BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE COMPANY OF NEW MEXICO'S CONSOLIDATED APPLICATION FOR APPROVALS FOR THE ABANDONMENT, FINANCING, AND RESOURCE REPLACEMENT FOR SAN JUAN GENERATING STATION PURSUANT TO THE ENERGY TRANSITION ACT	)))))))	**19-_____-UT**

DIRECT TESTIMONY

OF

MICHAEL J. SETTLAGE

July 1, 2019

NMPRC CASE NO. 19-_____-UT
INDEX TO THE DIRECT TESTIMONY OF
MICHAEL J. SETTLAGE

WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

DIRECT TESTIMONY
OF MICHAEL J. SETTLAGE
NMPRC CASE NO. 19-_____-UT

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME, YOUR PLACE OF EMPLOYMENT AND POSITION.

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, 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 Original Rider No. 51 – Energy Transition Act – PNM Energy Transition Act Charges to implement recovery of costs relating to the proposed issuance of energy transition bonds (the "ETA Rider") and the energy transition charges ("ETCs") to be assessed thereunder; 2) ask for approval of the ETA Rider; 3) describe PNM's proposed adjustment mechanism (the "True-Up Adjustment Mechanism") required by Section 6 of the Energy Transition Act to periodically adjust the energy transition charges to ensure that securitization charges are appropriately collected from customers; and 4) describe the combined bill impacts for rate schedules for Scenario 1 and three other scenarios developed by PNM and described in the testimony of PNM Witness Fallgren.

II. THE ENERGY TRANSITION ACT RIDER

Q. WHAT IS THE PURPOSE OF THE ETA RIDER?

A. The ETA 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. The purpose of the ETA Rider is to 1) allocate recovery of ongoing energy transition costs to each customer class and rate schedule; and 2) recover these ongoing energy transition costs allocated to each rate schedule from PNM customers through non-bypassable energy transition charges. As described in the testimony of PNM Witnesses Eden 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 the energy transition bonds and will incur other ongoing financing expenses that are energy transition costs under Section 2(H) of the Energy Transition Act. The ETA Rider will collect the funds that will be paid to the SPE and used to pay the required semi-annual payments and other ongoing financing expenses.

Q. PLEASE DESCRIBE THE ETA RIDER.

A. The ETA 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 non-bypassable charges. The proposed forms that will be included at each filing are attached as appendices 1-4 to the ETA Rider. The energy transition costs will be allocated to customer rate classes and recovered through energy

transition charges as required in the Energy Transition Act Section 5(F)(3). The non-bypassable energy transition charges 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. WHEN WILL THE ETC BECOME EFFECTIVE?

A. Under Section 5(J) of the Energy Transition Act, the energy transition charges 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 charges will become effective 30 days after issuance of the energy transition bonds. For example, if the bonds were issued on July 2, 2022, PNM anticipates the energy transition charge would become effective on August 1, 2022 and would be assessed for electric service provided thereafter.

Q. WILL THE ENERGY TRANSITION CHARGE EVER BE REDUCED TO ACCOUNT FOR COSTS THAT ARE IN RATES?

A. No. The energy transition charge is defined as part of the energy transition property that is "owned" by the SPE and must fully recover all of the energy transition cost components. PNM Witness Monroy 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 THE ENERGY TRANSITION COSTS STOP BEING RECOVERED?

A. Under Section 5(F)(3) of the Energy Transition Act, the energy transition charge will remain on customer bills until the energy transition bonds and the financing costs related to those bonds are paid in full. As described in PNM Witness Eden's testimony, the energy transition bonds will be scheduled to be repaid no more than 25 years following the issuance of the bonds.

Q. PLEASE DESCRIBE THE COST RECOVERY PROCESS.

A. The energy transition cost recovery process provides for the assessment of non-bypassable energy transition charges on customers' bills over the life of the energy transition bonds, with the energy transition charges subject to periodic adjustment 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. In month three of the current Remittance Period, the 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.

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 charges for the initial Remittance Period are 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 Monroy'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 charges for each customer class, as described further below.

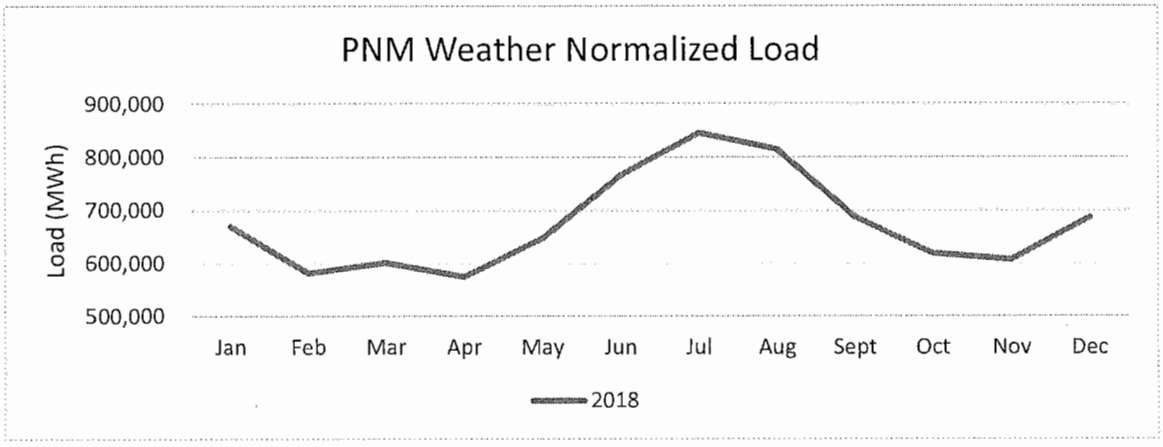
Q. HOW WILL TRUE-UPS BE CALCULATED AND IMPLEMENTED?

A. 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 charges 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 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 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, and 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 ENERGY TRANSITION CHARGE?

A. The Company's proposed calculation of the energy transition charges 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 in respect of principal and interest) and all other ongoing financing costs over a Remittance Period (the estimated revenue required for such period, the "Periodic Revenue Requirement"). Other than with respect to establishing charges 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 Monroy'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 charges 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 charges 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 charges 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 ETA 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 New Mexico Public Regulation Commission ("Commission" or "NMPRC") 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 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 RECOVER CHARGES FROM 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 the 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 charges. 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 1A rate schedule and the Residential 1B rate schedule. If the Residential 1A rate schedule accounts for 99% of the energy of the residential customer class, then the Residential 1A

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 NON-BYPASSABLE ETCS 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 energy transition charges specific to each rate schedule that will appear as a new line item on customer bills. The specific energy transition charges are 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 energy transition charges 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 TYPE OF CHARGE.

A. Because of the diversity of rate schedules and customers, PNM examined a variety of energy transition charges including customer charges, energy charges, demand charges, unit charges, block charges, and hybrids of these methods.

Customer Charge

A customer charge ($/bill) is a monthly charge assessed to each customer. Some advantages of a customer charge are that the charge cannot be effectively bypassed (i.e., minimized or avoided) through changes in usage or demand, and a monthly customer charge is easier for customers to understand than a more complex charge. A customer charge may require a forecast of the number of customers for the Remittance Period, which is expected to be more accurate than a demand or energy forecast and is not weather sensitive. Demand and energy metering and forecasts may not be required. A customer charge is well-suited to rate schedules with very few customers and to rate schedules with a homogeneous set of customers.

A disadvantage of customer charges is that they are not necessarily proportional to relative customer demand and energy within the rate schedule if there are many customers served under the rate schedule. As a result, a customer charge approach needs to be tailored to each customer class in order to maintain an assessment consistent with demand and cost allocations within each customer class.

Individual Customer Charges

The individual customer charges we considered are a special case of a customer charge. They are per customer ($/bill) and each customer in the rate schedule gets a different charge based on their forecasted demand. The main advantage is that the individual customer charge cannot be effectively bypassed and is consistent with the demand and energy allocations within the rate schedule. Individual customer charges are particularly effective for rate schedules with a single customer -- that customer pays the allocated Periodic Billing Requirement. Individual customer charges are also well suited for rate schedules with few customers.

The disadvantage of these individual customer charges is that, for rate schedules with multiple customers, they require a forecast of each individual customer's demand.

Customer Block

The customer block charges PNM considered are also a special case of a customer charge ($/bill) that varies based on the amount of energy a customer uses. Because Rate Schedule 1A Residential Service is the only PNM rate schedule that includes block charges, this customer block charge is only applicable to rate Schedule 1A customers. With the proposed customer block charge, every customer has a charge. Customers that use the most energy, those with billable energy in block 3, pay a higher charge. The advantage of this customer block charge is that it cannot be effectively bypassed and customers that use more energy pay more. The charge is relatively simple for customers to understand on their bill.

The disadvantage of this customer block charge requires a forecast of the number of customers that will have billed energy in the third energy block.

Demand Charge

A demand charge is a per billed kW charge ($/kW) and has the advantage of being directly proportional to the customer's demand within the rate schedule. A demand charge is also relatively easy for a customer to understand. Demand charges are suited to rate schedules with demand metering that have many customers.

Disadvantages of demand charges include the need to forecast the rate schedule total customer demand for the Remittance Period and the sensitivity of demand to weather. Furthermore, many customers do not have demand metering as part of the rate schedule they are served under, so demand charges are not plausible for these rate schedules.

Energy Charge

An energy charge ($/kWh) is a per billed kWh charge assessed to each customer. It has the advantage of being directly proportional to the customer's usage within the customer class. An energy charge is relatively easy for a customer to understand.

Energy charges have serious disadvantages for PNM customers. They require a forecast of energy for the Remittance Period that can be very weather sensitive. Customers with onsite generation can effectively bypass the charge by generating more then they consume in a month. Many PNM rate schedules have customers with sufficient onsite generation to avoid an energy charge. Therefore, for PNM customers, energy charge based energy transition charges may not be consistent with the non-bypassable requirement of the ETA.

Light Charge

A Light Charge is a per billed device charge ($/light) used for streetlights and area lights. The advantages include simplicity, no requirement for demand or energy

forecast, and no metering is required. A light charge is well suited for street and area lighting because PNM lighting rate schedules do not require metering.

Hybrid Charges

Hybrid Charges are a combination of two or more other methods. The advantages are that they can be developed to be non-bypassable and still proportional to demand and energy usage within the class.

The disadvantages are the lack of transparency and complexity. The energy transition charge will be presented as a single line item on customers' bills. If there are multiple components to the charge, it will vary each month and is harder for the customer to understand.

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

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

III. ETA 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 charges to correct for any over collection or under collection of the energy transition charges and to provide for 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. 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 SEMIANNUAL STANDARD TRUE-UP ADJUSTMENT MECHANISM PROCESS?

A. A Standard True-Up Adjustment is an automatic adjustment to the energy transition charges 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 file with 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 charges. 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 Monroy, and (3) resets the energy transition charges 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 energy transition charges based on actual collections. The Periodic Billing Requirement is then determined as described in the testimony of PNM Witness Monroy, then that adjusted Periodic Billing Requirement is allocated to customer classes and used to recalculate the 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 charges to customers; and (2) ensuring that the SPE has sufficient funds, no more or 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 charges 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 charges.

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

Date	Activity
7/2/22	Bonds are issued
8/1/22	Initial ETC becomes effective
12/1/22	Adjusted ETC effective date
3/1/23	Bond payment #1
6/1/23	Adjusted ETC effective date
9/1/23	Bond payment #2
12/1/23	Adjusted ETC effective date
3/1/24	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 charges that will be made in connection with any general rate case, as necessary to reflect any adjustments in the allocation of energy transition charges 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 Atkins, 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 ETA 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. ETA RIDER ADJUSTMENT SCHEDULE

Q. PLEASE DESCRIBE THE ETA 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 charges 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 ETA RIDER TRUE-UP ADJUSTMENT MECHANISM SCHEDULE.

A. The Standard True-Up Adjustment happens semiannually at a minimum. The ETA 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 file with 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 charges.

Unless the Commission is notified of any mathematical errors in the ETA 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 SEMIANNUAL TRUE-UP ADJUSTMENT REQUEST LETTERS?

A. PNM intends to have its semiannual True-Up Adjustments become effective approximately three months before each semiannual 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. REPLACEMENT RESOURCES CUSTOMER BILL IMPACTS

Q. HAVE YOU DEVELOPED CUSTOMER IMPACTS FROM RETIRING AND REPLACING SAN JUAN COAL PLANT?

A. Yes. The main changes to revenue requirements from San Juan coal plant abandonment are described by PNM Witness Monroy and include savings from the closure of San Juan coal plant, energy transition charges, other costs not included in the energy transition charge, non-fuel costs for replacement resources, and fuel savings due to change in resource mix. I show the customer impacts under the four scenarios developed by PNM and discussed by PNM Witness Fallgren.

Q. WHAT EFFECT WILL THE RETIREMENT OF SAN JUAN COAL PLANT AND THE APPROVAL OF SCENARIO 1 HAVE ON THE RATES THAT PNM'S CUSTOMERS PAY?

A. PNM Exhibit MJS-6 shows the individual and overall impact to the revenue requirements of each customer class that result from the retirement of San Juan coal plant and the implementation of Scenario 1. The revenue requirement associated with this charge for every customer class is reduced and the total revenue requirement decreases by $83 million.

Q. HAVE YOU ASSESSED THE IMPACTS ON CUSTOMER BILLS AT A VARIETY OF KWH USAGES?

A. Yes. PNM Exhibit MJS-7, page 1 shows the 2023 impact of Scenario 1 over a variety of usage levels for the Residential and Small Power Classes for the planned replacement portfolio. Together, these classes comprise over 90% of all PNM customers. For residential customers, the approximate impact ranges from an increase of $1.90 per month to a decrease of $25.08 per month depending upon kWh use. The impact on the average residential bill of about 600 kWh is a savings of approximately $7.11 per month.

For Small Power customers, the impact approximately ranges from an increase of $4.15 per month to a decrease of $186.50 per month depending upon kWh use.

PNM Exhibit MJS-7 pages 2-4 provide the same impact calculations for the 3 other scenarios developed by PNM as discussed by PNM Witness Fallgren.

Q. HAVE YOU COMPARED THE ESTIMATED CUSTOMER IMPACTS OF ISSUING ENERGY TRANSITION BONDS TO TRADITIONAL METHODS OF RATE RECOVERY?

A. Yes. PNM Exhibit MJS-8 calculates the savings of securitization versus traditional rate recovery for PNM's customer classes. The overall net savings is $22 million.

VI. CONCLUSION

Q. ARE THE ETCS DEVELOPED IN RIDER 51 REASONABLE AND IN COMPLIANCE WITH THE ETA?

A. Yes. The process starts with allocations to customer classes consistent with the production cost allocation methodology established by the Commission in PNM's most recent Commission approved rate case. The allocated costs are recovered through non-bypassable energy transition charges consistent with the energy and demand allocations within each customer class. The energy transition charges are designed: (1) to recover the exact amount required for securitization bond payments; (2) to be non-bypassable regardless of customer demand and energy; (3) to be understandable and clear to customers; and (4) to remain stable and minimize variations from true-up adjustments. Together with the customer

characteristics, PNM considered the demand and energy characteristics of each rate class in developing the actual charge for customers.

Q. DOES THE TRUE-UP ADJUSTMENT MECHANISM COLLECT THE NECESSARY AMOUNTS TO SERVICE THE BONDS AND MINIMIZE FLUCTUATIONS IN THE ENERGY TRANSITION CHARGES?

A. Yes. By looking back at the past 6 months and forward 12 months, the process self corrects for ongoing and seasonal variations in expected and actual energy transition charge collections. By performing true-ups every six months, or less if needed, and using forecasted customer count, demand, and energy forecasts, any changes in customer base are quickly recognized and incorporated into the new energy transition charges.

Q. WITH REGARD TO THE CUSTOMER IMPACTS FROM RETIRING THE COAL PLANT UNDER THE FOUR SCENARIOS, DOES THIS REASONABLY REFLECT THE ASSOCIATED SAVINGS AMOUNTS THAT CUSTOMERS MIGHT EXPECT IF THE PLANS WERE APPROVED?

A. Yes. The revenue requirement impacts are based on the estimated costs and savings associated with Scenario 1 and the other three scenarios. The impacts of Scenario 1 on residential and small power customers range from related bill impact increases to decreases based on customer usage.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

GCG#525561

Résumé of Michael J. Settlage

PNM Exhibit MJS-1

Is contained in the following 2 pages.

MICHAEL J. SETTLAGE

EXPERIENCE AND QUALIFICATIONS

CURRENT POSITION: *Lead Pricing Analyst*, Pricing and Regulatory Services. Public Service Company of New Mexico (PNM)

EDUCATION: B.S. Electrical and Computer Engineering, Clemson University (CU), 1984.

M.S. Electrical and Computer Engineering, *Specialization in Power Engineering*. Clemson (CU), 1985.

EXPERIENCE: *Lead Pricing Analyst,* Public Service Company of New Mexico (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	Regulatory 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 Plan Energy Act Plan for 2020	NMPRC	19-00159-UT

Original Rider No. 51 – ETA rider

PNM Exhibit MJS-2

Is contained in the following 15 pages.

PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. 51

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.

Advice Notice No. XYZ

Mark A. Fenton
Executive Director, Regulatory Policy and Case Management
GCG #ZZZZZZ

PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. 51

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.)		

PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. 51

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
GCG #ZZZZZZ

PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. 51

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
GCG #ZZZZZZ

PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. 51

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
Executive Director, Regulatory Policy and Case Management
GCG #ZZZZZZ

PUBLIC SERVICE COMPANY OF NEW MEXICO
ELECTRIC SERVICES
ORIGINAL RIDER NO. 51

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.

Public Service Company of New Mexico (PNM)
Energy Transition Bond rider true-up calculation summary report
ETA Rider No 51
Remittance Period Start Date: _____
Remittance Period End Date: _____

Line No.	Description	Equation	Calculation of the True-up (1)	Projected Revenue Requirement to be Billed and Collected (2)	Revenue Requirement for Projected Collection Period (1)+(2)=(3)	Data Source
1	**Prior period remittances from Start date: to End Date:**					
2						
3	True-up for the Prior Remittance Period					
4	Revenue Requirement					
5	Actual Cash Receipt Transfers Interest Income					
6	Cash Receipts Transferred to the SPE					
7	Interest income on Subaccounts at the SPE					
8	Total Current Period Actual Daily Cash Receipts Transfers and Interest Income	*Line 6 + Line 7*	-			
9	(Over)/Under collection of prior remittance period revenue requirements	*Line 4 + Line 8*				
10	Cash in Excess Funds subaccount					
11	Cumulative (Over)/Under collections through the end of prior remittance period	*Line 9 + Line 10*	$		$	
12						
13						
14	**Current Remittance Period with Start date: through End Date:**					
15	Principal					
16	Interest					
17	Servicing Costs					
18	Other On-Going Costs					
19	Current Remittance Period Total Revenue Requirement	*Line 15 + Line 16 + Line 17 + Line 18*	$			
20						
21	Current Remittance Period Cash Receipt Transfers and Interest Income:					
22	Cash Receipts Transferred to SPE		(A)	(B)		
23	Interest Income on Subaccounts at SPE		(A)	(B)		
24	Total Current Remittance Period Cash Receipt Transfers and Interest Income	*Line 22 + Line 23*	$	$		
25	Estimated Current Remittance Period (Over)/Under Collection	*Line 19 + Line 24*	$	$	$	
26						
27						
28	**Projected Remittance Period with Start date: through End Date:**					
29	Principal					
30	Interest					
31	Servicing Costs					
32	Other On-Going Costs					
33	Projected Remittance Period Total Revenue Requirement	*Line 29 + Line 30 + Line 31 + Line 32*		$	$	
34						
35	Revenue Requirements to be Billed in Projected Remittance Period, TOTAL	*Line 11 + Line 25 + Line 33*			(C) $	
36	Forecasted Sales (in kWh) for Projected Remittance Period (adjusted for uncollectibles)					
37	Average Energy Transition Bond rider charge per kWh	*Line 35 / Line 36*			$	
38						
39						
40						
41	Footnotes:					
42	(A) Reflects cash receipts and interest income that have been billed, collected, and remitted to SPE					
43	(B) These are the remaining months in the current period whose collection is estimated.					
44	Remaining estimated months are for this time period:					
45	(C) This is the total amount for recovery.					

Form of Customer Class Allocation

PNM Exhibit MJS-2, Appendix 2
Page 1 of 2

Periodic Billing Requirement	$	(a)

Line	Customer Class	(B) Production Allocation Factor (%)	(C) a x B Customer Class Billing Requirement ($)
1	1 - Residential		
2	2 - Small Power		
3	3B - General Power		
4	3C - General Power Low LF		
5	4B - Large Power		
6	5B - Lg. Svc. (8 MW)		
7	10 - Irrigation		
8	11B - Wtr/Swg Pumping		
9	15B - Universities 115 kV		
10	30B - Manuf. (30 MW)		
11	33B - Lg. Svc. (Station Power)		
12	35B - Lg. Svc. (3 MW)		
13	36B - SSR - Renew. Energy Res.		
14	6 - Private Lighting		
15	20 - Streetlighting		
16			
17	Total	0.000000%	**$0**

Customer classes may be added or removed as NMPRC approves or retires rate schedules.

Rate Schedule Forecast Period Billing Requirement

line	Customer Class	Rate Schedule	(A) Footnote 1 Customer Class Billing Requirement ($)	(B) Forecasted Customer Class Energy (kWh)	(C) Forecasted Rate Schedule Energy (kWh)	(D) A x C/B Monthly Rate Schedule Billing Requirement ($)
1	1 - Residential	1A - Residential				
2		1B - Residential - TOU				
3	2 - Small Power	2A - Small Power				
4		2B - Small Power - TOU				
5	3B - General Power	3B - General Power				
6		3D - Pilot Municipalities and Counties General Power - TOU				
7	3C - General Power Low LF	3C - General Power Low LF				
8		3E - Pilot Municipalities and Counties General Power Low LF - TOU				
9	4B - Large Power	4B - Large Power				
10	5B - Lg. Svc. (8 MW)	5B - Lg. Svc. (8 MW)				
11	10 - Irrigation	10A - Irrigation				
12		10B - Irrigation - TOU				
13	11B - Wtr/Swg Pumping	11B - Wtr/Swg Pumping				
14	15B - Universities 115 kV	15B - Universities 115 kV				
15	30B - Manuf. (30 MW)	30B - Manuf. (30 MW)				
16	33B - Lg. Svc. (Station Power)	33B - Lg. Svc. (Station Power)				
17	35B - Lg. Svc. (3 MW)	35B - Lg. Svc. (3 MW)				
18	36B - SSR - Renew. Energy Res.	36B - SSR - Renew. Energy Res.				
19	6 - Private Lighting	6 - Private Lighting				
20	20 - Streetlighting	20 - Streetlighting				

Footnote 1: See PNM Exhibit MJS-2, Appendix 2, Page 1 of 2, Column C

Rate Schedules may be added or removed as NMPRC approves or retires rate schedules.

Rate Schedule Demand Charge

Line	Rate Schedule	(A) Footnote 1 Monthly Rate Schedule Billing Requirement ($)	(B) Monthly Forecast Period Rate Schedule Demand (kW)	(C) A/B Rate Schedule ETC (Demand Charge) ($/kW)
1	3B - General Power			
2	3D - Pilot Municipalities and Counties General Power - TOU			
3	3C - General Power Low LF			
4	3E - Pilot Municipalities and Counties General Power Low LF - TOU			
5	4B - Large Power			

Footnote 1: See PNM Exhibit MJS-2, Appendix 2, Page 2 of 2, Column D

Rate Schedules may be added or removed as NMPRC approves or retires rate schedules.

Individual ETA Customer Charge

Line	Rate Schedule	(A) Footnote 1 Monthly Rate Schedule Billing Requirement ($)	(B) Forecast Period Rate Schedule Demand (kW)	Individual Customer	(D) Forecast Period Customer Demand (kW)	(E) (A) x (D/B) Rate Schedule ETC (customer charge) ($/bill)
1	5B - Lg. Svc. (8 MW)			a		
2				b		
3	15B - Universities 115 kV			c		
4	30B - Manuf. (30 MW)			d		
5	33B - Lg. Svc. (Station Power)			e		
6	35B - Lg. Svc. (3 MW)			f		
7				g		
8				h		
9				i		
10	36B - SSR - Renew. Energy Res.			j		

Footnote 1: See PNM Exhibit MJS-2, Appendix 2, Page 2 of 2, Column D

As customers are added or removed from rate schedules, the calculation is adjusted to recover costs from all customers proprotunatlery to their portion of rate schedule demand.

Rate Schedule Unit Charge

Line	Rate Schedule	(A) Footnote 1 **Monthly Rate Schedule Billing Requirement ($)**	(B) **Forecast Period Rate Schedule Lights**	(C) A/B **Rate Schedule ETC (customer charge) ($/bill)**
1	6 - Private Lighting			
2	20 - Streetlighting			

Footnote 1: See PNM Exhibit MJS-2, Appendix 2, Page 2 of 2, Column D

Rate Schedules may be added or removed as NMPRC approves or retires rate schedules.

Rate Schedule Customer Charge

Line	Rate Schedule	(A) Footnote 1 **Monthly Rate Schedule Billing Requirement ($)**	(B) **Forecast Period Rate Schedule Customers**	(C) A/B **Rate Schedule ETC (customer charge) ($/bill)**
1	1B - Residential - TOU			
2	2A - Small Power			
3	2B - Small Power - TOU			
4	10A - Irrigation			
5	10B - Irrigation - TOU			
6	11B - Wtr/Swg Pumping			

Footnote 1: See PNM Exhibit MJS-2, Appendix 2, Page 2 of 2, Column D

Rate Schedules may be added or removed as NMPRC approves or retires rate schedules.

Block Customer Charge

Line	Rate Schedule	(A) Footnote 1 Monthly Rate Schedule Billing Requirement ($)	(B) Monthly Forecast Period Rate Schedule energy (kWh)	Residential Energy Block	(C) Monthly Forecast Period Block energy (kWh)	(D) Monthly Forecast Period Block Customers	(E) (A/D) x (C/B) Rate Schedule ETC (customer charge) ($/bill)
1	1A - Residential			1 or 2			
2				3			

Footnote 1: See PNM Exhibit MJS-2, Appendix 2, Page 2 of 2, Column D

Rider 51 - ENERGY TRANSITION ACT – PNM ENERGY TRANSITION ACT CHARGES **Appendix 4**

NET RATE PER MONTH OR PART THEREOF FOR EACH SERVICE LOCATION: The rate for electric service provided shall be the sum of A and B:

(A) **ETA Charges for Rate Schedules**:

Proposed Sample ETA Charges for Rate Schedules

Ln	Rate Schedule		ETA Charge	unit
1	3B - General Power		$ -	/Bill kW
2	3D - Pilot Municipalities and Counties General Power - TOU		$ -	/Bill kW
3	3C - General Power Low LF		$ -	/Bill kW
4	3E - Pilot Municipalities and Counties General Power Low LF - TOU		$ -	/Bill kW
5	4B - Large Power		$ -	/Bill kW
6	5B - Lg. Svc. (8 MW)	Customer a	$ -	/month
7		Customer b	$ -	/month
8	15B - Universities 115 kV	Customer c	$ -	/month
9	30B - Manuf. (30 MW)	Customer d	$ -	/month
10	33B - Lg. Svc. (Station Power)	Customer e	$ -	/month
11	35B - Lg. Svc. (3 MW)	Customer f	$ -	/month
12		Customer g	$ -	/month
13		Customer h	$ -	/month
14		Customer i	$ -	/month
15	36B - SSR - Renew. Energy Res.	Customer j	$ -	/month
16	6 - Private Lighting		$ -	/month
17	20 - Streetlighting		$ -	/month
18	1B - Residential - TOU		$ -	/month
19	2A - Small Power		$ -	/month
20	2B - Small Power - TOU		$ -	/month
21	10A - Irrigation		$ -	/month
22	10B - Irrigation - TOU		$ -	/month
23	11B - Wtr/Swg Pumping		$ -	/month
24	1A - Residential Block 1 or 2		$ -	/month
25	1A - Residential Block 3		$ -	/month

(B) **SPECIAL TAX AND ASSESSMENT ADJUSTMENT:** Billings under this Schedule may be increased by an amount equal to the sum of the taxes payable under the Gross Receipts and Compensating Tax Act and of all other taxes, fees, or

Billing Requirement Allocation to Customer Classes

PNM Exhibit MJS-3

Is contained in the following 2 pages.

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.

Billing Requirement Sub-Allocation to Rate Schedules

PNM Exhibit MJS-4

Is contained in the following 3 pages.

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.

Energy Transition Charge Types and Calculation Methods

PNM Exhibit MJS-5

Is contained in the following 4 pages.

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.

Impacts on Revenue Requirements

PNM Exhibit MJS-6

Is contained in the following 1 page.

PNM
San Juan Coal Plant Adandonment withScenario 1
Net impact of Securitization and Replacement

Line	Consolidated Customer Class	[A] Savings from Closure of San Juan coal 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	($51,349,074)	$12,548,110	($5,883,680)	$25,847,416	($18,915,620)	($37,752,848)
2	2 - Small Power	($10,899,952)	$2,663,608	($1,248,938)	$5,486,673	($5,679,635)	($9,678,244)
3	3B - General Power	($14,535,124)	$3,551,930	($1,665,464)	$7,316,498	($9,634,544)	($14,966,703)
4	3C - General Power Low LF	($2,044,163)	$499,530	($234,224)	$1,028,964	($1,239,094)	($1,988,988)
5	4B - Large Power	($8,537,341)	$2,086,259	($978,226)	$4,297,413	($6,419,650)	($9,551,543)
6	5B - Lg. Svc. (8 MW)	($447,769)	$109,421	($51,306)	$225,392	($392,661)	($556,924)
7	10 - Irrigation	($300,775)	$73,500	($34,463)	$151,400	($142,209)	($252,547)
8	11B - Wtr/Swg Pumping	($754,132)	$184,286	($86,410)	$379,605	($1,035,411)	($1,312,061)
9	15B - Universities 115 kV	($465,341)	$113,715	($53,320)	$234,237	($437,873)	($608,582)
10	30B - Manuf. (30 MW)	($2,465,482)	$602,487	($282,500)	$1,241,042	($2,046,639)	($2,951,092)
11	33B - Lg. Svc. (Station Power)	($20,047)	$4,899	($2,297)	$10,091	($19,276)	($26,630)
12	35B - Lg. Svc. (3 MW)	($1,399,620)	$342,024	($160,371)	$704,522	($1,242,451)	($1,755,896)
13	36B - SSR - Renew. Energy Res.	($172,907)	$42,253	($19,812)	$87,036	($1,295,356)	($1,358,786)
14	6 - Private Lighting	($48,996)	$11,973	($5,614)	$24,663	($85,508)	($103,482)
15	20 - Streetlighting	($141,868)	$34,668	($16,256)	$71,412	($266,422)	($318,466)
		($93,582,592)	$22,868,663	($10,722,881)	$47,106,365	($48,852,348)	($83,182,793)

PNM Exhibit MJS-6
Page 1 of 1

Impacts on Customer Bills for San Juan Coal Plant Replacement Scenario

PNM Exhibit MJS-7

Is contained in the following 4 pages.

San Juan Coal Plant Abandonment

PNM
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 ($)	Savings from Closure of San Juan coal plant Non Fuel ($)	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	$1.90	$0.00	$0.00	$0.00	$9.01	$1.90
2	50	$12.21	($0.79)	$1.90	($0.06)	$0.40	($0.29)	$13.36	$1.15
3	100	$17.30	($1.59)	$1.90	($0.13)	$0.80	($0.59)	$17.70	$0.40
4	150	$22.40	($2.38)	$1.90	($0.19)	$1.20	($0.88)	$22.05	($0.35)
5	200	$27.49	($3.18)	$1.90	($0.26)	$1.60	($1.17)	$26.39	($1.10)
6	250	$32.59	($3.97)	$1.90	($0.32)	$2.00	($1.46)	$30.73	($1.85)
7	300	$37.68	($4.76)	$1.90	($0.39)	$2.40	($1.76)	$35.08	($2.60)
8	400	$47.87	($6.35)	$1.90	($0.51)	$3.20	($2.34)	$43.77	($4.10)
9	500	$59.73	($7.94)	$1.90	($0.64)	$4.00	($2.93)	$54.12	($5.61)
10	600	$73.25	($9.53)	$1.90	($0.77)	$4.80	($3.51)	$66.14	($7.11)
11	700	$86.77	($11.12)	$1.90	($0.90)	$5.60	($4.10)	$78.16	($8.61)
12	750	$93.54	($11.91)	$1.90	($0.96)	$6.00	($4.39)	$84.17	($9.36)
13	800	$100.30	($12.70)	$1.90	($1.03)	$6.40	($4.68)	$90.18	($10.11)
14	900	$113.82	($14.29)	$1.90	($1.16)	$7.19	($5.27)	$102.21	($11.61)
15	1,000	$129.03	($15.88)	$4.97	($1.28)	$7.99	($5.85)	$118.98	($10.06)
16	1,200	$159.46	($19.06)	$4.97	($1.54)	$9.59	($7.02)	$146.40	($13.06)
17	1,600	$220.32	($25.41)	$4.97	($2.05)	$12.79	($9.36)	$201.25	($19.07)
18	2,000	$281.18	($31.76)	$4.97	($2.57)	$15.99	($11.70)	$256.11	($25.08)

Small Power Schedule 2A

Line No.	kWh Use	Existing Monthly Bill ($)	Savings from Closure of San Juan coal plant Non Fuel ($)	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	$4.15	$0.00	$0.00	$0.00	$19.92	$4.15
20	500	$68.22	($5.61)	$4.15	($0.64)	$2.83	($2.93)	$66.01	($2.21)
21	1,000	$120.67	($11.23)	$4.15	($1.28)	$5.65	($5.85)	$112.11	($8.56)
22	1,500	$173.12	($16.84)	$4.15	($1.93)	$8.48	($8.78)	$158.21	($14.92)
23	2,000	$225.57	($22.45)	$4.15	($2.57)	$11.30	($11.70)	$204.30	($21.27)
24	3,000	$330.47	($33.68)	$4.15	($3.85)	$16.95	($17.55)	$296.49	($33.98)
25	4,000	$435.38	($44.91)	$4.15	($5.14)	$22.61	($23.40)	$388.68	($46.69)
26	5,000	$540.28	($56.14)	$4.15	($6.42)	$28.26	($29.25)	$480.88	($59.40)
27	7,000	$750.08	($78.59)	$4.15	($8.99)	$39.56	($40.95)	$665.26	($84.82)
28	9,000	$959.88	($101.04)	$4.15	($11.56)	$50.86	($52.65)	$849.64	($110.24)
29	12,000	$1,274.59	($134.73)	$4.15	($15.41)	$67.82	($70.20)	$1,126.22	($148.37)
30	15,000	$1,589.29	($168.41)	$4.15	($19.26)	$84.77	($87.75)	$1,402.79	($186.50)

San Juan Coal Plant Abandonment

PNM
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 ($)	Savings from Closure of San Juan coal plant Non Fuel ($)	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	$1.90	$0.00	$0.00	$0.00	$9.01	$1.90
2	50	$12.21	($0.79)	$1.90	($0.06)	$0.49	($0.33)	$13.41	$1.20
3	100	$17.30	($1.59)	$1.90	($0.13)	$0.98	($0.67)	$17.80	$0.50
4	150	$22.40	($2.38)	$1.90	($0.19)	$1.46	($1.00)	$22.19	($0.20)
5	200	$27.49	($3.18)	$1.90	($0.26)	$1.95	($1.33)	$26.58	($0.91)
6	250	$32.59	($3.97)	$1.90	($0.32)	$2.44	($1.66)	$30.97	($1.61)
7	300	$37.68	($4.76)	$1.90	($0.39)	$2.93	($2.00)	$35.37	($2.31)
8	400	$47.87	($6.35)	$1.90	($0.51)	$3.90	($2.66)	$44.15	($3.72)
9	500	$59.73	($7.94)	$1.90	($0.64)	$4.88	($3.33)	$54.60	($5.12)
10	600	$73.25	($9.53)	$1.90	($0.77)	$5.86	($3.99)	$66.72	($6.53)
11	700	$86.77	($11.12)	$1.90	($0.90)	$6.83	($4.66)	$78.84	($7.94)
12	750	$93.54	($11.91)	$1.90	($0.96)	$7.32	($4.99)	$84.90	($8.64)
13	800	$100.30	($12.70)	$1.90	($1.03)	$7.81	($5.32)	$90.95	($9.34)
14	900	$113.82	($14.29)	$1.90	($1.16)	$8.78	($5.99)	$103.07	($10.75)
15	1,000	$129.03	($15.88)	$4.97	($1.28)	$9.76	($6.65)	$119.94	($9.09)
16	1,200	$159.46	($19.06)	$4.97	($1.54)	$11.71	($7.98)	$147.56	($11.90)
17	1,600	$220.32	($25.41)	$4.97	($2.05)	$15.62	($10.64)	$202.80	($17.53)
18	2,000	$281.18	($31.76)	$4.97	($2.57)	$19.52	($13.31)	$258.03	($23.15)

Small Power Schedule 2A

Line No.	kWh Use	Existing Monthly Bill ($)	Savings from Closure of San Juan coal plant Non Fuel ($)	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	$4.15	$0.00	$0.00	$0.00	$19.92	$4.15
20	500	$68.22	($5.61)	$4.15	($0.64)	$3.45	($3.33)	$66.24	($1.98)
21	1,000	$120.67	($11.23)	$4.15	($1.28)	$6.90	($6.65)	$112.56	($8.12)
22	1,500	$173.12	($16.84)	$4.15	($1.93)	$10.35	($9.98)	$158.87	($14.25)
23	2,000	$225.57	($22.45)	$4.15	($2.57)	$13.80	($13.31)	$205.19	($20.38)
24	3,000	$330.47	($33.68)	$4.15	($3.85)	$20.70	($19.96)	$297.83	($32.64)
25	4,000	$435.38	($44.91)	$4.15	($5.14)	$27.60	($26.61)	$390.47	($44.91)
26	5,000	$540.28	($56.14)	$4.15	($6.42)	$34.50	($33.26)	$483.11	($57.17)
27	7,000	$750.08	($78.59)	$4.15	($8.99)	$48.30	($46.57)	$668.38	($81.70)
28	9,000	$959.88	($101.04)	$4.15	($11.56)	$62.10	($59.88)	$853.65	($106.23)
29	12,000	$1,274.59	($134.73)	$4.15	($15.41)	$82.80	($79.83)	$1,131.57	($143.02)
30	15,000	$1,589.29	($168.41)	$4.15	($19.26)	$103.50	($99.79)	$1,409.48	($179.82)

San Juan Coal Plant Abandonment

PNM
Scenario 3
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 ($)	Savings from Closure of San Juan coal plant Non Fuel ($)	Energy Transition Charge Securitization ($)	Other Costs Not Included in Energy Transition Charge ($)	Scenario 3 Non Fuel ($)	Scenario 3 Net Fuel Impact ($)	New Monthly Bill ($)	Net Impact ($)
1	0	$7.11	$0.00	$1.90	$0.00	$0.00	$0.00	$9.01	$1.90
2	50	$12.21	($0.79)	$1.90	($0.06)	$0.22	($0.16)	$13.32	$1.11
3	100	$17.30	($1.59)	$1.90	($0.13)	$0.45	($0.31)	$17.63	$0.33
4	150	$22.40	($2.38)	$1.90	($0.19)	$0.67	($0.47)	$21.93	($0.46)
5	200	$27.49	($3.18)	$1.90	($0.26)	$0.90	($0.62)	$26.24	($1.25)
6	250	$32.59	($3.97)	$1.90	($0.32)	$1.12	($0.78)	$30.54	($2.04)
7	300	$37.68	($4.76)	$1.90	($0.39)	$1.35	($0.94)	$34.85	($2.83)
8	400	$47.87	($6.35)	$1.90	($0.51)	$1.80	($1.25)	$43.46	($4.41)
9	500	$59.73	($7.94)	$1.90	($0.64)	$2.25	($1.56)	$53.74	($5.99)
10	600	$73.25	($9.53)	$1.90	($0.77)	$2.70	($1.87)	$65.68	($7.57)
11	700	$86.77	($11.12)	$1.90	($0.90)	$3.15	($2.18)	$77.62	($9.15)
12	750	$93.54	($11.91)	$1.90	($0.96)	$3.37	($2.34)	$83.60	($9.94)
13	800	$100.30	($12.70)	$1.90	($1.03)	$3.60	($2.50)	$89.57	($10.73)
14	900	$113.82	($14.29)	$1.90	($1.16)	$4.05	($2.81)	$101.51	($12.31)
15	1,000	$129.03	($15.88)	$4.97	($1.28)	$4.49	($3.12)	$118.21	($10.83)
16	1,200	$159.46	($19.06)	$4.97	($1.54)	$5.39	($3.74)	$145.48	($13.98)
17	1,600	$220.32	($25.41)	$4.97	($2.05)	$7.19	($4.99)	$200.02	($20.30)
18	2,000	$281.18	($31.76)	$4.97	($2.57)	$8.99	($6.24)	$254.57	($26.62)

Small Power Schedule 2A

Line No.	kWh Use	Existing Monthly Bill ($)	Savings from Closure of San Juan coal plant Non Fuel ($)	Energy Transition Charge Securitization ($)	Other Costs Not Included in Energy Transition Charge ($)	Scenario 3 Non Fuel ($)	Scenario 3 Net Fuel Impact ($)	New Monthly Bill ($)	Net Impact ($)
19	0	$15.77	$0.00	$4.15	$0.00	$0.00	$0.00	$19.92	$4.15
20	500	$68.22	($5.61)	$4.15	($0.64)	$1.59	($1.56)	$66.14	($2.08)
21	1,000	$120.67	($11.23)	$4.15	($1.28)	$3.18	($3.12)	$112.37	($8.31)
22	1,500	$173.12	($16.84)	$4.15	($1.93)	$4.77	($4.68)	$158.59	($14.53)
23	2,000	$225.57	($22.45)	$4.15	($2.57)	$6.35	($6.24)	$204.81	($20.76)
24	3,000	$330.47	($33.68)	$4.15	($3.85)	$9.53	($9.36)	$297.26	($33.21)
25	4,000	$435.38	($44.91)	$4.15	($5.14)	$12.71	($12.48)	$389.71	($45.67)
26	5,000	$540.28	($56.14)	$4.15	($6.42)	$15.89	($15.60)	$482.16	($58.12)
27	7,000	$750.08	($78.59)	$4.15	($8.99)	$22.24	($21.84)	$667.05	($83.03)
28	9,000	$959.88	($101.04)	$4.15	($11.56)	$28.60	($28.08)	$851.95	($107.94)
29	12,000	$1,274.59	($134.73)	$4.15	($15.41)	$38.13	($37.44)	$1,129.29	($145.30)
30	15,000	$1,589.29	($168.41)	$4.15	($19.26)	$47.66	($46.80)	$1,406.64	($182.66)

San Juan Coal Plant Abandonment

PNM
Scenario 4
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 ($)	Savings from Closure of San Juan coal plant Non Fuel ($)	Energy Transition Charge Securitization ($)	Other Costs Not Included in Energy Transition Charge ($)	Scenario 4 Non Fuel ($)	Scenario 4 Net Fuel Impact ($)	New Monthly Bill ($)	Net Impact ($)
1	0	$7.11	$0.00	$1.90	$0.00	$0.00	$0.00	$9.01	$1.90
2	50	$12.21	($0.79)	$1.90	($0.06)	$0.00	$0.56	$13.81	$1.61
3	100	$17.30	($1.59)	$1.90	($0.13)	$0.00	$1.12	$18.61	$1.31
4	150	$22.40	($2.38)	$1.90	($0.19)	$0.00	$1.69	$23.41	$1.02
5	200	$27.49	($3.18)	$1.90	($0.26)	$0.00	$2.25	$28.21	$0.72
6	250	$32.59	($3.97)	$1.90	($0.32)	$0.00	$2.81	$33.01	$0.42
7	300	$37.68	($4.76)	$1.90	($0.39)	$0.00	$3.37	$37.81	$0.13
8	400	$47.87	($6.35)	$1.90	($0.51)	$0.00	$4.50	$47.41	($0.46)
9	500	$59.73	($7.94)	$1.90	($0.64)	$0.00	$5.62	$58.67	($1.06)
10	600	$73.25	($9.53)	$1.90	($0.77)	$0.00	$6.75	$71.60	($1.65)
11	700	$86.77	($11.12)	$1.90	($0.90)	$0.00	$7.87	$84.53	($2.24)
12	750	$93.54	($11.91)	$1.90	($0.96)	$0.00	$8.43	$91.00	($2.54)
13	800	$100.30	($12.70)	$1.90	($1.03)	$0.00	$9.00	$97.46	($2.83)
14	900	$113.82	($14.29)	$1.90	($1.16)	$0.00	$10.12	$110.40	($3.42)
15	1,000	$129.03	($15.88)	$4.97	($1.28)	$0.00	$11.24	$128.08	($0.96)
16	1,200	$159.46	($19.06)	$4.97	($1.54)	$0.00	$13.49	$157.32	($2.14)
17	1,600	$220.32	($25.41)	$4.97	($2.05)	$0.00	$17.99	$215.82	($4.51)
18	2,000	$281.18	($31.76)	$4.97	($2.57)	$0.00	$22.49	$274.31	($6.88)

Small Power Schedule 2A

Line No.	kWh Use	Existing Monthly Bill ($)	Savings from Closure of San Juan coal plant Non Fuel ($)	Energy Transition Charge Securitization ($)	Other Costs Not Included in Energy Transition Charge ($)	Scenario 4 Non Fuel ($)	Scenario 4 Net Fuel Impact ($)	New Monthly Bill ($)	Net Impact ($)
19	0	$15.77	$0.00	$4.15	$0.00	$0.00	$0.00	$19.92	$4.15
20	500	$68.22	($5.61)	$4.15	($0.64)	$0.00	$5.62	$71.74	$3.51
21	1,000	$120.67	($11.23)	$4.15	($1.28)	$0.00	$11.24	$123.55	$2.88
22	1,500	$173.12	($16.84)	$4.15	($1.93)	$0.00	$16.87	$175.37	$2.25
23	2,000	$225.57	($22.45)	$4.15	($2.57)	$0.00	$22.49	$227.19	$1.61
24	3,000	$330.47	($33.68)	$4.15	($3.85)	$0.00	$33.73	$330.82	$0.35
25	4,000	$435.38	($44.91)	$4.15	($5.14)	$0.00	$44.98	$434.46	($0.92)
26	5,000	$540.28	($56.14)	$4.15	($6.42)	$0.00	$56.22	$538.09	($2.19)
27	7,000	$750.08	($78.59)	$4.15	($8.99)	$0.00	$78.71	$745.36	($4.72)
28	9,000	$959.88	($101.04)	$4.15	($11.56)	$0.00	$101.20	$952.63	($7.26)
29	12,000	$1,274.59	($134.73)	$4.15	($15.41)	$0.00	$134.93	$1,263.53	($11.06)
30	15,000	$1,589.29	($168.41)	$4.15	($19.26)	$0.00	$168.66	$1,574.43	($14.86)

Securitization Revenue Requirements Comparison to Traditional Recovery

PNM Exhibit MJS-8

Is contained in the following 1 page.

PNM
Scenario 1
Comparison of Securitization to Traditional Rate Recovery

Line	Consolidated Customer Class	[A] Energy Transition Charge Revenue Requirement ($)		[B] Traditional recovery Revenue Requirement ($)		[C] A-B Net Impact on Revenue Reqirement ($)
1	1 - Residential	$6,664,430		$18,743,289		($12,078,859)
2	2 - Small Power	$1,414,670		$3,978,669		($2,563,999)
3	3B - General Power	$1,886,467		$5,305,569		($3,419,102)
4	3C - General Power Low LF	$265,305		$746,154		($480,849)
5	4B - Large Power	$1,108,034		$3,116,275		($2,008,241)
6	5B - Lg. Svc. (8 MW)	$58,115		$163,443		($105,329)
7	10 - Irrigation	$39,037		$109,788		($70,751)
8	11B - Wtr/Swg Pumping	$97,876		$275,271		($177,395)
9	15B - Universities 115 kV	$60,395		$169,858		($109,462)
10	30B - Manuf. (30 MW)	$319,987		$899,943		($579,956)
11	33B - Lg. Svc. (Station Power)	$2,602		$7,318		($4,716)
12	35B - Lg. Svc. (3 MW)	$181,652		$510,885		($329,233)
13	36B - SSR - Renew. Energy Res.	$22,441		$63,114		($40,673)
14	6 - Private Lighting	$6,359		$17,884		($11,525)
15	20 - Streetlighting	$18,413		$51,784		($33,372)
16	**Total**	**$12,145,782**		**$34,159,245**		**($22,013,463)**

PNM Exhibit MJS-8
Page 1 of 1

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE COMPANY OF NEW MEXICO'S CONSOLIDATED APPLICATION FOR APPROVALS FOR THE ABANDONMENT, FINANCING, AND RESOURCE REPLACEMENT FOR SAN JUAN GENERATING STATION PURSUANT TO THE ENERGY TRANSITION ACT	)	**19-_____-UT**

AFFIDAVIT

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

MICHAEL SETTLAGE, Pricing Analyst, at PNMR Services Company, upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing **Direct Testimony of Michael Settlage** and it is true and accurate based on my own personal knowledge and belief.

SIGNED this 28th day of June , 2019.

MICHAEL SETTLAGE

SUBSCRIBED AND SWORN to before me this 28th day of June, 2019.

NOTARY PUBLIC IN AND FOR
THE STATE OF NEW MEXICO

My Commission Expires:

1.21.2020