BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE COMPANY OF NEW MEXICO'S APPLICATION FOR APPROVAL OF PURCHASED POWER AGREEMENT, ENERGY STORAGE AGREEMENTS, AND CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR SYSTEM RESOURCES IN 2028,	)	**Case No. 24-00271-UT**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant	)	

DIRECT TESTIMONY

OF

HENRY E. MONROY

November 22, 2024

NMPRC CASE NO. 24-_____-UT
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WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

DIRECT TESTIMONY
OF HENRY E. MONROY
NMPRC CASE NO. 24-_____-UT

I. INTRODUCTION AND PURPOSE

Q. Please state your name, position, and business address.

A. My name is Henry E. Monroy. I am the Vice President, Regulatory for Public Service Company of New Mexico ("PNM" or "Company"). My business address is 414 Silver SW, Albuquerque, NM 87102.

Q. Please summarize your educational background and professional qualifications.

A. My educational background and relevant employment experience are summarized in PNM Exhibit HEM-1 attached to my testimony. PNM Exhibit HEM-1 also includes a list of cases before the New Mexico Public Regulation Commission ("NMPRC" or "Commission") where I have provided testimony.

Q. What is the purpose of your testimony?

A. My testimony supports PNM's requests for approval of resources necessary to meet our customers' needs beginning in 2028. Through my testimony, I:

- Summarize PNM's need for the proposed resources. As part of this summary, I discuss how the resources identified in this application address PNM's system requirements including, 1) maintaining an industry standard of 0.1 Loss of Load Expectation ("LOLE"), and 2) providing for a reserve margin that allows PNM to meet existing demands and provide readily available capacity to meet volatility of demands driven by more extreme weather and support potential economic development requests.

- Identify the statutory, regulatory, and prior order requirements for an application of this type, including addressing the requirement for filing of a certified copy of PNM's articles of incorporation and notice of franchise approval. Specifically, I address the requirements of NMSA 1978, Sections 62-9-1 and 62-9-3 and the Commission rules at 17.1.2.9 NMAC, 17.5.440 NMAC ("Rule 440"), 17.3.580 NMAC, and 17.9.551 NMAC ("Rule 551"). Additionally, I address the selection of the Sunbelt Project in relation to the resource location requirements of Section 62-18-3 of the Energy Transition Act ("ETA").
- Summarize the cost recovery pursuant to current rates and riders as well as the net public benefit standard. Finally, I introduce PNM's other witnesses that support PNM's Application.

Q. What approvals are PNM seeking in this case?

A. The requested resources approvals are for:

1) a Long-Term Purchased Power Agreement ("PPA") for power from the Valencia Power Plant ("Valencia PPA"). Through this proceeding, PNM requests approval for a PPA for the Valencia facility, beginning June 2028 through the end of 2039, for 167 megawatts ("MW"). PNM currently has an agreement for the output of the Valencia facility that terminates in May 2028.

2) a Long-Term Energy Storage Agreement ("ESA") for a 150 megawatt ("MW") four-hour battery energy storage system ("BESS"), referred to as the Sun Lasso BESS.

3) an ESA for a 150 MW four-hour BESS, referred to as the Corazon BESS.

4) a Certificate of Public Convenience and Necessity ("CCN") for a utility-owned 100 MW Solar / 30 MW BESS located in the Central Consolidated School District ("CCSD") at a total capital cost of $220.4 million, referred to as the Sunbelt Project. The Sunbelt Project includes an engineer, procure, and construct ("EPC") contract with Gridworks ("Gridworks contract") for the construction of the facilities.

Copies of the agreements for these resources are attached to PNM witness Barnard's testimony as exhibits. PNM Table HEM-1 below, summarizes the PPA, ESAs, and utility owned project PNM is requesting approval for in this proceeding.

PNM Table HEM-1

Requested Portfolio

Project Name	Structure	Technology	4-Hr BESS (MW)	Solar PV (MW)	Natural Gas Capacity (MW)	Annual Revenue Requirement
Valencia Power Plant	PPA	Gas	0	0	167	$22.2
Sun Lasso BESS	ESA	BESS	150	0	0	20.2
Corazon BESS	ESA	BESS	150	0	0	20.7
Sunbelt Project	Utility-owned	Solar/BESS	30	100	0	14.2
		Total (MW)	**330**	**100**	**167**	**$77.3**

Q. Is PNM providing an option for an additional 20 MW of BESS to be located in the Central Consolidated School District ("CCSD")?

A. Yes. In Case No. 19-00195-UT, the Commission adopted a portfolio that placed 430 MW of resources in the CCSD. Due to the default of the Rockmont project and its contract termination, only 300 MW to date have been placed in service in the CCSD since the closure of San Juan Generating Station. PNM is supportive of placing cost-effective resources in the CCSD, although the resources in this proceeding are not being proposed

as replacement resources as that term is defined in the ETA. In PNM's request for proposal ("RFP") evaluation, the Sunbelt Project resulted in the lowest cost portfolio with a CCSD project based on a bid of 100 MW solar / 30 MW battery. If approved, the total capacity of new resources located in the CCSD since the closure of San Juan would be 430 MW, which is equivalent to the original resources located in the CCSD that were approved in Case No. 19-00195-UT. However, the ETA contemplated up to 450 MW of replacement resources to be located in the CCSD; if the Commission desires, PNM has included an option to increase the 30 MW battery in the Sunbelt Project, by an additional 20 MW, for a total 50 MW. This option and associated pricing are discussed in more detail in PNM Witness Barnard's testimony. The increase in size to the Sunbelt Project battery comes at a reasonable cost and is beneficial to the system, and as a result PNM requests its approval as well.

Q. Why is PNM proposing the requested portfolio?

A. PNM has determined that these resources will allow PNM to provide cost-effective and reliable service while at the same time progressing to a carbon-free portfolio by PNM's goal of 2040, which is five years earlier than the required 2045. This Application includes a utility-owned solar + BESS, which was selected as the lowest cost resource available within the CCSD and helps put an additional resource in place in a timely manner should customer growth expand earlier than currently anticipated. As discussed by PNM witness Duane, the portfolio achieves a 0.1 LOLE planning standard, and results in a reserve margin of 17.7% in 2028 and 16.1% in 2029. As discussed below, the benefits of a mix of

utility-owned and contracted resources provide an optimal future resource mix for our customers, assuming owned resources remain cost-effective.

Q. What are the benefits of having a mix of utility-owned and contracted resources, as proposed by PNM?

A. PNM believes that customers benefit most through a mix of utility-owned generation and third-party contracted for resources because each brings its own set of values. Utility-owned resources provide PNM with the discretion to operate, maintain, and control energy storage systems and curtailment of solar facilities as to ensure reliable and efficient service to its customers. With the Company ownership of the assets, all O&M and ongoing capital decisions remain with the Company to ensure the continued safe and reliable operation of the facility for the benefit of PNM's customers and these decisions are subject to local regulatory oversight to ensure that the public interest standard is met. Furthermore, regulatory oversight could enhance reliability by applying different performance standards over time as circumstances warrant, whereas performance standards for third-party contracts are designated in the contract and would require contractual amendments to modify.

Under contracted resources, PNM has no right to any residual benefits of a resource after the agreement expires or terminates, whereas under utility ownership, PNM and its customers are able to continue to utilize the resource, through additional maintenance and investment, which can extend the period of benefits these resources provide without having to renegotiate or effectively re-purchase the contracted-for resources at the end of the

original contract term. On the other hand, including contracted-for resources in a portfolio can provide certainty in terms of price and operational parameters, and developers may have different financing or tax structuring opportunities which can lower project costs. In addition, at the end of the contract life, there can be opportunities to more readily pivot to new technologies.

Utility ownership provides for more certainty on development of the project and ongoing maintenance of the facility. Contracted resources provide this certainty through contractual terms that may result in future disputes if they arise; such disputes are more likely avoided on a utility owned project. Utility ownership provides PNM the ability to operate the resources more flexibly than third-party contracts and modify how it operates the facility for new uses in the future that may not be known today whereas third-party contracts do not allow for operations outside the contractual parameters without an amendment of the contract. This is especially important to consider given the multiple uses for energy storage; it being a new technology that PNM is still learning to optimize within its portfolio and recognizing that the system will transform to carbon free as it is impossible to know with certainty today how batteries will be utilized in the future.

Utility ownership also ensures that any tax benefits from the Inflation Reduction Act ("IRA") or other available incentives will be passed on to PNM's customers. Under utility ownership, the financial health of the owner of the asset is under regulatory oversight whereas regulators would not have the ability to address issues regarding a third-party except through contractual remedies, if available. Utility owned projects also provide

significant property values and result in increased property taxes returned to the communities. These inherent benefits are critical as PNM moves towards its carbon free goal. Also, in this case, the Sunbelt Project is the lowest cost resource in the CCSD.

Q. Is PNM's application in the public interest?

A. Yes. As demonstrated through PNM's Application, the proposed resources are in the public interest because they are necessary to provide reliable service and to meet growing customer energy and demand requirements; are reasonably priced, cost-effective, and the result of an RFP process supported by an Independent Evaluator; support the state's energy transition goals to be achieved by 2045; and achieve public policy objectives of placing resources in the CCSD. As discussed in my testimony, the benefits of a mix of utility-owned and contracted resources provide an optimal future resource mix for our customers. For these reasons, PNM's Application should be approved.

Q. How is your testimony organized?

A. The remainder of my testimony is organized into the following sections:

Part II	Need for Additional Resources
Part III	Statutory, Regulatory, and Prior Order Requirements
Part V	Cost Recovery
Part VI	Conclusion

Q. Who are the other witnesses providing direct testimony in this case on behalf of PNM?

A. Thomas Duane, Director, Integrated Resource Planning – PNM witness Duane discusses the analysis performed by PNM on shortlisted bids that resulted in the portfolio of resources for which PNM seeks approval in this case, describes how the resources are consistent with PNM's most recently approved 2023 Integrated Resource Plan ("2023 IRP"), and supports how the resources support PNM's transition to carbon-free generation in a safe and reliable manner.

Gary Barnard, Executive Director, PNM Generation Contracting and Development – PNM witness Barnard describes and supports the resources PNM is proposing in this application and addresses many of the Rule 551 and statutory requirements for the PPA and ESAs for which PNM seeks approval. He also provides the description of, estimated costs of, and timing for the Sunbelt Project. Finally, he addresses project design benefits.

Stephen Jenkins, Manager, Transmission Planning Engineering – PNM witness Jenkins describes the requisite transmission and interconnection facilities, and attendant costs associated with the ESAs and the CCN for the Sunbelt Project, that are the subject of this Application.

Nicholas Wintermantel, Chief Services Officer for PowerGEM, LLC, formally Astrape – PNM witness Wintermantel discusses PNM's resource adequacy assessment using the SERVM model for 2028 and LOLE utilized as part of the evaluation of the bids for 2028 RFP to ensure that resource adequacy metrics are met.

Roger Nagel, Principal for Aion Energy LLC – PNM witness Nagel describes Aion Energy, LLC's role in and support of PNM's 2028 all-resource RFP, and provides details on the

goals of the RFP, the process involved in the RFP and the selection of resources, and the fairness of the RFP.

II. NEED AND REASONABLENESS OF PROPOSED RESOURCES

Q. Why is PNM filing this application?

A. PNM is filing this Application to ensure the continued delivery of safe and reliable electric service to our customers. To meet our customers' peak load requirements in 2028 and beyond, it is necessary for PNM to add additional generating and storage resources to our existing portfolio. PNM's recent load forecasts project increases in energy and demand. Accordingly, on May 15, 2024, PNM filed a Notice of Material Event regarding its 2023 IRP, to reflect an increase in its energy and demand load forecasts. PNM filed a Supplement to the May 15, 2024 Notice of Material Event on October 10, 2024.While the increased load forecast did not directly impact the RFP process and resource selection in this case, these recent projections of increases support the need to timely add resources for not just a minimum expected load, and the 2028 resource additions provide flexibility to respond to potential new loads that may occur sooner than anticipated.

As summarized earlier in my testimony, PNM is requesting Commission approval of new resources and extended use of an existing resource to meet peak load requirements in 2028 and beyond. Additionally, the proposed portfolio includes a project located in the CCSD, achieving the public policy objective of locating a certain level of resources in the CCSD upon closure of the SJGS. While the CCSD project is not part of the overall lowest-cost portfolio to meet the expected 2028 need, the Sunbelt Project results in the lowest cost

portfolio that allows for forecasted load growth occurring sooner than expected. Additionally, the inclusion of the Sunbelt Project results in the lowest cost portfolio with a CCSD project based on the bids received.

Q. Is system reliability an important consideration in the selection of resources?

A. Yes. PNM remains committed to meeting its obligation to provide safe and reliable service to its customers; system reliability is a critical consideration in choosing resources. The evolving load forecasts demonstrate the impact that weather and other variables can have on PNM's system and the need to ensure adequate capacity and resources are available to our customers to meet these peaks. PNM witnesses Duane and Wintermantel discuss the importance of system reliability and how the selected resources help with system reliability.

Q. Does the proposed resource portfolio meet PNM's reliability standards for resource adequacy?

A. Yes. As discussed by PNM witness Duane and Wintermantel, PNM's proposed resources meet the 0.1 days per year LOLE standard, which is also consistent with industry resource adequacy standards.

Q. Is PNM's planning metric for resource adequacy reasonable?

A. Yes. The 0.1 LOLE resource adequacy metric was previously applied by PNM as a reasonable planning standard in Case Nos. 21-00215-UT, 21-00033-UT, and 23-00353-UT, where the Commission approved the requested resources.

Q. Please summarize the Company's resource adequacy metrics in 2028 assuming approval of the proposed resources.

A. Approval of these resources will result in a LOLE of 0.064 days per year which equates to a forecasted planning reserve margin of 17.7%. Without the approval of the proposed resources, the LOLE would be 2.01 days per year which equates to a forecasted planning reserve margin of 0.1%. By 2029, PNM's planning reserve margin falls to 16.1% even with the approval of these resources. Please refer to PNM witness Wintermantel for further discussion regarding resource adequacy of PNM's portfolio with and without the proposed resources. The drop in planning margins where load growth occurs year over year demonstrates that ensuring resources are online and available slightly in advance of an expected need can provide value over a more conservative "just enough and just in time" approach.

Q. Is PNM seeking a final order in this proceeding to ensure the availability of capacity to meet the needs of summer 2028?

A. Yes. PNM is requesting approval of all requested resources within the nine-month approval window afforded pursuant to the CCN statutory timeline to ensure deliverability of the projects for summer 2028. This approval window aids in accommodating the timeframe to provide notification to the developers to begin construction of the ESA facilities pursuant to the Guaranteed Start Dates included in the agreements as well as the notice to proceed included in the Gridworks contract for the utility-owned Sunbelt Project. To that end, PNM respectfully asks that the Commission issue a final order by the

beginning of August 2025. I discuss the applicable timelines under Commission rules later in my testimony.

If no protests to this Application are filed following the sixty-day notice period of the Application, PNM believes it would be reasonable for the Commission to make a final determination without formal hearings as allowed under the CCN statute, 62-9-1(C). While PNM is not seeking expedited treatment, completing the regulatory process in advance of the nine-month CCN clock can provide some cushion in the time period between regulatory approvals and successful commercial operation dates by summer peak in 2028.

Q. Has PNM included the Sunbelt Project to accomplish the Commission's portfolio approved in Case No. 19-00195-UT and the statutory public policy objectives for there to be replacement resource capacity in the CCSD that came close to the ETA cap of up to 450 MW?

A. Yes. PNM is proposing new resources located in the CCSD, in part, to ensure the intent behind the locational preference is accomplished and also because these resources are cost-effective for customers. The resources proposed in this case will all be used to serve ongoing demand and energy requirements, and the CCSD located resource provides a near-term reserve margin that gives additional assurance PNM can meet our demands and creates headroom for potential new customers who desire to bring on their operations in a shorter time frame than expected. Finally, the Sunbelt Project is the lowest cost CCSD

resource available and will help in adding carbon-free solar along with battery storage which is needed to firm up capacity during low wind and solar generation periods.

Q. Does PNM's requested portfolio address other public policy objectives?

A. Yes, PNM's proposal creates a reserve margin at a reasonable cost that can help address potential New Mexico's economic development. As explained earlier, PNM's forecasted needs for energy and demand are showing signs of an increasing upward trend. The need and demand from potential economic development customers to timely serve their load requests is better served if PNM's system has the bandwidth to accommodate reasonable ramp up of new load, even as longer-term resources continue to be requested in future proceedings. Based on current modeling, the portfolio proposed creates an adequate amount of capacity and resources to reliably serve our customers with a little headroom to accommodate potential new load demands from economic development interests. As PNM continues this energy transition, it is prudent and reasonable to approve resources portfolios that achieve a LOLE or planning reserves that are slightly above the target for one year.

III. STATUTORY, REGULATORY, AND PRIOR ORDER REQUIREMENTS

Q. Are there established statutory requirements and regulatory standards for approval of PPAs, ESAs, and CCNs?

A. Yes, the Commission reviews and approves PPAs and ESAs pursuant to Rule 551. The Commission grants CCNs pursuant to the controlling statute, NMSA 1978, Sections 62-9-1 to 62-9-7., 17.1.2.9 NMAC, Rule 580, and a modified standard of approval as discussed in NMPRC Case No. 15-00083-UT.

A. PPA AND ESA STANDARDS

Q. What Commission standards apply for approving the proposed PPAs and ESAs?

A. Rule 551 requires that an electric utility obtain the Commission's written approval before becoming irrevocably bound by a PPA with a term of five years or more (Rule 551.8(A)). In Case No. 15-00083-UT, the Commission found that the standard for approval is a "modified version of the 'public convenience and necessity' standard for CCNs." The Commission has also applied its Rule 551 standards to review and approve ESAs, although the rule does not specifically apply to those types of agreements. Rule 551.8 sets out informational requirements that PNM must address for each PPA and ESA in its Application. To approve PNM's proposed PPA and ESAs, the Commission must find that PNM has satisfied the information requirements of Rule 551.8 and that the agreements are needed, reasonable, and in the public interest, using the CCN principle that there be a "net public benefit."

Q. Do you address any of the Rule 551 requirements in your testimony?

A. Yes. Rule 551.9(A) provides that, unless otherwise authorized by the Commission, energy costs incurred under a PPA are recoverable through a utility's fuel and purchased power cost adjustment clause and capacity costs are recoverable through base rates. Rule 551.8(D)(4) requires that the utility provide "an explanation of how the electric utility proposed to recover from ratepayers the costs incurred and an estimate of the effect on rates to customers." Rule 551.9(A) provides that, unless otherwise authorized by the

Commission, energy costs incurred under a PPA are recoverable through a utility's fuel and purchased power cost adjustment clause and capacity costs are recoverable through base rates.

Q. Is PNM's application being filed within thirty days of the execution of the PPAs and the ESAs (17.9.551.8(B) NMAC)?

A. Yes, the Valencia PPA was signed on November 4, 2025. The Sun Lasso ESA was signed on October 25, 2024. The Corazon ESA was signed on October 25, 2024. PNM is requesting approval of the PPA and ESAs in this application submitted on November 22, 2024, within 30 days of the execution of these agreements pursuant to 17.9.551.8(B) NMAC.

Q. What, if any, impact does the Valencia PPA have on the Company's financial condition and financial metrics (17.9.551.8(D)(7) NMAC)?

A. The Valencia PPA, while a new agreement, reflects similar costs and expenses currently incurred by PNM through an existing agreement for the output of the Valencia Generating Facility. Currently, the Valencia PPA is consolidated as a Variable Interest Entity and the accounting treatment is expected to the be the same for the new Valencia PPA requested in this proceeding. As a Variable Interest Entity, the Valencia PPA is not subject to lease accounting and does not cause imputed debt. For these reasons, PNM does not anticipate any impact to its financial condition or metrics associated with the Valencia PPA.

Q. What, if any, impact do the Corazon and Sun Lasso ESAs have on the company's financial condition and financial metrics (17.9.551.8(D)(7) NMAC)?

A. The key component impacting PNM's financial condition and metrics as a result of these ESAs will be receiving timely recovery for these costs. As I discuss later in my testimony, PNM has requested recovery of ESA costs through PNM's fuel and purchased power cost adjustment clause in Case No. 24-00089-UT; approval of this recovery mechanism will provide for timely recovery and allow for customers' rates to timely reflect the continual shift in resource-mix used to provide electricity. Based on the contract terms included in the Corazon and Sun Lasso ESAs, which do not contain a fixed payment obligation, these ESAs will not result in any lease liabilities and, therefore, are not expected to have an impact on PNM's key credit metrics.

Q. Has PNM submitted evidence that the Valencia PPA and the Sun Lasso and Corazon ESAs each satisfy the requirements of Rule 551?

A. Yes. PNM's Application, testimony, and exhibits satisfy all informational and filing requirements of Rule 551.8 NMAC and Rule 551.9 NMAC. Please see PNM Exhibits 1 and 2, respectively, to the Application for a table showing where each provision of Rule 551 is addressed in PNM's testimonies.

B. CCN STANDARDS

Q. What general standards apply for granting a CCN in New Mexico?

A. Section 62-9-1 of the Public Utility Act ("PUA") establishes the general standard for issuance of CCNs and requires that, "[n]o public utility shall begin construction or operation of any public utility plant or system or of any extension of any plant or system without first obtaining from the commission a certificate that public convenience and necessity require or will require such construction or operation." Section 62-9-1(A) does not require a CCN for the extension of any plant or system within areas that a utility serves that are necessary in the ordinary course of its business.

Q. Are there specific criteria applicable to CCN applications for energy storage facilities?

A. Yes. Section 62-9-1(D) of the PUA specifically governs the CCN criteria to be met for an energy storage system, which is defined as, "methods and technologies used to store electricity." The Sunbelt Project includes a battery storage system used to store electricity.

Q. Based on your reading, does section 62-9-1(D) modify the general requirements for issuance of a CCN for an energy storage system such as the sunbelt project?

A. Yes, for the storage system component of the Sunbelt Project. Section 62-9-1(D) requires that the Commission, "…shall approve an application for a CCN" for an energy storage system if the project satisfies the seven criteria that are listed. Although I am not an attorney, it is my understanding and belief that the use of the word "shall" indicates that approval of an energy storage project is non-discretionary under those circumstances. In Case No. 23-00353-UT, the Commission held that for a request for approval of an energy storage system, the Commission shall first analyze the request under Section 62-9-1(D)

and approve the request if all elements of this section are satisfied. If one or more elements are not satisfied, the Commission then may proceed to analyze the energy storage system under the general "net public benefit" test, which if satisfied, merits approval.[1] PNM's Application meets the statutory criteria for approval of the Sunbelt Project. In his direct testimony, PNM witness Barnard confirms that the seven criteria listed in Section 62-9-1(D) have been fully satisfied. Refer to Exhibit 3 to the Application for a table showing where each provision is specifically addressed. In addition, PNM's Application for the Sunbelt project also satisfies the more general CCN requirements of "net public benefit" as discussed below.

Q. Does the Sunbelt Project, and specifically the 100 MW solar portion, also meet the more general CCN standards listed in Section 62-9-1?

A. Yes, the Commission equates "public convenience and necessity" with the public interest and found that the CCN statute implies there must be a net public benefit in order to grant a CCN.[2] In accordance with the CCN statute at 62-9-1(D)(7) as well as prior cases, PNM must demonstrate that the resource it proposes is the most cost-effective resource among feasible alternatives.[3] The Sunbelt Project is the lowest-cost resource available in the CCSD through the RFP process. In addition to fulfilling the statutory and regulatory intent

[1] Final Order, ¶ 36 at 17, Case No. 23-00353-UT (May 30, 2024).
[2] *See, e.g.*, Case No. 19-00349-UT, Recommended Decision at 16 (Nov. 16, 2020).
[3] *Id*. at 16-17 (citing Case No. 15-00261-UT, Corrected Recommended Decision (Aug. 15, 2016), Case No. 13-00390-UT, Final Order (Dec. 16, 2015), Case No. 15-00205-UT, Order Partially Granting PNM Motion to Vacate and Addressing Joint Motion to Dismiss (Dec. 22, 2015), and Case No. 2382, Final Order Approving Recommended Decision (Nov. 20, 1995)).

of resources placed in the CCSD, this resource also provides a reserve margin to support headroom in the near term to support economic development interest.

Q. Does the PUA have other general requirements for issuance of a CCN?

A. Yes. Section 62-9-6 requires that a corporation applying for a CCN have its articles of incorporation on file with the Commission. PNM previously filed its current articles of incorporation with the Commission, and they are located in the record of Case No. 13-00390-UT, in PNM Exhibit GTO-2 to December 20, 2013, Direct Testimony of Gerard T. Ortiz. PNM requests that the Commission take administrative notice of this exhibit in the Commission's records.

Section 62-9-1 also requires evidence, as the Commission may require, demonstrating the consent and franchise of the municipality where construction and operation of a new facility will occur. PNM witness Barnard confirms that the site for the Sunbelt Project is within San Juan County, just south of the site of San Juan Generating Station. PNM will obtain all necessary governmental permits and comply with all applicable zoning and building requirements with respect to the construction and operation of the Sunbelt project.

Q. Is location approval from the Commission required for the Sunbelt Project?

A. No, location approval is not required pursuant to Section 62-9-3 of the PUA. The Sunbelt facilities are not designed for, or capable of, operation at a capacity of three hundred thousand kilowatts or more, nor is it a transmission line project that falls within the location statute.

C. DESCRIPTION OF OTHER GENERAL REQUIREMENTS

Q. Is this application filed pursuant to the Energy Transition Act ("ETA") Section 62-18-3?

A. No. The proposed resources in this case are not "replacement resources" for the abandoned capacity in the San Juan Generating Station, because as defined in the ETA's Section 62-18-3 (Location of resource development after abandonment), that provision applies to the original application for San Juan Generating Station replacement resources filed near the time San Juan was abandoned. The RFP review process required for that application was directed specifically at preferring resource capacity located within the CCSD in the Farmington area. In approving resources that met the replacement resource definition, the Commission determined that Section 62-18-3(F) provided a cap of no more than 450 MW on the capacity that could be considered under the statutory criteria without requiring a minimum or specific amount that had to be proposed by PNM or approved by the Commission. The statute's language did not include ongoing requirements or a broader applicability to resource acquisition cases such as this one. Although PNM's request includes resources to be located within the CCSD as part of our recommended portfolio, which fulfills a worthwhile policy, this capacity was not evaluated or selected using the specific criteria in the ETA's Section 62-18-3.

PNM believes that the Sunbelt Project nonetheless fulfills the policies behind the ETA because it is the lowest-cost resource available by 2028 in the CCSD, provides property

taxes for the CCSD, and provides benefits to customers based on the identified ongoing need for resources that include energy storage.

D. TIMING CONSIDERATIONS FOR RESOURCE APPROVALS

Q. Does Rule 551 provide a timeframe for a Commission decision in this case?

A. Yes. Rule 551.10(B) provides that the Commission shall issue a final order on an application for approval of a PPA or ESA within six months of the date the application is filed, or the application is deemed approved.

Q. Does NMSA 1978, Section 62-9-1(C) establish a timeframe for the approval of a CCN?

A. Yes. Section 62-9-1(C) of the PUA requires that the Commission issue an order granting or denying an application for a CCN within nine months of the initial filing date or the application is deemed approved. The Commission may extend this nine-month statutory period for an additional six months for good cause shown.

Q. Given the different timeframes for ESA and PPA approval versus CCN approval, under what timeframe is PNM seeking approval of this application?

A. PNM is seeking Commission approval of the resources within the nine-month statutory period for approval of a CCN and preferably by August 1, 2025. The resource evaluation is based on the portfolio taken together as a whole, and although a decision on the ESAs and PPA is required within a six-month period under the Commission's rules, PNM respectfully requests the Application be approved within the nine-month statutory clock

for all requested resources. If for any reason an extension of the CCN requirements is ordered, PNM requests the ESA/PPA approvals be granted within the nine-month original statutory clock provided. PNM also requests that to the extent this Application is not protested after the statutory notice period, that the Commission consider taking final action without formal hearings.

Q. Will PNM need to provide any notices in relation to these projects in compliance with Rule 440?

A. Yes. Rule 440 requires PNM to file a notice providing specific project information, including cost estimates, prior to the beginning of construction. PNM will provide the appropriate Rule 440 notices for the relevant projects when it is timely to do so.

IV. COST RECOVERY

Q. How does PNM plan to recover the costs associated with these projects?

A. PNM will recover the energy costs associated with the Valencia Power Plant PPA through PNM's Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC") in accordance with Rule 551.9(A). PNM will seek recovery of the demand charges associated with the Valencia Power Plant PPA through base rates. PNM currently has before the Commission a proposal to recover ESA costs through PNM's FPPCAC in Case No. 24-00089-UT, PNM's rate case. If that proposal is adopted, then PNM will include the ESA costs in PNM's FPPCAC when they are operational. Otherwise, PNM will seek recovery of these costs in a PNM general rate review filing where PNM seeks to adjust its base rates. Finally, PNM will seek recovery of the Sunbelt Project in a PNM general rate review filing where PNM seeks to adjust its base rates. Please refer to PNM Table HEM-1 earlier in my

testimony that provides the estimated first year annual revenue requirement impacts for the proposed resources.

Q. What is the projected overall capital cost of the Sunbelt Project?

A. The Sunbelt Project, including transmission upgrades, is estimated to cost $220.4 million, and is expected to be in service in May 2028. PNM witness Barnard provides the details of what comprises this total cost.

Q. Has PNM modeled the Investment Tax Credits and Production Tax Credits associated with the Sunbelt Project?

A. Yes. The Sunbelt Project, specifically the 30 MW battery, is modeled to earn 40% of Investment Tax Credits ("ITC") on applicable capital investment dollars, although additional ITC may be available. PNM has modeled a total ITC of $23.3 million. PNM has modeled the return of the ITC to be given back to customers over a five-year period, similar to its treatment proposed for the Sandia BESS utility owned project approved in Case No. 23-00353-UT. The Sunbelt Project, specifically the 100 MW solar facility, is modeled to receive production tax credits for the output of the facility over the first ten years of the facility. These benefits are passed onto customers through lower revenue requirements.

Q. How does PNM plan to account for any difference in the cost of the Sunbelt Project from what is estimated in this case?

A. To the extent the actual costs of the project are different from the estimated cost of $220.4 million, PNM would provide the information required by the Cost Overrun Rule (17.3.580 NMAC) to request recovery of these costs in its next general rate review application.

Q. Is the application of the Commission's Cost Overrun rule in 17.3.580 NMAC to the estimated cost of the Sunbelt Project reasonable?

A. Yes, I believe so. The Cost Overrun Rule applies to an "electric generating plant" as defined in 17.3.580.7(E) NMAC, and the storage component of the project will provide system capacity similar to a generation plan. Therefore, PNM believes that extending the application of Rule 17.3.580 NMAC to the 30 MW BESS component of the project is consistent with the objectives of the rule as well as recent treatment of similar projects.[4] The estimated capital cost of the Sunbelt Project does not include any amount for contingencies.

Q. Is PNM seeking any specific ratemaking treatment in this case for the Sunbelt Project pursuant to Section 62-9-1(B) of the Public Utility Act?

A. No, PNM is not seeking specific ratemaking treatment in this case. As I stated earlier, PNM will seek inclusion of the Sunbelt Project in a PNM general rate review filing where PNM seeks to adjust its base rates.

[4] *See* 23-00353-UT, *Final Order*, ¶ 46; *Recommended Decision*, p. 37.

V. CONCLUSION

Q. In conclusion, what is PNM requesting in this case?

A. PNM seeks approval of the Valencia Power Plant PPA; the ESAs for the Sun Lasso Storage and Corazon projects; and a CCN for the Sunbelt project. These agreements are the result of a competitive RFP process and reasonable in price. They are necessary for PNM to meet its 2028 peak load requirements, and they are consistent with PNM's IRP and achieve the intent of locating resources in the CCSD. As discussed earlier, and demonstrated through PNM's Application, PNM's Application is in the public interest. Finally, PNM has provided an option for the Commission to increase the Sunbelt Project by an additional 20 MW of batteries to meet the 450 MW amount outlined in the ETA, and believes approval of that addition is also reasonable and in the public interest. Accordingly, PNM respectfully requests the Commission's approval of its Application and all of the resources included in the Application.

Q. Does this conclude your direct testimony?

A. Yes.

Educational Background and Relevant Employment Experience

PNM Exhibit HEM-1

Is contained in the following 4 pages.

HENRY E. MONROY
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Henry E. Monroy

Address: PNM Resources Inc.
MS 1015
414 Silver SW
Albuquerque, NM 87102

Position: Vice-President, Regulatory

Education: Bachelor of Accountancy, New Mexico State University, 2001
Certified Public Accountant in the State of New Mexico, December 2012

Employment: Employed by PNMR Services Company since 2003.
Positions held within the Company include:

Vice President, Corporate Controller
Controller, Utility Operations
Director, Cost of Service and Audit Services
Director, Cost of Service and Corporate Budget
Director, Utility Accounting
Manager, Cost of Service
Senior Manager, Derivative Accounting
Manager, Energy Analysis and Accounting
Project Manager
Senior Accountant

Testimony Filed:

- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates pursuant to Advice Notice No. 352, NMPRC Case No. 08-00273-UT, filed September 22, 2008.

- In the Matter of Texas-New Mexico Power Company's Request for Approval of an Advance Metering System (AMS) Deployment and AMS Surcharge, PUCT Docket No. 38036, filed May, 2010.

- In the Matter of the Application of Public Service Company of New Mexico for the Abandonment and Decertification of the Generating Station in Las Vegas, New Mexico, NMPRC Case No. 10-00264-UT, filed August 30, 2010.

- Initial Filing of PNM to Revise Sheets in its OATT, Coordination Tariff, and GFAs Reflecting Implementation of Transmission Formula Rate, FERC Docket Nos. ER13-685-000, ER13-687-000 and ER13-690-000, filed December 2012.

- In the Matter of Public Service Company of New Mexico's Renewable Energy Portfolio Procurement Plan for 2014 and Proposed 2014 Rider Rate Under Rate Rider No. 36, NMPRC Case No. 13-00183-UT, filed June 1, 2013.

- In the Matter of the Application of Public Service Company of New Mexico for Continued Use of Fuel and Purchased Power Cost Adjustment Clause, NMPRC Case No. 13-00187-UT, filed May 28, 2013.

- In the Matter of Application of PNM for Approval to Abandon San Juan Generating Station Units 2 and 3, Issuance of CCNs for Replacement Power Resources, Issuance of Accounting Order and Determination of Ratemaking Principles and Treatment, NMPRC Case No. 13-00390-UT, filed December 20, 2013.

- In the Matter of the Application of PNM for Approval of Renewable Energy Rider No. 36 Pursuant to Advice Notice No. 439 and for Variances from Certain Filing Requirements, NMPRC Case No. 12-00007-UT, filed February 28, 2014.

- In the Matter of Public Service Company of New Mexico's Application for a Certificate of Public Convenience and Necessity and Related Approvals for the La Luz Energy Center, NMPRC Case No. 13-00175-UT, filed March 21, 2014.

- 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, NMPRC Case No. 14-00158-UT, filed June 2, 2014.

- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates pursuant to Advice Notice No. 507, NMPRC Case No. 14-00332-UT, filed December 11, 2014.

- In the Matter of the Application of PNM for Approval of Renewable Energy Rider No. 36 Pursuant to Advice Notice No. 439 and for Variances from Certain Filing Requirements, NMPRC Case No. 12-00007-UT, filed February 27, 2015.

- In the Matter of Public Service Company of New Mexico's Renewable Energy Portfolio Procurement Plan for 2016 and Proposed 2016 Rider Rate Under Rate Rider No. 36, NMPRC Case No. 15-00166-UT, filed June 1, 2015.

- In the Matter of Public Service Company of New Mexico's Application for a Certificate of Public Convenience and Necessity and Related Approvals for the San Juan Gas Plant, NMPRC Case No. 15-00205-UT, filed June 30, 2015.

- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 513, NMPRC Case No. 15-00261-UT, filed August 27, 2015.

- In the Matter of the Application of Public Service Company of New Mexico for Prior Approval of the Advanced Metering Infrastructure Project, Determination of Ratemaking Principles and Treatment, and Issuance of Related Accounting Orders, Case No. 15-00312-UT, filed February 26, 2016.

- In the Matter of Public Service Company of New Mexico's Application for a Certificate of Public Convenience and Necessity and Related Approvals for an 80MW Gas-Fired Generating Plant Located at the San Juan Generating Station, NMPRC Case No. 16-00105-UT, filed April 26, 2016.

- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 533, NMPRC Case No. 16-00276-UT, filed December 7, 2016.

- In the Matter of Public Service Company of New Mexico's Application for Approval of its Renewable Energy Act Plan for 2018 and Proposed 2018 Rider Rate Under Rate Rider No. 36, NMPRC Case No. 17-00129-UT, filed June 1, 2017.

- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rates, PUCT Docket No. 47422, filed July 19, 2017.

- In the Matter of Public Service Company of New Mexico's Application for Approval Pursuant to 17.9.551 NMAC of Three Purchase Power Agreements in Accordance with Special Service Contract with Facebook Inc, NMPRC Case No. 18-00009-UT, filed January 17, 2018.

- In the Matter of Public Service Company of New Mexico's Application for a Continued use of its Fuel and Purchase Power Cost Adjustment Clause, Case No. 18-00096-UT, filed April 23, 2018.

- In the Matter of the Application of Texas-New Mexico Power Company to Change Rates, PUCT Docket No. 48401, filed May 30, 2018

- In the Matter of Public Service Company of New Mexico's Petition for Approval to Acquire the Western Spirit 345 kV Transmission Project, Case No. 19-00129-UT, filed May 10, 2019.

- Affidavit in Support of Public Service Company of New Mexico's Section 205 filing for the Western Spirit Project. FERC Docket No. ER19-1824. Filed May 10, 2019.

- In the Matter of PNM's Abandonment of San Juan Generating Station Units 1 and 4, NMPRC Docket No. 19-00018-UT, filed January 10, 2019.

- In the Matter of Public Service Company of New Mexico Consolidated Application for Approvals for the Abandonment, Financing and Resource Replacement for San Juan Generating Station Pursuant to the Energy Transition Act, NMPRC Docket No. 19-00195-UT filed July 1, 2019

- Joint Report and Application of Texas-New Mexico Power Company, NM Green holdings, Inc. and Avangrid, Inc. for Regulatory Approvals Under PURA 14.101, 39.262, and 39.915. PUCT Docket No. 51547, filed November 23, 2020.

- The Commission's Show Cause Order In the Matter of PNM's Abandonment of San Juan Generating Station Units 1 and 4, NMPRC Docket No. 19-00018-UT, filed April 30, 2022.

- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 595, NMPRC Docket No. 22-00270-UT, filed December 5, 2022.

- In The Matter Of Public Service Company Of New Mexico's Application For Approval Of Purchased Power Agreements, Energy Storage Agreements, and Certificates of Public Convenience and Necessity for System Resources in 2026, NMPRC Docket No. 23-00353-UT, filed October 25, 2023.

- In The Matter Of The Application Of Public Service Company of New Mexico For Revision Of Its Retail Electric Rates Pursuant To Advice Notice No. 625, NMPRC Docket No. 24-00089-UT, filed June 14, 2024.

GCG#533196

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE COMPANY OF NEW MEXICO'S APPLICATION FOR APPROVAL OF PURCHASED POWER AGREEMENT, ENERGY STORAGE AGREEMENTS, AND CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR SYSTEM RESOURCES IN 2028	)	**Case No. 24-00271-UT**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant	)	

AFFIDAVIT

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

HENRY E. MONROY, VP, PNM Regulatory, PNMR Services Company, upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing **Direct Testimony of Henry E. Monroy** and it is true and accurate based on my own personal knowledge and belief.

Dated this 22nd day of November, 2024.

/s/_Henry E, Monroy
Henry E. Monroy