

Public Service Company
of New Mexico
Transmission Operations
Alvarado Square MS 0604
Albuquerque, NM 87158
505 241 4852
Fax 505 241 4363



*A personal commitment
to New Mexico*

Transmission Operations

June 25, 2009

To: PNM Distributed Generation Program Team Leader

RE: Letter Agreement

Dear Team Leader:

PNM's Transmission/Distribution Planning & Contracts group ("TD&C ") has reviewed the PNM Distributed Generation group ("DG") request for TD&C's support of DG proposed distributed generation project options on the transmission and/or distribution system. TD&C understands that the distributed generation projects are being pursued in fulfillment of the State mandated IRP Action Plan and Supply Plan filings, and that any project(s) that go forward as a result of the study efforts herein, will be incorporated as additional PNM Network Resource(s). TD&C is prepared to assist DG by studying proposed distributed generation project scenarios to determine necessary network upgrades for interconnection and for the delivery path from the resource(s) to the retail customer load. TD&C believes that its support in this study effort will best be facilitated by identifying, and agreeing to, via this Letter Agreement, certain working parameters between the DG Development Team(s) and TD&C as relates to developing DG distributed generation project options for New Mexico retail customers.

- 1) TD&C will continue to comply with the requirements of the Federal Energy Regulatory Commission ("FERC") Generator Interconnection Policy, including the requirement for TD&C to follow the FERC generator interconnection procedures/processes incorporated into PNM's Open Access Transmission Tariff ("OATT") for generator interconnections of twenty (20) MW or less (i.e., the PNM OATT Small Generator Interconnection Procedures ("SGIP")). Such procedures/processes ensure comparable treatment of all generator interconnection customers, define responsibilities and obligations of PNM TD&C and the customer, and include queuing rules and timelines for processing applications.
- 2) TD&C will, consistent with SGIP Section 1.2 "Pre-Application" provisions, provide requested electric system information to the DG Development Teams(s) which include relevant system studies, interconnection studies, and other materials useful to gain an understanding of an interconnection at a particular point on the transmission and/or distribution system, to the extent such provision does not violate confidentiality provisions of prior agreements or critical infrastructure requirements. Because the DG proposals are in fulfillment IRP requirements, TD&C agrees to work with DG to

evaluate DG proposals for single or multiple resource(s) and scenarios and provide advice on potential requirements for network upgrades and estimated transmission costs associated with each proposal prior to DG submitting formal SGIP Applications.

- 3) DG, in compliance with the PNM SGIP, will submit a generator interconnection application, on a project-by-project basis, for each proposed generation interconnection for which it would like TD&C to formally complete SGIP studies.
- 4) TD&C will enter each completed application for generator interconnection in the small generator interconnection queue, will process each application, and will complete any necessary studies pursuant to agreements under the SGIP, to determine the requirements for transmission and/or distribution system network upgrades and an estimate of associated transmission and/or distribution costs.
- 5) DG will be responsible for paying for the study work and TD&C will account for its costs to perform such study work and will directly charge the DG designated program/project accounts. TD&C's actual costs shall include all direct labor costs plus applicable overheads and any appropriate non-labor costs (including consultant costs, where warranted).
- 6) DG agrees to provide project account number information to TD&C in advance of TD&C beginning any study work.
- 7) TD&C shall post this Letter Agreement and any related communications on its westTrans public OASIS site. Posted documents shall include but are not limited to the following: The process to be followed, study scope documents, intermediate and final study results.
- 8) This Letter Agreement shall remain in effect until terminated, in writing, by either DG or TD&C.

If the DG Team concurs with the provisions of this Letter Agreement, please sign in the space provided and return to TD&C at the following address:

PNM Transmission/Distribution Planning & Contracts
Alvarado Square MS 0604
Albuquerque, NM 87158-0604

If you have any questions, please call me at 505-241-4582.

Sincerely,



Jeff Mechenbier
Director, Transmission/Distribution
Planning & Contracts

ACCEPTED AND AGREED TO:

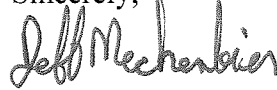
PNM DG Team(s)

By: *Robert Brocken*

Date: 7/14/2009

If you have any questions, please call me at 505-241-4582.

Sincerely,



Jeff Mechenbier

Director, Transmission/Distribution
Planning & Contracts

ACCEPTED AND AGREED TO:

PNM DG Team(s)

By: *R. Nis*

Date: 7/15/09