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NEWS RELEASE

PNM, Valencia Power Stipulation Partially Approved

A matter that has come before the New Mexico Public Regulation Commission (PRC) at a number of open meetings in recent weeks was revisited Wednesday, April 29, when commissioners reviewed the stipulation arising from Public Service Company of New Mexico's (PNM) petition for declaratory order to back bill Valencia Power LLC and at what rate.

Under review was the stipulation's amount that Valencia will pay PNM for its back bill, at what rate, and the percentage of the back bill revenue that PNM will keep versus refunding the monies to ratepayers who absorbed the bill over the 5-1/2-years that PNM did not collect monies from Valencia Power.

PNM brought the matter to the attention of the PRC last year, seeking to back bill Valencia Power after not having billed the power peaking facility since 2008.

Valencia Power, as a power peaking facility, both buys station service electricity from PNM and sells peaking power electricity to PNM. Power peaking facilities are power plants that generally run only when there is a high demand, known as peak demand, for electricity. Because they supply power only occasionally, the power supplied commands a much higher price per kilowatt hour than base load power. Peak load power plants are used in combination with base load power plants, which supply a dependable and consistent amount of electricity, meeting the minimum demand.

PNM and Valencia Power came to an agreement, stipulating that Valencia would be back-billed to November 2012 at a newly designed rate for large power generating facilities of six cents per kilowatt hour rather than at the retail rate of 12 cents per kilowatt hour.

PRC Commissioner Sandy Jones has vocally challenged the idea of two utility corporations negotiating this rate among themselves with insufficient analysis by the PRC, which may not adequately protect the other ratepayers that already covered Valencia's cost of service due the lack of billing between the two utility providers.

Commissioner Jones placed on the agenda a matter to consider investigating the station service billing practices between these two entities, and stated during Wednesday's meeting the need for the PRC to review the matter in its entirety.

PNM, in a motioned filed on April 28, contended that only the shareholders absorbed the costs, not ratepayers, at least for part of the time period.

The Commission voted three to two to partially approve the stipulation, conditioned upon PNM and Valencia agreeing to modify it so that PNM would be assessed a \$5,000 penalty for its failure to bill Valencia, and PNM would refund 100 percent of the back bill revenues to its other customers via a one-time credit to the fuel clause.

About the NMPRC

The NMPRC regulates public utilities, telecommunications companies and motor carriers operating in the State of New Mexico. It also administers the State Fire Marshal's Office, the New Mexico Firefighters Training Academy in Socorro, N.M., and the Pipeline Safety Bureau.

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