purchased power agreement (“PPA”) with Lightning Dock LLC. The facility went into service in January 2014 and currently has a capacity of about 4 MW. PNM and Lightning Dock are in the process of revising the PPA to reduce PNM’s maximum purchase obligation from the total output of a 10 MW facility to 60,000 MWh annually, which is approximately equivalent to an 8 MW facility. PNM will have an option to purchase additional energy up to the equivalent of 10 MW and a right of first refusal for energy from any expansion beyond 10 MW. The reduced purchase obligation more closely matches PNM’s currently estimated need for RECs in the “other” renewable resource category and the production history of the facility to date. PNM requests the Commission’s approval of these revisions to the procurement of energy and RECs from this facility.

RPS AND RCT CALCULATIONS

PNM’s projected RPS requirements for 2015 and 2016 are shown in Table 1, below. The calculation of the net RPS requirement takes account of the Rule 572.7(M) rate cap relating to certain large, non-governmental consumers with consumption exceeding ten million kilowatt hours per year. The effect of this rate cap is to reduce the total RPS requirement.

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TABLE 1 -- PROJECTED RPS REQUIREMENTS FOR 2015-2016

	RPS REQUIREMENT	2015	2016
1	Annual Sales (MWh)	8,399,977	8,426,065
2	RPS (%)	15%	15%
3	RPS (MWh)	1,259,997	1,263,910
4	Large Customer Adjustment (MWh)	104,674	113,439
5	Net RPS Goal (MWh)	1,155,318	1,150,4707
6	Net RPS Goal (%)	13.8%	13.7%
	2015 PLAN PROPOSED PROCUREMENTS		(MWh)
7	2015 Solar PV 40 MW	-	116,276
	RPS Compliance	2015	2016
8	Existing Portfolio Annual Energy (MWh)	1,160,344	1,048,613
9	2015 Plan Procurements (MWh)	-	116,276
10	Total Portfolio Procurements (MWh)	1,160,344	1,164,889
11	Portfolio Percent of Annual Energy (%)	13.8%	13.8%
12	Portfolio Percent of RPS Goal (%)	100.4%	101.3%
	Resource Diversity Compliance	2015	2016
13	Wind Diversity (%)	71.6%	60.5%
14	Solar Diversity (%)	20.2%	31.3%
15	Other Diversity (%)	5.2%	5.2%
16	DG Diversity (%)	3.0%	3.0%
	RCT Compliance	2015	2016
17	Projected Annual Revenues (\$)	\$915,033,835	\$916,388,951
18	RCT Limit (%)	3.00%	3.00%
19	RCT Limit (\$)	\$27,451,015	\$27,491,669
20	Portfolio Compliance Cost (\$)	\$21,206,794	\$25,520,689
21	Portfolio RCT (%)	2.32%	2.78%

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Under Rule 572.12, the RCT for 2015 and 2016 is 3.0% of plan year total revenues as defined in Rule 572.7(K). In applying the RCT, PNM used projected revenues in 2015 and 2016, but separately calculated the revenue contributions of those customers subject to the rate impact cap in Rule 572.7(M) and all other customers. The resulting plan year revenues are projected to be \$915.0 million in 2015 and \$916.4 million in 2016 (Table 1, line 17).

Table 1 also compares the compliance cost of PNM's renewable portfolio to the RCT.² In both 2015 and 2016, PNM's anticipated portfolio cost for compliance with the RPS (Table 1, line 20) is less than the RCT (Table 1, line 19). Compared to the RCT of 3%, PNM estimates that the RPS compliance cost of its existing and proposed procurements and programs will be 2.32% in 2015 and 2.78% in 2016.

II. EXISTING RENEWABLE ENERGY RESOURCES

PNM's existing renewable energy portfolio consists of all resources previously approved by the Commission, including resources that are still under development during 2014. They include wind, solar and geothermal resources, including customer-sited distributed generation ("DG") solar facilities, and a small number of RECs from hydro-electric generation.

EXISTING WIND:

- New Mexico Wind Energy Center ("NMWEC"): This is a 200 MW wind generation facility located in eastern New Mexico that is owned and operated by NextEra Energy Resources. Under a 25-year PPA, PNM purchases all of the energy and RECs produced by

² For purposes of the 2015 Plan and supporting testimony, the "RPS compliance cost" is the annual revenue requirement of the procurement, net of applicable avoided costs, plus WREGIS fees and any applicable carrying charges.

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NMWEC, which on average has been about 525,000 MWh per year. A portion of the NMWEC output is used to supply energy and RECs for the PNM Sky Blue program (“PNM Sky Blue”) pursuant to Rule 572.18. RECs used for PNM Sky Blue sales are not used for RPS compliance, consistent with Rule 572.10(A). The projected number of NMWEC RECs available for RPS compliance, excluding those RECs retired for PNM Sky Blue, is 503,713 MWh in 2015 and 502,131 MWh in 2016. The RPS compliance costs for NMWEC generation and RECs are projected to be (\$3.2 million) in 2015 and (\$3.3 million) in 2016, thereby reducing the overall compliance cost of the renewable energy portfolio.

- Red Mesa Wind Energy Center: This is a 102 MW wind facility located in Cibola County, about 50 miles west of Albuquerque. PNM has a 20-year PPA to procure energy and RECs from this facility. Purchases under the PPA will begin January 1, 2015. The energy will be delivered to PNM at the Red Mesa station on the Kermac-West Mesa transmission line. Annual generation is expected to average 208,223 MWh and the RPS compliance cost is projected to be (\$0.9 million) in 2015 and (\$1.0 million) in 2016, thereby also reducing the overall compliance cost of the portfolio.

- Wind RECs: In Case No. 13-00183-UT, the Commission approved the procurement of 89,102 MWh of wind RECs from Southwestern Public Service Co. (“SPS”) and 30,898 MWh of wind RECs from Golden Spread Electric Cooperative, Inc. (“GSEC”). The RECs will be delivered to PNM at the end of 2015 and will be used for 2015 RPS compliance. The projected RPS compliance costs in 2015 for these procurements are \$380,020 and \$131,780, respectively.

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EXISTING SOLAR:

- 22.5 MW Solar Facilities: In 2011, PNM acquired, under a turnkey construction contract, 22 MW of solar PV generating facilities located at five sites within PNM's New Mexico service area. PNM also completed a demonstration project consisting of 500 kW of solar PV generation with battery storage. PNM estimates that these facilities will produce 53,363 MWh of energy and RECs during 2015 and 53,092 MWh of energy and RECs during 2016. The projected RPS compliance cost is \$4.2 million in 2015 and \$3.9 million in 2016.

- 20 MW Solar Facilities: In 2013, PNM completed the construction of an additional 21.5 MW of solar PV facilities located at four sites (i.e., two in Los Lunas, one in Alamogordo, and one in Deming), which were approved by the Commission in Case No. 12-00131-UT. Under the final order in Case No. 10-00018-UT, 1.5 MW of these solar facilities are dedicated to supply the PNM Sky Blue program, and, therefore, the RECs generated from these 1.5 MW are not projected to be used for RPS compliance purposes. The projected amount of energy and RECs from the 20 MW of solar facilities which can be used for RPS compliance during 2015 and 2016 is 48,228 MWh and 47,986 MWh, respectively. The projected RPS compliance cost associated with these facilities is \$4.1 million in 2015 and \$3.2 million in 2016.

- 23 MW Solar Facilities: Under construction at the present time are 23 MW of PNM-owned solar facilities approved by the Commission in Case No. 13-00183-UT. These facilities will be located in four different locations in PNM's service area and are expected to be in-service by December 2014. Projected generation from these solar facilities is expected to be 64,500 MWh in 2015 and 64,178 MWh in 2016. Projected RPS compliance costs are \$4.6 million in 2015 and \$3.4 million in 2016.

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- 30 kW Facilities: PNM owns solar PV facilities at its Aztec building (5 kW) and at Algodones (25 kW). RECs from these facilities have a grandfathered 3-to-1 weighting for RPS purposes. Generation at these facilities is projected to result in 145 MWh of RECs for RPS compliance purposes in 2015 and 144 MWh in 2016. The amortization of the capital investment for these facilities is complete; so, there is no revenue requirement associated with RECs from these facilities. The RPS compliance costs for generation and RECs from these facilities is approximately (\$1,800) in 2015 and 2016.

EXISTING "OTHER":

- Geothermal: The Dale Burgett Geothermal Facility (also known as the Lightning Dock geothermal facility) generates electricity using geothermal resources and is located in the Animas Valley in Hidalgo County, about 20 miles southwest of Lordsburg, New Mexico. PNM purchases the energy and associated RECs from this facility under a PPA with a term of 20 years. The plant went into service in January 2014. The amount of energy and RECs currently projected to be delivered to PNM from this facility is 60,000 MWh per year. PNM is in the process of revising the PPA to reflect this level of production and to include an option to purchase generation above that amount at a reduced price. The projected RPS compliance cost for energy and RECs from this facility is \$4.1 million in 2015 and \$4.2 million in 2016.

- Santa Fe Hydro: In 2011, PNM entered into a five year agreement with the City of Santa Fe to purchase RECs associated with a small hydroelectric generator in Santa Fe. The amount of RECs delivered to PNM in 2015 is projected to be 150 MWh. The RPS compliance cost is projected to be \$3,002.

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EXISTING DISTRIBUTED GENERATION:

PNM purchases RECs generated by customer-sited DG solar energy systems under several Customer Solar Purchase Programs (“CSP Programs”) as described in Table 2. These include the Small Photovoltaic (“PV”) REC Purchase Program (“Small PV Program”), Large Photovoltaic REC Purchase Program (“Large PV Program”), Solar REC Incentive Programs (“SIP”), Customer Solar REC Purchase Program (“CSPP”), and Capacity Reservation Program.

The distributed generation Capacity Reservation Program is described in PNM’s Rate No. 32. Under Rate No. 32, PNM is required to propose in its annual renewable energy plan a capacity limit for the procurement of RECs under this program during the next calendar year. For 2015 PNM is proposing a capacity limit of 2 MW_{AC} for customer-sited solar DG systems sized over 100 kW_{AC} and up to 1 MW_{AC} and a purchase price of \$0.02 per kWh REC.

PNM projects that these customer-sited solar DG facilities collectively will generate 102,023 MWh of RECs in 2015 and 112,859 MWh of RECs in 2016, for an annual RPS compliance cost of \$7.7 million and \$8.0 million, respectively.

Under the Final Order in Case No. 11-00265-UT, the REC purchase price in this program is to be based on the highest accepted bid for RECs in the renewable plan year. However, in 2015, PNM will purchase only a limited number of RECs at the price of \$0.00425 per kWh. PNM does not believe this price is appropriate for the Capacity Reservation Program in 2015 and, therefore, requests a variance from the Case No. 11-00265-UT final order to continue the \$0.02 per kWh REC purchase price approved by the Commission for this program in Case No. 12-00131-UT.

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TABLE 2 – PARTICIPATION IN PNM’S CUSTOMER-SITED SOLAR REC PROCUREMENT PROGRAMS (As of April 7, 2014)

PROGRAM:	Small PV REC Purchase Program
<u>Participation:</u>	1,207 participants
<u>Installed Capacity:</u>	3,064 kW _{AC}
<u>Program Status:</u>	Closed to new participants per the Final Order Partially Adopting Recommended Decision in Case No. 10-00037-UT, issued on August 31, 2010.
PROGRAM:	Large PV REC Purchase Program
<u>Participation:</u>	84 participants
<u>Installed Capacity:</u>	8,105kW _{AC}
<u>Program Status:</u>	Closed to new participants per the Final Order Partially Adopting Recommended Decision in Case No. 10-00037-UT.
PROGRAM:	Solar REC Incentive Program (includes Interim SIP)
<u>Participation:</u>	1,874 participants
<u>Installed Capacity:</u>	16,152 kW _{AC}
<u>Program Status:</u>	Closed to new participants per the Final Order 11-00265 UT.
PROGRAM:	Customer Solar REC Purchase Program
<u>Participation:</u>	818 participants
<u>Installed Capacity:</u>	3,713 kW _{AC}
<u>Pending:</u>	231 active applications are pending project completion and interconnection
<u>Program Status:</u>	Customer Solar REC Purchase Program approved in Case No. 12-00131-UT was implemented effective January 1, 2013.
PROGRAM:	Capacity Reservation Program*
<u>Participation:</u>	2 participants in the 2012 capacity set-aside
<u>Installed Capacity:</u>	639 kW _{AC}
<u>Pending:</u>	0 applications are pending project completion and interconnection
<u>Program Status:</u>	Capacity set-side program approved in Case No. 11-00265-UT has been implemented.
<u>Participation:</u>	1 participant in the 2013 capacity set-aside
<u>Installed Capacity:</u>	746 kW _{AC}
<u>Pending:</u>	2 applications are pending project completion and interconnection
<u>Program Status:</u>	Capacity set-side program approved in Case No. 12-00131-UT has been implemented.
<u>Participation:</u>	0 participants in the 2014 capacity set-aside
<u>Installed Capacity:</u>	0 kW _{AC}
<u>Pending:</u>	4 applications are pending project completion and interconnection
<u>Program Status:</u>	Capacity set-side program approved in Case No. 13-00183-UT has been implemented.

* Note: The terms “capacity reservation” and “capacity set-aside” are commonly used interchangeably. They both refer to the same program.

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**III. REQUESTED APPROVALS FOR RENEWABLE RESOURCE
PROCUREMENTS**

A. 2 MW Capacity Reservation: PNM requests approval to offer a 2015 capacity reservation of 2 MW_{AC} at a price of \$0.02 per kWh REC for solar DG systems sized over 100 kW_{AC} and up to 1 MW_{AC}. PNM requests a variance from the final order in Case No. 11-00265-UT to implement the \$0.02 per kWh REC price.

B. 40 MW PNM-Owned Solar Facilities: PNM requests approval to acquire an additional 40 MW of PNM-owned solar PV facilities that will be built under turnkey construction contracts (1) with ASI/GGS, a joint venture between Affordable Solar, Inc. and Grupo Gransolar, S.A., and (2) with Juwi Solar, Inc. These facilities will be constructed during 2015 at four sites within PNM's service area and are expected to go into service during the fourth quarter of 2015 as construction is completed. The facilities will use polycrystalline solar PV modules and single-axis tracking. Construction and related costs for the 40 MW facilities are projected at about \$79.3 million. If the Commission determines that a CCN is needed for these facilities, PNM requests that the Commission grant such a CCN in this proceeding. In 2016, the output from these facilities is projected to be 116,276 MWh at a projected RPS compliance cost of \$6.9 million.

C. Revised Geothermal PPA: In Case No. 12-00131-UT, the Commission approved the procurement of energy and RECs from a 10 MW geothermal project under a PPA with Lightning Dock LLC. PNM requests approval to modify this procurement to set its maximum obligation under the contract to 60,000 MWh annually to better match PNM's need for RECs and the actual geothermal production experience at the facility. Under a revised PPA, PNM will have an option

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to purchase additional energy at a reduced price and a right of first refusal for energy resulting from expansion of the facility above 10 MW.

IV. RESOURCE DIVERSITY

PNM's existing renewable resources are sufficient to satisfy all the resource diversity requirements in 2015 and 2016. Table 1, above, shows PNM's projected renewable resource diversity by percentages for 2015 and 2016.

V. RENEWABLE RIDER FOR 2015

In Case No. 12-00007-UT the Commission authorized PNM to implement a rate rider ("Rider 36" or "Renewable Rider") to recover the costs of renewable resources approved by the Commission, and the costs of WREGIS registration. The rider rate is adjusted annually, effective each January 1st to account for new Commission-approved procurements, changes in estimated revenue requirements for previously-approved procurements and projections of kWh sales, and is later "reconciled" or "trued-up" as necessary to account for actual revenue requirements and sales during the prior year. Costs that are recovered in base rates or through the fuel and purchased power adjustment clause, such as NMWEC, are not included in the Rider 36 revenue requirement, nor are revenue requirements for facilities that are not yet in service, such the proposed 40 MW solar procurement that will be constructed in 2015, if approved.

For 2015, the revenue requirement to be recovered through Rider 36, including WREGIS fees, is \$44.7 million and PNM is requesting approval of a Rider 36 rate to be effective January

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1, 2015 of \$0.0059504 per kWh. For an average residential customer consuming 600 kWh per month, the cost would be \$3.57 per month, an increase of \$0.81 per month.

VI. APPROVALS REQUESTED

PNM requests Commission approval of the following:

1. The proposed procurements and variance described in Part III, above, including, if needed, a CCN for the proposed 40 MW of PNM-owned solar PV facilities to be constructed in 2015.

2. Recording as a regulatory asset the costs to construct the 40 MW of new PNM-owned solar facilities at the time each such facility goes into service, and authorization to recover these costs and applicable carrying charges in future rates;

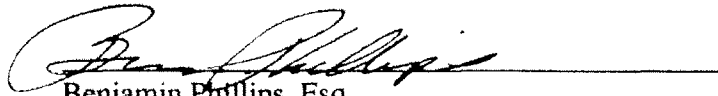
3. Approval of PNM Advice Notice No. 496 to implement a 2015 Rider No. 36 rate of \$0.0059504 per kWh effective January 1, 2015;

7. Such other and further relief as the Commission may deem necessary or appropriate.

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Respectfully submitted,

PUBLIC SERVICE COMPANY OF NEW MEXICO



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