

PNM's War on New Mexicans

1/4/15

Gary Vaughn NMSEA President

In the Nov/Dec 2014 issue of the NMSEA SunPaper, I reviewed PNM's 2014 IRP (20 year plan). I said that the real test of PNM executives' apparent change in attitude about renewable energy would be the 2014 PNM Rate Case. Well, PNM's official 2014 Rate Case documents (more than 11,000 pages of them) were submitted to the NMPRC in mid-December. What have we learned so far from wading thru those documents? The title of this article pretty much sums that up. Here's a quick review:

Higher Rates for Residential & Small Business Customers – Lower Rates for PNM's Buds It shouldn't surprise anyone that PNM's electricity rates will be going up. But what might surprise you is that PNM's residential & small business customers will see a whopping 17% rate INCREASE, while some of PNM's best corporate customers will see their electricity rates GO DOWN. You haven't heard PNM executives mention a 17% rate increase have you? They like to use much lower "estimates". But the 17% rate increase is clearly stated in the formal 2014 Rate Case documents.

PNM executives have decreed that PNM's favorite big business customers have been "unfairly subsidizing" PNM's struggling residential & small business class customers. Furthermore, according to PNM executives, the NMPRC's past practice of applying PNM's rate increases evenly to all PNM customers is simply unacceptable and must be corrected immediately. PNM's new plan will squeeze more \$\$ out of the New Mexicans who are least able to pay, in order to reward PNM's best customers and, of course, to reward PNM executives.

Decoupling Like many electric utilities, PNM bills their customers based on how much electricity the customers use. That income compensates the utility for the actual cost of generating the electricity, and for the actual cost of the "grid" infrastructure (power lines, poles, transformers etc) that it takes to "deliver" that electricity. And of course the utility must cover their "overhead" costs plus make a reasonable profit. When customers use less electricity for any reason, including energy efficiency, utility revenues go down & utility profits suffer. The various "decoupling" proposals allow utilities to recover their "grid" costs separately from what they charge per kWh of consumption.

But the devil is in the details. PNM is proposing to increase the amount that all residential customers pay no matter how much electricity they use from \$5.00 to \$12.80. This isn't part of the electricity rate increase, but a separate unavoidable additional fee. For the average PNM residential customer that \$7.80 extra monthly charge amounts to about a 9% bill increase. For those residential customers who use less than the "average" amount of electricity, the percentage increase due to this extra fee will be much higher than 9%. And what additional benefits or services will PNM provide to residential customers in return for this extra fee? None.

Undercutting Net Metering Net Metering allows a solar PV system owner to take full credit for the electricity that they generate & send to PNM's grid. That credit can be saved up (banked) and used to "cancel out" the cost of electricity that the PV system owner buys from PNM.

Under PNM's 2014 rate case proposal, a solar PV system owner will no longer be able to "bank" excess PV system production and apply that against future months' electricity bills. PNM will pay for any "excess" unused PV system electricity each month – but only at an "avoided fuel cost" rate of 3 cents per kilowatt hour instead of at the retail rate that PNM charges for electricity (roughly 12 cents per kilowatt hour). PNM will then turn around and sell that "excess" PV electricity back to the PV system owner's neighbors at the full retail rate, thus "earning" a minimum of 9 cents per kWh return on the customer's PV system investment (and much more during "peak" times).

Discounting REC Credits PNM currently gets to subtract all of the electricity that a customer's PV system generates from the total amount of solar electricity that NM's Renewable Energy Portfolio Standard (RPS) requires PNM to supply. In return, PNM pays the system owner a fee, called a REC payment, for all of the electricity that a customer's PV system generates. That REC payment has declined significantly over the past eight years to 3 cents per kWh. The REC payment will bottom out at 2.5 cents per kWh by the end of 2015.

PNM has promised to expand the solar REC program by increasing the total REC program capacity limits so additional PV customers will be able to sign up. But PNM only wants to make REC payments for the portion of PV electricity that is "net-metered", ie that is credited against the customer's monthly electricity bill. If a customer's system generates more electricity in a month than that customer can apply against the month's bill - "PNM shall receive from Customer, without cost, all RECs associated with such Excess Energy".

The Return of the PV Interconnect Rate Rider Just as PNM promised, and several experts predicted, the PV Interconnect Rate Rider is back with a vengeance, but under a brand new name. PNM is proposing a “Distributed Generation (DG) Interconnection Fee” that will be levied on new residential & small business owned solar electric and wind generation sources that are connected to PNM’s grid. This new fee will be based on the size of the generation system rather than the amount of electrical energy actually generated. And PNM has proposed to impose this fee in stages rather than all at once.

Starting Jan 1, 2016 a new residential or small business PV installation will be charged an extra \$6.00 for every one-thousand Watts (1 kW) of installed PV panels. For example, if you install 4 kW of PV panels on your roof, you’ll pay PNM an extra \$24 per month (that works out to a minimum of 4 cents per kWh of average electricity production).

“Gerald Ortiz, PNM vice president for regulatory affairs, said that even with the [*\$6.00 per kW DG Interconnect Fee*] charge those [*PV*] customers would only see their financial benefits or savings from net metering drop by about 30%” (Journal 12/12/14). What VP Ortiz didn’t mention to the Journal is that PNM wants to increase this DG fee from \$6.00 to \$16.73 for every kW of installed panels as soon as possible (that works out to a minimum of 11 cents per kWh of average electricity production).

How did PNM executives come up with the \$16.73 per installed kW that PV system owners “owe” PNM? They simply told their staff to create a spreadsheet! Why isn’t PNM charging the “full amount” that PV customers owe PNM? PNM executives call it the “Principle of Gradualism” – the new monthly DG fee of \$6.00 per kW of installed PV is just the beginning.

Higher Profits for PNM

NM statutes require that the NMPRC allow PNM to “recover” every penny of its qualifying expenses from PNM customers, PLUS guarantee PNM a 10% profit. Under almost all scenarios, PNM cannot lose money on the deal no matter what. For managing such a high risk enterprise, PNM executives are paid high 6 or even 7 figure salaries (plus benefits). In a state with the highest poverty rate in the country, and with the worst performing economy, it’s really hard to manage a state-sanctioned monopoly that only earns a guaranteed 10% profit, so PNM executives are asking the NMPRC to increase PNM’s guaranteed profit to 10.5%.

PNM’s Strategy If you add the impact of PNM’s proposed DG Interconnect Fee to the impact of PNM’s Net-Metering program changes to the impact of PNM’s REC program changes, and then you add in the additional \$10.73 DG Interconnect Fee that PNM wants to impose in the future, you soon realize that PNM is actually plotting to charge its residential and small business solar PV customers far more for the privilege of doing business with PNM than those customers would pay if they simply junked their own PV systems and bought PNM’s dirty electricity. Oh by the way, PNM’s allies in the NM State Legislature will soon be introducing bills to roll back New Mexico’s Renewable Energy Portfolio Standards.

PNM management’s strategy is clear – eliminate or nullify all financial benefits for residential & small business owned PV and wind systems; put NM’s fast-growing PV companies out of business no matter how many jobs are lost; increase & reallocate PNM’s electricity rates & fees to provide the maximum possible benefit to PNM; and reward PNM executives with a higher guaranteed profit (and bonuses).

What Can NMSEA Members Do? Tiny NMSEA against mighty PNM. Bring it on!

You can:

- 1) Get the word out about PNM’s outrageous proposals. Different “angles” will appeal to different folks.
- 2) Make the most of your Facebook & Twitter connections.
- 3) Call & email PNM & “inform” them of the error of their ways.
- 4) Submit op-eds to your local newspaper.
- 5) Collaborate with other like-minded organizations to multiply our “impact”.
- 6) Contact your PRC Commissioner & make your opinion clear. PRC Commissioners are elected, and they only listen to their own constituents (PNM lobbyists contact almost every PRC Commissioner almost every week). Find your Commissioner at: <http://www.nmprc.state.nm.us/index.html> .
- 7) Attend NMSEA local chapter meetings, and brainstorm ways to counter PNM’s misleading PR campaign. Cartoons & slogans & creative video clips can be amazingly effective.
- 8) Stay tuned! NMSEA will be working hard to keep you informed.