

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF PUBLIC SERVICE)
COMPANY OF NEW MEXICO'S 2005)
RENEWABLE ENERGY PROCUREMENT)
AND TRANSITIONAL RENEWABLE ENERGY)
PROCUREMENT PLAN FOR 2003 AND 2004)
PUBLIC SERVICE COMPANY OF NEW MEXICO,) **Utility Case No. 04-00311-UT**
Petitioner.)**

STIPULATED AGREEMENT

The undersigned parties (“the Signatories”), through their authorized representatives and in consideration of the agreements contained herein, have executed this Stipulated Agreement (“Stipulation”) and submit it to the New Mexico Public Regulation Commission (“Commission”) for its approval. If approved and accepted as an order of the Commission, the Stipulation will resolve all issues in this proceeding.

The Signatories agree that the procurement plan for Public Service Company of New Mexico (“PNM”) for 2003, 2004 and 2005 set forth in this Stipulated Agreement (“Stipulated Procurement Plan”) is reasonable as to its terms and conditions considering price, availability, dispatchability, any renewable energy certificate values and diversity of the renewable energy resources, is otherwise in the public interest and should be approved. PNM’s 2005 Renewable Energy Procurement Plan and Transitional Renewable Energy Procurement Plan for 2003 and 2004 filed on September 1, 2004 are superseded by the Stipulated Procurement Plan and therefore should not be approved. The Stipulated Procurement Plan consists of the following components:

A. Wind Resources

1. **New Mexico Wind Energy Center:** PNM has procured in 2003 and 2004 and will procure in 2005 renewable energy resources, both the renewable wind energy and the renewable energy certificates (“RECs”) related to that energy, from the New Mexico Wind Energy Center (“NMWEC”).
2. **Use of NMWEC Resources:** Beginning in 2006, PNM will use renewable resources procured from the NMWEC to meet its renewable portfolio standard (“RPS”). PNM may use either the wind energy generated from the NMWEC with the RECs related to that energy or may use the NMWEC RECs procured in 2003, 2004 and 2005, without delivery to jurisdictional customers of the energy represented by the RECs, provided the energy is contracted for delivery in New Mexico pursuant to § 62-16-5 NMSA, to meet the RPS beginning in 2006.
3. **Cost Recovery:** Determination and recovery of the costs of the renewable resources from the NMWEC used to meet the RPS beginning in 2006 should be deferred until PNM’s next general electric rate case. Such deferral is consistent with the provisions of Paragraph 12 of the Stipulation approved on January 28, 2003 in NMPRC Case 3137 (“Case 3137 Stipulation”). If, in its next general electric rate case, PNM seeks to recover the costs of the renewable resources from the NMWEC used to meet the RPS, PNM will be required to establish the reasonableness of such costs, which the Signatories are entitled to contest.
4. **Approval of NMWEC Plan:** The use of renewable resources from the NMWEC to meet PNM’s RPS beginning in 2006 is reasonable and consistent with the Renewable Energy Act of 2004, and should be approved.

B. BIOMASS RESOURCES

1. **Biomass Assessment Approval:** PNM's plan to expend up to \$850,000 in 2005 to undertake a detailed assessment of a low or zero emissions biomass project, as described in Subparagraph (2) below, is reasonable and consistent with the Renewable Energy Act of 2004 and should be approved.
2. **Biomass Activities and Budget:** The assessment shall include the activities described below at costs that do not substantially exceed the individual task budgeted amounts, up to a total cost of \$850,000:
 - a) Completing an engineering conceptual design to determine specific capital costs, and generation performance parameters —\$350,000;
 - b) Identifying biomass fuel sources that can be economically gathered and delivered to a plant location, and assessment of long-term fuel pricing — \$20,000;
 - c) Obtaining permits for three possible projects, including site permits, air permits, and obtaining land and water options, for the purpose of determining feasibility— \$70,000, \$80,000, \$50,000 and \$70,000, respectively;
 - d) Completing the electric transmission impact studies and interconnection agreements, which may vary according to the potential plant location — \$60,000; and
 - e) Conducting a Request for Proposal (“RFP”) for biomass project proposals that would be managed by a third-party, using the new baseline

assessment to determine their feasibility and relative economic value compared to a self-build project —\$150,000.

3. **Cost Recovery:** Costs actually incurred by PNM to conduct the biomass assessment described above, up to \$850,000, are reasonable and recoverable in PNM's next general rate case, in accordance with Paragraph 12 of the Case 3137 Stipulation, provided that PNM establishes in such rate case that these costs have not been otherwise recovered in retail rates.

C. SOLAR PHOTOVOLTAICS (PV) RESOURCES

1. **Solar PV Project Description:** PNM shall initiate a Solar PV program during 2005 that is consistent with the following plan:
 - a) PNM will build a PNM owned PV plant at one of its existing generating plant locations or other suitable location.
 - b) PNM will install approximately 50 kW of solar PV panels at a single generation site at a cost of \$500,000 or less.
 - c) As an educational aspect of the project in b) above, PNM will install a data collection system at the generation site that communicates generation data to an information kiosk at the Explora Children's Museum in Albuquerque or other suitable location.
 - d) PNM will own the RECs and kWh from the PV system in b) above.
 - e) During 2005, PNM will continue to work with membership of the Governor's Distributed Renewable Task Force to develop a customer owned PV program.

- f) PNM will focus on attempting to create a sustainable program that can exist with little or no public sector incentives which will begin in the 2006 timeframe.
 - g) PNM will present its proposal for a sustainable PV program to NMPRC Staff and other interested parties prior to making its renewable procurement plan filing in 2005 for the 2006 calendar year.
2. **Solar PV Approval:** The Solar PV program set forth herein is reasonable and consistent with the Renewable Energy Act of 2004 and should be approved.
 3. **Cost Recovery:** Costs incurred by PNM in 2005 to implement the above-described Solar PV plan, up to \$500,000, are reasonable and recoverable in PNM's next general rate case, in accordance with Paragraph 12 of the Case 3137 Stipulation, provided that PNM establishes in such rate case that these costs have not been otherwise recovered in retail rates.

GENERAL PROVISIONS

1. **Implementation:** The Signatories will use their best efforts to obtain expeditious implementation of this Stipulation by the entry of an appropriate final Commission order.
2. **Withdrawal From Stipulation:** Should any agreements set forth in this Stipulation be rejected, modified or directly or indirectly rendered inoperable by a decision of the Commission or a reviewing court, any party shall have the right, by filing a notice of withdrawal with the Commission within 30 days after the decision, to withdraw from the Stipulation and render this Stipulation of no

further force and effect, in which case the Signatories shall attempt in good faith to negotiate an appropriate substitute agreement.

3. **No Prejudice:** This Stipulation shall not prejudice, bind, or affect any Signatory, or be viewed as an admission, except to the extent necessary to give effect to or enforce the terms of this Stipulation. In the event this Stipulation is not approved by the Commission in its entirety, nothing in this Stipulation or negotiations leading up to its execution shall be construed as an admission of a Signatory's position on any issue nor be used or offered into evidence by any Signatory in this or any other proceeding.
4. **Successors and Assigns:** This Stipulation shall be binding upon and inure to the benefit of the successors and assigns of the Signatories.

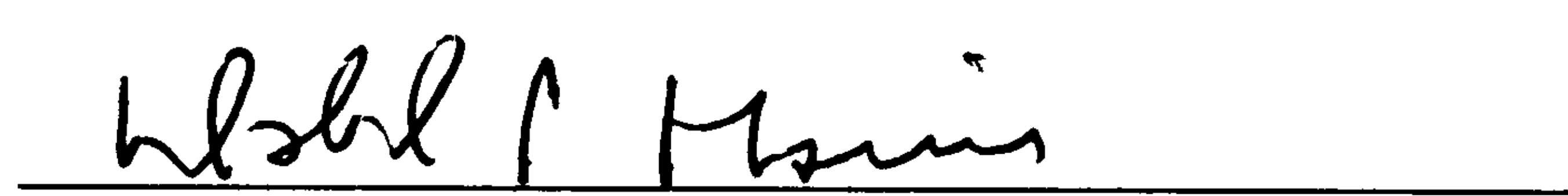
Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing "Stipulated Agreement" was mailed via first-class mail, postage prepaid, to the following counsel of record on this 23rd day of November, 2004.

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