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Ronald N. Darnell
Senior Vice President, Public Policy



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Greetings,

I want to first acknowledge and express my gratitude for working with you and your administration during a period of unprecedented collaboration, a period where diverse stakeholders came together to pass legislation which will change the way we not only do business, but how we power our collective future. While we always agreed on where we wanted to go, the route to get there required us to compromise to make possible the mutual goal of 100% emissions-free, affordable, reliable energy for New Mexicans. To meet our 100% goal - 5 years earlier than the mandate in the Energy Transition Act, we will continue to transition our resources toward renewable generation and rely on existing zero-emissions resources like nuclear.

As historic an achievement as the Energy Transition Act is, we still have much work to do. We must continue to work as partners and collaborators, and not go back to our respective silos. As we proved with the Energy Transition Act, the old ways of doing things simply do not serve the interests of the communities and constituents we serve.

A traditional filing for abandonment and replacement resources meant PNM put forth a lowest cost plan regardless of other opportunities and presented it to the New Mexico Public Regulation Commission (PRC) for an up or down approval.

I am here to tell you that the old way is officially over.

A new way has emerged through our collective hard work and resilience. At the end of June, we plan to file for abandonment of the San Juan Generating Station, to propose energy resource replacement plan alternatives and for approval of securitization financing under the Energy Transition Act.

This regulatory filing will include proposed replacement resources with the lowest-cost plan, as required by law, along with three other distinct full generation portfolio alternatives that address the policy considerations in the Energy Transition Act and the expressed interests of stakeholders.

Replacement Portfolio:

- 1. Least Cost Portfolio under PRC legal standards**

Alternative Portfolios:

- 2. No New Fossil Fuel Portfolio**
- 3. San Juan School District Replacement Location Portfolio**
- 4. Compromise Between New Flexible Gas and Battery Storage**

PNM is planning this new way of filing in order to give you more information, more input, and more options as well as data to decide the most advantageous energy portfolio for New Mexicans. This new approach will give you and our customers unprecedented opportunities to engage with us and the PRC about the replacement resources for San Juan Generating Station.

Now for the crunch...

I am writing to personally inform you of our plans for abandonment and replacement resources for the San Juan Generation Station, our timeline, and the confluence of events that has created a narrow window for when PNM must apply. Because the window is small and quickly approaching, we wanted to open a clear channel of communication.

The plan PNM must file with the PRC is time sensitive in large part to ensure that full use of the renewable tax credits may be utilized in resources used to serve our customers.

Additionally, PNM has been working hard with vendors, the national labs, and others to ensure our customers can get the full value of battery storage technology. That is why we recently issued that second Request for Proposal, which just closed. This means that the final inputs for modeling were not available until very recently. These two factors create the narrow window which PNM must navigate through, regardless of how small the opening is and how large the task at hand.

As part of keeping our commitment to collaboration, today PNM provided certain modeling inputs to parties that traditionally have conducted resource planning modeling. By June 27th, we will again reach out to those parties with additional inputs our modeling results.

On or about June 28th we will be filing our application with the PRC.

I want to take this opportunity to say we fully understand that this gives little time for input before the filing, but the filing is only the beginning of this process. We are reaffirming our commitment to continue to work with you after the filing. The remainder of this letter spells out how we intend to uphold that commitment.

To best prepare you for the upcoming regulatory process, we want to ensure you have not only the important dates, but important information which will allow us to hit the ground running immediately after our filing. Once we meet the demands of the narrow window to file our abandonment application, replacement resource plan and financing plan, we will introduce new tools that will allow us to collaborate in unprecedented ways.

To make this collaboration sustainable and efficient, PNM will launch a new online portal to be the one stop shop for communication about the filing, including submitting written input, accessing presentations and reports, and serving as a central hub for events, scheduling and stakeholder access for you and your organization. The portal will go live on the day of filing and will be located at [PNM.com/PoweringTheFuture](https://www.pnm.com/poweringthefuture).

In addition to providing new modes of communication while fueling the collaboration sparked by the Energy Transition Act, the site will be a repository for detailed information on the most cost-effective plan and the three alternative replacement portfolios. The site will include such information as bill impacts, expert witness testimony, model inputs, customer risks, forecasts and other detailed information.

I want to let you know that all of this is rooted in partnership.

Soon after the filing, we will kick off our post-filing feedback sessions. These sessions will be held between July 8th to July 15th. Any stakeholder wishing to participate in these meetings will be able to attend in person or webcast. Interested parties will be able to sign up for a virtual meeting on the portal. For those who cannot attend, the meeting will be recorded and posted on the portal as well.

PNM has already had an historic year in the first half of 2019:

- We announced a goal to be 100% emissions free by 2040 – 5 years earlier than the ETA requirement.
- We announced that we would join the Western Energy Imbalance Market, which will allow us to sell renewable energy to the benefit of our customers.
- We announced a partnership with the City of Albuquerque to convert 11,000 streetlights to LED lights and saving the city \$1.3 million dollars annually.
- We announced another project with governmental, tribal and large business customers to create PNM Solar Direct- this 50 MW solar site will help those entities and businesses or reached their carbon-free goals.
- We've announced a 140 MW wind project to meet the increased Renewable Portfolio Standard of the Energy Transition Act without increasing customer bills due to fuel savings resulting in some of the lowest energy costs in the country.
- Last month, PNM linemen traveled to Arizona to participate in Light Up Navajo, which brings electricity to homes and families on the Navajo Nation. The Navajo Nation is the largest Native American territory in the United States. Among the 55,000 homes located on the 27,000 square mile reservation, about 15,000 families or 60,000 people live without access to electricity. They make up 75% of all un-electrified households in the United States.
- Last year, PNM Resources, PNM, and TNMP employees, along with our Foundation, donated more than \$3 million to nonprofits in our service areas. Additionally, our employees and retirees collectively volunteered more than 11,500 hours, supporting more than 250 not for profit organizations.

Now we're asking you to help us responsibly exit coal generation. Let us together make the second half of 2019 even better than the first half!

Respectfully,

A handwritten signature in black ink that reads "Ron Darnell". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Ron Darnell
Senior Vice President, Public Policy
Public Service Company of New Mexico