

Public Service Company of New Mexico (“PNM”) Strawman Regarding Compliance with the Nine Planning Principles from Commission Order No. 890

Part 4 May 29, 2007

A Introduction

PNM is a member of the Western Electricity Coordinating Council (“WECC”), WestConnect and the Southwest Area Transmission (“SWAT”) Planning Group. PNM is actively involved in regional and sub-regional planning within each of these groups.

PNM supports the recently-formed WECC Transmission Expansion Policy Planning Committee (“TEPPC”) through conference call and “webinar” participation. PNM is active within WECC committees and working groups to ensure proper coordination and accurate modeling of the PNM transmission system and transmission plans throughout the Western Interconnection planning processes.

In November 2004, PNM was an initial signatory to the WestConnect Memorandum of Understanding. PNM is a member of the WestConnect steering committee. Additionally, PNM is a signatory of the WestConnect Project Agreement for Subregional Transmission Planning and has a representative on the WestConnect Regional Planning Working Group.

PNM has one or more attendees at all SWAT steering committee meetings, chairs the New Mexico Area Subcommittee of SWAT, and attends other subcommittee meetings that address transmission issues that concern the grid in New Mexico.

PNM has a history of joint planning and project development with other southwest utilities. Most of the large base load power plants in Arizona and New Mexico and their associated Extra High Voltage (“EHV”) transmission outlet facilities are jointly owned. For example, PNM shares ownership in generation and related EHV outlet transmission facilities at the Palo Verde, Four Corners, San Juan and Luna power plants.

PNM, as the operator and primary owner of the transmission import path into Northern New Mexico (WECC “Path 48”), is responsible for coordinating analysis and peer review of the WECC-accepted rating for Path 48. PNM, as a part-owner and holder of contract rights on the import path into Southern New Mexico

(WECC “Path 47”), also participates in rating studies and peer review of transmission planning analyses for Path 47.

B Order No. 890 Principles for Coordinated, Open and Transparent Transmission Planning

1. Coordination

The rule requires transmission providers to meet with all of their transmission customers and interconnected neighbors to develop a transmission plan on a non-discriminatory basis.

PNM Straw for Coordination Principle:

In addition to participating in the WestConnect sub-regional planning process, PNM satisfies or will satisfy the Order No. 890 Coordination Principle at the individual transmission provider level through the following activities:

- Soon after initiation of Network Integration Transmission Service (“NITS”) under its OATT, in 2002, PNM began to hold semi-annual coordination meetings with its NITS Customers to address operations and planning issues associated with provision of NITS. PNM currently holds a NITS customer coordination meeting in the spring and fall of each year.
- PNM will expand these coordination meetings to include current and prospective point-to-point transmission service customers.

2. Openness

The rule requires that transmission planning meetings be open to all affected parties including, but not limited to, all transmission and interconnection customers, state commissions and other stakeholders. Additionally, the rule requires transmission providers, in consultation with affected parties, to develop mechanisms, such as confidentiality agreements and password-protected access to information, in order to manage confidentiality and CEII concerns.

PNM Straw for Openness Principle:

In addition to participating in the WestConnect sub-regional planning process, PNM satisfies the Order No. 890 Openness Principle at the individual transmission provider level through the following activities:

- In 2007 the New Mexico State Legislature mandated Integrated Resource Planning for certain utilities in New Mexico and the NMPRC has implemented a rule entitled "Integrated Resource Planning for Electric Utilities". The rule requires a one-year public advisory process to receive public input and solicit public commentary concerning resource plans before the plans are filed.
- All PNM transmission projects that affect other transmission providers and NITSA customers are reported to and coordinated within the SWAT sub-regional planning groups. These meetings are open to all interested parties.

3. Transparency

The rule requires transmission providers to disclose to all customers and other stakeholders the basic criteria, assumptions, and data that underlie their transmission system plans. In addition, transmission providers will be required to reduce to writing and make available the basic methodology, criteria, and processes they use to develop their transmission plans, including how they treat retail native loads, in order to ensure that standards are consistently applied.

PNM Straw for Transparency Principle:

In addition to participating in the WestConnect sub-regional planning process, PNM satisfies the Order No. 890 Transparency Principle at the individual transmission provider level through the following activities:

- PNM posts a document on its OASIS that lists and provides a summary description of transmission plans and planning studies. The document is available to all interested parties. The summary lists transmission planning studies that have been completed by PNM and studies that are in progress for both internal PNM planning studies and any transmission delivery service and generator interconnection studies performed

pursuant to the PNM OATT. These studies are available by written request to PNM.

- PNM has posts a document that describes its TTC/ATC methodology for WECC Path 48 and for all other paths posted on the PNM OASIS. In addition to disclosing the basis for the TTC of each path, this document discusses any CBM/TRM requirements and the committed uses that support the ATC that PNM offers for each of its paths posted on the OASIS.

4. Information Exchange

The rule requires network transmission customers to submit information on their projected loads and resources on a comparable basis (e.g., planning horizon and format) as used by transmission providers in planning for their native load. The rule further requires that point-to-point customers be required to submit any projections they have of a need for service over that planning horizon and at what receipt and delivery points. Transmission providers, in consultation with their customers and other stakeholders, must develop guidelines and a schedule for the submittal of information. The information must be made available at regular intervals to be identified in advance. The frequency of this Information exchange must be addressed in the transmission provider's compliance filing.

PNM Straw for Information Exchange Principle:

In addition to participating in the WestConnect sub-regional planning process, PNM will satisfy the Order No. 890 Information Exchange Principle at the individual transmission provider level through the following activities:

- PNM will meet this principle through development of a process for exchange of information with its transmission service customers that will operate in conjunction with the semi-annual transmission customer meetings held under the regional planning Coordination Principle.

5. Comparability

The rule requires that each transmission provider, after considering the data and comments supplied by market participants, develop a transmission

system plan that (1) meets the specific service requests of its transmission customers and (2) otherwise treats similarly-situated customers (e.g., network and retail native load) comparably in transmission system planning. The rule further requires that customer demand resources should be considered on a comparable basis to the service provided by comparable generation resources where appropriate.

PNM Straw for Comparability Principle:

In addition to participating in the WestConnect sub-regional planning process, PNM will satisfy the Order No. 890 Comparability Principle at the individual transmission provider level through the following activities:

- PNM has satisfied and will continue satisfy this principle through its NITS customer meetings discussed in the Coordination and Information Exchange Principles discussed above.

6. Dispute Resolution

The rule requires transmission providers to develop a dispute resolution process to manage disputes on both procedural and substantive planning issues that arise from the Final Rule's planning process. Those seeking to rely on an existing dispute resolution process must specifically address how its procedures will be used to address planning disputes. The Commission encourages transmission providers, customers, and other stakeholders to utilize the Commission's Dispute Resolution Service to help develop a three step dispute resolution process, consisting of negotiation, mediation, and arbitration.

- PNM will satisfy this principle through the WestConnect sub-regional planning process.

7. Regional Participation

The rule requires each transmission provider to coordinate with interconnected systems to: (1) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data, and (2) identify system enhancements that could relieve "significant and recurring" transmission congestion.

PNM Straw for Regional Participation:

In addition to participating in the WestConnect sub-regional planning process, PNM satisfies the Order No. 890 Regional Participation Principle at the individual transmission provider level through the following activities:

- PNM will continue to participate in the WECC Path Rating Process for WECC Paths 47 and 48.

8. Economic Planning Studies

The rule requires transmission providers to take into account both reliability and economic considerations in transmission planning. The rule accords stakeholders the right to request a defined number (e.g. five to 10) of high priority studies annually to address congestion and/or the integration of new generation resources or loads on an aggregated or regional basis. The studies must be posted on the transmission providers' OASIS. The rule requires each transmission provider to comply with the requirement to perform economic planning studies both as to its own transmission system and as to a regional study process.

- PNM will satisfy this principle through the TEPPC regional planning process.

9. Cost Allocation for New Projects

The rule requires that for a planning process to comply with the Final Rule, it must address the allocation of costs of new facilities. The cost allocation principle discussed therein is intended to apply to projects that do not fit under the existing structure, such as regional projects involving several transmission owners or economic projects that are identified through the study process described above. The proposal should identify the types of new projects that are not covered under existing cost allocation rules and, therefore, would be affected by this cost allocation principle.

- PNM will satisfy this principle through the WestConnect sub-regional planning process.