

PNM  
Alvarado Square  
Albuquerque, NM 87158-0920  
505 241-2700  
Fax 505 241-2386  
www.pnm.com

October 13, 2006



*A personal commitment  
to New Mexico*

Mr. Ronald X. Montoya  
New Mexico Public Regulation Commission  
224 East Palace Avenue  
Santa Fe, NM 87501

*RE: Case No. 06-00241-UT*

Dear Mr. Montoya:

Enclosed please find the Reply Comments of Public Service Company of New Mexico on the Notice of Proposed Rulemaking Regarding Net Metering in the above referenced proceeding.

The original and fourteen copies are for filing. Please conform the extra copy for our files and return with our courier. If you have any questions regarding this filing, please contact me at 505-241-2479.

Respectfully,

A handwritten signature in cursive script that reads "Thomas J. Wander".

Thomas J. Wander  
Director, Regulatory Projects

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF AN INQUIRY            )  
INTO THE PROVISION OF                 )  
NET METERING SERVICES                )  
BY ELECTRIC UTILITIES                 )  
\_\_\_\_\_)**

**Case No. 06-00241-UT**

**PUBLIC SERVICE COMPANY OF NEW MEXICO**

**REPLY COMMENTS**

Public Service Company of New Mexico (“PNM”) hereby provides its Reply Comments to the Initial Comments filed by the parties in this proceeding on September 28, 2006 regarding the New Mexico Public Regulation Commission’s (“NMPRC” or “Commission”) Notice of Proposed Rulemaking (“NOPR”) issued on September 7, 2006. The NOPR proposed to amend 17.9.570 NMAC (“Rule 570”) to clarify how net metering should be conducted between a public utility or rural electric cooperative and qualifying facilities (“QFs”), as defined by Federal Energy Regulatory Commission (“FERC”) at 18 CFR Section 292, that have a design capacity rating above 10 kW. PNM supports the proposed rule with the minor changes it recommended in its Initial Comments filed on September 28 and opposes those comments that would substantively alter the rule proposed by the Commission Staff and in the NOPR. PNM offers the following comments in reply to the comments filed by other parties.

1. The changes to Rule 570 proposed in the NOPR reflected the changes to Rule 570 that were recommended in the Commission Staff’s report on August 30, 2006 -- with the exception of typographical corrections recommended by PNM in its Initial Comments.

2. The revisions to Rule 570 that were set forth in Staff's August 30<sup>th</sup> Report were the result of extensive discussion and consensus among the active workshop participants. This is evident in the comments filed on September 28th by PNM, El Paso Electric Company ("EPE"), Southwestern Public Service Company ("SPS"), the New Mexico Rural Electric Cooperatives Association ("NMRECA") and the New Mexico Industrial Energy Consumers ("NMIEC"), all of which were active participants in the exchange of written comments and the multiple workshops resulting in the changes to Rule 570 that Staff recommended to the Commission. Although the Coalition for Clean Affordable Energy ("CCAEE") did not file initial comments in this case, it also actively participated in the written exchanges and workshops leading up to the proposed Rule 570 changes.

3. Vote Solar filed initial comments suggesting substantive changes in the proposed rule. Vote Solar was not an active participant in the workshops after the initial meeting. Nevertheless, the issue addressed in Vote Solar's initial comments concerning when and how to credit net metering customers for excess deliveries of energy to the utility was a subject of much discussion among the parties who were active in the workshops. The parties' discussion reflected (a) concern about accruing potentially large credits, (b) recognition that the value of the excess deliveries to a utility may differ over time periods and months, and (c) the experience that customers generally prefer to receive payments by the utility sooner rather than later. The Staff's report and the proposed rule reflect a consensus approach based on a full consideration of the issues raised by Vote Solar and result in a fair and equitable mechanism that addresses excess deliveries by net metering customers to their utility.

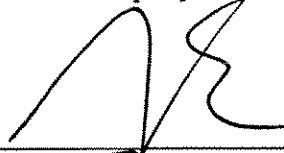
4. The language changes proposed by Vote Solar should not be accepted as a replacement for the consensus language agreed to among the participants at the workshops. Those changes do not address the issues reflecting the concerns, recognitions and experience raised in the workshop participants' discussion. PNM urges the Commission to not adopt Vote Solar's recommendations for changes to the NOPR.

5. Many of the September 28, 2006 filed comments concur with PNM's recommendation that the Commission initiate a separate proceeding to update New Mexico's interconnection procedures currently set forth in Rule 570 and Rule 571, rather than to address them in the context of this NOPR which is focused on clarifying net metering processes in New Mexico. The September 28<sup>th</sup> comments reflect the consensus of the workshop participants that the Commission should consider initiating a rulemaking on interconnection processes and requirements in a separate inquiry at the earliest practical date. Although Vote Solar recommended New Jersey's interconnection rule as a point of reference, PNM's Initial Comments explained that new models for interconnection standards and procedures are also available from diverse sources including a new standard for the interconnection of distributed resources by the Institute of Electrical and Electronics Engineers, Inc. ("IEEE"), new FERC interconnection standards, and new standards adopted by California, Texas and Colorado.

PNM appreciates the opportunity to provide these Response Comments and looks forward to participating in the discussions at the Public Comment Hearing before the Commission that is scheduled for November 15, 2006.

Respectfully Submitted,

Public Service Company of New Mexico



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Gary W. Boyle, Associate General Counsel  
Alvarado Square, MS-2822  
Albuquerque, NM 87158-2822  
(505) 241-4922  
(505) 241-2368 (fax)  
[gary.boyle@pnmresources.com](mailto:gary.boyle@pnmresources.com)

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF AN INQUIRY )  
INTO THE PROVISION OF )  
NET METERING SERVICES )  
BY ELECTRIC UTILITIES )**

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**Case No. 06-00241-UT**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the Reply Comments of Public Service Company on the Notice of Proposed Rulemaking Regarding Net Metering was mailed by first class mail, postage prepaid, this 13<sup>th</sup> day of October, 2006, to each of the following persons:

El Paso Electric Company  
Jim Haines, CEO  
P. O. Box 982  
El Paso TX 79960

Stacy Goodwin  
Randall Childress Law Offices  
300 Galisteo, Suite 205  
Santa Fe, NM 87501

Southwestern Public Service Company  
David Hudson  
Director of Regulatory Administration  
P. O. Box 1261  
Amarillo TX 79105

Jeffrey Fornaciari  
Hinkle, Cox, Eaton, Coffield & Hensley  
218 Montezuma  
Santa Fe, NM 87501

Farmer's Electric Co-op., Inc.  
Mr. Lance Adkins, Gen. Mgr.  
P.O. Box 550 Clovis NM 88102

Central Valley Electric Coop., Inc.  
Chuck Pinson, Manager  
P. O. Box 230  
Artesia, NM 88211

Sunny Nixon  
Rodey, Dickason, Sloan, Akin & Robb  
P. O. Box 1357  
Santa Fe, NM 87501

Daniel Najjar  
P. O. Box 22249  
Santa Fe, NM 87502

Rural Electrification Cooperative Assoc.  
Keven Groenwald, Exec, VP & Gen. Mgr.  
P. O. Box 389  
Portales, NM 88130

Tri-State Generation Transmission Assoc., Inc.  
Kea Roif, Exec. Vice-President and  
General Counsel  
P. O. Box 33695  
Denver CO, 80233

Lynn Behnfield Thomas  
Rural Wind Initiative  
C/o Global Energy  
P.O. Box 16211  
Albuquerque, NM 87191

Jim Heath  
Entegrity Wind Systems, Inc.  
P.O. Box 832  
Charlottetown, PE, Canada CIA7L9

Bill Dempster  
(Global Ecotechnics Corp.)  
26 Synergia Rd.  
Santa Fe, NM 87508

Allan Sindelar  
Positive Energy, Inc.  
3225A Richards Lane  
Santa Fe, NM 87507

Susan Innis  
Western Resources Advocates  
2260 Baseline Rd. #200  
Boulder, CO 80302

Steven Michel, Esq.  
NMIEC  
2025 Senda de Andres  
Santa Fe, NM 87501

Cary Lane  
Energy Concepts  
HC G8, Box 11AA  
Sapello, NM 87745

Jeff Taylor, Esq.  
Assistant Attorney General  
P.O. Drawer 1508  
Santa Fe, NM 87504

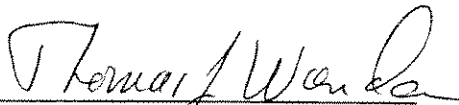
Craig O'Hare  
Special Assistant for Renewable Energy  
EMRD  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Carla J. Sonntag  
Executive Director  
NM Utility Shareholders Alliance  
1003 Tomas Ct., SW  
Albuquerque, NM 87121

**Hand Delivered To:**

Dahl Harris, Esq.  
Staff Counsel, NMPRC  
224 East Palace Ave.  
Santa Fe, NM 87501

Respectfully Submitted,



Thomas J. Wander  
Director, Regulatory Projects

Ben Luce  
CCA  
802 Early Street  
Santa Fe, NM 87594

Peter Gould, Esq.  
P.O. Box 31326  
Santa Fe, NM 87594

David Griscom  
Regional Development Corp.  
10101 Marquez Place  
Santa Fe, NM 87505

Jennifer Oliver  
Government Affairs  
Southwest Windpower  
1801 West Route 66  
Flagstaff, AZ 86601

Brian K. Johnson, PE  
Bureau Chief  
ENMRD Energy and Conservation & Man.Div.  
1220 S. St. Francis Dr.  
Santa Fe, NM 87505