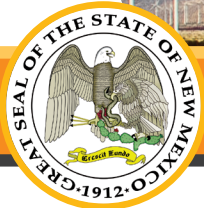


NEW MEXICO PUBLIC REGULATION COMMISSION



FY 2018 ANNUAL REPORT



MESSAGE FROM THE CHIEF OF STAFF

On behalf of the New Mexico Public Regulation Commission, I am pleased to present the Fiscal Year 2018 Annual Report which highlights the Commission's accomplishments over the past year.

The Public Regulation Commission (PRC) is charged with regulating utilities, pipelines, telecommunications, and motor carrier industries to ensure fair and reasonable rates and safe and reliable services, as provided by law. The Commission also oversees the State Fire Marshal's Office and the Firefighter Training Academy, bolstering the safety and welfare of all New Mexicans.

The Chief of Staff serves at the pleasure of the five elected Commissioners and plays a leadership role in the day-to-day operations of the agency which includes planning and directing the administrative, financial, operational, and strategic goals of the organization.

As detailed in this report, rulings made by PRC Commissioners are far-reaching, affecting virtually every city and citizen in New Mexico. During FY 2018, Commissioners deliberated on a number of high-profile cases, including SunZia Transmission LLC's request for approval of two 500-kilovolt transmission lines; Public Service Company of New Mexico's 2017 Integrated Resource Plan; Southwestern Public Service Company's application for a rate revision; Xcel Energy's Sagamore Wind Project, a 522-megawatt wind farm in Eastern New Mexico; and Facebook's \$1 billion data center expansion project in Los Lunas.

Other notable achievements include:

- Mapping out an electricity grid to position New Mexico as a leader in renewable energy by reaching a 50 percent Renewable Portfolio Standard
- Integrating New Mexico Tech graduate-level engineers into the public utility field by evaluating water, sewer, telecommunications, and electrical systems in exchange for credit hours
- Developing an electronic filing system which will reduce hard copy filings and improve efficiencies for case load management

Looking forward to FY 2020, the PRC is seeking an operating budget increase to reduce the agency's vacancy rate to 5 percent, which will enable the Commission to recruit a specialized staff of accountants, attorneys, economists, and engineers to meet the demands of case management. Program expansion requests include:

- Pipeline Safety: 2 FTE
- Arson Investigation: 1 FTE
- Fire Investigation: 1 FTE
- Rail Program: 1 FTE

The Commissioners and I commend the entire PRC team's commitment to excellence, which will continue to advance a complex regulatory landscape, protect the public interest, empower businesses to thrive, and improve the quality of life of every New Mexican.

Ernest D. Archuleta
Chief of Staff
Public Regulation Commission

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AGENCY MISSION

The New Mexico Public Regulation Commission (PRC) regulates the utilities, telecommunications, and motor carrier industries to ensure fair and reasonable rates, and to assure reasonable and adequate services to the public as provided by law. The agency strives to advance the public interest by promoting economic development and environmental responsibility while strengthening public accessibility and education.



AGENCY VISION

The PRC aspires to leading New Mexico through ethical and balanced regulation, protecting critical infrastructure, and ensuring that essential services are safe, reliable, and affordable. The agency strives to advance the public interest by promoting economic development and environmental responsibility while strengthening public accessibility and education.

AGENCY HISTORY



The New Mexico Public Regulation Commission (PRC) is one of the most important branches of state government, as its functions in many instances are that of quasi legislative, executive, and judicial. The PRC in its original form – the State Corporation Commission (SCC) – was created under and by virtue of the state constitution. The first three–member Commission was elected at the very first statewide election held November 7, 1911.

The PRC, as it exists today, was formed on January 1, 1999, when the SCC and Public Utility Commission (PUC) merged as a result of a constitutional amendment adopted at the general election held November 5, 1996. This constitutional amendment replaced the three–member SCC and the three–member PUC with a five–member PRC, elected from five separate districts across the state.

The PRC predecessor, SCC, regulated to varying degrees motor carriers, railroad and pipeline safety, telecommunications, corporations, insurance, and the business of the State Fire Marshal’s Office. The PUC regulated rural electric cooperatives, investor–owned electric and gas companies, and privately–held sewer utilities and water companies. With the exception of insurance and corporations, the PRC continues to regulate in all of these areas, although such regulation is amended from time to time by the passage of legislation.

The insurance and corporations divisions were separated from the PRC by constitutional amendment adopted at the November 6, 2012 general election and on July 1, 2013 became independent agencies. The Office of the Superintendent of Insurance is a stand–alone agency, while corporations are under the auspice of the Secretary of State.

Effective May 18, 2016, the Legislature passed the Transportation Network Company Services Act requiring PRC regulation of certain aspects of ride–share companies, such as Uber and Lyft.

In 1912, the first Public Service Company building was located on the corner of Don Gaspar and Water Street in Santa Fe.



Courtesy Palace of the Governors Photo Archives (NMHM/ DCA), Negative #000908.



PUBLIC REGULATION COMMISSIONERS

The Public Regulation Commission is comprised of five elected Commissioners who each represent one of five districts across the state. The Commissioners are committed to leading New Mexico through ethical and balanced regulation, protecting critical infrastructure, and ensuring that essential services are safe, reliable, and affordable. The PRC also advances economic development, environmental responsibility, and public accessibility and education while adhering to principles of strict fiscal responsibility, accountability, and transparency.



DISTRICT 1

CYNTHIA B. HALL
VICE-CHAIR



DISTRICT 3

VALERIE ESPINOZA



DISTRICT 2

PATRICK H. LYONS



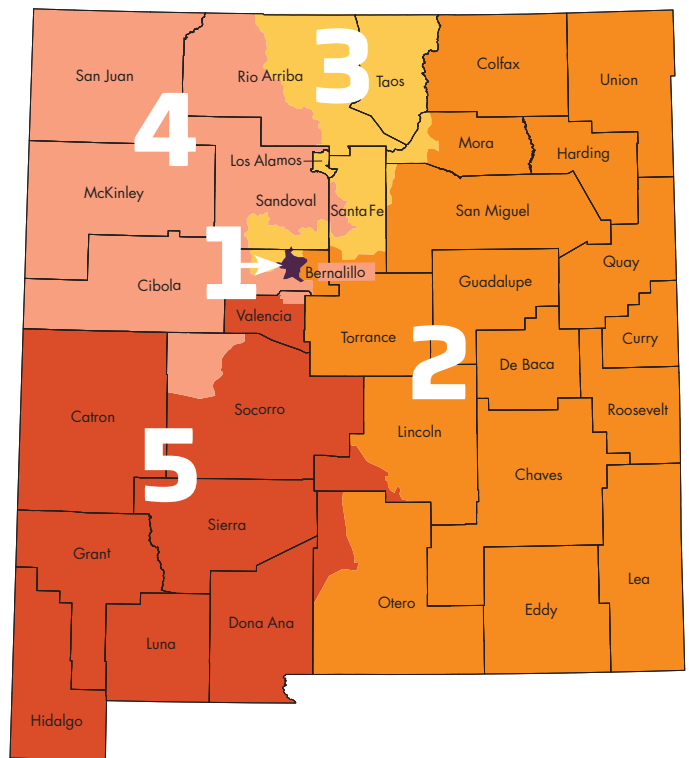
DISTRICT 4

LYNDA LOVEJOY



DISTRICT 5

SANDY JONES
CHAIR



www.nmprc.state.nm.us



DISTRICT 1
CYNTHIA B. HALL, VICE-CHAIR

Cynthia Hall has served on the Public Regulation Commission since January 2017. Hall was elected with a strong mandate to support clean, affordable energy development in New Mexico. To that end, her achievements during Fiscal Year 2018 include conducting inquiry proceedings into the

transparency and fairness of electric utilities' energy procurement practices and the feasibility of a clean energy standard; testifying to the Water and Natural Resources Committee to clarify the role of the PRC for consumer protection during plant closures; and approving cases furthering the use of renewable energy in New Mexico, including the development of utility-scale renewables, protection of rooftop solar generation, and the location of high-capacity interstate transmission lines to deliver New Mexico renewables to distant markets.

In other areas, Hall opposed legislation which was intended to reduce regulation on large telecommunication carriers, supported legislation to deliver broadband services to rural areas through the New Mexico State Rural Universal Service Fund, and voted to transfer ailing small water companies to financially stable owners. She frequently speaks at community and professional forums, and is a member of the National Association of Regulatory Utility Commissioners' (NARUC) Committee on Electricity and its subcommittee on Nuclear Issues-Hazardous Waste. Since joining the Commission, Hall has served as Vice-Chair. Previously she has held positions as associate general counsel at the PRC; staff attorney at the Public Service Commission; hearing examiner, associate general counsel, and fraud prosecutor at the Office of the Superintendent of Insurance; and staff attorney at the Energy, Minerals and Natural Resources Department. She holds a Bachelor of Science in Biology, a Master of Science in Physiology, and a Juris Doctor.



Commissioner Hall discusses the state of renewable energy in New Mexico at a workshop presented by the Center for Strategic and International Studies, in partnership with Sandia National Laboratories.



DISTRICT 2
PATRICK H. LYONS

Patrick H. Lyons is a third-generation New Mexican from Cuervo. In addition to holding public office for 26 years, he is owner of the Lyons Angus Ranch where he is an active rancher and farmer, managing a cow-calf operation, buying and selling beef cattle, and growing wheat and hay.

Since 2011, Lyons has served on the Public Regulation Commission representing District 2, which encompasses the entire eastern half of the state, and will complete his second four-year term at the end of 2018. He was elected Vice Chair in 2015 and Chair in 2016. He has served on Southwest Power Pool's Regional State Committee and represented the PRC at the National Association of Regulatory Utility Commissioners.

Previous to being elected to the PRC, Lyons served as Commissioner of Public Lands from 2003 to 2010. Over eight years, he generated a record \$4 billion in revenue which was distributed to public schools, universities, hospitals, and other state trust land beneficiaries.

From 1992 to 2002, Commissioner Lyons served in the state Senate, representing District 7, which encompasses six counties in the northeastern quarter of the state. During his tenure, he sponsored legislation that led to the acquisition of Eagle Nest Lake, and established the Water Trust Fund Act and the Water Project Finance Act. He was elected Caucus Chair and held leadership roles on numerous committees, including Senate Finance, Legislative Finance, and Legislative Council. Commissioner Lyons served two terms as president of the Western States Land Commissioners Association and eight years on the State Investment Council. He is also a member of New Mexico Cattle Growers Association and New Mexico Farm and Livestock Association.

He holds a Bachelor of Science in Agricultural Economics from New Mexico State University and a master's degree in the same field from Colorado State University.



Southwest Power Pool Regional State Committee Secretary Paul Suskie (left) and President Shari Feist Albrecht (right) present PRC Commissioner Patrick H. Lyons with a resolution commending his eight-year membership on the committee.



DISTRICT 3
VALERIE ESPINOZA

Valerie Espinoza has represented District 3 since 2013 and is serving her second four-year term. During her tenure she has been elected Vice-Chair twice and has also served as Chair. A fierce consumer advocate, Commissioner Espinoza works tirelessly to improve service reliability, advance projects that create jobs in every corner of the state, and enhance public safety measures. She works with New Mexico's utility companies to

improve supply and service dependability. As an example, she worked with New Mexico Gas Company to replace the natural gas line from Pilar to Taos which greatly improved service to these communities.

Espinoza, along with her fellow Commissioners, voted to expedite the approval of two new solar plants that will supply 100 megawatts of renewable energy to the Facebook data center in Los Lunas. She worked to streamline outdated regulatory rules and update human resource policies; contributed significantly to the development and refinement of the Commission's Code of Conduct; and was a driving factor in ensuring conditions were applicable to the Commissioners as well as PRC staff.

Commissioner Espinoza earned a Bachelor of Science in Organizational Psychology from the College of Santa Fe and an Associate of Science in Human Services from Northern New Mexico College. In addition to attending weekly Commission meetings, she meets the Commission's continuing education requirements by attending Michigan State's Institute of Public Utilities Regulatory Studies Program and New Mexico State University's ethics courses, along with numerous other seminars and classes to keep her in the forefront of regulatory matters.

Commissioner Espinoza serves always with the best interest of the public on her mind and in her heart. She has an open door policy and makes herself available to address concerns and answer questions. With two years remaining in her term, Espinoza vows to continue promoting consumer advocacy, public welfare and safety, and cutting-edge ideas on issues related to utility, transportation, and telecommunication companies, as well as the duties of the State Fire Marshal.



Commissioner Espinoza and Federal Communications Commissioner Jessica Rosenworcel attend the National Association of Regulatory Utility Commissioners' Summer Policy Summit held in San Diego.



DISTRICT 4
LYNDA LOVEJOY

Commissioner Lynda Lovejoy, who serves District 4, has epitomized the definition of being a servant of the people. The hallmark of her service is a belief in putting people first.

Her success on the Commission is due to her effective leadership, political acumen, unique business insight, and her conviction that a spirit of open and honest dialogue is the foundation on which to improve the quality of life for New Mexico families.

Lovejoy has been diligent in her efforts to bridge the digital divide that exists in New Mexico by expanding broadband services to empower rural communities to thrive, inspire children to succeed, and give small businesses a competitive edge. She and the Commission approved the creation of a broadband funding program under the State Rural Universal Service Fund from which \$5 million is disbursed annually. She led the charge to approve Sacred Wind Communications' solar program which installs solar units to power broadband equipment for customers who do not have electricity.

Commissioner Lovejoy is proud of her voting record, having approved massive wind and solar projects along with PNM's application to sell 100 percent renewable energy power to Facebook's data center, which will advance economic development, create jobs, and conserve the environment. She and her fellow Commissioners are one of the first state Commissions to require that corporations pass on federal tax cut benefits to their customers. District 4, which encompasses Northwest New Mexico, is vital to the state for its energy sources, which include coal and natural gas. As preparations begin to retire the coal-fired San Juan Generating Plant, Commissioner Lovejoy remains dedicated to working with all stakeholders and the Legislature to find responsible solutions to help coal communities adapt to the changing energy economy without putting families out of work.



Commissioner Lovejoy and State Senator Clemente Sanchez of Grants attend the Continental Divide Electric Co-op annual meeting.



DISTRICT 5
SANDY JONES, CHAIR

Sandy Jones first served on the Public Regulation Commission representing Southwest New Mexico from 2007 to 2010, was elected again in November 2014, and has served as Chairman twice.

Commissioner Jones is known as a passionate consumer watchdog, not only because he advocates for safe, efficient, and affordable utilities and telecommunications, but also because he supports projects that stimulate and sustain New Mexico’s economy and put New Mexicans to work.

Under Jones’ watch, the PRC has approved 8,000–megawatts of renewable energy projects, which is more than any Commission in PRC history. He took a leadership role in the PRC’s push to expedite approval of Public Service Company of New Mexico’s application to sell solar power to Facebook’s \$250 million data center, which gave New Mexico a competitive edge in landing the social media giant in Los Lunas. Just one year later, Facebook is planning a \$1 billion expansion and the PRC fast-tracked approval of two purchased power agreements to accommodate the data center’s increased energy needs with 100 MW of renewable energy.



Chairman Sandy Jones (left), Otero County Electric Cooperative CEO Mario Romero (center), and New Mexico Electric Cooperative Association CEO Keven Groenewold (right), stand beside Otero County’s electric vehicle at the EV Ride and Drive.

A man of the people, Commissioner Jones this year rejected PNM’s proposal to install smart meters, citing rate increases, an excessive opt-out fee, and layoffs as deal breakers; ended decades of water woes for a rural Bernalillo County neighborhood; approved proposals to expand natural gas and broadband internet service in underserved communities; advocated for a community solar project in Doña Ana County; denied SunZia’s transmission line route; and ended predatory towing practices.

Jones is a member of a number of boards and associations, including the National Association of Regulatory Utility Commissioners’ Committee on Water, Committee on Critical Infrastructure, and the Task Force on Military Workforce Development; Associated General Contractors; Spaceport Tax Division; Sierra County Hospital; Future Farmers of America; and the New Mexico State Fair.



CHIEF OF STAFF
ERNEST D. ARCHULETA, P.E.

Ernest D. Archuleta was selected to serve as Chief of Staff of the Public Regulation Commission in 2016.

Archuleta has more than 30 years of engineering and administrative management experience. In that time, he has managed the design and implementation of numerous concurrent projects. He has worked in various disciplines of engineering, including maintenance operations, traffic and transportation, and utility infrastructure.

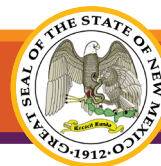
His administrative experience includes office management and business development, client and public interface, financial reporting, and resource allocation. In addition, he possesses extensive experience using specialized software and applications.

Archuleta graduated from New Mexico State University, earning a Bachelor of Science in Civil Engineering and is a Registered Professional Engineer in New Mexico.

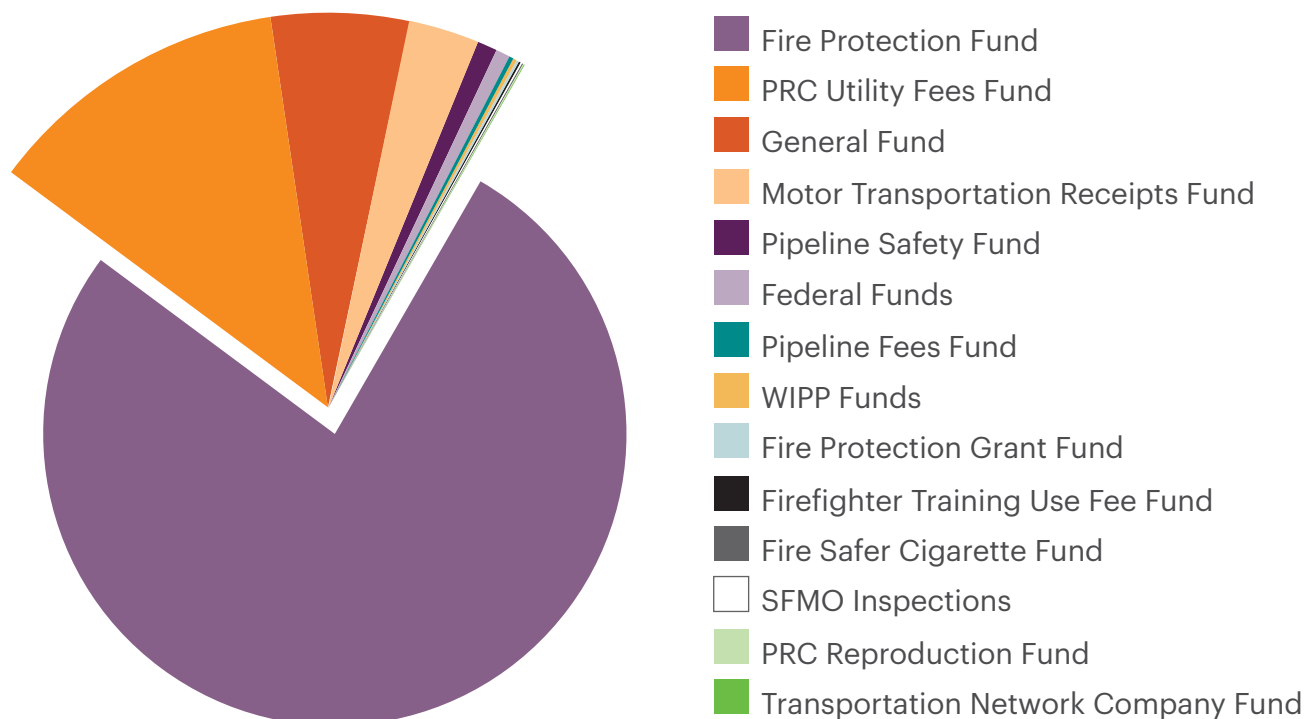
He worked for the New Mexico Department of Transportation from 1994 until 2016, where he served in the capacity of Operations Division Director for 12 years. Prior to his tenure with the state, he was employed by Los Alamos National Laboratory Support from 1984 to 1994.



Chairman Jones and Chief of Staff Archuleta testify before a legislative committee.



FY 2018 REVENUES BY SOURCE



REVENUE SOURCE	REVENUES COLLECTED
Fire Protection Fund	\$90,543,333
PRC Utility Fees Fund	\$14,737,637
General Fund	\$6,666,800
Motor Transportation Receipts Fund	\$3,419,866
Pipeline Safety Fund	\$1,033,420
Federal Funds	\$690,142
Pipeline Fees Fund	\$207,045
WIPP Funds	\$189,689
Fire Protection Grant Fund	\$117,192
Firefighter Training Use Fee Fund	\$86,770
Fire Safer Cigarette Fund	\$61,000
SFMO Inspections	\$29,447
PRC Reproduction Fund	\$20,867
Transportation Network Company Fund	\$20,355
TOTAL	\$117,823,563

- Total revenue collected from all funds in FY 2018 was \$117,823,563.
- Total operating budget expenditures were \$12,257,799.
- Undisbursed Fire Protection Fund monies revert back to the General Fund.
- Due to the passage of HB 4 during the 2017 Legislative Session, no Fire Protection Fund Grant monies were disbursed for FY 2018.

FY 2018 FUNDS TRANSFERRED



REVENUE SOURCE	FUNDS TRANSFERRED
Pipeline Fees Fund	\$207,045
PRC Utility Fees Fund	\$14,737,637
Motor Transportation Receipts Fund	\$3,419,866
TOTAL	\$18,364,548

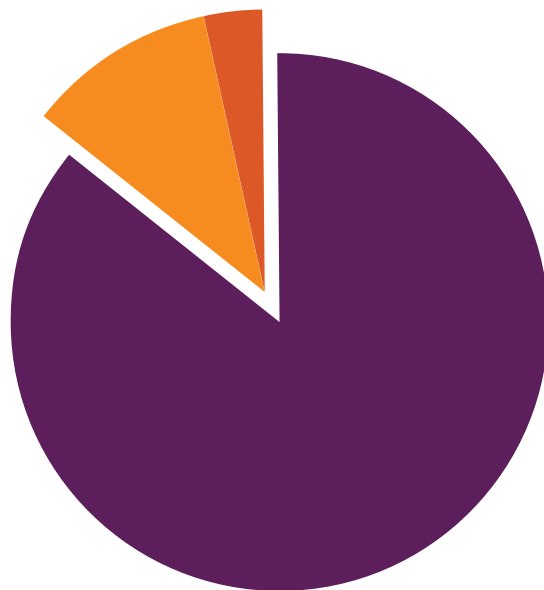
- PRC collects monthly revenue for the Pipeline Fees Fund, PRC Utility Fees Fund and Motor Transportation Receipts Fund.
- Revenues collected for the Pipeline Fees Fund and the Utility Fees Fund are transferred monthly to the Department of Finance and Administration.
- Motor Transportation Receipts Fund monies are transferred to the Department of Transportation.
- The PRC does not keep any portion of collected revenues, nor does the agency collect an administrative overhead fee. As a result, the PRC collects more in revenues than the amount appropriated to the agency by the Legislature.

FY 2018 AGENCY EXPENDITURES



EXPENDITURES

- **\$10,543,797**
200–Personal Services and Employee Benefits
- **\$1,315,979**
300–Contracted Services
- **\$398,023**
400–Other





FY 2018 CASE HIGHLIGHTS



PNM 2017 INTEGRATED RESOURCE PLAN



A public hearing was held on PNM's 2017 Integrated Resource Plan (IRP) from June 4 through June 11, 2018. There were 15 interveners, including the San Juan Legislative Delegation, San Juan County, the City of Farmington, and the International Union of Operating Engineers (IUOE, Local 953, AFL-CIO). The Commission received testimony from 20 witnesses.

The primary purpose for Commission review was to consider PNM's planning process and to ensure that all available resources were evaluated fairly in identifying the most cost-effective resource portfolio to supply customers' needs.

On October 23, 2018, the Hearing Examiner issued a decision, recommending that the Commission accept PNM's IRP as technically compliant with PRC rules. Commission acceptance of PNM's 2017 IRP does not mean or imply that the Commission endorses, prefers, or supports any of PNM's proposed actions. The hearing examiner also recommended that the Commission put PNM on notice to be prepared to thoroughly address important issues of public concern specifically relating to the impacts of any resource selection in future PNM resource-acquisition cases, including economic impact and harm to surrounding communities, and also the adequacy of PNM's request-for-proposal process.

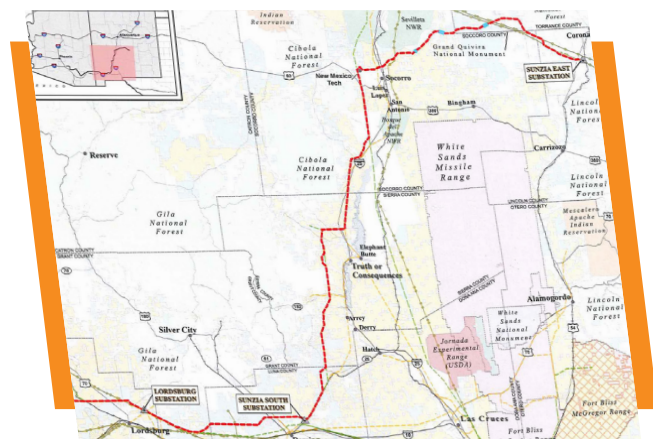
SUNZIA TRANSMISSION LLC



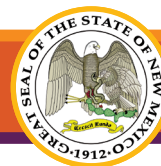
SunZia Transmission, LLC requested location approval of two 500-kilovolt transmission lines and a total right-of-way (ROW) width of 400 feet. The lines would traverse 320 miles of federal, state, and private lands from central New Mexico to Arizona, providing transmission services to developing wind and solar electric generation projects.

The Commission approved the ROW, but rejected the proposed location citing an insufficiently-defined route. They also found that SunZia had not complied with land-use and zoning ordinances.

The case was dismissed without prejudice so the application is expected to be refiled.



The proposed route of SunZia's 500 kV transmission line rejected by PRC Commissioners.



SOUTHWESTERN PUBLIC SERVICE COMPANY APPLICATION FOR RATE ADJUSTMENT

On October 27, 2017, Southwestern Public Service Company (SPS) filed an application seeking to adjust base rates to support non-fuel base retail revenues of \$261.2 million, an increase of \$42.5 million or 19.43 percent over the base period.

Two months later, the federal Tax Cut and Jobs Act (TCJA) became law, and effective January 1, 2018, the corporate tax rate was reduced to 21 percent. In response, SPS adjusted its request to account for the impact of the lower tax rate and reduced its requested non-fuel retail revenue requirement increase to \$27.3 million or 12.49 percent over the base period.

There were several major issues in this case. First, SPS requested approval of a reduced service life and higher accelerated depreciation rate for two of its major coal generating units. The utility also asked to adjust its capital structure with a proposed 58/42 percent equity/debt ratio with a Return on Equity (ROE) of 10.25 percent in order to address the detrimental cash flow impact of the TCJA and the risk of a credit downgrade.

Staff and the state attorney general raised concerns about the apparent significant excess generating capacity. The attorney general recommended that 5 percent of SPS' excess capacity not be included in rate base.

In its final order, issued September 5, 2018, the Commission granted SPS the authority to recover an increase in non-fuel base retail revenues of \$8.1 million or 3.7 percent rate increase over the base period.

The approved capital structure was 51/49 percent equity/debt ratio, with an ROE of 9.1 percent. In addition, the Commission directed SPS to refund to customers \$10.2 million in savings that resulted from the TCJA's lowering of the federal corporate tax rate from 35 percent to 21 percent.

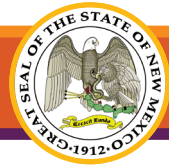


Construction begins on SPS's \$400 million transmission project. The 86-mile, 345-kV transmission line between Hobbs and the China Draw Substation, southeast of Carlsbad, will provide the power necessary to sustain industrial growth and job creation in southeastern New Mexico.

On September 7, 2018, SPS appealed the September 5 final order to the New Mexico Supreme Court. In their appeal, SPS moved for partial stay of the portion of the final order that requires SPS to refund \$10.2 million to customers.

On September 26, 2018, the Supreme Court temporarily granted the motion for partial stay of the refund and issued an interim stay until further order from the court.

SAGAMORE WIND PROJECT



In May of 2018, the Public Regulation Commission approved the proposed location of the Sagamore Wind Project, a 522-megawatt wind facility traversing 150,000 acres of private and state land in Roosevelt County. The applicant, Sagamore Wind Energy LLC, is a subsidiary of Xcel Energy, which is investing \$900 million in New Mexico to develop this project. Upon completion, the project will bring emissions-free energy, economic investment, and jobs to the state.

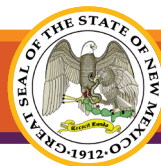
At the same time, Commissioners approved the site of a 20-mile 345-kilovolt transmission line and a 180-foot wide right-of-way for the construction and operation of the wind farm. According to the application, 261 turbines at the facility will produce enough electricity to power about 194,000 homes.

At peak construction, the Sagamore Wind Project is expected to hire as many as 300 people, and post-construction should employ up to 30 permanent operations and maintenance staff. The Sagamore facility is one of several new wind facilities that will benefit Xcel Energy's customers in New Mexico and Texas. These new wind resources are expected to save up to \$2 billion in energy costs over 30 years, and will propel carbon-free generation resources to almost half the company's New Mexico-Texas fuel mix by 2022.

Invenergy Wind Energy North America LLC, which will develop the project, has obtained the land rights and permits for development from 150 private landowners, resulting in \$5 million to ranchers and farmers in the form of land-lease payments. The project is expected to be operational by December 2020.

Crews install a wind turbine at the NextEra Energy Resources wind facility near Santa Rosa.





FACEBOOK DATA CENTER

In Fiscal Year 2017, the Commission approved PNM's application requesting expedited approval of a purchased power agreement, special service contract and special service contract rate, new green energy rider, special contract rate, and an exemption energy efficiency rider. Expedited approval was deemed necessary because New Mexico was competing with Utah for a contract with Greater Kudu, a wholly-owned subsidiary of Facebook, to provide power to a new data center.

Initial capital expenditures on Phase 1 of the data center were estimated to be approximately \$250 million, and result in 30 to 50 full-time positions and 200 to 300 construction jobs. Facebook would require PNM to provide 100 percent renewable energy for all of the data center's power needs, and there was the potential for six phases of development if the data center were to be fully built out.

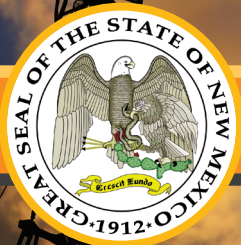
In FY 2018, the Commission approved PNM's request for three additional purchased power agreements and to amend its special service agreement with Greater Kudu. Approval allows PNM to provide additional power to the customer as it builds out its Los Lunas data center and expands its power load.

Most recently, the Commission fast-tracked approval of PNM's application for two additional purchased power agreements, allowing PNM to build two 50-megawatt solar facilities, one near Moriarty called Britton Solar Energy Center and the other northwest of Rio Rancho called Encino Solar Energy Center. The additional 100 MW of renewable energy produced by these centers will go to the expanding data centers. The total projected amount of investment for this phase of the project is \$140 million. Other financial benefits to the state include:

- \$6 million in projected payments in lieu of property tax
- \$2.5 million in projected landowner payments
- 400 construction jobs

Phase I of Facebook Data Center in Los Lunas.





REGULATORY DIVISIONS



UTILITY DIVISION

The Utility Division consists of five bureaus: Telecommunications; Electrical Engineering; Gas, Water, and Wastewater Engineering; Accounting; and Economics. Together, they support the Commissioners in the regulation of electricity, natural gas, renewable energy resources, telecommunications, and water and wastewater systems.

The division also represents the public interest in utility matters before the Commission, making presentations in the form of testimony and exhibits to ensure that utility and telecommunications services are provided at fair, just, and reasonable rates.

The division is in the midst of dealing with a paradigm shift in utility regulation as staff is now tasked with handling an increasing number of applications for renewable energy projects. Rate cases, Integrated Resource Plans, Renewable Portfolio Standards, and to a lesser extent, decoupling and its derivatives, are also adding to the complexities of utility regulation.

The Utility Division demands specialized expertise acquired through advanced degrees and specialized work experience. Recruiting and retaining employees with these qualifications is paramount in order to address the complexities of utility regulation.

Telecommunications Bureau

The Telecommunications Bureau performs analysis and provides expert testimony on telecommunications issues in docketed cases before the Commission, including rulemakings. The bureau also reviews telecommunications carrier tariff filings, applications for interconnection, certificates of registration, and Eligible Telecommunications Carrier (ETC) petitions and filings. The bureau collects carrier and utility, and inspection and supervision fees. Other responsibilities include participating as a non-voting member of the New Mexico State Rural Universal Service Fund (NMSRUSF) Advisory Board and monitoring and responding to federal telecommunications developments as they affect New Mexico.

This year, the PRC approved 23 projects which will deliver broadband internet service to nearly 33,000 New Mexicans living in underserved communities across the state. Four companies – Smith Bagley, Inc., dba Cellular One of North East Arizona; Valor Telecommunications of Texas, LLC dba Windstream Communications Southwest; E.N.M.R. Telephone Cooperative; and CenturyLink QC – shared a \$5 million appropriation from the NMSRUSF, which supplements the cost of telephone and broadband internet infrastructure in low income and rural cities and towns.

Currently, the Commission is evaluating and approving the applications of five telecommunications companies for the purpose of receiving designation as Eligible Telecommunications Carriers in order to facilitate the disbursement of more than \$26 million in federal Connect America Fund Phase II broadband support awarded by the Federal Communications Commission.



Nearly \$625,000 in grant funds will allow Smith Bagley, Inc. to install two cell towers in the Navajo Chapter of Lake Valley and Becenti, along with microwave links connecting to fiber sources in Crownpoint, bridging the broadband digital divide for 3,900 people.



Engineering Bureau

The Engineering Bureau performs analysis and provides expert testimony on issues related to electric utility companies, including plant design, specifications, capacity, reliability, depreciation rates, utility expenses, and certificates of public convenience and necessity.

The bureau contributes to the development of the cost-of-service and revenue requirements of rate cases, and evaluates various filings including fuel and plant cost and affiliate transactions. Staff is also involved in the development of regional transmission and reliability issues, and monitors and participates in organizations such as the U.S. Department of Energy, Federal Energy Regulatory Commission, Western Electricity Coordinating Council, North American Electric Reliability Corporation, Committee on Regional Electric Power Cooperation, and Western Interstate Energy Board.

As New Mexico is increasing its electrical generation resource mix to include a large amount of renewables, the Engineering Bureau processed several location approval cases related to wind energy generation and transmission. Additionally, staff worked on several electric and gas company rate cases and electric utilities' integrated resource plans.

During Fiscal Year 2018, the Engineering Bureau participated in the location and right-of-way width approval for five wind energy facilities and transmission lines. These included SunZia Transmission, LLC's application requesting approval of location of two 500-kilovolt transmission lines and a right-of-way (ROW), along with Sagamore Wind Project LLC's application requesting approval of a 522-megawatt wind generation facility. Staff also reviewed PNM's Integrated Resource Plan, New Mexico Gas Company and Zia Natural Gas Company rate revisions, and applications for the 2019 Broadband Program Support Grant.

Looking ahead, to cope with the increasing complexity of issues, the Engineering Bureau needs additional qualified staff. In particular, the bureau hopes to recruit electrical engineers who can produce the type of analysis necessary for the Commission to make informed decisions on rate and resource planning applications.

Gas, Water, and Wastewater Engineering Bureau

The Gas, Water, and Wastewater Engineering Bureau performs analysis and provides expert testimony on issues related to natural gas and water and wastewater utilities, including plant design, specifications, capacity, reliability, depreciation rates, utility expenses, and certificates of public convenience and necessity. The bureau develops rate base, and provides input to the cost-of-service and revenue requirements portions of rate cases. Staff also evaluates various utility filings, including fuel and plant costs, and affiliated transactions.

Accounting Bureau

The Accounting Bureau evaluates the accounting procedures used by regulated utility companies. Based on these evaluations, the bureau submits recommendations to establish new accounting standards and advises the Commission on the implications of proposed procedural changes. The bureau also evaluates the completeness and accuracy of accounting information submitted in utility rate cases, and ensures that this information, as adjusted for rate making, is just and reasonable. Lastly, staff performs audit reviews of the books and records of jurisdictional utility companies.

Economics Bureau

The Economics Bureau reviews and analyzes electric, natural gas, water and wastewater utility cases on the docket under the constraints of local, state, and federal law, and prepares testimony. Specifically, the bureau provides recommendations regarding its evaluation of the rate designs proposed for regulated utilities. Staff also evaluates and provides recommendations regarding a regulated utility's cost of capital, capital structure, and financing in case proceedings before the Commission.



TRANSPORTATION DIVISION

The Transportation Division consists of four bureaus: Pipeline Safety, Railroad, Applications, and Investigation/Compliance. Together they administer policy which fosters the development and maintenance of safe and secure motor carrier, pipeline, and railroad systems.

Pipeline Safety Bureau

The Pipeline Safety Bureau (PSB) is responsible for conducting safety compliance inspections and enforcing state and federal pipeline safety regulations on intrastate gas and hazardous liquid pipeline facilities, including private and municipal gas distribution systems, master meter gas systems, liquefied petroleum gas systems, transmission systems, and jurisdictional gathering lines.

The U.S. Department of Transportation Pipeline and Hazardous Material Safety Administration (PHMSA) conducts annual program evaluations of the PSB's performance and determines the adequacy of its damage prevention program which impacts the amount of federal funds it receives.

The National Association of Pipeline Safety Representatives (NAPSR) and PHMSA have developed six performance metrics that are evaluated:

- Damage Prevention Program
- Inspection Activity
- Enforcement
- Inspector Qualification
- Leak Management
- Incident Investigation

The following table summarizes the previous three calendar years of program evaluation scores for the natural gas and hazardous liquid pipeline programs managed by the PSB.

PROGRAM DESCRIPTION	FEDERAL PROGRAM EVALUATION SCORE (%)		
	CY 2015	CY 2016	CY 2017
Natural Gas	97.4	100	98.3
Hazardous Liquid	96.9	99.1	100

This natural gas pipeline in Bloomfield was damaged during an excavation project, resulting in ignition.



Kinder Morgan carbon dioxide pipeline construction project near Artesia.

Railroad

Since 1970, the federal government has preempted state railroad safety regulation. However, the federal government, through the Federal Railroad Administration (FRA), offers states the opportunity to participate in federal investigative and enforcement activities. In New Mexico, the Public Regulation Commission is responsible for participating in FRA inspections of railway systems to ensure they are in compliance with all applicable safety regulations, and investigates incidents, collisions and derailments.

Applications Bureau

The Applications Bureau processes all applications for operating as a regulated motor carrier. Any person providing compensated transportation services within the state must receive an operating authority from the Public Regulation Commission, including limousines, taxis, ambulances, shuttle services, tour and sightseeing operators, and towing and repossession services.

All applications for changes to operating authorities or tariffs are also processed by the bureau. In Fiscal Year 2018, the Applications Bureau received, processed, and issued:

- 226 warrant applications, generally issued to intrastate for-hire property motor carriers
- 33 certificate applications issued to taxi, shuttle, ambulance, household goods, and specialized passenger service motor carriers
- 71 Unified Carrier Registration (UCR) applications
- 10 comprehensive audits, 28 random audits, and 109 audit letters to motor carriers soliciting UCR registration

Investigations/Compliance Bureau

The Investigations/Compliance Bureau enforces federal and state motor carrier transportation regulations to ensure the safe transportation of motor carriers for hire, such as limousines, taxis, and shuttles; ambulances and non-emergency medical transport; moving companies; tour and sightseeing companies; and towing services. The bureau is also responsible for investigating consumer complaints and conducting safety compliance inspections.

Additionally, the bureau enforces railroad safety standards through a partnership with the Federal Railroad Administration and enforces compliance with the PRC's financial responsibility requirements.

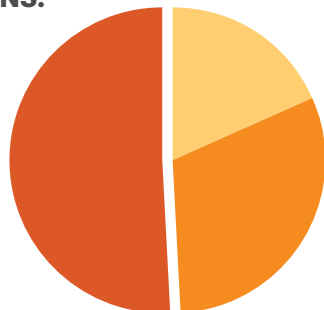
Looking ahead, the bureau will require that ambulance investigators be certified as emergency medical technicians and continue joint operations with law enforcement agencies.



Compliance/Investigations Bureau team member Vince Crespin conducts motor carrier safety inspections.

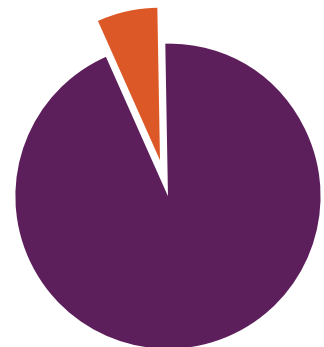
FY 2018 INVESTIGATIONS: 55 Total Investigations

- 10 Illegal Carriers
- 17 Overcharges
- 28 Other



FY 2018 INSPECTIONS

- 2,453 Total Motor Carriers
- 6% Motor Carriers Inspected





STATE FIRE MARSHAL'S OFFICE

The State Fire Marshal's Office administers comprehensive services to protect life and property from the devastating effects of fire. Comprised of four bureaus – Code Enforcement, Fire Investigation, Fire Service Support, and the Firefighter Training Academy (FFTA) – the office's key responsibilities are to reduce fire and explosion risks; perform inspections to assess and mitigate potential fire hazards in structures and ensure they meet state and federal fire codes; train firefighters to meet the needs of a complex and dynamic fire service, and improve public awareness about fire safety.

During Fiscal Year 2018, the State Fire Marshal recruited additional staff to the four bureaus; implemented audits of the Fire Protection Fund; developed a better system for evidence gathering; and recertified New Mexico State Police emergency response officers.

Code Enforcement Bureau

The Code Enforcement Bureau provides for the safety of occupants in all types of structures, as well as the prevention of fire and the reduction of property loss.

In FY 2018, approximately 19,500 hours were dedicated to inspections across the state, including fire code inspections in 50 public schools. The bureau also incorporated "Code Pal," a fire prevention software which aids in code enforcement and investigations in the field.

The bureau attended a number of training classes including fire pump and sprinkler class at Oklahoma State University, the National Fire Academy's plan-reading training to better understand construction project documents, and film production fire training classes.

Future goals include increasing fire code inspections and improving compliance; assisting fire departments in reducing Insurance Services Office (ISO) ratings; increasing Fire Protection Fund audits; reducing the number of fires classified as "unknown origin," increasing arson convictions; and expanding training for firefighters.



The SFMO Fire Investigations team responded to this apartment fire in Santa Fe County where arson was the suspected cause.

Fire Investigation Bureau

State fire investigators are authorized to investigate all types of fires throughout the state and are trained in numerous aspects of criminal investigation as it relates to fires. In Fiscal Year 2018, the four investigators on staff investigated 178 fires. Of these, 61 were arson, 80 were accidental, and 37 were deemed undetermined.

Favorable partnerships with city, county, state, and federal agencies have resulted in more arrests and convictions. Increased continuing education opportunities mean investigators are better able to meet nationally recognized standards and reduce the number of undetermined cause of fires.

Fire Service Support Bureau

The Fire Service Support Bureau is responsible for the disbursement of Fire Protection Fund monies to 391 fire departments and this fiscal year distributed \$57 million.

The bureau also assists fire departments with preparations for ISO ratings. The ratings calculate how well-equipped fire departments are to put out fires in their respective communities. The rating is used by insurers to help set homeowners' insurance rates. The rating is a score from one to 10 – one being the best, 10 being the worst. In FY 2018, 77 percent of fire departments had an ISO of eight or higher. Manpower shortages have contributed to declining numbers.

The bureau also reviews fire apparatus specifications, performs site feasibility inspections for new fire stations and districts, and conducts certification inspections of the new stations and districts for funding purposes.

Firefighter Training Academy

The academy was created as a part of the State Fire Marshal's Office by legislative action in 1987. A state-of-the-art facility was constructed in Socorro, and its doors were opened to firefighters in January 1989.

The academy's mission is to meet the needs of a complex and dynamic fire service by providing training programs of the highest quality. The primary objective is to develop the skills necessary for emergency responders, and provide educational services and training to the general public.

The FFTA offers seven nationally-accredited certification programs. Additionally, the academy provides courses in specialized training through partnerships with the Federal Emergency Management Agency and the National Fire Academy. Courses are designed to meet standards created by the National Fire Protection Association and to assist local fire departments in complying with mandatory training requirements set by the SFMO.

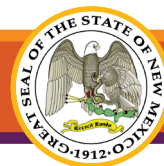
FY 2018 Training Numbers:

Total Number of Classes: 285 **Course Hours: 9,328** **Total Enrollment: 2,602** **Contact Hours: 110,112**

Left: Fire Service Coordinator Derrick Rodriguez inspects tool mounting on Wheeler Peak Fire Department's fire truck.



Right: Fire Service Coordinators Derrick Rodriguez and Sammy Anaya work with Fire Chief Edmundo Jaramillo during their inspection of Hondo Seco Fire Department's fire truck.



CONSUMER RELATIONS DIVISION

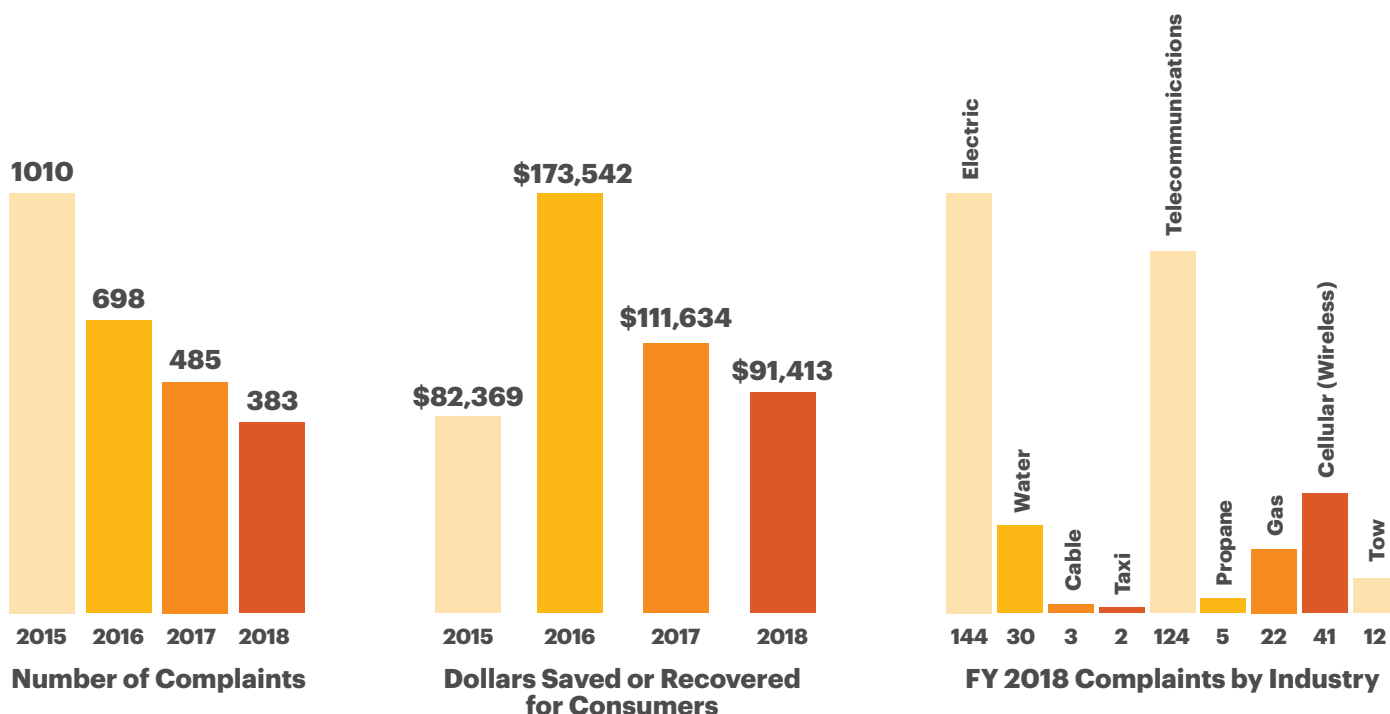
The Consumer Relations Division (CRD) serves as the agency’s point of contact for New Mexicans with inquiries and complaints related to services provided by industries regulated by the Public Regulation Commission, including utilities, telecommunications, and transportation. Three compliance officers generally resolve disputes within 24 hours or less and frequently obtain credits or refunds for consumers.

During Fiscal Year 2018, CRD resolved 383 complaints and was successful in recovering more than \$91,000 in credits and refunds. The majority of complaints were resolved in cooperation with the utility or provider; less than one percent moved forward as formal complaints before the Commission.

Pursuant to specific statutory requirements, CRD ensures that all complaints are documented, keeping the Commission apprised of consumer-related issues and trends. Additionally, CRD works closely with the Consumer Protection Division of the New Mexico Attorney General’s Office and the Governor’s Constituent Services Office to ensure proper resolution of consumer inquiries and complaints.

The division is also active in developing and implementing consumer-based policy and education and outreach programs, such as the Native American Tax Exemption outreach program. This program focuses on ensuring Native Americans who reside on pueblos and reservations, as well as tribal governments, are exempt from certain taxes and surcharges on their utility and telecommunications bills. This fiscal year, 55 Native American Tax Exemption forms were processed.

The division’s objectives through FY 2019 and FY 2020 include boosting outreach efforts within Native American communities to foster awareness about the tax exemption program. Long term goals also include improving understanding of PRC-approved rules and processes among state cooperatives and utilities.



OFFICE OF GENERAL COUNSEL



The Office of General Counsel (OGC) serves as legal counsel to the Commissioners; therefore attorneys are required to be experts in all aspects of utility regulatory law. In that role, OGC provides the Commissioners with timely and accurate legal advice on pending matters such as rulemaking and adjudicatory proceedings. The OGC also represents the Commission in litigation before state and federal courts and in all appeals before the New Mexico Supreme Court.

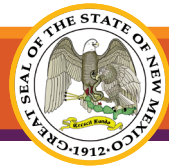
During Fiscal Year 2018, OGC briefed and/or argued five appeals and cross appeals to the Supreme Court, including the decision in the 2015 Public Service Company of New Mexico (PNM) rate case, the 2017 PNM Renewable Portfolio Standard case, and the 2016 Southwestern Public Service Company (SPS) rate case.

Additionally, OGC advises the Commission and prepares orders in cases involving utility and transportation regulation.



Acting General Counsel Michael Smith and attorney Russell Fisk brief the Commission during a weekly case management meeting.

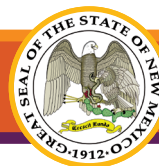
HEARING EXAMINERS



Hearing Examiners provide administrative law services to ensure that all rate cases brought before the Commission are adequately presented. They set hearings and conferences; conduct hearings; ensure that a full record is established; make rulings on procedural and evidentiary matters; admit evidence into the record; analyze evidence, briefs, applicable laws, rules and orders; and issue recommended decisions, including findings of fact and conclusions of law.

Hearing Examiners function as judges, presiding over diverse and complex types of cases, some of which include: rates; construction and operation certificates; mergers; sales and acquisitions; territorial disputes; quality of service; purchased power and gas cost recovery; interconnections; arbitrations; mediations; abandonments; complaints; permits; and enforcements across several different major industries which are regulated by the Commission.

Their recommended decisions are then presented to the Commission for consideration and issuance of a final order, enabling the Commission to meet statutory deadlines 100 percent of the time.



LEGAL DIVISION

The Legal Division is statutorily mandated to provide legal counsel to the Commission, all bureaus within the Utility Division, Transportation Division, and the State Fire Marshal's Office. The division does not, however, provide legal counsel to the Commission as it relates to contested proceedings before the Commission.

Staff advocates for the public interest in litigated matters before the Commission. In order to represent the public interest, the Legal Division assists in the development of staff's cases, working on teams with the staff of the other PRC divisions, in particular the Utility and Transportation divisions. Legal Division attorneys review and implement legislation, rules and regulations, regulatory opinions of sister and federal agencies, and judicial opinions, both state and federal. They also draft and file extensive legal documents, from routine motions and other pleadings, to discovery in complex litigation, and finally to closing legal briefs that advocate the positions and recommendations of PRC utility experts.

In addition, Legal Division attorneys cross examine expert witnesses of the sponsoring regulated entity or intervenors, including consumer or environmental advocacy groups, and occasionally they must participate in oral argument. The division currently consists of six attorneys and one support staff member who must meet superior standards of practice and professionalism, and a working familiarity with the application of accounting, economics, regulatory finance and engineering expertise. Budget constraints have prevented the hiring of three attorneys and one legal assistant.

Left: Commissioner Lovejoy and Navajo Nation President Russell Begaye joined tribal leaders to testify before the Federal Communications Commission about telecommunication matters.

Right: Commissioner Jones visits a 1,000 MW clean coal facility in China.



Left: Commissioner Espinoza, pictured by the Classic Air Medical helicopter, promotes public safety in Los Alamos.

Right: Commissioners preside over a weekly case management meeting.

Left: Pictured from left to right are Transportation Division Investigation/Compliance Bureau Chief Fidel Archuleta; State Fire Marshal's Office Investigator Jimmy Vigil; and Transportation Investigators Manuel Anaya, Vince Crespin, and James Martinez.

Right: Commissioner Lyons hosts the PRC's annual summer picnic.



Left: The PRC's leadership team includes, from left to right, Acting General Counsel Michael Smith; Transportation Division Director Avelino Gutierrez; Chief of Staff Ernest Archuleta; State Fire Marshal Don Shainin; and Utilities Division Director Milo Chavez.

Right: Commissioner Hall visits NextEra Energy Resources' wind farm project near Santa Rosa.



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