

**PUBLIC SERVICE COMPANY OF NEW MEXICO ("PNM")
CURTAILMENT PRACTICE**

Background

The PNM Curtailment Practice ("Curtailment Practice") applies to the Western Electricity Coordinating Council ("WECC") Path 48, north to south power flows, ("Path 48"). For those times that power flow levels exist on Path 48 that would be in violation of reliability criteria or during those times that PNM receives a directive from the WECC Reliability Coordinator to reduce Path 48 transfers, PNM will, consistent with the relevant provisions of its Open Access Transmission Tariff ("OATT"), implement curtailments on a non-discriminatory basis among the current transmission users of Path 48. If practicable, based on system conditions and facilities available for immediate service, PNM will dispatch certain PNM load-side resources to maintain the integrity of the Path 48 prior to, or if necessary, in conjunction with the implementation of the Curtailment Practice described herein.

Effective Date & Term

This Curtailment Practice is effective as of the specified "Version Number and Date" indicated in the upper right hand corner and shall remain in effect until PNM has developed a suitable replacement and made it available to its transmission customers by posting on the PNM OASIS. PNM will periodically review this Curtailment Practice to ensure that it continues to provide an equitable basis for reduction of system use to ensure transmission reliability criteria are not violated during the operation of Path 48.

General Curtailment Process

Based upon the system conditions or following receipt of a directive from the WECC Reliability Coordinator to maintain reliability, PNM shall, determine the total amount of transmission capability available and any need for a transmission curtailment. Should curtailments be required, they shall be made on a non-discriminatory basis giving due consideration to OATT service priorities.

When a transmission service curtailment is required, the following order of priority (consistent with the OATT, as may be modified from time-to-time) will be used in calling for reduced use, with the lowest priority listed first:

Secondary Non-Firm Use of Firm Point-to-Point - OATT Section 22.1 ("Priority 1");
Hourly Non-Firm - OATT Section 14.7 ("Priority 2");
Daily Non-Firm - OATT Section 14.7 ("Priority 3");
Weekly Non-Firm - OATT Section 14.7 ("Priority 4");
Monthly Non-Firm - OATT Section 14.7 ("Priority 5");
Secondary Non-Firm Network Resources - OATT Section 28.4 ("Priority 6"); and
Firm Native Load, Network Load and Point-to-Point ("Priority 7").

If relief to the reliability constraint can be provided by reducing Non-Firm Point-to-Point Services ("Priority 1-5"), then PNM shall curtail these schedules sequentially,

from lowest to highest, on a pro-rata basis for each priority. PNM will curtail all Non-Firm Point-to-Point schedules prior to curtailing any Secondary Network Resources ("Secondary Services"), Network Integration Transmission Service Agreement Customers ("NITSA Customers") PNM Native Load Customers, or Firm Point-To-Point Transmission Service Customers.

In the event that additional transmission service curtailments are required following the curtailment of Non-Firm Point-to-Point Services, then PNM shall curtail the appropriate portion of Secondary Services contributing to the potential reliability problem. PNM shall reduce such Secondary Services on a pro-rata basis.

In the event that additional transmission service curtailments are required following the curtailment of Non-Firm Point-to-Point Services ("Priority 1-5") and Secondary Services ("Priority 6"), PNM shall curtail on a pro-rata basis the appropriate portion of Priority 7 Firm transactions contributing to the reliability problem including service for: Firm Point-to-Point Customers; all NITSA Customers; and PNM Native Load Customers.

After PNM has determined the required Priority 7 curtailment level, PNM shall, if time allows, inform each Priority 7 customer of the Total Path 48 Required Curtailment and the Path 48 curtailment required of that specific customer. The Total Path 48 Required Curtailment shall be allocated among Path 48 customers based on the product of load ratio share of each Priority 7 customer transmission use of Path 48 to the total Priority 7 customer transmission use of Path 48 at the specific time of the Total Path 48 Required Curtailment and the Total Path 48 Required Curtailment.

Other Provisions

Employment of Re-dispatch

If practicable, based on system conditions and facilities available for service, PNM will dispatch certain PNM load-side resources to maintain the reliability of the Path 48 prior to, or if necessary in conjunction with, the implementation of the Curtailment Practice described herein ("Re-dispatch"). The resources designated by PNM for Re-Dispatch are selected based on their effectiveness in maintaining the reliability of Path 48 and their location in relation to loads subject to curtailment in the absence of such Re-dispatch.

Directive WECC Reliability Coordinator

Following receipt of a directive from the WECC Reliability Coordinator to curtail use to maintain the reliability on Path 48, PNM will take all necessary action to ensure that the requested curtailment is fully implemented and enforced consistent with the directive received from the WECC Reliability Coordinator and consistent with the terms and condition set forth in the Curtailment Practice.

Forced Outage Condition

Following a forced outage, PNM will determine as soon as practicable whether Path 48 is at a reliability limit. If PNM determines that the transmission system is exceeding a reliability limit then curtailments will be requested immediately and PNM will

take any necessary action to ensure that curtailments or employment of Re-dispatch, as described herein, are fully implemented no later than thirty (30) minutes following such curtailment request.

PNM, consistent with the provisions of the OATT, reserves the right to curtail in whole or in part, any transmission service provided by PNM under the PNM OATT when, in PNM's sole discretion, an emergency or other unforeseen condition impairs or degrades the reliability of Path 48.

Scheduled Outage Condition

PNM will determine the transfer capability limits in advance of a scheduled outage. Once the transfer capability limits are determined, PNM will inform transmission customers of their respective curtailment responsibilities as far in advance of the scheduled outage as is practicable.

For scheduled outages PNM will notify transmission service customers of the pending outage through posting of the outage on the OASIS. Such posting is intended to allow the transmission customers adequate time to seek alternate transmission service arrangements or generation resources to enable the transmission customer to serve their respective loads.