

Regulatory Assistance Project Electric Resource Long-range Planning Survey¹

State: **New Mexico** Date: 6/11/03
Name of Agency: New Mexico Public Regulation Commission (PRC)
Source: Phone interview, email
Contact Person, title: Mr. Prasad Potturi, Electrical Engineering Bureau Chief
Background: Engineering
Phone/email: 505-827-6977/ prasad.potturi@state.nm.us
Website: <http://www.nmprc.state.nm.us>

Policies

1. Is any form of long-range electrical resource and/or investment planning required?

Yes

2. What is it called?

There are several planning processes:

“Continuing Obligation”: As a result of the Public Utilities Act of 1941 (the “Act”), the utilities are under a continuing obligation to plan to meet load obligations reliably, efficiently and at fair, just and reasonable prices (as defined by the PRC).

“Load and Resources Report” or “Supply Plan”: In recent cases, the PRC approved stipulations requiring the filing of long term resource plans by the two major IOUs: Public Service Company of New Mexico (PNM) and El Paso Electric(EPE). In EPE’s case, it is a one-time filing only for Staff’s review. In PNM’s case, it is a filing once every two years until 2010, for all stipulation participants’ review.

“Certificate of Convenience and Necessity” (CCN): Formal, docketed procedure for “substantial” construction or improvements to generation or T&D.

“Rule 440 Filings”: These are informational filings on line extensions or system improvements. If they are “substantial” investments (in dollars), the PRC may on its own motion convert, or PRC staff may request for conversion of, the filings to CCN dockets.

¹ All responses written from notes compiled and edited by Cathie Murray at RAP. Any corrections to the draft document, suggested by the contact person, have been incorporated.

3. What is the process?

“Continuing Obligation”: The Act does not explicitly require utilities to file plans with the PRC. However, the PRC may open an investigation at any time. If a utility does not meet its obligation, the PRC may impose fines.

“Load and Resources Report”: In a 2001 stipulation, EPE agreed to submit a one-time report to PRC Staff covering 10 years of needs and resources. In a 2002 stipulation freezing rates until 2008, PNM agreed to file ten year “supply plans” every two years until 2010. In PNM’s case, the plans had to address several elements including load forecasts, resources, financial information, acquisition plans, etc. PNM’s plans are not intended to be formally docketed, unless the Commission desires otherwise.

“CCN”: Individual utilities initiate the formal process by requesting a CCN. The utility must publish a notice of general circulation in their service area, and as specified by the Commission. Parties pursue discovery. There is a public hearing. The hearing examiner provides a recommendation to the PRC. The Commissioners make their decision in a public meeting. There is no statutory time limit for PRC decision-making.

A performance measure statute enacted in 2003 requires the PRC to clear 25% of their cases (docketed and in process) every quarter. This may impact the pace of CCN proceedings.

THE REMAINDER OF RESPONSES WILL REFER ONLY TO THE CCN PROCESS, SINCE THAT IS THE ONLY REQUIRED, CONTESTED PLANNING PROCEDURE, OTHER THAN A COMMISSION INQUIRY.

4. Describe the analysis required by the regulatory body.

A CCN is granted only when the PRC is convinced that need has been established, the utility’s plan is the best alternative at the least cost, and it meets the public interest with minimal negative environmental impact. All feasible options must be considered before a CCN will be granted.

5. Is it statewide or utility-specific planning? What types of entities are required to participate?

It is utility specific. Only IOUs have to apply for a CCN. A statute passed in 2001 specifically removed Generation and Transmission cooperatives from PRC regulation unless 3 or more distribution cooperatives complain.

6. This form of planning has been required since what date?

The Public Utility Act of 1941 governs this planning.

Required Elements

7. Which of the following resources must be evaluated/included:

Generation	Yes
Transmission	Yes
Distribution	Yes
Energy efficiency	Yes
Load Management	Yes
Other	DSM must be considered.

8. Is a comparison of supply and demand side options/resources required? Yes

9. The plans' objectives, from the regulatory perspective:

The PRC's goal is to assure that utilities are planning to meet demand in an efficient, reliable and least cost manner. The CCN process is just one tool to meet this goal.

10. The plans' objectives, from the utility perspective:

The CCN satisfies a legal requirement. It also provides some certainty for the utility and its investors, since the CCN is necessary to recover costs in rates.

11. Are alternative scenarios analyzed as part of the plan? Yes

If so, what factors are considered?

The burden of proof of the need for new construction/resources is on the utility. The utility provides extensive alternative scenario analysis.

12. Economic and environmental externalities are not required to be considered.

However, intervenors may raise them.

13. What is the planning horizon? Usually ten years.

Length of Energy and Demand forecasts Usually ten years.

Length of Short-term Action Plan This is left up to the utility. If they delay, it is at their own risk.

14. How often do utilities have to file plans? Update plans? What actually happens?

Whenever they plan construction or a significant improvement to their generation, transmission or distribution systems.

15. What monitoring or other processes are used to determine consistency of investments with plans?

Subsequent rate cases will examine the consistency of a utility's investments with the CCN plan. Cost overruns will lead to an investigation.

16. Are environmental issues considered in the planning process?

Yes, utilities must comply with federal and state environmental standards.

Agency Process

17. Agency holds public hearings on utility plans? Yes

18. Other ways public participates and comments on plans are:

The hearings are judicial proceedings. All public participation is within that context.

19. What action does the Commission take on the plan(s)?

Approve it

Reject it

Require utility to modify and resubmit it (new docket will be opened)

20. Have resource acquisition decisions changed as a result of the planning process?

Yes. A few years ago, a 345 KV Transmission line was proposed by PNM. The CCN was rejected by the PRC. As a result, PNM entered a 25-year contract with a merchant company that built a 140 MW plant in the load center (Albuquerque). The plant would not have needed State approval except that its proposed location was on utility land. This triggered a 1992 federal law (EPACT of 1992) which required State concurrence before the plant builder could get an EWG certification.

21. Are competitive processes used to acquire new resources? Yes

The burden of proof is on the utility to show that it is proposing the Least Cost alternative. If there is a lower price out there, parties will intervene to bring it to the PRC's attention.

22. Do utilities file an energy efficiency or DSM plan? No

23. Is competitive bidding used to acquire EE resources? See #21

24. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? No

25. Citation and description:

The compliance submittals ("Load and Resources Report") are not docketed. Copies are given to all signatories, and are available to the public.

26. Are filed plans available on-line? No

However, electronic copies of PNM's filing can be transmitted electronically.

27. Citation and description of State policies (legislation, rules/regs, PUC orders) governing planning:

Public Utilities Act of 1941

28. Do you anticipate any changes to this process in the near future? No

29. Does your state do performance-based regulation? No

However, New Mexico does have a mandatory RPS rule: New Mexico Administrative Code Chapter 17, Rule 573.

State Energy Plan

30. Is there a State Energy Plan? No

31. Is it connected to the planning described above? N/A

32. If yes, who is responsible for the Plan? N/A

33. What is included in the Plan, apropos of long-range electrical planning? N/A