



April 13, 2026

Public Service Company of New Mexico  
Attn: Thomas Duane, Director of Integrated Resource Planning  
Re: Questions Related to Modeling Transmission & Markets in PNM's 2026 IRP

Interwest appreciates the opportunity to participate in PNM's IRP stakeholder process and values the substantial time PNM staff has dedicated to discussing transmission with our team. The questions below primarily relate to topics presented at the February 17, 2026, IRP Transmission Modeling Office Hours ([slides](#)). Answers to these questions will help our team coordinate with other stakeholders and refine any potential IRP model run requests focused on transmission.

Sincerely,  
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#### PNM 2026 IRP Transmission & Markets Questions

##### Zonal Topology

1. Is the diagram on slide 8 from PNM's Feb 17, 2026, IRP Transmission Modeling Office Hours an accurate representation of the zones and transfer limits in PNM's zonal LTCE model?
2. Do transfer limits change at future dates to account for PNM's planned transmission upgrades? If no, why not?
3. How do planned generator retirements impact transfer capability in the zonal model? For example, when PNM exits Four Corners in 2031, does the Encompass model increase transfer limits from 4C to PNM-N from 1,300 MW to 1,500 MW? (1,300 MW is the transfer limit shown in Slide 8 of the transmission presentation and the additional 200 MW were mentioned in a discussion about FCPP in the 2023 IRP)

##### Transmission Costs

4. Is PNM using transmission cost adders in the initial zonal LTCE model runs? In the February 17 transmission workshop, slide 2 states, "Initial capacity expansion portfolios developed without transmission cost adders." Is this correct?
  - a. If the LTCE model excludes transmission cost adders, how does the model add resources that exceed deliverable capacity from a resource zone? Put differently, are the transfer limits shown in PNM's Encompass Zonal Topology sufficient to deliver all future generation the LTCE model adds? If not, how will the model solve without exceeding the modeled transfer limits?
5. Could you please explain this step listed on Slide 14 of the Feb. 17, 2026, workshop slides? "Rerun capacity expansion in zonal IRP with transmission cost included. Candidate portfolio

for a given future and sensitivity may change.” Does this mean that after running the nodal PCM and identifying transmission additions, PNM will rerun the same zonal Encompass model with adjustments made to assume the transmission additions are in-service? Will the new transmission be added as an option to exceed zonal transfer limits at a cost (using transmission cost adders) or hard coded as an assumed transmission upgrade (relaxed transfer limits) at the scheduled in-service date? What other changes will be made in secondary LTCE model runs based on the PCM results?

6. If transmission adders are used in either the initial LTCE model runs or re-runs after PCM modeling...
  - a. What are the transmission cost adders associated with each zone?
  - b. How are transmission cost adders calculated? Is PNM taking a similar approach as the 2023 IRP and using conceptual transmission upgrades to assign a \$/kW transmission costs to zones that benefit from the upgrade?
  - c. Is a limit placed on the MWs of generation resource additions in each zone?
  - d. Do the transmission costs for each zone change at certain MW thresholds? (e.g. Is the cost for the first 300 MW of additional transfer capability different from the cost for the following 300 MW?)
  - e. Are the supply side resource options defined in the LTCE model the same in each zone?
  - f. If resource options are the same in all zones and there are no limits on resource additions in each zone, won't the model just select all the new resources in the zone with the lowest transmission cost adder?
7. PNM said the depreciation life assumed for transmission projects considered in the IRP is 40 years. Do IRP models assume straight-line depreciation, meaning 50% of the total project cost will be paid in the 20-year IRP horizon? If not, what depreciation method does PNM assume?
8. How does PNM plan to compare transmission costs spread over 40 years with transmission benefits (production cost or capital savings) that can only be captured in the 20-year IRP modeling horizon?

#### Wholesale System Uses

9. PNM says the nodal model “Provides a means to assess resource portfolio additions while accounting for the wholesale system uses”. Can you explain how the nodal model accounts for wholesale system uses? What modeling parameters are most relevant and how are these defined to account for wholesale vs. retail system uses?
10. How does the nodal model treat transmission capacity reserved for wholesale system uses? Will the nodal model reallocate capacity away from PNM’s wholesale business and to ratepayers before selecting a new transmission line?
11. For transmission additions identified through nodal PCM, how will PNM determine the portion of the total project cost that is appropriate to assign to retail customers as part of the IRP portfolio?

## Market Purchases

12. Slide 8 from the Feb. 17, 2026, workshop shows market zones with transfer limits (Mkt 250 MW bi-directional; Mkt 2 450 MW bi-directional) and labels these with “Production cost simulation only.”
  - a. What markets are Mkt and Mkt 2?
  - b. Are the transfer limits between PNM and market zones based on transmission system limits or assumptions about market depth or something else?
  - c. What is meant by the labels “+\$100/MWh” and “+\$550/MWh” on the path from 4C-PV-SJ to Mkt2?]
13. Could you please explain how the addition of nodal PCM in this IRP interacts with or replaces zonal PCM as used in previous IRPs? Does Encompass still use a zonal model to calculate the production costs of each portfolio, or only for portfolios that aren’t run through the nodal PCM?
14. Which markets are modeled in the nodal PCM? Are these the same two markets as in the zonal PCM?
15. Can Encompass rely on market purchases for capacity? If no, why not?
16. Based on historical operations and accounting for seasonal variation, how much capacity does PNM assume it can procure from the market today? How is this expected to change in the 20-year IRP planning period, and what factors are most influential?

## Transmission as a Capacity Resource

17. What would be required for PNM’s IRP to capture potential benefits of adding transmission that would enable additional market purchases to count toward capacity in all or certain parts of the year?
18. Are there transmission additions PNM has studied in the 20-year outlook or otherwise that could be defined in the IRP capacity expansion model as a capacity resource? Other utilities like Idaho Power and Public Service Company of Colorado have done this in their IRPs.<sup>1</sup>

## IRP Report

19. Will PNM publish useful summaries of the nodal analysis along with the public IRP report? We’d like to see the curtailment and congestion costs in each portfolio with and without transmission upgrades.
20. Is it correct that the evaluation of each portfolio modeled with nodal PCM will include transmission additions identified, meaning the NPVRR for each portfolio will include costs of specific transmission upgrades and any production cost savings enabled by those upgrades?
21. Will the Most Cost Effective Portfolio (MCEP) and action plan identify which transmission projects were identified as part of the portfolio and include these upgrades in the IRP Action Plan?

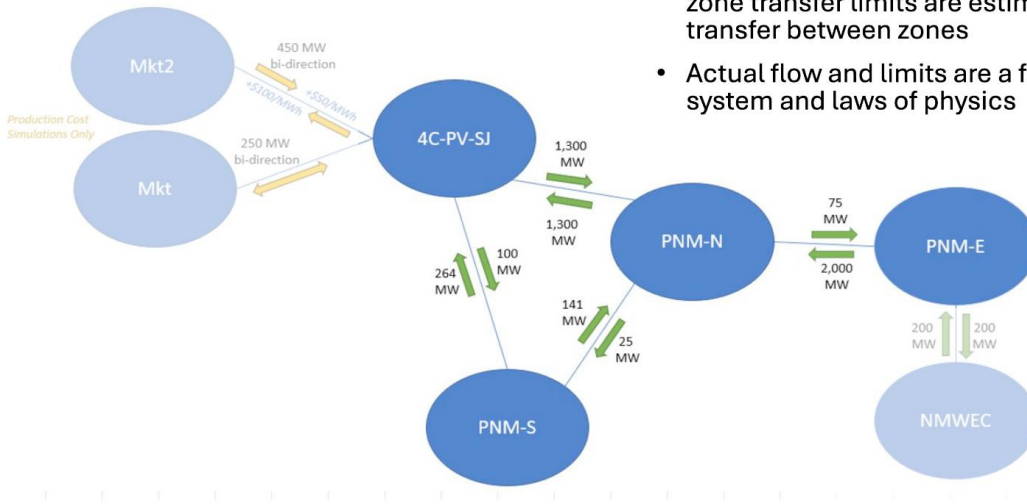
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<sup>1</sup> See p. 26 “Inter-Jurisdictional Transmission as a Capacity Resource,” Franklin, R. & Fitch-Fleischmann, B. (2025). Evaluating transmission opportunities in integrated resource plans Part 2: A review of Interior West utilities. Interwest Energy Alliance.

<https://interwest.org/wp-content/uploads/2025/09/Transmission-in-IRP-Part-2.pdf>

# Encompass Zonal Topology for PNM

- Load and resources are modeled in zones with estimated transfer capacity to other zones
- Only PNM load and resources are captured requiring that zone transfer limits are estimates of amount PNM can transfer between zones
- Actual flow and limits are a function of all uses of the system and laws of physics



SLIDE 8 | February 17, 2026

PNM 2026 IRP Workshop 3

