

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF A RULEMAKING TO)
IMPLEMENT THE GRID MODERNIZATION STATUTE,)
NMSA 1978, SECTION 62-8-13 (2021) OF THE PUBLIC) Docket No. 22-00089-UT
UTILITY ACT)
_____)**

ORDER ISSUING NOTICE OF PROPOSED RULEMAKING

THIS MATTER comes before the New Mexico Public Regulation Commission (“Commission”) upon its own motion. The Commission issues a notice of proposed rulemaking to adopt a new rule at Title 17, Chapter 9, in a new Part 587 of the New Mexico Administrative Code, to implement the grid modernization statute of the Public Utility Act.

JURISDICTION AND PROCEDURAL HISTORY

1. The Commission has jurisdiction over these rulemaking proceedings and authority to issue the notice of proposed rulemaking (“NOPR”) and adopt the “Proposed Rule”¹ pursuant to the Public Utility Act (“PUA”) and the Public Regulation Commission Act.² Pursuant to its statutory authorizations, the Commission has authority to “adopt such reasonable administrative, regulatory and procedural rules as may be necessary or appropriate to carry out its powers and duties[.]”³

2. On March 3, 2020, the Governor of New Mexico signed House Bill 233, entitled “Energy Grid Modernization Roadmap,” into law, which added the grid modernization statute (“GMS”) to the PUA.

3. On April 6, 2021, the Governor signed House Bill 245, entitled “Utility Distribution System Hardening,” into law which amended the GMS.

¹ Attached hereto as Exhibit A.

² See NMSA 1978, § 62-8-13 (2021); see NMSA 1978, § 62-19-9(B)(10) (2020).

³ § 62-19-9(B)(10).

4. On November 12, 2021, the Commission issued the “Order Expanding Scope and Changing Inquiry” in Case No. 21-00177-UT which amended the existing rulemaking docket to further open an inquiry into the potential promulgation of a comprehensive grid modernization rule.

5. On April 20, 2022, the Commission issued the “Order Issuing Notice of Proposed Rulemaking and Narrowing Scope” in Docket No. 21-00177-UT, which created this Docket and transferred the November 12th Order and responses to this Docket, for the purposes of evaluating the efficacy of promulgating a grid modernization rule to advance and implement the objectives of the GMS, as amended.

6. On September 27, 2022, the Commission issued the “Bench Request Order” in this Docket, which required El Paso Electric Company (“EPE”), Public Service Company of New Mexico (“PNM”), and Southwestern Public Service Company (“SPS”) to respond to six inquiries related to federal funding opportunities and grid modernization.

7. On November 3, 2022, the Commission and Gridworks hosted a workshop on grid modernization which included a report and presentation by Gridworks.

8. On November 16, 2022, the Commission issued the “Second Bench Request Order” requiring EPE, PNM, SPS, and Utility Division Staff (“Staff”) to respond to 42 inquiries.

9. On August 10, 2023, the Commission issued the “Third Bench Request Order” on issues related to federal funding opportunities, and required EPE, PNM, and SPS to answer the seven inquiries.

10. On September 7, 2023, the Commission issued the “Order Scheduling Workshop” which set a workshop to be held on September 28, 2023. The Commission found that future grid

modernization applications should be guided by a rule to be promulgated by the Commission and to hold further workshops.

11. On September 28, 2023, the Commission held a second workshop where stakeholders discussed combining grid modernization with the broader context of integrated distribution planning (“IDP”) and the relationship of IDP to the grid modernization rule.

12. On November 6, 2023, the Commission issued its “Fourth Bench Request Order and Order Scheduling Workshop” requiring EPE, PNM, and SPS to respond to 14 inquiries.

13. On November 28, 2023, the Commission held its third workshop where EPE, SPS, and PNM presented information on their responses to the November 6th order pertaining to IDP.

14. On April 3, 2024, the Commission issued its “Fifth Bench Request Order and Order Scheduling Workshop” requiring EPE, PNM, and SPS to respond to 29 inquiries.

15. On May 15, 2024, the Commission held its fourth workshop where Energy and Environmental Economics, Inc., EPE, PNM, and SPS presented information on cost evaluations and cost-benefit analyses.

16. On July 9, 2024, the Commission held its fifth workshop where the Minnesota Public Utilities Commission and Telos Energy presented information on IDP for electric vehicles.

17. On November 18, 2024, the Commission issued the “Sixth Bench Request Order” containing the “Draft Rule,” requiring Staff and permitting stakeholders to file comments.

18. On December 9, 2024, the New Mexico Energy, Minerals, and Natural Resources Department (“EMNRD”) and the Renewable Energy Industries Association of New Mexico (“REIA”) filed comments on the Draft Rule pursuant to the Sixth Bench Request Order.

19. On December 17, 2024, the New Mexico Department of Justice (“NMDOJ”) and PNM filed comments on the Draft Rule pursuant to the Sixth Bench Request Order.

20. On December 18, 2024, Coalition for Clean Affordable Energy, Natural Resources Defense Council, Southwest Energy Efficiency Project, and Western Resource Advocates (“Joint Stakeholders”) jointly filed, and EPE, SPS, and Staff individually filed, comments on the Draft Rule pursuant to the Sixth Bench Request Order.⁴

DISCUSSION

21. It is the Commission’s responsibility to regulate public utilities,⁵ and in enacting the GMS, the Legislature provided that the Commission is further responsible for reviewing and approving public utilities’ applications for grid modernization projects, investments, incentives, rate designs, programs, benefits, and expenditures.⁶ Additionally, the Commission has authority to promulgate reasonable rules necessary or appropriate to further those ends.⁷ The GMS defines what grid modernization is,⁸ and it provides guidance for the Commission’s review of grid modernization applications,⁹ however, the GMS does not provide the granular detail necessary to

⁴ This order summarizes relevant procedural history. The full electronic record of this proceeding is available at <https://edocket.prc.nm.gov>.

⁵ N.M. Const. art. XI, § 2.

⁶ See § 62-8-13.

⁷ See § 62-19-9(B)(10).

⁸ See § 62-8-13(F) (“As used in this section, ‘grid modernization’ means improvements to electric distribution or transmission infrastructure through investments in assets, technologies or services that are designed to modernize the electrical system by enhancing electric distribution or transmission grid reliability, resilience, interconnection of distributed energy resources, distribution system efficiency, grid security against cyber and physical threats, customer service or energy efficiency and conservation . . .”).

⁹ See *id.* (“When considering applications for approval, the commission shall review the reasonableness of a proposed grid modernization project and as part of that review shall consider whether the requested investments, incentives, programs and expenditures are: (1) reasonably expected to improve the public utility’s electrical system efficiency, reliability, resilience and security; maintain reasonable operations, maintenance and ratepayer costs; and meet energy demands through a flexible, diversified and distributed energy portfolio, including energy standards established in Section 62-16-4 NMSA 1978; (2) designed to support connection of New Mexico’s electrical grid into regional energy markets and increase New Mexico’s capability to supply regional energy needs through export of clean and renewable electricity; (3) reasonably expected to increase access to and use of clean and renewable energy, with consideration given for increasing access to low-income users and users in underserved communities; (4) designed to contribute to the reduction of air pollution, including greenhouse gases; (5) reasonably expected to support increased product and program offerings by utilities to their customers; allow for private capital investments and skilled jobs in related services; and provide customer protection, information or education; (6) transparent, incorporating public reporting requirements to inform project design

expand, clarify, define, and effectuate its provisions, such as what a rule could provide. The Proposed Rule was drafted to provide that detail.

22. Pursuant to the Public Regulation Commission Act, the Commission must make two eventual determinations in this Docket: first, that a final rule that may be adopted is reasonable; and second, that a final rule is necessary or appropriate.¹⁰ Although it is premature for the Commission to make such determinations before the Proposed Rule is finalized, the Commission believes that the Proposed Rule may satisfy both standards and encourages the public to submit comments on how the Commission should ultimately treat such findings.

I. Background and Context

23. With this Order, the Commission seeks to establish a new requirement for jurisdictional electric utilities to file a “grid plan” every three years to assess the state of their distribution systems, identify potential expansion or upgrade projects, and consider “non-wires” alternative solutions for infrastructure expansion that may enhance system reliability and service opportunities at a lower cost. The Proposed Rule demonstrates the culmination of a four-year regulatory process, beginning in Docket No. 21-00177-UT. The Proposed Rule builds upon legislative determinations in the 2020 Energy Grid Modernization Roadmap and GMS.

24. Development of the Proposed Rule involved Commission-led workshops on technical and policy topics, insights from grid modernization-related proceedings in other states, educational presentations, and broad stakeholder input, including technical and policy support from Lawrence Berkeley National Laboratory and other expert resources.

and commission policy; and (7) otherwise consistent with the state's grid modernization planning process and priorities.”).

¹⁰ § 62-19-9(B)(10).

25. Jurisdictional electric utilities already conduct some form of distribution planning, each using different approaches; however, such planning had not previously been subject to Commission review on a regular or consistent basis. One objective of the Proposed Rule is to bring greater transparency and consistency to the utility distribution planning process; another is to ensure that the Commission's rules clearly address evolving needs for a robust and dynamic electricity delivery system that aligns with New Mexico's goal of increasing renewable and clean energy resources while substantially reducing greenhouse gas ("GHG") emissions from utility generation and contracted resources.

26. The GMS gives clear direction to the Commission and utilities about what types of grid modernizing investments are necessary, and what major factors should be considered in reviewing utility proposals. The Proposed Rule builds on this guidance by setting forth a consistent, standardized, and up-to-date planning process, while also setting a flexible standard for the Commission to employ in evaluating utility proposals. In doing so, the Proposed Rule would provide consistency for utility recovery of prudent costs.

27. Distribution planning does not exist in a vacuum and is closely linked to the utilities' transportation electrification plans, advanced metering infrastructure ("AMI") implementation, and other prospective matters such as electrification of the commercial and industrial sectors. Similar to the integrated resource planning ("IRP") process adopted in Rule 17.7.3 NMAC, the Proposed Rule's distribution planning process would allow community stakeholders to actively participate with the utilities in the planning process. The focus on distribution planning will help the Commission, utilities, and stakeholders consider local needs for creating a more reliable and dynamic distribution network necessary to meet future energy demands.

28. The Proposed Rule would require utilities to encourage stakeholder involvement and to provide access to their grid modernization modeling, allowing for stakeholders to explore alternative scenarios and to better understand the cost-benefit analysis (“CBA”) or least-cost/best-fit analysis (“LCBFA”) that the utility would bring before the Commission to justify its planned expenditures.

29. The Proposed Rule aligns with the IRP in terms of requiring a three-year cycle for the filing of grid plans, utilizing the same set of data and assumptions developed for the IRP, to establish a projected the need for facility additions, expansions or technical modernization. The filing of the grid plan after an IRP would allow the utility to update its prior assumptions and forecasts based on the results of any generation or demand-side resources procured under IRP solicitations.

30. In contrast to the IRP, the grid plan’s focus is solely on the networks for delivery of electricity and energy services, rather than new sources of generation of energy or capacity. In both instances, however, reliable load forecasts and understanding of the drivers of new load are critical for informed planning and improved investment decisions. Thus, investments approved under the Proposed Rule would provide New Mexico communities with greater economic development opportunities and allow for further consideration of low-income customers’ and economically challenged communities’ ability to access renewable energy resources and energy services.

31. Taken as a whole, the Proposed Rule puts into action the major principles for grid modernization that the Commission developed during a lengthy process that began in 2020, by establishing IDP as the primary mechanism to:

- promote holistic approaches to investment decisions, rather than responding to piecemeal utility grid modernization applications;
- maximize benefits from distribution investments for ratepayers and communities;
- provide fair cost allocations and mediate future rate impacts; and
- allow for a recurring planning process that measures and evaluates effectiveness to inform future investments and activities.

II. Summary of the Proposed Rule

32. Based on the substantial record of proceedings that has been developed to date, a drafting team comprised of the Commission's advisory staff drafted the Proposed Rule over a period of months. Particularly useful to the Commission's drafting team were the stakeholder comments on the Draft Rule filed in December of 2024, which helped to settle the Commission's questions, expose areas necessary for revision, and provide fine tuning in finalizing the Proposed Rule prior to the issuance of this Order. The following discussion is a section-by-section summary of the Proposed Rule – what each section would provide and what each would do if adopted as sections of the Commission's final rule – and it highlights which aspects of the Proposed Rule the Commission is particularly keen on receiving further comments. Additionally, this Order discusses areas where the Proposed Rule significantly differs from the Draft Rule as provided in November of 2024.

33. Sections 1 through 5 of the Proposed Rule do not contain substantive grid modernization provisions and need not be addressed here.

34. Section 6 of the Proposed Rule contains the objective. The Proposed Rule's objective is a condensed version of the Background and Context section of this Order provided above. It provides:

A. The objective of this rule is to bring transparency and consistency to distribution system planning and establish a defined process to create a grid plan for each jurisdictional electric utility.

B. The objective of a grid plan is to assess the state of an electric utility's distribution systems, identify potential expansion and upgrade projects, and consider grid enhancing technologies and "non-wires" alternative solutions for infrastructure expansion that may enhance system reliability and service opportunities at a lower cost.

C. The further objective of this rule is to ensure that the State benefits from electric distribution systems that align with New Mexico's policies, such as the Public Utility Act, Renewable Energy Act, Efficient Use of Energy Act, and the Energy Transition Act.

D. Building on the statutory framework for grid modernization, this rule defines how proposals for grid modernization investments:

- (1) are evaluated;
- (2) fit into the larger context of integrated distribution planning and integrated resource planning while setting forth procedures for cost recovery; and
- (3) are subject to reporting and accountability requirements.¹¹

35. Section 7 of the Proposed Rule provides definitions. There are a number of technical terms and acronyms implicated by grid modernization that must be defined to provide a legible rule for the public, such as "DRMS" and "SCADA." The Commission prefers for definitions to be an objective aspect of the Proposed Rule rather than a point of contention. Thus, the Commission encourages stakeholders to submit comments without subjective motive on the most appropriate definitions to adopt for the various defined terms, and to propose other necessary definitions. Additionally, the Proposed Rule eliminates many of the definitions that were provided in the Draft Rule, because such terms are not included in the Proposed Rule and, therefore, need not be defined.

36. Section 8 of the Proposed Rule provides the parameters for a utility's "grid plan" to be filed every three years. The grid plan is the main outcome and largest focus of the Proposed Rule. Section 8 contains goals to guide a utility in developing its grid plan, elements of a grid plan,

¹¹ 17.9.587.6 NMAC (as proposed on Feb. 6, 2025).

requirements for the provision of a hosting capacity analysis (“HCA”), provisions related to pilot projects and AMI, and directives for utilities to evaluate cost-effective solutions for wildfire prevention, mitigation, and recovery.

37. Section 8 would require utilities to employ a 10-year planning horizon to develop a three-year action plan designed to: improve system reliability and resiliency, and enable cost-effectiveness in pursuing New Mexico’s GHG reduction and climate policies. Aside from specifying the form and content of IDP report filings, Section 8 would require that utilities describe their vision for the distribution system over the next 10 years, and provide a roadmap to advance that vision, including a list of planned distribution system investments and expenditures down to the feeder level. While focused on documenting any need to improve or expand distribution facilities and infrastructure, Section 8 of the Proposed Rule would also provide an opportunity to explore alternatives to traditional infrastructure investments that might prevent or resolve system constraints at lower costs to utility customers.

38. To better align customer demand to coincide with times when generation is less expensive and optimize the use of available capacity on the distribution network, Section 8 would require a utility to file an HCA. The Proposed Rule recognizes progress in utility use of HCAs, to ascertain the impacts of individual distributed generation facilities at specific locations, and as a tool for analysis of the greater distribution system either as a whole or in certain areas of a utilities service territory. Section 8 would require a utility to provide, within 120 days from the effective date of the Proposed Rule, a methodology to conduct a full system HCA and HCAs for constrained parts of the system.

39. Section 8 would also allow for utility pilot projects to develop the foundation for more extensive investments that prove effective in the pilots.

40. In the Draft Rule provided to the public in November of 2024, the Commission provided four sets of “options” in the text of Section 8. The options consisted of either/or choices in rule language. The first set of options presented in Section 8 related to the timing of the filing of grid plans – whether grid plans should be filed 18 months after a utility’s integrated resource plan or whether the timing of filing should be left silent, as follows:

OPTION 1: A utility shall file its grid plan no later than 18 months after commission acceptance of its IRP pursuant to 17.7.3.9 NMAC, on a staggered basis, unless the utility requests a variance in accordance with this rule.

OPTION 2: ~~A utility shall file its grid plan no later than 18 months after commission acceptance of its IRP pursuant to 17.7.3.9 NMAC, on a staggered basis, unless the utility requests a variance in accordance with this rule.~~

Joint Stakeholders, PNM, REIA, and Staff commented that they prefer the option requiring specific procedures for the timing of filings, with REIA proposing additional language shortening the timeframe for filing an initial grid plan, and Joint Stakeholders proposing dates certain for initial filings.¹² However, Joint Stakeholders also commented that under Option 1, the Draft Rule could be read to result in grid plans being filed as late as 2028, thus, resulting in grid modernization projects not being completed until the 2030s.¹³

41. The Commission agrees with Joint Stakeholders that it would be prudent to adopt dates certain for staggered filings of grid plans to avoid unnecessary delays that could result from the Draft Rule’s procedures as written. Additionally, with the following edits to Subsection A of

¹² See Coalition For Clean Affordable Energy’s Response To The Sixth Bench Request Order Seeking Stakeholder Comments On Proposed Rule For Integrated Distribution Planning (“Joint Stakeholder’s Comments”), Appendix A (Dec. 18, 2024) at 4; see Public Service Company Of New Mexico’s Initial Comments In Response To Sixth Bench Request (“PNM’s Comments”), PNM Exhibit A (Dec. 17, 2024) at 3; see Renewable Energy Industries Association Of New Mexico’s Response To 6th Bench Request Order Seeking Stakeholder Comments On Proposed Rule For Integrated Distribution Planning (“REIA’s Comments”), Exhibit A (Dec. 9, 2024) at 4; see Staff’s Response To the Sixth Bench Request Order (“Staff’s Comments”) (Dec. 18, 2024) at 4.

¹³ Joint Stakeholder’s Comments at 3.

Section 8 of the Draft Rule, neither option is necessary and were not incorporated into the Proposed Rule:

A utility shall file a grid plan every three years in a new docket, beginning on a staggered basis as follows:

- (1) June 1, 2026, for public service company of New Mexico;
- (2) September 1, 2026, for southwestern public service company; and
- (3) December 1, 2026, for El Paso electric company.¹⁴

42. The second set of options presented in Section 8 of the Draft Rule related to whether a cost-benefit analysis should be required as part of a utility’s grid plan to justify grid modernization projects over the following 10 years, or whether the rule should require a more generalized justification requirement, as follows:

OPTION 1: Include a justification for all grid modernization projects planned over the next 10 years, including a comparison of the projects with traditional distribution investment alternatives;

OPTION 2: Include a CBA and other justification for all grid modernization projects planned over the next 10 years, except for projects implemented to:

- (a) maintain reliable service;
- (b) replace outdated equipment with the same equipment; and
- (c) comply with legal or regulatory requirements.

43. EMNRD, Joint Stakeholders, PNM, and Staff commented that they prefer a more generalized justification requirement, with Joint Stakeholders proposing amendments to the language in the Draft Rule.¹⁵ NMDOJ commented that it supports combining both options but with amendment.¹⁶ SPS commented that it prefers the option requiring a cost-benefit analysis.¹⁷

¹⁴ 17.9.587.8(A) NMAC (as proposed on Feb. 6, 2025).

¹⁵ New Mexico Energy, Minerals, And Natural Resources Department Energy Conservation And Management Division’s Initial Comments On Draft Rule (“EMNRD’s Comments”), Exhibit 1 (Dec. 9, 2024) at 1; *see* Joint Stakeholder’s Comments, Appendix A at 5; *see* PNM’s Comments, PNM Exhibit A at 4; *see* Staff’s Comments at 4.

¹⁶ *See* New Mexico Department Of Justice Response To Sixth Bench Request Order Issued November 18, 2024 (“NMDOJ’s Comments”) (Dec. 17, 2024) at 6-8.

¹⁷ *See* Southwestern Public Service Company’s Response To The Sixth Bench Request Order (SPS’s Comments”) (Dec. 18, 2024) at 7.

44. The Commission is persuaded that a more generalized justification requirement is the better approach, however, the Commission also agrees with NMDOJ that there is benefit to combining Option 1 with Option 2. Therefore, the Commission incorporated the following edits into the Proposed Rule:

A grid plan shall include a justification for grid modernization investments planned over the next 10 years, including a comparison of the projects with traditional distribution investment alternatives, except for projects that:

- (a) replace equipment at the end of its useful service life with similar, new equipment; and
- (b) comply with legal or regulatory requirements.¹⁸

45. The third set of options presented in Section 8 of the Draft Rule related to the requirement for utilities to include an HCA in their grid plans. The optional language provided either additional specificity for the initial HCA or omitted such specificity, as follows:

OPTION 1: Hosting capacity analysis:

(1) 120 days after the effective date of this rule, each utility shall file a proposed hosting capacity analysis methodology for a portion of its distribution network that is experiencing a backlog of requests for solar DER interconnection. Each utility shall conduct at least one stakeholder workshop prior to the filing to inform the proposed methodology.

(2) For the first grid plan, each utility may propose a hosting capacity analysis for a specific region or portion of its distribution network that it has identified as having a backlog of requests for DG interconnection.

(3) This initial hosting capacity analysis shall be targeted to locations where the utility knows of plans for DER projects, or which may benefit from analysis because of expectations of additional rooftop PV interconnection requests by consumers, distribution-level storage projects, electric vehicle charging installations, economic development regions, or other market drivers for DER.

(4) A full network hosting capacity analysis shall be conducted as part of the utility's grid plans starting in 2028 on areas that are determined to be at 80% of feeder capacity to provide an understanding of the overall status of the utility's distribution network.

OPTION 2: Hosting capacity analysis:

(1) 120 days after the effective date of this rule, each utility shall file a proposed hosting capacity analysis methodology for their entire distribution

¹⁸ 17.9.587.8(C) NMAC (as proposed on Feb. 6, 2025).

network. Each utility shall conduct at least one stakeholder workshop prior to the filing to inform the proposed methodology.

(2) A full network hosting capacity analysis shall be conducted annually as part of the utility's grid plans.

46. EMNRD, EPE, Joint Stakeholders, NMDOJ, REIA, and SPS commented that they prefer the less specific HCA option, but Joint Stakeholders, REIA, and SPS proposed additional parameters to be included.¹⁹ PNM and Staff commented that they prefer more specificity in the HCA option, and Staff noted that requiring an associated public stakeholder process is unwarranted.²⁰

47. The Commission agrees with EMNRD, EPE, Joint Stakeholders, NMDOJ, REIA, and SPS that the less specific option is preferable. The Commission also agrees with Staff that the Proposed Rule should not require a public stakeholder process for an HCA. Additionally, the Commission finds that Option 2 could benefit from incorporating the primary goal from Option 1 – to target the backlog of DER interconnection requests. Therefore, the Commission incorporated Option 2 with the following edits into the Proposed Rule:

Hosting capacity analysis:

(1) 120 days after the effective date of this rule, each utility shall file a proposed hosting capacity analysis methodology for its entire distribution network and conduct a hosting capacity analysis for a specific region of its distribution network that the utility has identified as having a backlog of DER interconnection requests.

(2) Each utility shall update its hosting capacity analysis annually as part of the utility's action plan, but it may update it more frequently if directed by the commission or if significant changes to hosting capacity have occurred. Each utility shall file the results of its analysis in its most recent grid plan docket and post the results on its website.²¹

¹⁹ See EMNRD's Comments, Exhibit 1, at 1; see El Paso Electric Company's Response To The Commission's Sixth Bench Request Order ("EPE's Comments") (Dec. 18, 2024) at 4; see Joint Stakeholder's Comments, Appendix A at 5-6; see NMDOJ's Comments at 9; see REIA's Comments, Exhibit A, at 5-6; see SPS's Comments at 8.

²⁰ See PNM's Comments, PNM Exhibit A at 5; see Staff's Comments at 5-6.

²¹ 17.9.587.8(E) NMAC (as proposed on Feb. 6, 2025).

48. The fourth set of options presented in Section 8 of the Draft Rule related to AMI.

The optional language provided either requirements for a utility in its initial demonstration that AMI is reasonable, or requirements for the utility once it has or will be implementing AMI, as follows:

OPTION 1: AMI:

(1) If a utility proposes to expand AMI in a grid plan, it shall be proposed to take full advantage of the potential of the technology.

(2) An AMI proposal shall:

(a) contain specific plans for how to use AMI, quantify benefits, and demonstrate how it will fully unlock the potential of the technology; and

(b) demonstrate how the utility will use the technology to enable two-way communication between the utility and customers, conduct real-time monitoring and management of electricity consumption, and support various grid applications such as demand response, time-of-use rates, outage management, and integration of DER.

OPTION 2: AMI:

(1) If a utility has AMI, it must take steps to take advantage of the full potential of the technology.

(2) A utility which has implemented or is implementing AMI has an obligation to:

(a) transition to opt-out time-varying rates within one year of substantial implementation (which is defined here as 90% of residential customers with advanced meters installed);

(b) deploy AMI in a manner that supports improvements in reliability management;

(c) integrate and coordinate reliability information from AMI with existing sources of information on customer power interruptions through the utility's outage management system;

(d) ensure AMI data communications systems are capable of reliably and continuously receiving AMI signals from all regions of the service territory, especially those that are remote and sparsely populated;

(e) ensure AMI data communications systems are capable of supporting future distribution automation activities; and

(f) use AMI meters capable of communicating a "last gasp" signal when power is interrupted, including developing methods for error checking to distinguish a "last gasp" signal from a spurious signal.

49. EMNRD commented that it prefers the option that provides requirements for existing AMI.²² PNM, SPS, and Staff commented that they prefer the option that provides requirements for initial AMI proposals.²³ Joint Stakeholders proposed edits to combine both options.²⁴

50. The Commission agrees with PNM, SPS, and Staff that requirements for initial AMI proposals is more appropriate. The Commission additionally agrees with Joint Stakeholders that there is some value in combining Options 1 and 2, however, to a lesser extent than what Joint Stakeholders proposed. Therefore, the Commission incorporated Option 1 with the following edits into the Proposed Rule:

AMI:

(1) If a utility proposes to expand AMI in a grid plan, AMI shall be proposed to take full advantage of the potential of the technology.

(2) An AMI proposal shall:

(a) contain specific plans for how to use AMI, quantify benefits, demonstrate how the utility will fully unlock the potential of the technology, and deploy AMI in a manner that supports improvements in reliability management;

(b) demonstrate how the utility will use the technology to enable two-way communication between the utility and customers, conduct real-time monitoring and management of electricity consumption, and support various grid applications such as demand response, time-of-use rates, outage management, and integration of DERs; and

(c) ensure AMI data communications systems are capable of reliably and continuously receiving AMI signals from all regions of the service territory, particularly those that are remote and sparsely populated.²⁵

51. The Commission also seeks comments regarding the frequency of grid plan filings, and if there are advantages to a five-year filing cycle compared to the three-year filing cycle as contained in the Proposed Rule. Any stakeholders that may prefer a five-year filing cycle should

²² See EMNRD's Comments, Exhibit 1 at 2.

²³ See PNM's Comments, PNM Exhibit A at 5; see SPS's Comments at 8-9; see Staff's Comments at 7.

²⁴ See Joint Stakeholder's Comments, Appendix A at 6.

²⁵ 17.9.587.8(G) NMAC (as proposed on Feb. 6, 2025).

explain how a five-year frequency would interact with other planning efforts required by the Commission.

52. Section 9 of the Proposed Rule provides the Commission’s review procedures. It provides that stakeholders may file written comments on a utility’s grid plan within 30 days, and the utility shall respond to stakeholder comments within 20 days. Additionally, it provides that Staff shall file a recommendation on the disposition of the grid plan within 20 days after the utility’s responses.

53. Section 10 of the Proposed Rule provides cost recovery parameters. It clarifies that whether a utility is permitted to implement a rider is within the Commission’s discretion to grant. Section 10 tracks the GMS, which uses permissive language to describe a utility’s right to implement a rider rather than mandatory language that is used elsewhere in the PUA.²⁶ Additionally, Section 10 would require a utility to submit either a CBA or LCBFA with its request for cost recovery.

54. While the GMS identified the “what” and “why” for justifying grid investments, the Proposed Rule would refine “how” to evaluate the reasonableness of utility grid mod projects by providing considerations for how to employ a CBA or LCBFA. The Proposed Rule would not alter the statutory determination that pre-approved costs of grid modernization projects carry a presumption of reasonableness, but it maintains Commission discretion in determining the cost recovery of grid modernization investments through base rates or riders.

²⁶ Compare § 62-8-13(C) (“[A] public utility that undertakes grid modernization projects approved by the commission *may recover* its reasonable costs through an approved tariff rider or in base rates, or by a combination of the two.”), with NMSA 1978 § 62-8-12(C) (2019) (“A public utility that undertakes measures to expand transportation electrification pursuant to this section *shall have the option* of recovering the public utility's reasonable costs for the expansion through a commission-approved tariff rider or base rate or both.”) (emphasis added).

55. Proposed grid modernization projects would require a CBA; or a LCBFA if projects are a direct response to a statutory requirement or other policy determination by the Commission. However, even these types of programs/projects are subject to appropriate cost-containment. Whichever analysis is employed, the Proposed Rule would seek to quantify the associated benefits of utility proposals in monetary terms, and with non-monetizable benefits quantified to the extent possible.

56. In the Draft Rule provided to the public in November of 2024, the Commission provided two sets of “options” in the text of Section 10. The options consisted of either/or choices in rule language. The first set of options presented in Section 10 of the Draft Rule related to whether removing customer participation benefits should be studied in the cost-benefit analysis, as follows:

OPTION 1: sensitivities should be studied, such as alternative grid solutions and opt-out versus opt-in for time-of-use rates, and the impact of removing all benefits that depend on customer participation;

OPTION 2: sensitivities should be studied, such as alternative grid solutions and opt-out versus opt-in for time-of-use rates, ~~and the impact of removing all benefits that depend on customer participation;~~

57. EMNRD and NMDOJ commented that they prefer Option 2 that excludes removing studying customer participation benefits.²⁷ PNM, REIA, and SPS commented that they prefer Option 1 that includes removing studying customer participation benefits.²⁸

58. The Commission agrees with PNM, REIA, and SPS. The Commission incorporated Option 1 into the Proposed Rule as written in the Draft Rule without further amendment.

²⁷ See EMNRD’s Comments, Exhibit 1 at 2; see NMDOJ’s Comments at 13;.

²⁸ See PNM’s Comments, PNM Exhibit A at 6; see REIA’s Comments, Exhibit A at 7; see SPS’s Comments at 10.

59. The second set of options presented in Section 10 of the Draft Rule related to whether the utility's modeling and analyses should be provided to stakeholders, as follows:

OPTION 1: (e) the utility shall make its grid modernization modeling accessible to stakeholders. In the stakeholder process, the parties may suggest to the utility alternate scenarios to model; and

(f) the utility shall make its analyses and CBA, including inputs, assumptions, and calculations, available to all stakeholders with sufficient information to understand all inputs, assumptions and calculations.

OPTION 2: ~~(e) the utility shall make its grid modernization modeling accessible to stakeholders. In the stakeholder process, the parties may suggest to the utility alternate scenarios to model; and~~

~~(f) the utility shall make its analyses and CBA, including inputs, assumptions, and calculations, available to all stakeholders with sufficient information to understand all inputs, assumptions and calculations.~~

60. NMDNJ's, PNM's, and REIA's comments implied that they prefer the option that requires modeling and analyses to be provided to stakeholders.²⁹ SPS commented that it prefers the option removing the requirement for modeling and analyses to be provided to stakeholders.³⁰ Joint Stakeholders and Staff commented that both options in Section 10 of the Draft Rule should be omitted, instead, Staff proposed that they be moved to a guidance document.³¹

61. The Commission agrees with NMDNJ, PNM, and REIA. The Commission incorporated Option 1 into the Proposed Rule as written in the Draft Rule without further amendment.

62. Additionally, the Commission provides the following clarification in the Proposed Rule that was not contained in the Draft Rule. These clarifications will help a utility decipher when

²⁹ See NMDNJ's Comments at 14; see PNM's Comments, PNM Exhibit A at 6; see REIA's Comments, Exhibit A at 7.

³⁰ SPS's Comments at 10.

³¹ See Joint Stakeholder's Comments, Appendix A at 7; see Staff's Comments at 7-8.

a CBA is appropriate versus the less-rigorous LCBFA. The Commission is keen on receiving comments on these additions:

“LCBFA” means “least-cost/best-fit analysis,” which is a comparison of proposed investments against viable alternatives, including traditional infrastructure, non-wires solutions, and locational cost differences, to demonstrate that the selected investment is the lowest cost option to satisfy the identified need³²

And,

LCBFA guidelines:

(a) the utility shall align proposed solutions with system needs, such as reliability, resilience, and capacity, while avoiding alternatives that would exceed reasonable service expectations;

(b) the utility shall provide evidence of aligning investments with State and federal policy goals, such as greenhouse gas reduction, equitable access, and renewable integration; and

(c) the utility shall document avoided costs, such as reduced operational costs, deferred infrastructure investments, and improved energy efficiency.³³

And,

Application of CBA and LCBFA:

(1) A CBA is appropriate for projects with broad, long-term impacts involving multiple benefits that may not be fully monetized, but which affect customers, such as AMI, DER integration, or energy storage systems.

(2) A LCBFA is appropriate for projects where the need is clearly established for compliance with legislative mandates, statutory or regulatory requirements, or grid reliability needs, and that do not require additional justification of benefits.

(3) If a utility provides a LCBFA, the commission may further require a CBA if the commission finds it prudent to scrutinize the reasonableness of purported benefits, or if the need for a project is not clearly established.³⁴

63. Appendix A of the Proposed Rule is a companion document that may be included with the Proposed Rule if adopted. If adopted, it shall carry the force and effect of law as will the Proposed Rule, however, it is provided as an appendix because it provides a more granular, step-

³² 17.9.587.7(L) NMAC (as proposed on Feb. 6, 2025).

³³ 17.9.587.10(C) NMAC (as proposed on Feb. 6, 2025).

³⁴ 17.9.587.10(D) NMAC (as proposed on Feb. 6, 2025).

by-step guide for the composition or outline of utilities' grid plans. Appendix A explicitly and transparently clarifies the data points and information sought by the Commission and where they should appear in a grid plan. The substance of Appendix A is not appropriate to be included in the Proposed Rule itself because it is more akin to an outline than a rule.

FINDINGS AND CONCLUSIONS

64. The Commission finds and concludes that the informal rulemaking record, for which the foundations were built over multiple rulemaking dockets, and that is comprised of many inquiries and responses, a draft proposal and comments, and several workshops, is sufficient for the Commission to determine that it is now prudent to initiate a formal rulemaking.

65. The Commission finds and concludes that it is duly informed and that this Order should issue to commence a formal rulemaking, culminating in the Commission's adoption of a new rule located at 17.9.587 NMAC, entitled "Grid Modernization and Integrated Distribution Planning."

66. The Commission finds and concludes that it intends to adopt the proposal attached hereto as Exhibit A, and Exhibit A shall be noticed to the public as the Commission's Proposed Rule, pursuant to the State Rules Act.³⁵ Prior to adopting the Proposed Rule, the Commission shall elicit and consider comments from the public and hold a public hearing.

67. The Commission finds and concludes that the NOPR attached hereto as Exhibit B shall be issued by the Commission for publication in the New Mexico Register on the earliest available publication date, pursuant to the State Rules Act,³⁶ and for publication in two newspapers of general circulation in the State, pursuant to the Public Regulation Commission Act.³⁷

³⁵ NMSA 1978, § 14-4-5.2 (2017).

³⁶ *Id.*

³⁷ NMSA 1978, § 62-19-21 (2020).

68. The Commission finds and concludes that a formal rulemaking record shall be maintained in conformity with the State Rules Act.³⁸

69. The Commission finds and concludes that the Docket caption needs to be updated to reflect the progression of these proceedings from an inquiry to a formal rulemaking.

70. The Commission finds and concludes that the Commission's *ex parte* rules draws a distinction between communications occurring before the rulemaking record closes and communications occurring after the record closes.³⁹ It defines only the latter as impermissible "*ex parte* communications." Therefore, it is necessary to state when the record shall close.

71. The Commission incorporates by reference any findings and conclusions stated in the body of this order.

IT IS THEREFORE ORDERED:

A. The Commission hereby COMMENCES formal rulemaking proceedings in this Docket.

B. The Commission hereby ISSUES a notice of proposed rulemaking to adopt a new rule of the New Mexico Administrative Code in Title 17 - Public Utilities and Utility Services; Chapter 9 - Electric Services; at the currently reserved Part 587 - to be entitled "Grid Modernization and Integrated Distribution Planning."

C. The Commission hereby ISSUES the Proposed Rule attached hereto as Exhibit A. The final rule, which may eventually be adopted after these rulemaking proceedings, may include all, part, or none of the proposed language as shown in Exhibit A. The Commission shall consider

³⁸ NMSA 1978, § 14-4-5.4 (2017).

³⁹ See 1.2.3.7(B) NMAC.

any alternative language or proposed amendments from stakeholders that fall within the scope of these rulemaking proceedings.

D. The Commission shall publish the NOPR, attached hereto as Exhibit B, in the New Mexico Register, provide the NOPR to the public pursuant to the State Rules Act, publish the NOPR in two newspapers of general circulation in the State pursuant to the Public Regulation Commission Act, and conform to all other publication requirements.

E. A public comment hearing on the Proposed Rule and any proposed alternatives, to be presided over by the Commission or its designee, shall be held beginning at **10:00 a.m. on April 24, 2025.**

F. Any person or entity wishing to comment on the Proposed Rule may do so by submitting written initial comments no later than **April 18, 2025.**

G. Any person or entity wishing to respond to initial comments may do so by submitting written response comments no later than **May 5, 2025.**

H. No person or entity shall be permitted to file reply comments without leave of the Commission.

I. Written comments recommending modifications or alternatives to the Proposed Rule shall discuss the particular reasons for the recommended modifications or alternatives and shall include draft rule language necessary to effectuate the recommendations. Recommended modifications or alternatives shall be in redline format.

J. Staff shall file initial and response comments.

K. All written comments shall bear the Docket caption and number and shall be filed with the Commission's Records Management Bureau by emailing the comments in PDF format to

prc.records@prc.nm.gov or filed otherwise in accordance with the Commission's Rules of Procedure.

L. The record shall close on **May 30, 2025**.

M. The Commission hereby AMENDS the Docket caption to reflect the following:

**IN THE MATTER OF A ~~COMMISSION INQUIRY INTO~~)
RULEMAKING TO IMPLEMENT THE GRID)
MODERNIZATION STATUTE, NMSA 1978, SECTION) Docket No. 22-00089-UT
62-8-13 (2021) OF THE PUBLIC UTILITY ACT)
_____)**

N. This Order is effective when signed.

O. The Commission shall serve a copy of this Order on all persons listed on the attached Certificate of Service, via e-mail to those whose e-mail addresses are known, and otherwise via regular mail.

P. In computing time in accordance with statute, rule, or Commission order, the computation shall begin on the date that this Order is filed with the Chief Clerk of the Records Management Bureau or the Chief Clerk's designee.

SIGNED under the Seal of the Commission at Santa Fe, New Mexico, this 6th day of February, 2025.

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ Gabriel Aguilera, electronically approved
GABRIEL AGUILERA, COMMISSIONER

/s/ Greg Nibert, electronically approved
GREG NIBERT, COMMISSIONER

/s/ Patrick J. O'Connell, electronically approved
PATRICK J. O'CONNELL, COMMISSIONER



TITLE 17 PUBLIC UTILITIES AND UTILITY SERVICES
CHAPTER 9 ELECTRIC SERVICES
PART 587 GRID MODERNIZATION AND INTEGRATED DISTRIBUTION PLANNING

17.9.587.1 ISSUING AGENCY: New Mexico Public Regulation Commission.
[17.9.587.1 NMAC – N, XX/XX/2025]

17.9.587.2 SCOPE: This rule applies to all investor-owned electric public utilities subject to the jurisdiction of the commission.
[17.9.587.2 NMAC – N, XX/XX/2025]

17.9.587.3 STATUTORY AUTHORITY: Section 62-8-2 NMSA 1978; Section 62-8-13 NMSA 1978; Section 62-19-9 NMSA 1978.
[17.9.587.3 NMAC – N, XX/XX/2025]

17.9.587.4 DURATION: Permanent.
[17.9.587.4 NMAC – N, XX/XX/2025]

17.9.587.5 EFFECTIVE DATE: [MONTH] [DAY], 2025, unless a later date is cited at the end of a section.
[17.9.587.5 NMAC – N, XX/XX/2025]

17.9.587.6 OBJECTIVE:

A. The objective of this rule is to bring transparency and consistency to distribution system planning and establish a defined process to create a grid plan for each jurisdictional electric utility.

B. The objective of a grid plan is to assess the state of an electric utility’s distribution systems, identify potential expansion and upgrade projects, and consider grid enhancing technologies and “non-wires” alternative solutions for infrastructure expansion that may enhance system reliability and service opportunities at a lower cost.

C. The further objective of this rule is to ensure that the State benefits from electric distribution systems that align with New Mexico’s policies, such as the Public Utility Act, Renewable Energy Act, Efficient Use of Energy Act, and the Energy Transition Act.

D. Building on the statutory framework for grid modernization, this rule defines how proposals for grid modernization investments:

- (1) are evaluated;
- (2) fit into the larger context of integrated distribution planning and integrated resource planning while setting forth procedures for cost recovery; and
- (3) are subject to reporting and accountability requirements.

[17.9.587.6 NMAC – N, XX/XX/2025]

17.9.587.7 DEFINITIONS: Unless otherwise specified, as used in this rule and appendices:

A. Definitions beginning with “A”: “AMI” means advanced metering infrastructure as that term is defined in Section 62-8-13 NMSA 1978; and

B. Definitions beginning with “B”: [RESERVED]

C. Definitions beginning with “C”: “CBA” means “cost-benefit analysis,” which is a systematic quantitative method of assessing projects by comparing the estimated costs against the estimated benefits.

D. Definitions beginning with “D”:

(1) “DRMS” means “demand response management system,” which is a software solution used to administer and operationalize demand response aggregations and programs. DRMS uses a one-way or two-way communication link to effect control over, and gather information from, enrolled systems, including some commercial loads, industrial loads, and residential devices such as pool pumps, air conditioners, and water heaters. DRMS allows demand response capacity to be scaled in a cost-effective manner by automating the manual events that are typically used to execute demand response events, as well as most aspects of settlement;

(2) “distributed energy resource” or “DER” means the equipment used by an interconnection customer to generate or store electricity that operates in parallel with the electric distribution system.

(a) A DER may include, but is not limited to:

renewable technologies;

- (i) distributed generation resources, including solar, wind, and other
- (ii) energy storage systems that enable grid services such as peak shaving, load shifting, and resiliency improvements;
- (iii) demand response technologies and VPPs that optimize grid load and reliability;
- (iv) GETs;
- (v) power electronics and automation systems, including voltage optimization, conservation voltage reduction, and flexible alternating current transmission systems;
- (vi) electric vehicle charging infrastructure, including bidirectional chargers that provide vehicle-to-grid services; and
- (vii) any aggregation and combination of technologies that enhance grid management, stability, and the integration of distributed assets.

(b) A DER may provide services beyond power injection, including but not limited to:

- (i) grid congestion management, reliability enhancement, and localized voltage support;
- (ii) non-wires alternatives that defer or replace traditional infrastructure investments; and
- (iii) resiliency; wildfire prevention, mitigation, and recovery; and emergency backup services.

(c) A DER may operate in parallel with, or independently of, and may include technologies that enhance grid functionality without direct to the bulk power system.

(d) A DER explicitly includes technologies that support two-way power flows, grid flexibility, and improved coordination between transmission and systems, while excluding assets that provide no interactive or operation benefit to the electric distribution system; and

(3) **“distribution system”** means the portion of the electric system that is composed of medium voltage (4 kilovolt to 69 kilovolt) sub-transmission lines, substations, feeders, and related equipment that transport electricity to and from customer homes and businesses, and that link customers to a high-voltage transmission system. For the purposes of planning, distribution system includes components of the cyber-physical distribution grid as represented by the information, telecommunication, and operational technologies needed to support infrastructure comprised of transformers, wires, switches, and other apparatuses.

E. Definitions beginning with “E”: [RESERVED]

F. Definitions beginning with “F”: [RESERVED]

G. Definitions beginning with “G”:

(1) **“grid enhancing technology”** or **“GET”** means hardware or software that reduces congestion or enhances the resiliency and flexibility of electric transmission and distribution systems by increasing the capacity of a line, or rerouting electricity from overloaded to uncongested lines, and includes dynamic line ratings, advanced power flow controllers, and topology optimization;

(2) **“grid needs”** means measures at the substation or feeder level identified by an assessment of the distribution grid. Grid needs are associated with as many as four distribution services that distributed energy resources can provide: distribution capacity, voltage support, reliability (back-tie), and resiliency, including wildfire prevention, mitigation, and recovery; and

(3) **“grid plan”** means a 10-year integrated grid modernization and distribution plan, developed in accordance with this rule and Appendix A, that is designed to maintain or improve system reliability, improve resiliency, and cost-effectively achieve the State’s greenhouse gas reduction and climate policies.

H. Definitions beginning with “H”: **“hosting capacity”** means a threshold at a circuit at which new distributed energy resources will trigger upgrades or changes to the electrical distribution system; and

I. Definitions beginning with “I”: **“IRP”** means integrated resource plan and has the same meaning as the term is defined in 17.7.3.7 NMAC.

J. Definitions beginning with “J”: [RESERVED]

K. Definitions beginning with “K”: [RESERVED]

L. Definitions beginning with “L”:

(1) **“LCBFA”** means “least-cost/best-fit analysis,” which is a comparison of proposed investments against viable alternatives, including traditional infrastructure, non-wires solutions, and locational cost differences, to demonstrate that the selected investment is the lowest cost option to satisfy the identified need; and

(2) “locational net benefits analysis” means a tool that may assist with determining optimal locations for distributed energy resource deployment based on cost-effective opportunities for distributed energy resources to defer or avoid traditional distribution system investments.

M. Definitions beginning with “M”: [RESERVED]

N. Definitions beginning with “N”: [RESERVED]

O. Definitions beginning with “O”: “outage management system” means a system that utilizes multiple inputs including grid monitoring devices (including advanced meters, line sensors, and other intelligent electronic devices) and customer reports (including telephone calls and social media posts) to quickly identify outages.

P. Definitions beginning with “P”: [RESERVED]

Q. Definitions beginning with “Q”: [RESERVED]

R. Definitions beginning with “R”: [RESERVED]

S. Definitions beginning with “S”: “SCADA” means “supervisory control and data acquisition,” which is a system of software and hardware elements that allows distribution system operators to remotely gather, monitor, and process data from sensors deployed along the distribution system;

Y. Definitions beginning with “T”: [RESERVED]

U. Definitions beginning with “U”: [RESERVED]

V. Definitions beginning with “V”: “VPP” means “virtual power plant,” which is a connected aggregation of distributed energy resource technologies.

W. Definitions beginning with “W”: [RESERVED]

X. Definitions beginning with “X”: [RESERVED]

Y. Definitions beginning with “Y”: [RESERVED]

Z. Definitions beginning with “Z”: [RESERVED]

[17.9.587.7 NMAC – N, XX/XX/2025]

17.9.587.8 GRID MODERNIZATION AND INTEGRATED DISTRIBUTION PLAN (“GRID PLAN”):

A. A utility shall file a grid plan every three years in a new docket, beginning on a staggered basis as follows:

- (1) June 1, 2026, for public service company of New Mexico;
- (2) September 1, 2026, for southwestern public service company; and
- (3) December 1, 2026, for El Paso electric company.

B. In developing a grid plan, a utility shall be guided by the following goals:

- (1) to facilitate integration of DERs on the distribution system in an expedient and cost-effective manner;
- (2) to identify reliable and cost-effective alternatives to traditional distribution expansion;
- (3) when replacing conductors or equipment that has failed or reached the end of its service life, to consider whether replacing like-for-like conductors or equipment, or replacing with higher-capacity conductors or equipment, might result in expanding distribution system capacity, where such expansion is needed, in a cost-effective manner;
- (4) to prepare the distribution system for building and transportation electrification, taking into account forecasted load growth from electric vehicles, building electrification, larger loads such as data centers and other sources, and new customers, and to do so in a cost-effective manner;
- (5) to better align customer consumption patterns to coincide with times when generation is less expensive, the distribution grid is expected to be below peak capacity, and the grid has the highest amount of renewable energy;
- (6) to develop an investment plan that allows for required levels of reliability at reasonable cost;
- (7) to identify differences in reliability in the same type of service (for example, underground service areas compared with other underground service areas) across a utility’s service territory;
- (8) to identify localized deficiencies in reliability and propose investments to improve reliability in underperforming areas; and
- (9) to consider non-wires solutions, including a GETs and a VPP program, in place of traditional utility infrastructure investments; and
- (10) to consider whether a single solution would meet two or more grid needs more cost-effectively than a combination of other solutions.

C. A utility’s grid plan shall adhere to, but is not limited to, the following elements.

(1) A grid plan shall address the objectives of this Section, in accordance with the guidelines of Appendix A.

(2) A grid plan shall describe the utility’s vision for the distribution system over the next 10 years and provide a roadmap to advance that vision, including a list of planned distribution system investments, expenditures, and activities; data, to the extent possible, demonstrating the status of the system down to the feeder level; and granular locational forecasts and scenario analysis, including:

- (a) projections of loads and DERs at the distribution substation and feeder levels;
- (b) assessments of load modifiers, such as DERs, and their impacts;
- (c) scenario analyses to test grid plan flexibility under varying conditions;
- (d) an assessment of grid needs;
- (e) a locational net benefits analysis; and
- (f) the relevant underlying inputs and assumptions informing the grid plan with

sufficient detail for the commission to understand the basis for the grid plan.

(3) A grid plan shall provide a three-year action plan for proposed solutions to address identified grid needs, including:

- (a) a prioritized list of investments, expenditures, and activities; and
- (b) identification of expenditures with greater specificity.
- (c) Three-year action plans shall be informed by:

- (i) cost-effectiveness evaluations (benefits and costs of grid investments, including qualitative factors);
- (ii) multi-objective decision-making (prioritizing expenditures aligned with state goals, customer needs, regulatory requirements, and utility criteria);
- (iii) coordinated planning (ensuring consistency across transmission and generation planning processes); and
- (iv) explanations of solutions within the grid plan intended to meet two or more grid needs more cost-effectively than a combination of other solutions.

(4) A grid plan shall show how proposed grid modernization investments fit into the utility’s plans over a 10-year timeframe, with supporting elements including:

- (a) current distribution system assessment:
 - (i) evaluation of asset condition and operational performance against planning criteria and service standards;
 - (ii) asset management strategy;
 - (iii) worst-performing circuits analysis; and
 - (iv) threat-based risk assessment; and
- (b) long-term plans establishing the utility’s strategy for capital investments and

expenditures to meet identified grid needs.

(5) A grid plan shall include a justification for grid modernization investments planned over the next 10 years, including a comparison of the projects with traditional distribution investment alternatives, except for projects that:

- (a) replace equipment at the end of its useful service life with similar, new equipment; and
- (b) are required to comply with legal or regulatory requirements.

(6) **DRMS:** A grid plan shall describe if and how it intends to use DRMS.

(7) **Low-income users and underserved communities:** A grid plan shall discuss how it will increase access to renewable energy for low-income users and users in underserved communities.

(8) A grid plan shall evaluate differences in service quality within the service territory and incorporate cost-effective measures designed to correct any localized deficiencies.

(9) A grid plan shall include information regarding the amount of DERs currently on each feeder, which feeders are currently closed to new DER interconnection requests, the number of pending DER applications for each feeder, and the average amount of time required to make a decision on an interconnection request following an application. The grid plan may include updated information about interconnection resources, distributed generation, and any backlogs that may delay construction of planned facilities.

(10) A grid plan shall discuss wildfire risk and cost-effective solutions for wildfire prevention, mitigation, and recovery.

(11) A grid plan shall explain how the utility evaluated non-wires alternatives, including any GETs, as cost-effective alternatives to traditional grid improvements.

(12) A grid plan shall explain any pilot projects propose pursuant to Subsection F.

(13) A grid plan shall summarize the stakeholder engagement process, including input received and how the utility addressed it.

D. Stakeholder engagement process:

(1) Development of a grid plan shall include a stakeholder engagement process

(2) A stakeholder engagement process shall consist of at least two public meetings:

(a) the utility shall host the first public meeting at least 60 days prior to the filing of the grid plan to publicly review the draft grid plan.

(b) the utility shall host the second public meeting to discuss and respond to stakeholder comments.

(c) The utility shall present its underlying inputs and assumptions with sufficient detail for stakeholders to understand the basis for the draft grid plan.

(d) The utility shall include meeting attendees on the grid plan certificate of service.

(3) Stakeholders may comment on the utility's draft grid plan within 30 days after the first public meeting.

(4) The utility shall respond to stakeholder comments within 10 days.

(5) Commissioners shall not participate in the stakeholder engagement process, however:

(a) commission advocacy staff shall participate in the stakeholder engagement process; and

(b) commission advisory staff may attend the stakeholder engagement process to observe without participating substantively.

E. Hosting capacity analysis:

(1) 120 days after the effective date of this rule, each utility shall file a proposed hosting capacity analysis methodology for its entire distribution network and conduct a hosting capacity analysis for a specific region of its distribution network that the utility has identified as having a backlog of DER interconnection requests.

(2) Each utility shall update its hosting capacity analysis annually as part of the utility's action plan, but it may update it more frequently if directed by the commission or if significant changes to hosting capacity have occurred. Each utility shall file the results of its analysis in its most recent grid plan docket and post the results on its website.

F. Pilot projects: A utility may propose to, or the commission may request that the utility, submit a plan for pilot projects to resolve grid constraints for DER and electric vehicle charging identified by a hosting capacity analysis.

G. AMI:

(1) If a utility proposes to expand AMI in a grid plan, AMI shall be proposed to take full advantage of the potential of the technology.

(2) An AMI proposal shall:

(a) contain specific plans for how to use AMI, quantify benefits, demonstrate how the utility will fully unlock the potential of the technology, and deploy AMI in a manner that supports improvements in reliability management;

(b) demonstrate how the utility will use the technology to enable two-way communication between the utility and customers, conduct real-time monitoring and management of electricity consumption, and support various grid applications such as demand response, time-of-use rates, outage management, and integration of DERs; and

(c) ensure AMI data communications systems are capable of reliably and continuously receiving AMI signals from all regions of the service territory, particularly those that are remote and sparsely populated.

[17.9.587.8 NMAC – N, XX/XX/2025]

17.9.587.9 COMMISSION REVIEW AND APPROVAL OF A GRID PLAN:

A. The commission shall review a utility's proposed grid plan for compliance with the policies and procedures set forth in this rule and Section 62-8-13 NMSA 1978.

B. Procedure:

(1) Any stakeholder may file written public comments within 30 days of a utility's filing of the grid plan, including proposed revisions.

(2) The utility shall file, within 50 days of filing of its grid plan, a written response to all written public comments on its grid plan that were timely filed, including whether it accepts or rejects any proposed revisions.

(3) The commission's utility division staff shall review the utility's grid plan as filed, consider the filed written public comments on the grid plan, consider the utility's written response to public comments, and file a written recommendation to the commission within 70 days of the utility's filing of the grid plan as to whether or not the grid plan complies with this rule and Section 62-8-13, and whether or not staff recommends that the commission assign the matter to a hearing examiner or approve the grid plan without a public hearing.

[17.9.587.10 NMAC – N, XX/XX/2025]

17.9.587.10 COST RECOVERY:

A. To recover its costs for an approved grid plan, a utility may apply for approval of a tariff rider, or an increase in base rates, or a combination of both, in accordance with the procedures set forth in 17.9.587.11 NMAC, 17.9.530 NMAC, and any other relevant rules.

B. The commission retains discretion to allow or disallow recovery through a tariff rider, base rates, or a combination of both.

C. A utility's cost recovery application shall include a cost-effectiveness evaluation that employs a CBA, a LCBFA, or both.

(1) CBA guidelines:

(a) wherever possible, grid modernization project benefits should be monetized, and non-monetized benefits should be quantified to the extent possible;

(b) sensitivities should be studied, such as alternative grid solutions and opt-out versus opt-in for time-of-use rates, and the impact of removing all benefits that depend on customer participation;

(c) the utility shall establish metrics and targets for quantified benefits and track progress towards meeting such targets;

(d) the utility shall clearly identify and document all CBA inputs, assumptions, methodologies, calculations, and results for stakeholder review and input;

(e) the utility shall make its grid modernization modeling accessible to stakeholders. In the stakeholder process, the parties may suggest to the utility alternate scenarios to model; and

(f) the utility shall make its analyses and CBA, including inputs, assumptions, and calculations, available to all stakeholders with sufficient information to understand all inputs, assumptions, and calculations.

(2) LCBFA guidelines:

(a) the utility shall align proposed solutions with system needs, such as reliability, resilience, and capacity, while avoiding alternatives that would exceed reasonable service expectations;

(b) the utility shall provide evidence of aligning investments with State and federal policy goals, such as greenhouse gas reduction, equitable access, and renewable integration; and

(c) the utility shall document avoided costs, such as reduced operational costs, deferred infrastructure investments, and improved energy efficiency.

D. Application of CBA and LCBFA:

(1) A CBA is appropriate for projects with broad, long-term impacts involving multiple benefits that may not be fully monetized, but which affect customers, such as AMI, DER integration, or energy storage systems.

(2) A LCBFA is appropriate for projects where the need is clearly established for compliance with legislative mandates, statutory or regulatory requirements, or grid reliability needs, and that do not require additional justification of benefits.

(3) If a utility provides a LCBFA, the commission may further require a CBA if the commission finds it prudent to scrutinize the reasonableness of purported benefits, or if the need for a project is not clearly established.

E. A utility's cost recovery application may be filed only after the commission approves its grid plan.
[17.9.587.11 NMAC – N, XX/XX/2025]

17.9.587.11 COMMISSION REVIEW AND APPROVAL OF A RATE RIDER OR A BASE RATE:

A. The commission shall review a utility's proposed application for approval of a grid modernization rate rider or a base rate for justness and reasonableness, and for compliance with the Public Utility Act and the procedures and objectives set forth in this rule.

B. Procedure:

(1) A utility may, or the commission may request that the utility, submit an application for approval of a grid modernization rate rider or a base rate. The application and the rate rider shall comply with commission rule 17.1.2 NMAC.

(2) The commission's utility division staff shall review the utility's proposed application and file written testimony on the application containing its recommendation to the commission as to whether or not it complies with this rule and the Public Utility Act, and whether or not staff recommends that the commission approve the application, including any conditions of approval that the commission should require.

C. Standard for approval: In determining the justness and reasonableness of cost recovery by tariff rider, the commission shall consider the extent to which the proposed cost recovery allocation is aligned with those receiving benefits, whether the proposed investments serve multiple uses and might be better added to the rate base, and any other relevant factors bearing upon the justness and reasonableness of the cost recovery request.

[17.9.587.10 NMAC – N, XX/XX/2025]

APPENDIX A
Guidelines for the Grid Plan

To the extent possible, data and projections used in the grid plan should be aligned with similar data used in the three-year IRP process. Discrepancies (ex. revised load forecasts, etc.) should be noted and explained. Substantive revisions may require a “notice of material event” filing under the IRP Rule.

1. Vision for an Evolving Grid

- a. Discussion of the utility’s vision for the next 10 years and a discussion of how proposed investments and operations will achieve the priorities identified in grid plan approval proceeding, improve reliability and resiliency, and enable cost-effective reductions to greenhouse gas emissions. The grid plan must include near-term and long-term planned investments and operations.
- b. Discussion of the roles of third parties in grid needs assessments and grid plan. Describe the stakeholder process employed and major issues resolved and/or unresolved in the planning effort.
- c. Comparison of proposed grid modernization investments with traditional distribution investment alternatives.
- d. Discussion of impacts of regional market expansions on utility grid facilities.
- e. Discussion of regulatory context under FERC (i.e., distributed energy resources aggregation Order 2222; generator interconnection reforms Order 2023; regional transmission planning Order 1920; etc.).
- f. Discussion of New Mexico laws and/or rules.
- g. Discussion of status and expectations for federal funding and other sources.

2. System Overview

- a. Transmission and Distribution System Data
 1. Total distribution substation capacity.
 2. Total distribution transformer capacity in kVA.
 3. Total miles of overhead distribution.
 4. Total miles of underground distribution.
 5. Total number of distribution premises.
 6. Total number of customer meters with AMI; without AMI; planned AMI investments; and overview of AMI functionalities and status (does not supplant reporting requirements from AMI approval orders).
 7. Existing and planned modeling software used.
 8. Percentage of substations and feeders with SCADA monitoring and controls, and planned additions.
 9. System visibility (feeder level and time intervals).
 10. Summary of reliability metrics (does not supplant reporting requirements in Docket No. 24-00246-UT).
- b. Financial Data
 1. Historical distribution and transmission system spending for past three years, by category.
 2. Projected distribution and transmission system spending for the next three years.
 3. Planned distribution and transmission capital projects, including drivers and timelines.
 4. Description of preliminary cost-recovery plans and how regulatory approval will be sought.
- c. DER Deployment
 1. Current DER deployment by type, size, and geographic dispersion.
 2. Total number of projects and nameplate rating (kW) for generation and for storage (kW and kWh).
 3. DERs in interconnection queue, numbers, nameplate capacity, and type.
 4. Total numbers of EVs in service territory, current and projected.
 5. Total number and capacity of public charging infrastructure, current and projected.
 6. Total numbers of battery storage units, nameplate and output.
 7. Status of VPP pilot program.

3. Forecasting and Scenario Development

- a. Current data.

- b. Five-year load forecast.
- c. Scenario rationale (base case, high PV penetration, high electrification, and high customer storage adaptation).
- d. Modeling sensitivities.
- e. Impacts of results on projections of peak and minimum loads.

4. System Needs Identification

- a. Distribution system needs.
- b. Transmission system needs.
- c. Discussion of alignment with clean energy transition goals.

5. Action Plan for Next 3 Years

- a. Describe how plans fit Public Utility Act considerations.

6. Data Access Policies

- a. How customer and grid data will be used and/or shared with third parties.

7. CBA and LCBFA

8. Proposed Pilot Projects (if any)

9. Evaluation

- a. Proposed metrics or other means to measure the effectiveness of the grid and progress toward meeting objectives.

**NOTICE OF PROPOSED RULEMAKING
DOCKET NO. 22-00089-UT**

The New Mexico Public Regulation Commission (“Commission”) gives notice of its initiation of a formal rulemaking to promulgate a new rule at Title 17, Chapter 9, Part 587 of the New Mexico Administrative Code entitled “Grid Modernization and Integrated Distribution Planning.” A rule which may be adopted as the final rule by the Commission may include all, part, or none of the language in the proposed rule.

Summary and concise statement of proposed rule: The objective of the proposed rule is to bring transparency and consistency to distribution system planning and establishing a defined process to create a grid plan for each jurisdictional electric utility. The objective of a grid plan is to assess the state of an electric utility’s distribution systems, identify potential expansion or upgrade projects, and consider grid enhancing technologies and “non-wires” alternative solutions for infrastructure expansion that may enhance system reliability and service opportunities at a lower cost. The further objective of the proposed rule is to ensure that the State benefits from electric distribution systems that align with New Mexico’s policies, such as the Public Utility Act, Renewable Energy Act, Efficient Use of Energy Act, and the Energy Transition Act. Building on the statutory framework for grid modernization, this rule defines how proposals for grid modernization investments shall: be evaluated; fit into the larger context of integrated distribution planning and integrated resource planning while setting forth procedures for cost recovery; and be subject to reporting and accountability requirements.

Legal authority: The Commission has the authority to promulgate and adopt the proposed rule pursuant to Section 62-8-2 NMSA 1978; Section 62-8-13 NMSA 1978; and Section 62-19-9 NMSA 1978.

How a copy of the full text of the proposed rule may be obtained: A copy of the full text of the proposed rule and instructions on how to access the complete rulemaking record, reports, and other items filed in the commission’s e-docket system may be obtained from the Rulemaking Proceedings section of the Commission’s website at <https://www.prc.nm.gov/rulemaking-proceedings/> under Docket No. 22-00089-UT or by calling LaurieAnn Santillanes in the Office of General Counsel at (505) 670-4830.

How a person may comment on the proposed rule, where comments will be received, and when comments are due: Written initial comments may be filed no later than **April 18, 2025**, and written response comments may be filed no later than **May 5, 2025**. Filed comments shall refer to Docket No. 22-00089-UT. Comments may be electronically filed by sending them in PDF format to prc.records@prc.nm.gov. All written comments will be posted on the Commission’s e-Docket website within three days of their receipt by the Commission’s Records Management Bureau.

The record closure date is **May 30, 2025**. From that date through the completion of this proceeding, rulemaking participants shall be forbidden from communicating with the Commission or its advisory staff concerning substantive issues in this proceeding.

When and where a public rule hearing will be held and how a person may participate in the hearing: A public comment hearing on the proposed rule and any proposed alternatives, to be presided over by the Commission or its designee, shall be held beginning at **10:00 a.m. on April 24, 2025** at the Commission’s offices located at 142 W. Palace, Santa Fe, New Mexico, 87505, and via the Zoom video-conferencing platform.

Any interested person who wishes to provide comment at the hearing may contact Patrick Rodriguez via email at public.comment@prc.nm.gov or by phone at (505) 490-7910 as soon as possible before the start of the hearing to sign up as a commenter. The Commission will email a Zoom invitation to all commenters. The Zoom invitation will include a call-in number for those commenters who are unable to access Zoom’s video-conferencing platform. The public comment hearing shall be held to receive oral comments. All commenters may be limited in time to speak, subject to the discretion of the Commission or its designee. The Commission or its designee may also determine that a spokesperson should be designated to speak on behalf of an organization, a group, or a group of individuals that shares the same message or seeks the same goals, in order to maximize the efficiency of the public hearing. No testimony or other evidence shall be taken at the hearing as this is a rulemaking proceeding. The subject of public comments shall be relevant to matters within the Commission’s jurisdiction. A court reporter shall prepare a transcript of the hearing for filing in this docket.

EXHIBIT B

Any person with a disability requiring special assistance to participate in the hearing should contact the **Office of Director of Administrative Services of the Commission at (505) 827-8019** as soon as possible prior to the commencement of the hearing.

Technical information that served as a basis for the proposed rule and how the information can be obtained: None.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF A RULEMAKING TO IMPLEMENT)
THE GRID MODERNIZATION STATUTE, NMSA 1978,) Case No. 22-00089-UT
SECTION 62-8-13 (2021) OF THE PUBLIC UTILITY ACT)
)**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing ***Order Issuing Notice of Proposed Rulemaking*** was sent via email to the following parties on the date indicated below:

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DATED this 7th day of February, 2025.

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ LaurieAnn Santillanes, electronically signed
LaurieAnn Santillanes, Paralegal