

September 28, 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 Initial 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

**INITIAL COMMENTS OF PUBLIC SERVICE COMPANY OF NEW MEXICO
ON THE NOTICE OF PROPOSED RULEMAKING REGARDING NET METERING**

Public Service Company of New Mexico (“PNM”) hereby provides its Initial Comments on the Notice of Proposed Rulemaking (“NOPR”) issued by the New Mexico Public Regulation Commission (“NMPRC” or “Commission”) on September 7, 2006 in this proceeding. The NOPR proposes 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. Generally, PNM fully supports the proposed NOPR, but does have recommendations and specific edits that PNM believes will help to clarify the meaning of the amended language.

INTRODUCTORY COMMENTS

On August 30, 2006, NMPRC Staff filed recommendations for amendments to Rule 570 that reflect a general consensus reached among various stakeholders developed during two exchanges of informal written communications and three days of interactive workshop discussions. PNM fully participated in these processes. From PNM’s perspective, these

processes were highly effective in achieving a consensus among the parties as described below.

- The Commission should address any revisions to the interconnection standards and procedures currently set forth in Rule 570 and 17.9.571 NMAC (“Rule 571”) in a separate NOPR. One objective of this approach was to enable the Commission to expeditiously adopt the necessary amendments to Rule 570 that would clarify by year-end 2006 how net metering and related billing practices should be conducted. A separate interconnection rulemaking could also address interconnection of distributed generation facilities that are not QFs. Currently, Rules 570 and 571 apply only to QFs. (For example, see Rule 570.6(A) and Rule 571.10(B).) New models for interconnection standards and procedures are available that the Commission and parties can use in such a rulemaking, 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, therefore, urges the Commission to establish a separate rulemaking to develop updated, amended interconnection standards and processes in Rule 570 that would apply to both QFs and non-QFs.

- Amendments to Rule 571 are not necessary and the simplified procedures in Rule 571 that are applicable to small generators rated at 10 kW or less are not appropriate for larger sized generators.

- The existing Rule 570 is very unclear; this was demonstrated by the fact that although the parties found that they generally shared a common vision of how net metering and the related billing practices under Rule 570 should be conducted, they had differing and conflicting interpretations of what the existing language in Rule 570 implied or required.

The realization of a generally shared common vision greatly helped in developing consensus among the parties as to what clarifications were necessary to Rule 570 and facilitated Staff's early filing of its report to the Commission on August 30th.

RECOMMENDATIONS FOR EDITS TO THE NOPR

PNM has the following edits – shown in legislative format -- to recommend to the proposed amendments to Rule 570 that are provided in the NOPR. These edits primarily aim to make the language consistent with Staff's proposed language and to ensure clarity of meaning so that all parties, upon reading, will have a common understanding of how net metering and related billing procedures will be conducted. These edits also provide consistency between the net metering requirements of Rule 570.10(C) and the Standard Interconnection Agreement for Qualifying Facilities with a Design Capacity of 100 Kilowatts or Less" that is included in Rule 570.15. It is worth noting that the standard form contract does not limit the application of Rule 570 to a maximum size of 100 kW. Instead, for facilities with generation capability larger than 100 kW, the standard form contract becomes the starting point for discussions between the owner of the QF and the public utility or rural electric cooperative and enables the parties to additionally address specific issues that may be raised due to the facility's size and location on a utility's or rural electric cooperative's distribution system.

- Page 8, Section C(1): change the last sentence to read: "The net energy delivered to either the qualifying facility or to the utility is the difference between the energy produced by the qualifying facility's generation and the energy that would

have otherwise been supplied by the utility to the qualifying facility absent the qualifying facility's generation.”

- Page 8, Section C(2): change the second sentence to read: “The qualifying facility shall be billed for the net energy delivered from the utility in accordance with the tariffs that are applicable to the qualifying facility absent the qualifying facility's generation.”
- Page 21, Section F(2)(a): the beginning of this section should read: “[Utility] [Tri-State] shall install the metering necessary to ~~measure~~ determine the net energy delivered”
- Page 22, Section F(2)(b): the fourth sentence of this section should read: “At the end of the billing period [Utility] [Tri-State] shall net all charges owed to [Utility] [Tri-State] by Producer and all payments owed by ~~the~~ [Utility] [Tri-State] to Producer.”

CONCLUSION

PNM believes that with the above changes the Commission will have a rule that clearly explains to all parties the procedures applicable to net metering for generation facilities larger than 10 kW and which can be fully implemented while the Commission considers in a separate rulemaking matters relating to interconnection standards and procedures.

Respectfully Submitted,

Madonna Bixby for

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BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF AN INQUIRY)
INTO THE PROVISION OF)
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Case No. 06-00241-UT

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Initial Comments of Public Service Company on the Notice of Proposed Rulemaking Regarding Net Metering was mailed by first class mail, postage prepaid, this 28th day of September, 2006, to each of the following persons:

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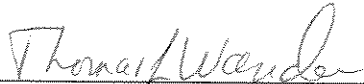
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