



NEW MEXICO UTILITY **Shareholders Alliance**

PNM's Rate Case and Integrated Resource Plan Questions and Answers

1) How do PNM's rates compare to its region and to the nation?

According to the United States Energy Information Administration, PNM customers pay an average monthly bill of \$72.21. Beginning in 2018, PNM estimates that its average bill will be \$80.37 based on the proposed increase of \$62.3 million agreed to in the Stipulation. The regional average bill is \$105.68 and the national average bill is \$111.79. See the attached file for a comparison table of average residential bills.

2) How does PNM's executive compensation compare with similarly situated CEO's?

To maintain PNM's position as one of the top mid-sized energy providers in the country, it must employ top quality executives. The energy sector is extremely competitive and because of this PNM's executive compensation must be competitive as well. PNM executive compensation tends to be on average or slightly below average with other mid-sized energy companies.

3) Does PNM's executive compensation and benefits come out of electric rates?

A very small portion of executives' cash compensation is generated through PNM rates. None of its executives' annual or long term incentive pay comes from rates, but rather from the shareholders of PNM Resources' and the other subsidiary, TNMP. These incentives are awarded when specific and strategic annual and long-term goals are met or exceeded.

4) Why did PNM make the decision to shutter San Juan Generating Station? What role did the Integrated Resource Plan (IRP) play in that decision?

The Integrated Resource Plan (IRP) is a forward looking roadmap that looks at future energy needs and resources. It is required of all New Mexico regulated utilities to be submitted every three years to the New Mexico Public Regulation Commission (NMPRC). This comprehensive report is compiled using market data and analysis as well as extensive public input.

PNM concluded its public advisory process and filed its IRP report on July 3, 2017. The results presented in the report point strongly toward shutting down San Juan after the current coal supply agreement runs out in 2022, and also toward exiting Four Corners Power Plant in 2031.

when its coal supply agreement runs out. This will result in no coal in PNM's energy supply mix in the future if implemented.

5) Did the public have any say in PNM's IRP process?

PNM invited the public to participate in the planning process. The goals for public participation were twofold. First, to provide information to interested stakeholders regarding the resource options available and, second, to allow for feedback regarding the assumptions and calculations and affirmation of the breadth and focus of the process as well as the public's prioritization in resource planning. PNM considered these factors and the Public Advisory group's input when analyzing different customer load and resource options under different future assumptions. PNM considered the input from the IRP Public Advisory Process participants in evaluating the plan. This input included cost calculations and projections of future costs, current and potential environmental policy (its impacts and likelihood of becoming law), and system reliability regulations and how they might evolve as the electric grid changes.

The public advisory process began with a meeting held June 30, 2016. Additional public meetings were held in Albuquerque on July 27, 2016, August 11, 2016, September 1, 2016, September 22, 2016, November 10, 2016, March 28, 2017, April 18, 2017, and May 23, 2017. PNM also conducted public meetings in Farmington, Alamogordo, Deming, Silver City and Santa Fe during May 2017.

6) Why is a rate increase necessary?

Since the last rate case filed in 2015, PNM has continued to invest in utility plant and facilities. It has been cognizant of the environment, promoting solar and other clean energy technologies, and providing safe and reliable service to customers. Although PNM has kept its Operating and Maintenance (O & M) costs below average inflation levels, significant changes in PNM's generation portfolio, the need for PNM to invest in its system to maintain a high level of service, and changes in how PNM's retail and wholesale customers use energy and rely on the system necessitated the filing of another rate case with the NMPRC.

7) How will PNM use the money from the rate increase?

PNM's electric rate case filing made on December 7, 2016 requested a rate increase of approximately \$99.2 million effective January 1, 2018. The following table summarizes the key elements that account for approximately 85% of the initial rate request. The majority of PNM's projected \$99.2 million revenue deficiency in 2018 directly relates to the costs of PNM's previously approved resource additions or retirements and ongoing capital investments.

Generation Portfolio Changes from the BART case	\$35 million
Capital Investments	\$29 million
Energy Efficiency and Load Characteristics	\$11 million
Changes in Jurisdictional Allocations	\$ 9 million

While the initial filing called for a revenue increase of approximately \$99 million, following a robust and inclusive negotiation process, PNM reached a constructive and responsible settlement agreement with the majority of the parties in the case. The Stipulated agreement with the intervenors was filed May 23, 2017. Only one party has filed in opposition to the Stipulation. The proposed increase in the settlement agreement would generate \$62.3 million. This settlement has been filed with the NMPRC and the hearing will begin August 7, 2017.

8) Who are the signatories to the Stipulation?

- Public Service Company of New Mexico
- Albuquerque Bernalillo County Water Utility Authority
- Bernalillo County
- Coalition for Clean Affordable Energy
- City of Albuquerque
- The Kroger Co.
- New Mexico Attorney General
- New Mexico Industrial Energy Consumers
- Renewable Energy Industries Association of New Mexico
- Sierra Club
- Wal-Mart Stores East, LP and Sam's East, Inc.
- Western Resource Advocates
- NMPRC Utility Division Staff

9) PNM's commitment to the state.

PNM is celebrating 100 years of service in New Mexico this year. It is the state's largest provider of electricity, serving more than 530,000 residential and business customers with almost 1,500 employees.