



Agenda

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**PUBLIC UTILITIES COMMITTEE
MEETING
CITY COUNCIL CHAMBERS
WEDNESDAY, AUGUST 7, 2013
REGULAR MEETING – 5:00 P.M.**

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF CONSENT AGENDA
5. APPROVAL OF MINUTES FROM THE JULY 3, 2013 PUC MEETING

INFORMATIONAL ITEMS

6. Update from Public Service Company of New Mexico – Miscellaneous Topics. (Nick Schiavo)
7. Water Conservation Marketing, Education and Outreach. (Laurie Trevizo)

CONSENT – INFORMATION ITEMS

8. Status Report on the Environmental Services Division. (Cindy Padilla)
9. Update on Current Water Supply Status. (Victor Archuleta)
10. Drought, Monsoon and Water Resource Management Update. (Rick Carpenter)

CONSENT – ACTION CALENDAR

11. Request for approval of Amendment No. 5 to the PSA with Lee Wilson & Associates, Inc. for the total amount of \$160,000.00 exclusive of NMGRT. (Claudia Borchert and Rick Carpenter)

Finance Committee – 8/5/13

Public Utilities Committee – 8/7/13
City Council – 8/14/13

12. Request for approval of Amendment No. 2 to the PSA with PK Relations in support of the Water Conservation and Marketing Outreach Plan and Implementation for the total amount of \$25,000.00 exclusive of NMGR. (Laurie Trevizo)

Public Utilities Committee – 8/7/13
Finance Committee – 8/19/13
City Council – 8/27/13

13. Request for approval of award of contract to **(UNKNOWN – Bid opening on August 6th, information will be mailed to PUC prior to PUC meeting)** for the construction of the Maez Road Water Main Replacement Project – RFB No. ‘14/03/B for the total amount of \$(UNKNOWN). (Dee Beingessner)

Public Utilities Committee – 8/7/13
Finance Committee – 8/19/13
City Council – 8/27/13

14. Request for approval of Amendment No. 1 to the Legal Services Agreement with Stein & Brockmann, P.A. for the Northwest Well Application and the Return Flow/Discharge Credit Application for the total amount of \$100,000.00 exclusive of NMGR. (Marcos Martinez and Nick Schiavo)

Public Utilities Committee – 8/7/13
Finance Committee – 8/19/13
City Council – 8/27/13

15. Request for approval of award of contract to Bruckner’s/PendPac for RFB No. ‘13/20/B to purchase three (3) Compressed Natural Gas recycling collection units for the Environmental Services Division for the total amount of \$712,047.00. (Lawrence Garcia and Cindy Padilla)

Public Utilities Committee – 8/7/13
Finance Committee – 8/19/13
City Council – 8/27/13

16. Request for approval to purchase two (2) Compressed Natural Gas Commercial Rear-Loading collection units from Roberts Truck Center via Cooperative Educational Services (CES) cooperative marketing for the Environmental Services Division for the total amount of \$659,448.00. (Lawrence Garcia and Cindy Padilla)

A. Request for approval of a budget increase from BU 05250 Reserves for the total amount of \$44,838.00

Public Utilities Committee – 8/7/13
Finance Committee – 8/19/13

City Council – 8/27/13

DISCUSSION ITEMS AND ACTION ITEMS

None

MATTERS FROM THE PUBLIC

MATTERS FROM THE CITY ATTORNEY

ITEMS FROM STAFF

MATTERS FROM THE COMMITTEE

NEXT MEETING: WEDNESDAY, SEPTEMBER 4, 2013

ADJOURN

PERSONS WITH DISABILITIES IN NEED OF ACCOMODATIONS, CONTACT THE CITY CLERK'S OFFICE AT 505-955-6520, FIVE (5) WORKING DAYS PRIOR TO THE MEETING DATE.

SUMMARY INDEX
PUBLIC UTILITIES COMMITTEE MEETING
Wednesday, August 7, 2013

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
CALL TO ORDER AND ROLL CALL	Quorum	1
APPROVAL OF AGENDA	Approved [amended]	1-2
APPROVAL OF CONSENT AGENDA	Approved [amended]	2
CONSENT INFORMATIONAL ITEMS LISTING		2
CONSENT – ACTION CALENDAR LISTING		2-3
APPROVAL OF MINUTES FOR THE JULY 3, 2013 PUC MEETING	Approved	3
<u>INFORMATIONAL ITEMS</u>		
UPDATE FROM PUBLIC SERVICE COMPANY OF NEW MEXICO – MISCELLANEOUS TOPICS	Information/discussion	3-14
WATER CONSERVATION MARKETING, EDUCATION AND OUTREACH	Information/discussion	14-15
<u>CONSENT - ACTION CALENDAR</u>		
REQUEST FOR APPROVAL OF AMENDMENT NO. 5 TO THE PSA WITH LEE WILSON & ASSOCIATES, INC., FOR THE TOTAL AMOUNT OF \$160,000, EXCLUSIVE OF NMGRT	Approved w/amendment	15-17
REQUEST FOR APPROVAL OF AMENDMENT NO. 1 TO THE LEGAL SERVICES AGREEMENT WITH STEIN & BROCKMAN, P.A., FOR THE NORTHWEST WELL APPLICATION AND THE RETURN FLOW/DISCHARGE CREDIT APPLICATION FOR THE TOTAL AMOUNT OF \$100,000, EXCLUSIVE OF NMGRT	Approved	17-18

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
REQUEST FOR APPROVAL OF AWARD OF CONTRACT TO BRUCKNER'S/PENDPAC FOR RFB NO. 13/20/B, TO PURCHASE THREE (3) COMPRESSED NATURAL GAS RECYCLING COLLECTION UNITS FOR THE ENVIRONMENTAL SERVICES DIVISION FOR THE TOTAL AMOUNT OF \$712,047.00	Approved	18-20
DISCUSSION ITEMS AND ACTION ITEMS	None	20
MATTERS FROM THE PUBLIC	None	20
MATTERS FROM THE CITY ATTORNEY	None	20
ITEMS FROM STAFF	Information	21
MATTERS FROM THE COMMITTEE	Information/discussion	22
NEXT MEETING: WEDNESDAY, SEPTEMBER 4, 2013		23
ADJOURN		23

**MINUTES OF THE
CITY OF SANTA FE
PUBLIC UTILITIES COMMITTEE
Wednesday, August 7, 2013**

1. CALL TO ORDER

A meeting of the Public Utilities Committee was called to order by Councilor Christopher N. Calvert, Chair, at approximately 5:00 p.m., on Wednesday, August 7, 2013, in the Council Chambers, City Hall, Santa Fe, New Mexico.

2. ROLL CALL

MEMBERS PRESENT:

Councilor Christopher Calvert, Chair
Councilor Carmichael A. Dominguez
Councilor Christopher M. Rivera
Councilor Ronald S. Trujillo

MEMBERS EXCUSED:

Councilor Bill Dimas

OTHER COUNCILORS ATTENDING

Councilor Rebecca Wurzbarger

OTHERS PRESENT:

Nick Schiavo, Public Utilities Director
Stephanie Lopez, Public Utilities
Marcus Martinez, Assistant City Attorney
Elizabeth Martin [for Melessia Helberg, Stenographer]

There was a quorum of the membership present for conducting official business.

NOTE: All items in the Committee packet for all agenda items are incorporated herewith to these minutes by reference. The original Committee packet is on file in the Public Utilities Department.

3. APPROVAL OF AGENDA

Mr. Schiavo asked to postpone item 11 to the next meeting of the Committee.

MOTION: Councilor Trujillo moved, seconded by Councilor Rivera, to approve the agenda as amended.

VOTE: The motion was approved unanimously on a voice vote.

4. APPROVAL OF CONSENT AGENDA

MOTION: Councilor Dimas moved, seconded by Councilor Rivera, to approve the Consent Action Calendar and the Consent Information Items Agenda, as amended.

VOTE: The motion was approved unanimously on a voice vote.

CONSENT INFORMATIONAL ITEMS

- 8. STATUS REPORT ON THE ENVIRONMENTAL SERVICES DIVISION. (CINDY PADILLA)**
- 9. UPDATE ON CURRENT WATER SUPPLY STATUS. (VICTOR ARCHULETA)**
- 10. DROUGHT, MONSOON AND WATER RESOURCE MANAGEMENT UPDATE. (RICK CARPENTER)**

CONSENT – ACTION CALENDAR

- 11. *[Removed for discussion by Councilor Rivera]***
- 12. REQUEST FOR APPROVAL OF AMENDMENT NO. 2 TO THE PSA WITH PK RELATIONS IN SUPPORT OF THE WATER CONSERVATION AND MARKETING OUTREACH PLAN AND IMPLEMENTATION FOR THE TOTAL AMOUNT OF \$25,000, EXCLUSIVE OF NMGR. (LAURIE TREVIZO) Public Utilities Committee 08/07/13; Finance Committee 08/19/13; and City Council 08/27/13.**
- 13. REQUEST FOR APPROVAL OF AWARD OF CONTRACT TO (UNKNOWN – BID OPENING ON AUGUST 6, 2013, INFORMATION WILL BE MAILED TO PUC PRIOR TO PUC MEETING) FOR THE CONSTRUCTION OF THE MAEZ ROAD WATER MAIN REPLACEMENT PROJECT – RFB NO. 14/03/B, FOR THE TOTAL AMOUNT OF \$(UNKNOWN). (DEE BEINGESSNER) Public Utilities Committee 08/07/13; Finance Committee 08/19/13; and City Council 08/27/13.**
- 14. *[Removed for discussion by Chair Calvert]***
- 15. *[Removed for discussion by Chair Calvert]***

16. **REQUEST FOR APPROVAL TO PURCHASE TWO (2) COMPRESSED NATURAL GAS COMMERCIAL REAR-LOADING COLLECTION UNITS FROM ROBERTS TRUCK CENTER VIA COOPERATIVE EDUCATIONAL SERVICES (CES) COOPERATIVE MARKETING FOR THE ENVIRONMENTAL SERVICES DIVISION FOR THE TOTAL AMOUNT OF \$659,448.00 (LAWRENCE GARCIA AND CINDY PADILLA).**
A. **REQUEST FOR APPROVAL OF A BUDGET INCREASE FROM BU 05250 RESERVES FOR THE TOTAL AMOUNT OF \$44,838.00.**
Public Utilities Committee 08/07/13; Finance Committee 08/19/13; and City Council 08/27/13

5. **APPROVAL OF MINUTES FOR THE JULY 3, 2013 PUC MEETING**

MOTION: Councilor Trujillo moved, seconded by Councilor Rivera, to approve the minutes as submitted.

VOTE: The motion was approved unanimously on a voice vote.

INFORMATIONAL ITEMS

6. **UPDATE FROM PUBLIC SERVICE COMPANY OF NEW MEXICO – MISCELLANEOUS TOPICS. (NICK SCHIAVO)**

A copy of a power point present by Public Service Company of New Mexico is incorporated herewith to these minutes as Exhibit "1."

A copy of *Renewable Energy Proposal 2014 and 2015*, from Public Service Company of New Mexico is incorporated herewith to these minutes as Exhibit "2."

Matthew Trujillo, Local Government aspect of PNM, introduced Amy Miller, Environmental Engagement, Carlos Lucero, Energy Efficiency Programs, and Sayuri Yamada, Director of Government Affairs, PNM. Mr. Trujillo said they will be talking about tree trimming, update on their Renewable, update on Community Solar as well as their grants initiative and corporate giving. They will then stand for questions.

Matthew Trujillo, Amy Miller, Carlos Lucero and Sayuri Yamada, PNM, presented information from Exhibits "1" and "2." Please see Exhibits "1" and "2" for specifics of this presentation.

The Committee commented and asked questions as follows:

- Chair Calvert said he would like to see some sort of evaluation, noting Santa Fe has a diverse topography and geography. There are a lot of customers in the foothills where there is a lot of vegetation. He would like to see a risk assessment where the fire potential is the greatest, in terms of vegetation, and concurrently where the risk is in terms of the age of infrastructure and the

age of transformers – so we know where the greatest potential for problems are. Then we can work together to resolve those issues.

Mr. Trujillo said PNM does have a team of foresters and tree trimmers who constantly do that, through its crews, or the property owners or constituents through reporting mechanisms. We look at areas where tree trimming and growth always have been problems, so they prioritize in terms of segments of the service territory. He said he will look into an assessment and provide feedback .

- Chair Calvert asked if all of the REC purchases are from wind projects.

Ms. Miller yes, except the city of Santa Fe's hydro, but that's a much smaller piece.

- Chair Calvert asked what are the projects.

Ms. Miller said she doesn't have the specifics with her, but she certainly can get that information to the Committee. She said there are multiple wind farms throughout New Mexico, and REC purchases are fairly common between utilities as utilities try to meet RPS requirements before assets are in the ground.

- Commissioner Calvert, referring to 2012 on the bar chart, said it appears REC purchases accounted for 30% to 40% of the portfolio.

Ms. Miller said yes, noting as PNM is waiting to build assets, such as the large scale solar on which they started construction this year, they do make large scale REC purchases until those assets are built.

Mr. Schiavo noted Ms. Miller said 3,300 customers are participating in the solar, and asked how many customers are in the City or County of Santa Fe.

Ms. Miller there are around 700.

- Councilor Dominguez said he has questions, but he wants to wait for the full presentation before asking those questions.

- Chair Calvert asked the purpose of the \$40 for the energy audit.

Ms. Miller said it is testing the cost of the program and demand, noting they believe some kind of value has to be put on that audit.

- Chair Calvert said then you're charging them \$40 to make sure they are serious about the audit, and aren't just going to do the audit and then nothing happens after that.

Ms. Miller said that is definitely part of it. She said when they research programs they look to be sure PNM isn't doing something other utilities haven't done, do they do look at success models, noting this has been a very successful model with other utilities.

- Chair Calvert asked, if they do go forward with the program, is there any consideration of giving them part or all of the \$40 back.

Ms. Miller said anyone that participates in the \$40 audit automatically will receive a total lighting retrofit with CFLs, shower aerator – they'll receive certain no-cost measures as part of that, as well as a full energy audit report.

- Chair Calvert said then the \$40 is balanced by these things that will be installed if they go forward, and Ms. Miller said yes, through energy savings.

Ms. Miller said they will be given an energy report which will provide a tier of programs which could provide rebates to them.

- Chair Calvert asked if the City offers a rebate on purchasing a particular Energy Star appliance, and if PNM will offer its rebate in addition to the City's – PNM won't cancel its rebate because the City is offering a rebate as well.

Ms. Miller said in the past when there were rebates through ARRA funds, PNM offered its rebates in addition. She said as long as "nothing is Code or regulation, then we can pay an incentive on something."

Mr. Lucero's remarks here are inaudible because he wasn't at the microphone.

- Chair Calvert noted there is a nexus between the two, noting it takes water to produce energy and energy to produce water.

Ms. Miller said there also will be other rebates available through cooling mechanisms as well, so they will receive a very comprehensive look at what is in their house and how much energy they are using, with the opportunity for rebates and incentives for making other decisions around their homes.

Ms. Miller said PNM has a proposal to do home energy reports, noting the high users would get a report of where their usage stands and they will get tips to lower use, noting there will be an on-line component. The program wouldn't be available to all customers initially, and they will be targeting a block of about 48,000 customers. They are waiting for the Public Regulation Commission (the "PRC") to make its decision to look at the geography of the program, noting when it was proposed previously, it wasn't met with favor by the PRC.

- Chair Calvert noted the initial target group for the audit program is about 1,500 customers.

Ms. Miller said she is unsure, noting she doesn't have that figure with her.

- Chair Calvert said in the PNM materials in the Committee packet it says the goal is 1,575 participants for the first calendar year, and it increases to 2,100 in the second calendar year. He asked how many customers PNM has statewide.

Ms. Miller said approximately half a million customers. She said the home audit program will be much more staff intensive and have many more costs, whereas the home energy report is not as cost intensive, so they are able to target more customers.

- Chair Calvert asked if the home energy report is mostly just sending them information.

Ms. Miller said yes. They are making recommendations and there is an on-line tool that goes with it.

- Chair Calvert said then there is no personal interaction, and it is mostly sending them reports, suggestions and referring to a website.

Ms. Miller said this is correct, noting it is an awareness. It is an interesting program, and it has been effective in other markets as well.

- Chair Calvert said the business/commercial tune-up program was designed by the National Energy Foundation, and asked who that is.

Ms. Miller said it is an organization out of Utah that offers a variety of different energy efficiency education programs.

- Chair Calvert asked how is it funded.

Ms. Miller said in cases like this, the utility purchases the program, commenting they may have program grants as well – it is the utility customers and utility who are paying for the programs.

- Chair Calvert said since it is a foundation he assumed it must have funding sources of its own, and asked if she knows.

Ms. Miller said she doesn't know but she can get that information for him, noting the programs are put out for RFP.

- Councilor Dominguez thanked Ms. Miller for her presentation, and the chair for bringing this information to us, commenting any opportunity to learn is a great opportunity.

- Councilor Dominguez said one of the things talked about in the handout is how much PNM will make in REC payments. He asked how all of these RECs and investments are funded, commenting he supposes the customer pays. He would like a statement about this.

Ms. Miller said when we file a reviewable plan, and it is approved, and PNM starts putting renewables in the ground and adding them to our resource mix, it is paid by all customers. She said, regardless of where renewables, those renewables help all of us to have a cleaner energy mix. She said there is a separate rider on the bill which is a renewable rider which shows how much you are paying for renewables.

Ms. Miller said one thing she failed to mention earlier is that PNM relaunched the Sky Blue program in May 2013. She said the Sky Blue offers the opportunity for people who want to pay additional dollars for renewables and show support for PNM putting more renewables on their system. The program is now a combination of wind and solar, noting it was relaunched through existing Sky Blue Customers, noting 75% of the former customers have already sign up again. She said PNM continues to market that program.

- Chair Calvert asked, for clarification, what is the price of the relaunched program.

Ms. Miller said when Sky Blue was launched in 2003, the price was \$1.80 for each 100 kWh block, and it was just wind. Over time, the price went down, and it was at 42¢ before the relaunch. With the relaunch of the program and the addition of solar it is now at \$1.70 per 100 kWh block. There currently more than 3,000 programs who have re-upped on the program, and they are signing up for a larger percentage of their energy needs than when they first signed up years ago.

- Chair Calvert asked how many new people they have signed up since PNM relaunched the Blue Sky Program.

Ms. Miller said it wasn't relaunched for people who weren't Sky Blue customers previously, and that will happen this Fall in Phase 2. She said the three thousand plus customers are existing Sky Blue Customers.

- Councilor Dominguez said the broader the customer base, the more affordable certain things are, and asked if this is true of this program.
- Ms. Miller said yes, because the cost is spread across more than half million customers, to which the Chair referred – the larger the customer base, the most costs you are able to absorb and spread across the base.
- Councilor Dominguez said, in looking at the map which was provided, Santa Fe is located on the map but there are no proposed or under construction renewable energy sites for Santa Fe. He asked if Santa Fe has been considered as a potential site.

Ms. Miller said when PNM sites and adds renewables to the system, an RFP is issued, and communities and developers will bring sites to the table. She said there are a few things that drive that, cost, the desire of the community to have renewables sited in the community. It is a very cost-driven process when you file a plan with the PRC. She would encourage Santa Fe to submit sites, noting Mr. Schiavo and the County both have submitted a potential site. She said the City and County always have been on the RFP list, and would encourage the City to submit sites they believe are workable in the community. She said solar sites need to be flat.

- Councilor Dominguez asked the Chair to provide the Committee with updates on this process, and Chair Calvert said he would so do.
- Chair Calvert noted Ms. Miller was speaking of community solar proposal and there are none of these on the map.
- Councilor Dominguez said he understands that. He said he is just trying to recognize the difference "between oranges and tangerines, not oranges and apples." He would like to have that information so he can digest it. He would like a written update, not verbal.
- Councilor Dominguez said when Ms. Miller was speaking about the Efficient Use of Energy Act, he didn't understand when she spoke about incentive behaviors that are not part of the Code.

Ms. Miller said that can be local, State or federal Code.

- Councilor Dominguez asked how that works for Santa Fe as a Charter City.

Ms. Miller said they have to design programs that incentivize savings behaviors which are above and beyond codes, period. She said if Santa Fe has building codes specifically addressing energy efficiency, PNM would have to pay for savings measures above and beyond the Code, but couldn't pay for actions and behaviors specific to that Code.

- Councilor Dominguez said it is important to him that PNM recognizes local code.

[Mr. Lucero remarks here are inaudible because he was speaking from the audience]

- Councilor Dominguez thanked the Chair and PNM again for this presentation.
- Chair Calvert said the City has a local building code, and asked if this would apply.

[Mr. Lucero's response here is inaudible because he was speaking from the audience]

- Chair Calvert asked if a business customer could be a home builder.

[Mr. Lucero's response here is inaudible because is was speaking from the audience, but I think he said no]

Chair Calvert suggested a different title and/or clarification. He said homebuilders are business customers as well.

[Mr. Lucero's response here is inaudible because is was speaking from the audience]

- Chair Calvert I think the description is not as clear as it needs to be.

[Mr. Lucero's response here is inaudible because is was speaking from the audience, but I think he said something about taking suggestions to make it better]

- Chair Calvert noted that PNM proposed annual costs are \$26.7 million, and the annual avoided costs are \$37.2 million. He suggested defining what avoided costs are.
- *[Chair Calvert asked Mr. Lucero to come to the microphone so he can be heard by the stenographer]*

Mr. Lucero said the avoided costs are anything that takes into consideration what PNM will pay in terms of fuel, maintenance and such.

- Chair Calvert asked if that would include capital costs as well, and Mr. Lucero said yes.
- Chair Calvert asked how this is figured into the profit and loss, noting the avoided costs exceed the annual costs.

Mr. Lucero explained that they are trying to keep the costs lower, but it does cut into the revenues. he said it has to be a customer charge to have the programs in place.

- Chair Calvert said then the theory is, even though there is a customer charge, that the effect on rates could be a lot more if programs weren't in place, because you wouldn't avoid the other costs.

Mr. Lucero said, exactly, that's the theory.

- Chair Calvert asked, regarding the annual cost of \$26.7 million, if there is a breakdown of what percentage is actual program versus administration.

Mr. Lucero said yes, there is a breakdown in the program plan which PNM files with the PRC.

- Chair Calvert asked what are those figures.

Mr. Lucero said he will have to get back to the Committee with the actual breakdown of those figures

- Chair Calvert he would appreciate that very much.
- Chair Calvert asked if someone does not have air conditioning and you are giving them a rebate to buy an energy efficient one, we are adding to the consumption side.

Mr. Lucero said it would have to be a one for one.

- Chair Calvert said it talks about trading out for a high efficiency refrigerated unit, but that is a separate program from this one. It doesn't talk about swapping out. It just talks about getting a rebate for one for a certain efficiency, but isn't cutting into energy usage and supports increased energy use.

Mr. Lucero said they are trying to promote that they will have something energy efficient in their home.

- Councilor Dominguez said, from a practical perspective as a customer, he has a much more sophisticated air conditioning system which uses less energy than when he had a portable unit which didn't work well.
- Chair Calvert said in going to the avoided costs, this program isn't going to help that, because you will end up with a need for more energy. He is trying to understand how that fits into this program.

Mr. Lucero said he isn't the expert on residential programs, and he will have to get back to the Committee with an answer on that.

- Chair Calvert said he understands a more efficient air conditioner is better than an old one, but he is trying to understand the cost justification and the avoided costs, and this won't contribute to the avoided costs.

Mr. Lucero said this program is designed for those folks who are in the market to put something in.

- Chair Calvert said he would appreciate if Mr. Lucero can get back to the Committee with some of these answers.

Mr. Lucero we have had these programs since 2009. He said, within the city of Sant Fe, there have been 95 small business and 180 larger business who have participated in these efficiency programs, noting more than 13 million kWh have been saved in these energy efficiency projects at a cost of \$1 million in rebates to the businesses. He said that is enough energy to power 1,900 homes for one year.

- Chair Calvert said he think the biggest problem with some of these programs is getting the word out.

Mr. Lucero said they work every day to let people know about this and to work with local businesses.

Mr. Lucero provided a brief update on PNM's community solar.

- Chair Calvert said then you're trying to analyze the business side of this, and how it would work for PNM.

Mr. Trujillo they are looking at what came out of the survey and how to put this together, and once they have a decision from the internal people dealing with this, they will have something tangible to report back to the Committee.

- Chair Calvert asked what are we talking about – how community solar would work or whether it would work.

Mr. Trujillo said it is basically just divulging the information from the survey, and they really don't know what that will entail, noting he isn't in those discussions.

- Chair Calvert said then the next step is to communicate what the market research told PNM.

Mr. Trujillo said it is analyzing the information from the market research to construct a pilot project, such as community solar for the City of Santa Fe.

- Chair Calvert asked the timeframe for this.

Mr. Trujillo said he doesn't know, reiterating he isn't in those conversations, but the internal groups are working on it right now. As soon as there is a timeframe, they can release that information.

Ms. Miller said, as Mr. Lucero said, "We got the survey results back. So we are looking at a variety of different customer choice programs around solar that are above and beyond RPS compliance which would meet requests in Santa Fe as well as others. So, a business case is being prepared around several during models to be vetted internally and then some decisions will go forward on what our next steps are."

- Chair Calvert said he is somewhat puzzled, noting this is not a unique or new concept, which is being done in communities in other states. He spoke about Colorado's work with community solar.

Ms. Miller there are a variety of programs, noting there are different models with different levels of success and lessons learned. She has spent a lot of time on the phone with Xcel as well as with Kit Carson Cooperative, and there are different models.

Responding to the Chair, Ms. Miller said they put out an RFP for third party bid, and they had to go out and get participants into those projects.

- Councilor Dominguez asked, in other communities that are doing this, if storage is still the challenge.

Ms. Miller said yes, storage is an issue with solar and renewables in general. She said several of you may have visited the Prosperity Project that attempts to address some of those storage issues. She said, in terms of community solar, it is not any more unique to community solar than to any other large scale solar. She said when Xcel did its community solar program, it did a lot of market research, and it took 2 to 3 years of research to decide how to launch its program.

- Chair Calvert said they have done a lot of that research so you don't have to reinvent the wheel, and you can build on what they have already done.

Ms. Miller said they can learn some lessons from Xcel, but we prefer to look at our own regulatory environment and our own customer desires, and such in considering development of any new program.

- Councilor Dominguez said the National Geographic channel did a special on community solar in general, which talked about Colorado, which indicated that storage still seems to be a challenge with regard to technology as well as regulatory things happening at the State level.
- Chair Calvert said that is the reason you have a mix of renewables since solar does not work at night. He said it not a unique issue to community solar, but not insurmountable. He said solar is operational when peak needs are the most, so it is a valuable resource in that regard.
- Chair Calvert said in the energy efficiency plan you talk about free ridership, and asked for a definition of "free ridership."

Ms. Miller said there are free ridership things which occur in some areas. For example, we have a discount CFL program, where we buy down the cost of CFLs at the purchase point, so when you go to Home Depot, you're going to buy a CFL at a lesser charge than you would normally, because of the PNM program. She said there is nothing to ensure that every person who buys those CFLs are PNM customers. She said New Mexico is a mixture of cooperatives, a couple of other IOUs, etc. So, a cooperative customer may be benefitting from that incentive, and that's one example of that free ridership – they are not paying for the program but are benefitting.

Responding to the Chair, Mr. Lucero said the free ridership also is based "on, especially from the business standpoint.... if a business is going to do an energy efficiency project anyway without knowing about our rebate program, then they would be considered a free rider." He said, "How this free ridership has come to our attention is, we actually hire a third party evaluator to look over our programs from a measurement and verification standpoint. So with the CFL exchange

example that Amy gave, they actually will send a group, at the end of the year, and start doing surveys. And they'll see who is actually buying these bulbs and if they actually are within the PNM service territory. From those surveys, they could do an analysis to where they'll say, okay, well 80%, because everything is when we actually file out end of the year savings with the Commission, we start off with the gross savings. And in the end, once our third party evaluators have looked at all our programs, then we're going to actually have a true net savings. And right now, it's anywhere from, on average, it's been about 80% realization that our programs are actually gaining in energy savings."

- Chair Calvert asked, regarding community solar, if this is something PNM is going to do and they are looking for the right model or framework, or they have not gotten to that point yet.

Ms. Miller said she can't answer that, because that decision is made at a higher level than herself. However, she can tell them that they are looking at all of the different solar models and being studied, and a business case is being prepared in a very aggressive manner.

- Chair Calvert said he knows PNM looks at its equity in doing the integrated resource plan. He said renewables and such are calculated into the rate base and spread across everyone's bill.

Ms. Miller said this is correct.

- Chair Calvert said this is the reason he thinks community solar is more equitable, because there are a lot of people who can't participate in a DG program on their own rooftop. However, if they had access, renters or those whose homes aren't situated or configured for solar, also can participate and get the benefits for what they are paying for on their bill.

Ms. Miller said some of the factors on which they are doing additional research and about which she has spoken with other utilities, is what did their research say, and when the time came for people to participate what was the behavior then. She said when you ask people if they will pay more for renewables, the majority will say yes, but when it comes time to open the wallet, there is a much lesser percentage. She said it is important to get the right balance around the size of solar products and the participation levels.

- Chair Calvert said on Sky Blue, PNM is making retail plus, so PNM can afford to make less on community solar, but he isn't suggesting PNM should take a loss.

Ms. Miller said the Sky Blue megawatts are totally separated from all the other RPS megawatts and do not fall under the other rate base.

- Chair Calvert said several years ago PNM was in the process of bracing poles, and in the process they destroyed sidewalks. He said PNM contracted with someone to repair the sidewalks but that stopped in the middle of those repairs. He asked if there is going to be an attempt to finish that job to repair the sidewalks.

Mr. Trujillo said usually if PNM has caused damage, it is the responsibility of PNM to repair that. He asked the Chair to provide him with a list of those sites, he will see what he can do to take care of that.

- Chair Calvert said he would guess PNM would have that list, but he is glad to provide it if PNM doesn't have that list.

Mr. Trujillo said he will check on that and he will call him if he needs help in that regard.

- Chair Calvert asked Mr. Trujillo to keep the Committee updated on the IRP and that process.

Mr. Trujillo said he would be happy to do that.

Mr. Trujillo spoke about PNM's rollout of the new edition of its "Reduce Your Use Grant," which is for non-profits. The grants are for up to \$5,000 to replace old appliances with Energy Star appliances, replacing incandescent light bulbs with LEDs, installation of shade structures on building exteriors, etc. It can be found at www.pnm.com/reduce.

- Chair Calvert asked Mr. Trujillo to send an email directly to him with the program description, saying that would be helpful.

Mr. Trujillo said he will be happy to do that.

7. WATER CONSERVATION MARKETING, EDUCATION AND OUTREACH. (LAURIE TREVIZO)

A copy of consumption comparative chart is incorporated herewith to these minutes as Exhibit 3.

Ms. Trevizo presented information from her Memorandum of August 7, 2013, which is in the Committee packet. Please see this Memorandum for specifics of this presentation.

Chair Calvert said where you show the rebates, the biggest category is the clothes washer top loader. I was under the assumption that front loaders at one point were more efficient. He asked if that is changed

Ms Trevizo said that is a replacement of top loader with a front loader. She said they have more applications to replace top loaders with front loaders.

Chair Calvert said in subsequent reports, to show the number of rebates on an annual basis with at least two years of experience so they can look at the trends. He said it would be good to have the same sort of thing in the demand figures.

Ms Trevizo said some of that information is in your packet, but it is not all in one place, noting some of it is in the report done by Victor Archuleta and the report by Rick Carpenter on consent. She said however, that information could be compiled in one report if the Committee would like.

Chair Calvert said it would be good to have all of that information in one report, to be able to compare two years, and Ms Trevizo said they have this data, and that can be done.

With regard to increased enforcement, Ms. Trevizo quoted from her Memorandum, "It's important to note that all activities were completed by only two full time employees." She said they are working smarter in the Water Conservation Office. She said the response time is much quicker. She said they are sending warning letters with follow-up telephone calls.

Chair Calvert said most of the things she is following up, are things you receive over the hot line.

Ms. Trevizo this is true to some extent. However, as they are doing their day to day activities, she said she and Caryn Gross do stop if they see violations.

Chair Calvert suggested that they bring in more Water Department personnel, noting there are people driving around reading meters. He said, "There are more eyes out there than just the two of you, and they could help in some of this stuff and not wait until somebody makes a complaint on it. It also has the benefit of correcting a situation more quickly and saving more water. Just a suggestion."

Ms Trevizo she has taken that into consideration, and she has a packet at H.R. right now requesting that some of the T & D staff and meter reading staff become commissioned officers as well. She said they are doing background checks, but she hasn't heard back on that.

Chair Calvert said even if they don't allow that, they still could report things.

Ms Trevizo that does happen, but they will have the ability to write a citation on the spot. She said they will be doing training through the Police Department.

CONSENT - ACTION CALENDAR

- 11. REQUEST FOR APPROVAL OF AMENDMENT NO. 5 TO THE PSA WITH LEE WILSON & ASSOCIATES, INC., FOR THE TOTAL AMOUNT OF \$160,000, EXCLUSIVE OF NMGR. (CLAUDIA BORCHERT AND RICK CARPENTER) Finance Committee 08/05/13; Public Utilities Committee 08/07/13; and City Council 08/14/13**

Councilor Rivera said the procurement manual says the City can only review a contract for 4 years, so he is trying to understand the 5th amendment, and what Las Cruces has to do with anything if we are only three years into our process.

Mr. Carpenter said the 5th amendment is to do support work, expert testimony, groundwater analysis and such on the upcoming hearing on the Northwest Well, and other general support work on hydrology and evaluation of water rights. He said the procurement process is under the City's cooperative procurement within the Procurement Code. He said Lee Wilson had a similar contract with the City of Las Cruces, and the Procurement Code allows the City under the cooperative agreement auspices to piggy back on that kind of contract and it was issued under that. He said the assumption is that the qualifications and the value of the contract would be similar to what would be offered to the City.

Councilor Rivera said if the City is only 3 years into its contract with Lee Wilson, why would we need to piggy-back off Las Cruces.

Mr. Carpenter said rather than going out for a competitive bid or something more cumbersome, is to allow a similar contract where the contractor has already been vetted in terms of skills, scope of work and value he brings to the process would good for the City and that is acceptable to City Procurement. He said Ms. Borchert did write a memo to Robert Rodarte seeking approval.

Councilor Rivera said, "If we are jumping on a contract that was already done with Las Cruces, wouldn't this then be the first year of our contract with them under this RFP that Las Cruces did."

Councilor Calvert said this is sort of like a state price agreement, and we piggybacked on Las Cruces, but we did that several years ago.

Mr. Carpenter said his assumption is that this had to be done under the original agreement.

Councilor Rivera said Las Cruces went out to bid on this in 2009 which would put the current amendment into a fifth year, which violates our procurement code.

Chair Calvert said, "When they did it, they proceeded us, so that doesn't mean that we started in 2009 as well, that's when they started. And so they were the first and so we piggybacked on them. We didn't start that early on this project, so ours isn't in the fifth year."

Mr. Carpenter said that is correct, the City's started in November 2011, for this particular project.

Councilor Rivera asked how we got to Amendment No. 5 in two years.

Chair Calvert said, "The amendments are not based on calendar years. They're based on need. If we had a situation that required their services, then we amended their contract and added some more money. Is this correct?"

Mr. Carpenter said, "That's correct. The first contract was entered into November 30, 2011. Amendment No. 1 was June 30, 2013 and that went through June 30, 2014, but within that we have added funds and expanded the scope of work. So it's not necessarily on an annual basis. It's more as things

come up that we need professional services for, and Lee Wilson has been really instrumental in a lot of our groundwater and surface water efforts."

Councilor Rivera said he is still a little confused, noting the Chair has more historical perspective than he does.

Chair Calvert said he's just trying to assist in explaining it, but he needs to let him know if he's not doing a good job and the information you need.

Chair Calvert said the confusing thing is that on a lot of contracts we might do an annual amendment. However, the difference with this contract is that the amendments were made as needed.

Councilor Rivera said then when their contract expires in Las Cruces, we can progress forward with up to four years of service, and Chair Calvert said that is correct.

MOTION: Councilor Rivera moved, seconded by Councilor Trujillo, to approve this request.

DISCUSSION: Councilor Rivera said on page 1, it says Amendment #5, and on recommended action, it says "Recommend Approval of Amendment #4."

Mr. Carpenter said that is a typographical error and this is the 5th amendment, noting he will correct that error.

VOTE: The motion was approved unanimously on a voice vote.

14. REQUEST FOR APPROVAL OF AMENDMENT NO. 1 TO THE LEGAL SERVICES AGREEMENT WITH STEIN & BROCKMAN, P.A., FOR THE NORTHWEST WELL APPLICATION AND THE RETURN FLOW/DISCHARGE CREDIT APPLICATION FOR THE TOTAL AMOUNT OF \$100,000, EXCLUSIVE OF NMGR. (MARCOS MARTINEZ AND NICK SCHIAVO) Public Utilities Committee 08/07/13; Finance Committee 08/19/13; and City Council 08/27/13

Chair Calvert what these people are doing for the City that differs from services provided by Lee Wilson.

Marcos Martinez, Assistant City Attorney, said Lee Wilson is a hydrologist and Stein & Brockman is a law firm representing the City which is working on the contested hearing before the State Engineer's Office.

Chair Calvert said then one is for technical services and one is for legal services.

Mr. Martinez said correct.

Chair Calvert said then there is no overlap in services.

Mr. Martinez said this is correct. He said Lee Wilson is doing an expert report for the hearing, and Stein & Brockman is representing the City before the State Agency and against the protestants.

MOTION: Chair Calvert moved, seconded by Councilor Trujillo, to approve this request.

DISCUSSION: Chair Calvert said in the Memorandum it says, "...we recommend with Stein & Brockmann to assist the City Attorney's office in prosecuting this application." He asked if it should be "processing."

Mr. Martinez said "prosecuting" is the legal term of art, even though it isn't a criminal matter, this is the correct term.

VOTE: The motion was approved unanimously on a voice vote.

15. **REQUEST FOR APPROVAL OF AWARD OF CONTRACT TO BRUCKNER'S/PENDPAC FOR RFB NO. 13/20/B, TO PURCHASE THREE (3) COMPRESSED NATURAL GAS RECYCLING COLLECTION UNITS FOR THE ENVIRONMENTAL SERVICES DIVISION FOR THE TOTAL AMOUNT OF \$712,047.00. (LAWRENCE GARCIA AND CINDY PADILLA) ; Public Utilities Committee 08/07/13; Finance Co0mmittee 08/19/13; and City Council 08/14/13.**

Chair Calvert said this is for the CNG for recycling units, and Ms. Padilla said this is correct.

Chair Calvert asked if we have them now.

Ms. Padilla said we do not have the CNG recycling collection units. We have 5 CNG units which are 3 front loaders and two automated side loaders. There are 3 on order which should be here by October – one is a recycling unit. This is for 3 additional units.

Chair Calvert said he wants to make sure that our experience with CNG vehicles, in general, has been good.

Ms. Padilla said in the September Report she can provide numbers for him, noting they are seeing a cost savings.

Ms. Padilla said they had a few issues early on, but it seems to be getting better.

Chair Calvert said in the recommended action it says the lowest bidder, Rush, was not chosen because they didn't meet several critical specifications. He asked if Rush was considered to be a non-qualified bid.

Lawrence Garcia said, "We actually went with Bruckner's because they [Rush] did not meet all of the specifications. Rush Truck Center did not meet several. They had an all steel cab, which we had in the bids that we did offer or equal, and there were a couple other smaller ones they didn't meet also. The 4 units we currently have, are auto cars from Bruckner's, actually 5 units that we've ordered are from Bruckner's. It kind of helps us with maintenance issues also."

Chair Calvert said, "And I understand all that. I'm just trying to make sure we don't get in trouble from a procurement standpoint, because you picked the lowest priced qualified bidder. I just want to make clear that you are considering Rush to be not a qualified bidder according to our procurement standards, and that allows us to pick the one the one that wasn't the lowest cost."

Mr. Garcia said, "I actually met with Rush Truck Center. I discussed it with the procurement agency, with Robert Rodarte and we went through the process. So we did meet with Ruth Truck Center General Manager, and we discussed them not meeting the qualifications. They did have the opportunity to protest that, because it did happen late last year in 2012, when the actual RFP came out. So they were allowed the opportunity to protest, but they did not protest, so I don't see any legal action moving forward."

Chair Calvert said, "As this moves forward, and I'm assuming it will, we maybe change that language so that it is clear. Because when you say "didn't meet several critical specifications," okay maybe that's the same as they didn't meet the qualifications. But that's the terminology I'm used to hearing, so if we keep with the same standards, and I don't know how our wording is in procurement, but I think they usually talk about qualified bidder. So if we stick with that wording, I think we'll all be clear what we're talking about here. Okay."

MOTION: Chair Calvert moved, seconded by Councilor Dominguez, to approve this request.

DISCUSSION: Councilor Rivera asked if they included field personnel in developing the specifications for the truck.

Mr. Garcia said in this instance they did not. However, in the past they have brought all of the group in to look at the specifications. He said he put together the specs, then provide it to management staff and to maintenance and the drivers. They look through the specs before it is put out to bid, and make their recommendations which are then discussed in a group, and if there are viable changes that will help those changes will be made. He said the trucks have changed through the years to eliminate some of the potential problems the drivers foresee on the road.

Councilor Rivera said he was able to spend a day riding with one of the crews, and one of the issues that came up was the size of the glass area versus the size of the rest of the recycling, and how there is so much room for glass when it's really not needed, and things are flying out of the back of the truck once it fills up. He was just curious if their input was considered.

Mr. Garcia said he did look at that. He said they wanted to make it better for collections, but at the same time, the width of the recycling bin at the curb wouldn't allow them to dump it into a smaller bin. He could

decrease the size of that bin, but he didn't want to bring it to the point where it became a safety issue where people could hit their hands. He did take their recommendation into consideration as well as the issues around safety. He said one of the options was to make a movable compartment, so the blade moves, and make the bin compartment size, because every day is different in collections and there is more glass in some areas of the City than others. So they made it movable so it could be adjusted by pulling 4 bolts and rebolting it into a different area and moving the blades so it doesn't fall and commingle into the commingled recycling.

Mr. Padilla thanked Councilor Rivera for allowing him to ride with the drivers and spend time on the route to see what they have to deal with. She said it meant a lot to the drivers and operators, as well as to division.

Chair Calvert asked if the size is an issue with getting all that into the truck, as opposed to some of it hitting the street.

Mr. Garcia said it actually is. He said when they dump the bin over the top it has to go into the right sorter bin. They also looked at the tipping of the container to see if the glass would go over the top. He can go only so far to the front of the truck to make that bin size work safely and effectively. He said they probably never will get the glass bin filled to capacity, but they tried to make it better.

Councilor Rivera said if that could be communicated to the drivers and operators that would be a good thing, commenting he is unsure they know all the considerations such as safety.

Ms Padilla said they meet with the operators and she will make sure we bring that up to them to keep them as informed as possible.

VOTE: The motion was approved unanimously on a voice vote.

DISCUSSION ITEMS AND ACTION ITEMS

There were no Discussion Items and Action Items.

MATTERS FROM THE PUBLIC

There were no matters from the public.

MATTERS FROM THE CITY ATTORNEY

There were no matters from the City Attorney.

ITEMS FROM STAFF

Mr. Schiavo said the Public Regulation Commission is reviewing the sale of the gas company and he will have details at next meeting of the Committee.

MATTERS FROM THE COMMITTEE

Councilor Rivera thanked Ms. Padilla for finally getting us to the point where we can get recycle bins on the plaza.

Councilor Rivera asked if we have purchased the bins yet and have we received approval.

Ms. Padilla said they did purchase the bins because they knew we could use them in the parks if they weren't approved for the Plaza. She said we are waiting for approval from the state, saying she requested for concurrence since we have approval from the city. She said as soon as she hears from the State, she will work with Ben Gurule to appropriately locate the bins.

Councilor Rivera thanked Ms. Padilla and her staff for allowing him to ride.

Councilor Trujillo said there was an event last Saturday at the Convention Center, and there were bins for some things, but they threw away over 1,000 plastic water bottles. He said this is something you might think about for events at the convention center.

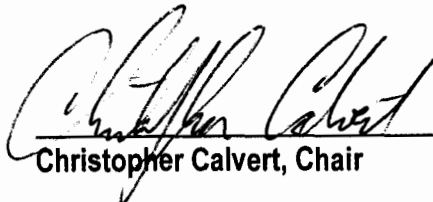
Ms. Padilla said they just met with Ben Gurule and the park supervisors on Monday, and they discussed recycling for City, and that we want everyone to participate and to tell them what they need. She said Mr. Gurule has been great about trying to get this down.

Chair Calvert thanked Councilor Rivera for going out with the crews, commenting he thinks it also helps morale.

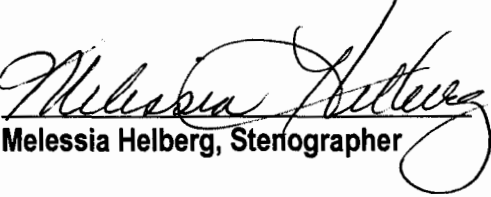
NEXT MEETING: WEDNESDAY, SEPTEMBER 4, 2013

ADJOURN

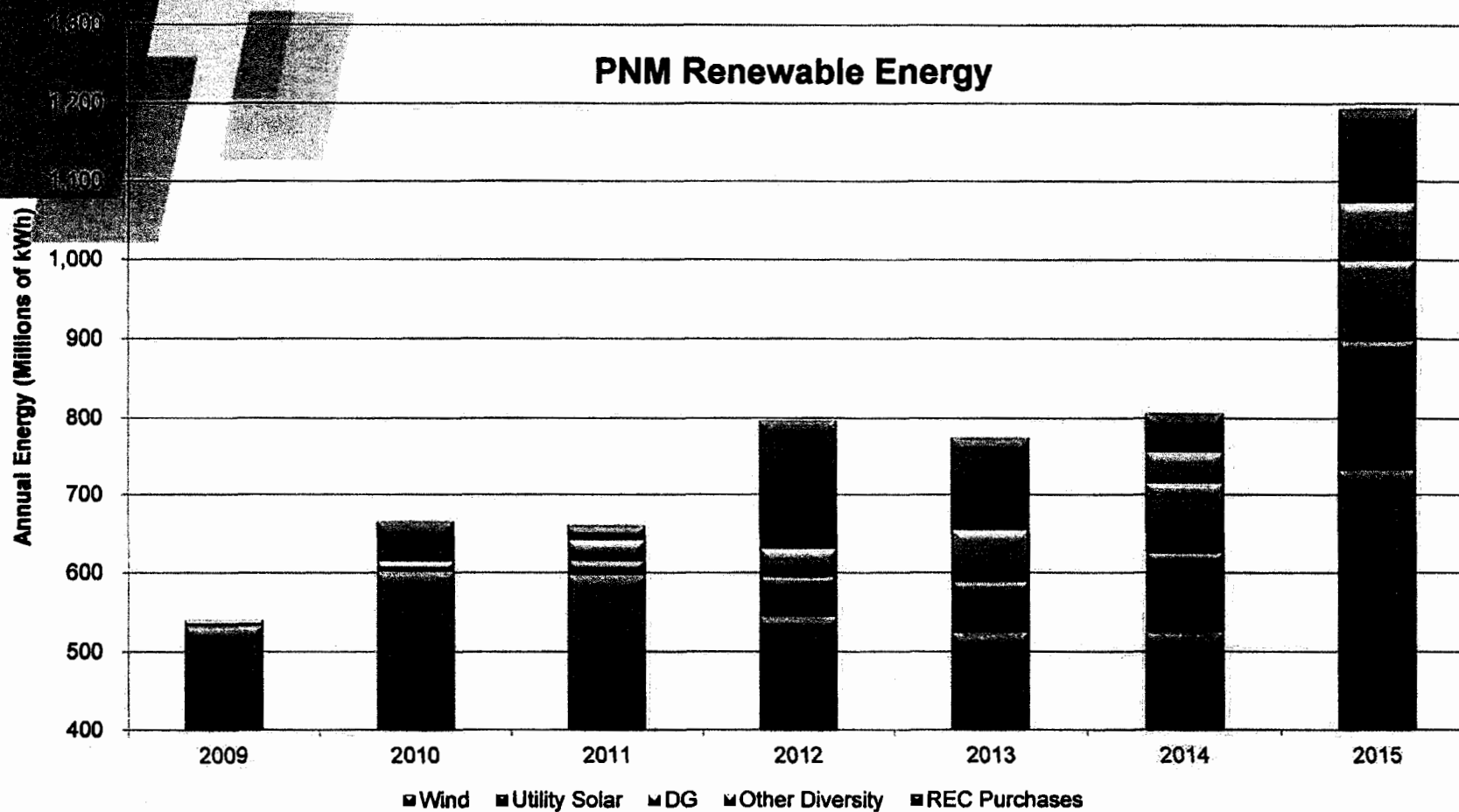
There was no further business to come before the Committee, and the meeting was adjourned at approximately 7:15 p.m.



Christopher Calvert, Chair


Melessia Helberg, Stenographer

PNM Renewable Resource Overview



The power to make life better. Together.

PNM

Impact of Codes and Standards on PNM Energy Efficiency Programs

- Efficient Use of Energy Act:
 - Program benefits must be greater than costs
 - Benefits based on value of net savings
 - Savings that would have occurred without program are not counted
- Rebates reward behavior beyond minimum standards
- Programs adjusted as codes and standards increase
 - Examples:
 - No rebates for occupancy sensors in new construction – code change
 - No rebates on “premium” motors – code change
 - CFL savings reduced – standard incandescent phase out
 - SEER 14 HVAC rebate to end – new code anticipated
 - Energy Star Home program ending – improved building code
- Tree Trimming in City ROWs

Community Solar

The power to make life better. Together.



PNM.

PNM Energy Efficiency Plan Filing

- Timeline:
 - New program plan filed with NMPRC October 5, 2012
 - Hearing held February 11, 2013
 - Recommended Decision issued May 24
 - Commission decision expected in July
- Four new residential programs; one new business program
- New residential programs will offer:
 - Energy audit and direct installation of lighting, t-stats
 - Rebates on high-performance evaporative coolers
 - Rebates on appliances: refrigerators, clothes washers, dishwashers
 - Low-income direct install program
 - Student energy efficiency kits/teacher curriculum
- New commercial “building tune-up” program

The power to make life better. Together.



PNM Update: Energy Efficiency Proposal

Highlights for Business Customers

The Efficient Use of Energy Act requires PNM to offer cost-effective energy efficiency and load management programs that help us reduce energy costs, protect the environment and offer customers tools to reduce their own energy bills.

Our programs are developed through a review of successful energy efficiency programs offered by utilities across the country and with input from a public advisory committee.

Programs must be approved by the N.M. Public Regulation Commission before we can offer them. PNM submitted its new program proposals to the Commission in October 2012 for review and approval. Public hearings will likely be scheduled in the spring of 2013.

Commercial Building Tune-up *(New)*

This program is being proposed as an addition to the existing Commercial Comprehensive program and is designed to improve the efficiency of buildings of all sizes using a systems approach that focuses on bringing a building's mechanical and electrical systems to peak performance to reduce energy use and costs.

Low-cost operational improvements that deliver high energy savings will be identified or, if indicated, a building analysis will be performed by qualified local contractors.

PNM will pay a percentage of the costs, based on actual savings achieved the first year after improvements have been made. The anticipated customer incentive is estimated to be approximately 10 cents per kilowatt-hour of the first year annualized energy savings and, in some projects, a portion of the study costs.

QuickSaver *(Continued)*

Because small businesses with a peak demand of 100 kilowatts (kW) or less may not have the time or resources to investigate or invest in energy savings opportunities, PNM does it for them.

PNM has recruited and trained a network of local contractors, engineers and energy-saving product wholesalers, distributors and retailers, known as PNM Trade Allies, who perform an energy evaluation for the customer and propose energy-saving measures. PNM rebates cover a significant portion of the customer's project costs. With the PNM rebate and utility savings, projects pay for themselves in less than one year.

New Construction and Retrofit Program *(Continued)*

PNM provides rebates to business customers of any size to defray some of the cost for installing certain measures that will help the customer reduce their energy use and demand for power. Examples include lighting upgrades, building controls, compressed air and fan systems, and HVAC and refrigeration upgrades. The customer can choose from a pre-set menu of energy-saving measures or propose upgrades customized for their operation.

Proposed Energy Efficiency Programs

Costs and Benefits

(Residential and Commercial Programs)

Effective energy efficiency programs yield savings from avoided fuel, generation and operational costs that exceed the cost of the programs and help utilities delay building new resources. The programs also provide environmental benefits from reductions in power plant emissions and water use, as well as economic benefits for local businesses.

PNM's Proposed Annual Cost

(Includes program costs and profit incentive)
\$26.7 million

Annual Avoided Costs

\$37.2 million over time

Customer Charge

3.084 percent of monthly bill
(Monthly increase for the average residential customer will be about 31 cents; for small businesses 94 cents.)

Total Annual Energy Savings

82.5 gigawatt-hours = energy used by 11,457 average homes

Carbon Emissions Avoided

47,000 metric tons a year

Water Use Avoided

33 million gallons each year

Economic Benefits

44 jobs created from new and existing programs; customer incentives drive business to local contractors and suppliers who provide lighting, cooling, and related services.

To incent customers constructing new facilities to build to a standard of energy efficiency at least 10 percent higher than the local building code, PNM will pay a rebate based on the amount of the energy saved as a result.

Refrigerator Recycling *(Continued)*

Older fridges and freezers can be real energy hogs and pose a threat to the environment if they are not disposed of properly. Now in its fifth year, this PNM program provides for free pick-up of old, working fridges and freezers, proper disposal or recycling of all parts, and PNM will send the customer a \$50 rebate check. There is no limit to the number of fridges and freezers a business customer can recycle.

PNM Demand-Side Management Programs *(Continued)*

Demand-side management programs are a resource used to meet some of PNM's summer demand by lowering the total electric load on the system for a few hours when needed instead of creating or purchasing the energy. Thanks to our participating customers, we can reduce demand by up to 60 megawatts (MW) of power. (PNM's total peak demand is around 2,000 MW.)

- **Power Saver:** Residential customers and business customers with peak loads of less than 150 kW who volunteer for this program receive a \$25 sign-up check and a \$25 check for each year of their participation. In return, they let PNM remotely slow down the compressors on their centralized refrigerated air units for no more than four hours each day the program is used during June through September.
- **Peak Saver:** This program, for larger commercial or business customers with peak loads greater than 150 kW targets non-essential electric loads (lighting, cooling) that can be temporarily reduced. Participation is voluntary. Customers receive a quarterly incentive payment based on the amount of electricity reductions achieved by their participation in the program.

Visit PNM.com/rebates to learn about PNM energy-saving programs available today.

Update: Energy Efficiency Proposal

Highlights for Residential Customers

The Efficient Use of Energy Act requires PNM to offer cost-effective energy efficiency and load management programs that help us reduce energy costs, protect the environment and offer customers tools to reduce their own energy bills.

Our programs are developed through a review of successful energy efficiency programs offered by utilities across the country and with input from a public advisory committee.

Programs must be approved by the N.M. Public Regulation Commission before we can offer them. PNM submitted its new program proposals to the Commission in October 2012 for review and approval. Public hearings will likely be scheduled in the spring of 2013.

Residential Whole House and Low-Income Home Efficiency Programs (New)

Average Annual Energy Savings Estimate: 1,191 kWh per home or \$119 Average Annual Estimated Annual Energy Savings for Low-Income Customers: 1,709 kWh per home or \$171

This comprehensive program offers a walk-through home energy assessment and installation of energy-saving measures such as compact fluorescent bulbs or CFLs, low-flow showerheads, faucet aerators, and programmable thermostats plus mail-in rebates for the purchase of ENERGY STAR®-qualified appliances (clothes washer, refrigerator or dishwasher) and high-efficiency refrigerated air (if replacing an older working unit) or evaporative cooling units.

For low-income customers, the program will include a free refrigerator replacement in many cases. Renters will also be eligible for both programs, with landlord approval required in certain cases.

Customer cost: \$40; free for low-income customers.

Residential Stay Cool Program (New)

Estimated Annual Average Energy Savings: 766 kWh per unit or \$ 77

This program offers PNM residential customers cost and energy savings during the hot summer months by offering rebates for efficient cooling and pool pump equipment, which both contribute to high demand on the grid and high summer electricity bills. Participants can receive rebates on the purchase of variable speed pool pumps, qualifying evaporative coolers, ENERGY STAR-qualified window air conditioning units, or centralized refrigerated air units meeting the specifications for a Consortium for Energy Efficiency Tier 1 or greater listing.

Energy Efficiency Kit for Students (New)

Average Annual Estimated Energy Savings: 195 kWh per home or \$19.50

This is a hands-on learning opportunity for fifth graders that teaches the skills and value of wise energy use. The program comes with a free curriculum for school use complete with lesson plans, a video and more designed by the National Energy Foundation. Students will take home an activity kit that includes a home energy survey and energy-saving measures they can install and monitor.

Proposed Energy Efficiency Programs

Costs and Benefits

(Residential and Commercial Programs)

Effective energy efficiency programs yield savings from avoided fuel, generation and operational costs that exceed the cost of the programs and help utilities delay building new resources. The programs also provide environmental benefits from reductions in power plant emissions and water use, as well as economic benefits for local businesses.

PNM's Proposed Annual Cost

(includes program costs and profit incentive)
\$26.7 million

Annual Avoided Costs

\$37.2 million over time

Customer Charge

3.084 percent of monthly bill
(Monthly increase for the average residential customer will be about 31 cents; for small businesses 94 cents.)

Total Annual Energy Savings

82.5 gigawatt-hours = energy used by 11,457 average homes

Carbon Emissions Avoided

47,000 metric tons a year

Water Use Avoided

33 million gallons each year

Economic Benefits

44 jobs created from new and existing programs; customer incentives drive business to local contractors and suppliers who provide lighting, cooling, and related services.

Home Energy Reports (New)

Reductions in home energy use range from 1.5 to 3.5 percent.

The Home Energy Reports program will provide 48,000 targeted residential customers with individualized reports that compare their household energy consumption to a group of households in their area with similar demographic characteristics, plus online tools to give them even greater insight into their energy consumption and advice how to be more energy efficient.

Refrigerator Recycling (Continued)

Estimated Average Annual Energy Savings: 1,318 kWh per unit or \$132

Older fridges and freezers can be real energy hogs and pose a threat to the environment if they are not disposed of properly. Now in its fourth year, this PNM program provides for free pick-up of old, working fridges and freezers, proper disposal or recycling of all parts, and PNM will send the customer a \$50 rebate check.

In-store Lighting Rebates (Continued)

Estimated Average Annual Energy Savings: 28 kWh per bulb or \$2.80

PNM will continue to make it easier for customers to replace inefficient incandescent lighting with compact fluorescent bulbs (or CFLs), which use 75 percent less energy and last years longer, through in-store discounts at over 180 retailers throughout our service territory.

Easy Savings Kit for Low-income Customers (Continued)

Average Annual Estimated Energy Savings: 330 kWh per kit or \$33

A free kit containing energy saving items such as CFLs, a low-flow showerhead and user-friendly tips and information is made available to income-eligible customers through direct mail.

Low-Income Refrigerator and CFL Replacement Program (Continued)

Estimated Average Annual Energy Savings: 1,335 kWh per home or \$134

PNM funds refrigerator and CFL replacement as part of a free, comprehensive home weatherization program for low-income customers through the New Mexico EnergySmart program administered by the New Mexico Mortgage Finance Authority.

Demand-Side Management: PNM Power Saver (Continued)

PNM's Power Saver program temporarily lowers demand for electricity on the grid by remotely slowing down the compressors of thousands of residential refrigerated air units temporarily. Customers who participate receive a \$25 sign-up check and \$25 for each year they are enrolled. The program also serves as a backup resource to help us maintain reliable service if other power sources become unavailable.

Visit PNM.com/rebates to learn about PNM programs available today.

Renewable Energy Proposal

2014 and 2015

New Mexico requires us to preserve our natural resources, promote energy self-sufficiency and protect the environment by gradually replacing some fossil fuels with renewable energy. Our proposal, which was submitted to the N.M. Public Regulation Commission for approval on July 1, 2013, reflects our commitment to adding renewable energy while managing costs and maintaining reliable service.

PNM Solar Centers

PNM proposes to construct 23 megawatts of additional solar PV in 2014 in three locations in PNM's service territory. This will amount to 67 megawatts of total solar power PNM owns. Construction will cost approximately \$46.7 million, create jobs and generate tax revenue for local communities.

PNM has 44 megawatts of solar PV in eight locations, 22.5 megawatts constructed in 2011 and an additional 21.5 megawatts scheduled to be online by the end of 2013, of which 1.5 megawatts is dedicated to the PNM Sky Blue voluntary renewable energy program. PNM also has a small 25-kilowatt solar array at Algodones in service in 2006.

Customer Solar Program

As of June 21, 2013, 3,300 customers have installed 22 megawatts of solar PV on their homes and businesses through a PNM customer solar program launched in 2006.

Customers with qualifying grid-connected solar systems use the energy they produce, receive a payment from PNM for the renewable energy certificate (REC) associated with that energy and rely on PNM to meet their additional power needs.

A renewable energy certificate (REC) is a document certifying that energy was created from a renewable resource that utilities use to demonstrate compliance with the state's renewable energy requirements.

PNM expects to make \$7.9 million in REC payments to customers in 2014 and \$8.2 million in 2015, which helps support our local solar industry by making solar PV more affordable.

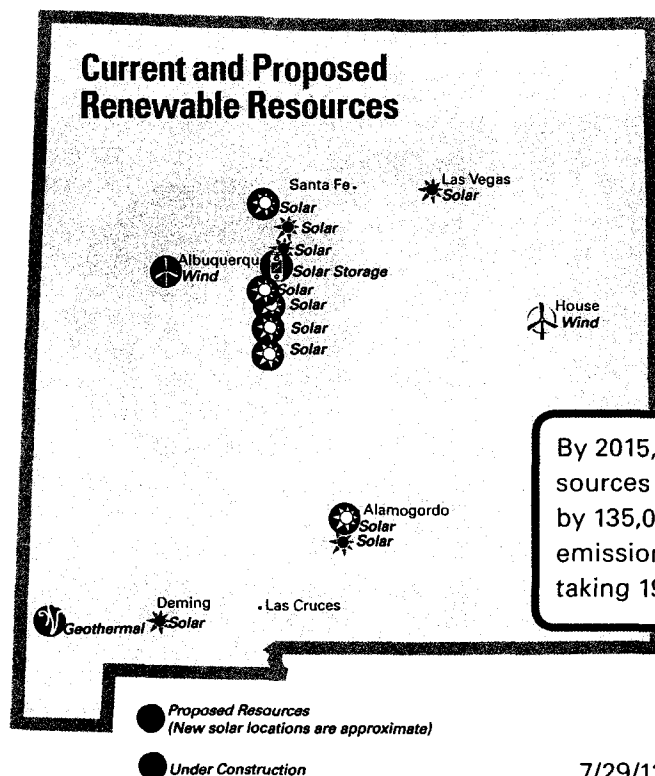
For customer systems sized 100 kW_{AC} through 1,000 kW_{AC}, PNM proposes a capacity reservation of two megawatts at a REC price of 2 cents per kilowatt-hour in 2014.

For systems 100 kW_{AC} and smaller, the program continues without any changes. In 2014 and 2015, a total of 4,500 kilowatts of capacity are allotted, plus any capacity not reserved in 2013. The REC price drops by 0.5 cents as capacity allotments become fully subscribed or every six months.

Visit PNM.com/solar to see the current REC prices and available capacity.

Geothermal Energy

PNM customers will get their first electricity generated from heat deep inside the earth. Heat will be used to create steam to turn a turbine to produce electricity. PNM will purchase the energy produced by a new 10-megawatt geothermal facility being developed 20 miles southwest of Lordsburg, N.M., in the Animas Valley by Lightning Dock Geothermal, a subsidiary of Cirq Energy, Inc. The project is scheduled to come online by June 1, 2014. Construction will provide work for many people. The project will provide new tax revenue for the state and Hidalgo County.



By 2015, our wind, solar and geothermal energy sources will produce the amount of electricity used by 135,000 average homes, reduce carbon dioxide emissions by 915,000 metric tons, the equivalent of taking 191,000 cars off the road for a year.

7/29/13



Exhibit "2"

Energy from the Wind

PNM proposes to purchase the energy from the 102 MW Red Mesa Wind Energy Center starting Jan. 1, 2015. Red Mesa is located 50 miles west of Albuquerque in Cibola County. It is owned and operated by NextEra Energy Resources and began commercial operation in 2010. Red Mesa, which is sometimes visible from parts of Albuquerque, consists of 64 1.6-megawatt GE turbines. Each turbine is approximately 262 feet tall from the ground to the hub in the center of the blades. PNM proposes a 20-year power purchase agreement.

Since 2003, PNM customers have received power from the 200 MW New Mexico Wind Energy Center located in House, N.M. The center consists of 136 turbines, each standing 210 feet high. This wind center is also owned and operated by NextEra Energy Resources. PNM and PNM Sky Blue customers purchase the entire output from this facility.

Wind and Hydroelectric RECs

PNM proposes to purchase 50,000 megawatt-hours of wind-generated RECs from Southwest Public Service in 2014 and 120,000 megawatt-hours of wind-generated RECs from Goldenspread Electric Cooperative and Southwest Public Service in 2015. Additionally, PNM pays the City of Santa Fe's Canyon Road Water Treatment Plant for RECs associated with the hydroelectric power the plant generates.

PNM Sky Blue® - Now Solar and Wind

For a few extra dollars a month, customers can purchase renewable energy by participating in PNM Sky Blue, our voluntary renewable energy program. Since May 2013, PNM Sky Blue customers have been able to purchase a blend of energy from the New Mexico Wind Energy Center and energy generated from a PNM solar energy center. PNM has dedicated 1.5 megawatts of solar energy to PNM Sky Blue.

To learn more, visit PNM.com/pnmskyblue.

The PNM Prosperity Energy Storage Project

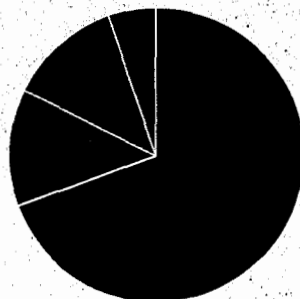
New Mexico has an abundance of sun and wind, but these resources are not always available. Imagine if we could capture this energy and store it for use when it is needed the most!

Energy storage is the greatest barrier to fully realizing the potential of solar and wind energy. The PNM Prosperity Energy Storage Project is a 500-kilowatt facility located south of Albuquerque near Mesa del Sol that uses smart grid technology and batteries, helping PNM, its partners and the utility industry address this challenge.

To learn more about the project and view energy output in real time visit PNM.com/solarstorage.

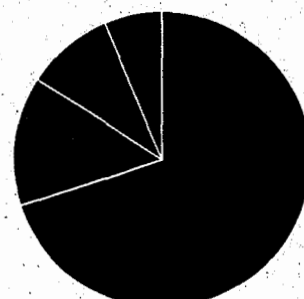


Renewable Resource Mix



2014

■ Wind	69.0%
■ Solar	13.1%
■ DG	12.6%
■ Other	5.3%



2015

■ Wind	70.2%
■ Solar	14.1%
■ DG	9.4%
■ Other	6.3%

Consumption Comparison for Single Family Residential

		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Consumption (Gal)	2012	104,011,600	97,189,000	95,870,300	121,370,200	165,708,800	193,113,000	220,929,400	201,191,800	187,136,500	164,199,700	115,077,500	104,399,400
Consumption (Gal)	2013	104,257,700	96,636,700	94,393,900	119,573,900								

Difference

	<u>2012 to 2013</u>				Total
consumption	246,100	-552,300	-1,476,400	-1,796,300	-3,578,900

EXHIBIT "3"