

136 FERC ¶ 61,231
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

Public Service Company of New Mexico

Docket Nos. ER11-3522-000
ER11-3522-001

ORDER CONDITIONALLY ACCEPTING TARIFF REVISIONS

(Issued September 30, 2011)

1. On May 5, 2011, as supplemented on August 1, 2011, Public Service Company of New Mexico (PNM) filed revisions to incorporate a temporary cluster study approach in its Large Generator Interconnection Procedures (LGIP) and to seek a waiver of its existing LGIP provisions. PNM requests an effective date of September 30, 2011. In this order we accept PNM's proposed LGIP revisions, as amended in its August 1, 2011 filing, subject to the conditions described below, and deny the one-year waiver request. The result will be acceptance of a cluster study approach on a permanent basis.

I. Background

2. PNM, a New Mexico corporation, is a wholly-owned, public utility operating company subsidiary of PNM Resources, Inc. PNM is engaged in the generation, transmission and sale of electricity at wholesale in the western United States. In New Mexico, PNM is engaged in the generation, transmission, distribution and sale of electricity at retail. PNM's retail electric operations are regulated by the New Mexico Public Regulation Commission. In Order No. 2003,¹ the Commission issued standardized

¹ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160, *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007), *cert. denied*, 552 U.S. 1230 (2008) (Order No. 2003).

interconnection procedures and agreements for the interconnection of large generating facilities. The Commission's goal was to reduce undue discrimination and expedite the development of new generation while protecting reliability and ensuring that rates are just and reasonable. PNM's LGIP was adopted to comply with the Commission's directives in Order No. 2003. Recently, the Commission has found that "[s]urges in the volume of new generation development are taxing the current queue management approach in some regions"² and that "the unprecedented demand in some regions for new types of generation, principally renewable generation, places further stress on queue management because such generation technologies can, for example, be brought online more quickly than traditional generation."³ PNM argues it is one of these affected regions.

3. In response to concerns about the effectiveness of queue management, the Commission held a technical conference on December 11, 2007. While the Commission has not required a particular solution, in the Technical Conference Order, it suggested the following types of variations that, individually or in combination, could speed up queue processing while remaining faithful to the goals of Order No. 2003: (1) increasing the requirements for obtaining and keeping a queue position, such as increasing deposit amounts; (2) eliminating the interconnection feasibility study as a separate step to reduce processing time without harming interconnection customers; and (3) instituting a first-ready, first-served approach, under which customers who demonstrate the greatest ability to move forward with project development are processed first.⁴ The Commission also stated that it would consider methods of clustering other than the Order No. 2003 approach, which is based on a first-come, first-served paradigm as clusters are limited to requests filed within the same time frame.⁵

4. PNM states that it has experienced a significant surge in generation interconnection requests over the last several years. PNM explains that currently it has 44 large generator interconnection requests totaling 14,918 megawatts (MW) in its balancing authority area, which has a historic peak load of approximately 2,600 MW. PNM asserts that the magnitude of requests in its queue has overwhelmed PNM's manpower resources and led to the existing backlog in the study process.

² *Interconnection Queuing Practices*, 122 FERC ¶ 61,252, at P 3 (2008) (Technical Conference Order).

³ *Id.*

⁴ *Id.* P 15-18.

⁵ *Id.* P 18.

5. In an endeavor to improve its LGIP, PNM states that it initiated a stakeholder process resulting in six meetings with customers between November 5, 2009 and November 18, 2010. PNM maintains that through the stakeholder process it was able to change and refine its proposal to address the specific needs of its customers.

6. PNM asserts that the cluster study approach in its proposal will benefit customers by providing the most efficient means of studying the interconnection requests within the shortest possible time frame. Given the extensive stakeholder involvement in development of its proposal, PNM requests that the Commission approve its proposed interconnection queue reform.

7. On May 5, 2011, in Docket No. ER11-3522-000, PNM submitted its proposal which included a revised Attachment N-LGIP and Large Generator Interconnection Agreement (LGIA) (Attachment N). Upon review of PNM's filing, PNM's filing was found to be deficient and PNM was asked to provide additional information for review. Specifically, the deficiency letter requested that PNM explain: (1) whether PNM plans to modify the method by which interconnection customers will recover their costs for the network upgrades they fund, and if so, how; (2) how PNM's proposal is consistent with or superior to the *pro forma* LGIP, including with respect to the study cost allocation methodology; and (3) what process(es) will be in place after the requested one year waiver expires. PNM was also directed to provide proposed LGIP revisions to accompany the clarifications.

8. On August 1, 2011, in Docket No. ER11-3522-001, PNM submitted its response to the deficiency letter as discussed below. Specifically, PNM filed a further revised Attachment N and a new Appendix A-1 to Attachment N (Appendix A-1).

II. PNM's Proposal

9. PNM seeks a one-year waiver to allow existing interconnection requests submitted under its *pro forma* LGIP to be studied in clusters (instead of serially) in order to clear the existing backlog of requests in its interconnection queue. During the waiver period, PNM proposes to study clusters in accordance with revised LGIP provisions described below.

10. PNM explains that using the current serial process for studying interconnection requests makes it unfeasible to manage the existing backlog in its interconnection queue. In addition, PNM maintains that there are currently viable projects in the queue that could be placed in service sooner if such requests could be processed more quickly by implementing a first-ready, first-served LGIP study approach. PNM states that its proposed LGIP will: (1) create a fast-track approach for customers that meet specific milestones; (2) reduce the impact of suspended projects on other projects; (3) encourage speculative projects to enter into a preliminary queue; and (4) discourage speculative projects from entering the final queue by increasing deposits and requiring project

readiness milestones. PNM asserts that the proposed modifications to its LGIP are consistent with or superior to the *pro forma* OATT.⁶ PNM's proposed revisions are discussed below.

A. Proposed Reforms

11. PNM proposes to conduct cluster interconnection studies via two interconnection queues: (1) the Preliminary Interconnection System Impact Study Queue (Preliminary Queue); and (2) the Definitive Interconnection System Impact Study Queue (Definitive Queue).

1. Preliminary Queue

12. PNM states that the Preliminary Queue provides customers with an opportunity for an optional Preliminary Queue study that can help refine their interconnection requests before entering the Definitive Queue phase. PNM asserts that this procedure will help developers determine a project's economic feasibility. PNM also explains that the Preliminary Queue position will be determined upon receipt of a completed application that includes all of the required information as set forth in section 3.3 of the LGIP.⁷ In addition, PNM states that all Preliminary Queue positions will be inferior to all Definitive Queue positions. PNM also proposes to open a Transition Preliminary Queue Cluster Window 60 days after Commission acceptance of the instant filing.

13. In addition, PNM states that after a Preliminary Queue study is completed the interconnection customer may change its point of interconnection or the size or output of its project before moving to the Definitive Queue study phase. Pursuant to section 4.1.2 of the revised LGIP, moving a point of interconnection shall result in a lowering of queue position if it is deemed a material modification under section 4.4.3. Further, PNM states that customer deposits will be applied to the interconnection customer's share of the Preliminary Queue costs. Any excess amounts will either be refunded to the customer or applied to the next study phase.

⁶ *Southern Cal. Edison Co.*, 135 FERC ¶ 61,093, at P 27 (2011).

⁷ According to PNM's proposal, queue position has no bearing on the allocation of the cost of the common upgrades identified in a Preliminary Queue study. Queue position would be used in the event that a project withdraws from a Preliminary Queue cluster to determine which similarly-situated project from the Preliminary Queue would replace the withdrawing project, if replacing the withdrawing project does not have a material impact on the effort required to complete the Preliminary Queue study.

14. PNM proposes a 90-day window for accepting requests to enter the Preliminary Queue, with one Preliminary Queue Cluster Window available every six months. PNM states that it will conduct the Preliminary Queue study during this time and cluster the requests. In addition, PNM states that upon completion of a Preliminary Queue report, an interconnection customer in the Preliminary Queue may execute a Definitive Queue Agreement, provided the customer meets the applicable milestones, or withdraw from the interconnection process.

2. Definitive Queue

15. According to PNM, the Definitive Queue is designed to study projects that are commercially viable and ready to proceed. PNM states that, to be included in the Definitive Queue, a project must meet rigorous milestones.⁸

16. PNM plans to establish a Transition Definitive Queue Cluster Window. PNM states that, in order to be eligible for the Transition Definitive Queue Cluster Window, an interconnection customer must have a valid request pursuant to section 5.1 of the revised LGIP in PNM's queue. PNM also states that after the Transition Definitive Queue Cluster Window, future cluster windows will operate pursuant to sections 4.2.1 and 4.2.2 of PNM's revised LGIP. Under PNM's proposal, the initial Preliminary Queue Cluster Window will begin three months after a final Commission order, and subsequent windows will open every six months thereafter. The initial Definitive Queue Cluster Window will close ninety days after a final Commission order and the subsequent window will open 180 days later. PNM asserts that the Definitive Queue position will be determined based on when the required information is received. In addition, PNM asserts that the Definitive Queue position will be superior to any Preliminary Queue position and processed on a first-ready, first-served approach. To the extent that geographic diversity supports such studies, PNM will perform Definitive Queue studies in multiple clusters that materialize from the same Definitive Queue Cluster Window. In addition, PNM expects that the studies will be completed within 150 days after each Definitive Queue Cluster Window closes.

17. PNM states that re-studies in the Definitive Queue will be conducted if: (1) a project with an equal or higher queue position drops out of the queue; (2) a higher queued project materially modifies its project; or (3) a point of interconnection is re-designated by the transmission provider due to unexpected results. PNM asserts that the interconnection customer cannot change its designated point of interconnection; however,

⁸ The milestones required to enter a Definitive Queue are set forth in section 7.2 of the revised LGIP. The milestones include but are not limited to deposit requirements, site control demonstration and technical information.

the interconnection customer can modify the size of its project by +/- 10 percent following the Definitive Queue study and prior to the interconnection facilities study (Facilities Study) phase of the process. Finally, PNM states that under the revised LGIP, if a higher queued request drops out of the Definitive Queue, PNM is permitted to substitute the withdrawn request with the next highest queued, similarly situated request in the Definitive Queue and below the current cluster group.

18. In response to the deficiency letter, PNM states that this provision is consistent with or superior to the *pro forma* LGIP as it will allow PNM to more efficiently and effectively study interconnection requests and promotes the interconnection of valid generation projects.

a. Interconnection Facilities Study

19. PNM states that the next step for projects following the Definitive Queue is the Facilities Study. According to PNM, the scope of the Facilities Study will be the same as that currently described in the Commission's *pro forma* LGIP. PNM contends that the milestone requirements to proceed to the Facilities Study phase are the same as those set forth in section 7.2 of the LGIP. However, PNM states that if the customer provided security equal to \$2,000/MW of the plant size as part of its milestone requirements, the customer will be required to meet an additional milestone from the list of alternative milestones in section 7.7 of the LGIP. For example, PNM states that a letter of credit or payment for the customer's share of estimated network upgrades are options for satisfying the milestone requirement in lieu of a payment based on plant size. PNM proposes to use reasonable efforts to complete the Facilities Studies and issue a draft report within 150 calendar days.

20. PNM asserts that re-studies for the Facilities Study will be required when a higher queued project or one of equal priority withdraws from the queue, or a higher queued project is modified. PNM states that in the event a project withdraws from the queue after completion of the Facilities Study, the withdrawing customer will only receive a refund of the deposit if the facilities cost estimate from the Facilities Study exceeds the facilities cost estimate from the Definitive Queue by 25 percent or more. PNM maintains that in this situation, the withdrawing customer will be responsible for two times its actual allocated study costs from the Definitive Queue and the Facilities Study, and that any remaining deposit amount above the withdrawing customer's cost responsibility will be refunded to the customer. PNM states that this requirement is consistent with the deposit provisions accepted by the Commission for Midwest ISO⁹ and Southwest Power

⁹ *Midwest Indep. Transmission Sys. Operator, Inc.*, 124 FERC ¶ 61,183, at P 56 (2008).

Pool.¹⁰ Once a final Facilities Study report is posted, the Interconnection Customer can move to the LGIA phase.

3. Deposit Requirements

21. PNM explains that to enter an interconnection queue, customers would need to submit: (1) a completed interconnection request; (2) a deposit of \$75,000, for requests between 20 MW and 50 MW, or \$150,000, for requests between 50 MW and 200 MW, or \$250,000, for requests of 200 MW or more; and (3) a demonstration of site control for the Definitive Queue.¹¹

22. PNM explains that the increased tiered deposit requirements address the greater risks associated with larger projects while allowing smaller projects to enter the queue with smaller financial risk. PNM states that the tiered pricing proposal was agreed upon during the stakeholder process.

23. Further, PNM proposes to remove the option that exists in its current LGIP to provide an additional \$10,000 deposit in lieu of a demonstration of site control. However, a customer may propose an alternative demonstration of site control under section 3.3.1 of the LGIP. PNM asserts that this provision will allow customers who are unable to meet either the site control or deposit requirement to have their projects evaluated earlier.

4. Costs

24. PNM proposes allocating the cluster study costs to each customer on a pro-rata basis with: (1) 50 percent based on the number of interconnection requests; and (2) 50 percent based on the interconnection customer's requested MWs.

25. PNM states that the network upgrade costs resulting from the studies shall be allocated to each customer as follows: (1) station equipment, including all switching stations, will be allocated on a pro-rata basis based on the number of generating facilities interconnecting at an individual station; and (2) all transmission lines, transformers, and voltage support related to network upgrades will be allocated based on the proportional capacity of each individual generating facility in the cluster study requiring such network upgrades.

¹⁰ *Southwest Power Pool, Inc.*, 126 FERC ¶ 61,012 (2009).

¹¹ PNM is not requiring a demonstration of site control for a customer seeking to enter the Preliminary Queue. PNM is also not proposing any revisions to its Small Generator Interconnection Procedures applicable to projects up to 20 MW.

26. In response to the deficiency letter, PNM clarified that it was not modifying the method by which interconnection customers will recover their costs for network upgrades they fund. PNM further states that the provisions related to a customer's recovery of costs for network upgrades is contained in its *pro forma* LGIA. Additionally, PNM states that this proposal is consistent with or superior to the *pro forma* LGIP as it will allow PNM to more efficiently and effectively study interconnection requests and promotes the interconnection of valid generation projects.

5. Additional Reforms

27. PNM also proposes that the optional interconnection study agreement not be available to those participating in cluster studies because it is unnecessary. Similarly, PNM states that it removed the Engineering and Procurement Agreement (E&P Agreement) from the cluster study approach. According to PNM, E&P Agreements allowed customers to get a head start on ordering equipment and proceeding with initial design. Since the cluster studies are designed to provide the same early start, PNM states that the E&P Agreements are no longer necessary.

28. PNM explains that an interconnection customer must specify which queue (Preliminary Queue or Definitive Queue) it elects to enter. PNM additionally states that the customer must also designate whether it proposes to take energy resource service or network service. If all necessary information is not provided, PNM states it will notify the customer within five business days, at which time the interconnection customer will have ten days to cure the deficiency or withdraw its request.

29. In response to the deficiency letter, PNM maintains that it will study multiple clusters simultaneously within the Preliminary Queue window and the Definitive Queue Window to the extent that geographic diversity supports such studies. PNM explains that once a customer is in a cluster study, the study will identify the needs of all the customers in each cluster. Additionally, PNM states that this proposal is consistent with or superior to the *pro forma* LGIP as it will allow PNM to more efficiently and effectively study interconnection requests and promotes the interconnection of valid generation projects.

6. Transition Procedures to the Cluster Studies

30. PNM states that once the Commission accepts PNM's revisions, it proposes to transition to the new procedures as follows: (1) interconnection requests for which a Facilities Study agreement has been executed shall not be required to participate in the revised LGIP; (2) interconnection requests for which a Facilities Study agreement has not been executed as of the effective date of the revised LGIP shall be subject to the revised LGIP unless the interconnection customer informs PNM that it intends to remain in the serial queue; and (3) affected interconnection customers will be required to take all action necessary to conform to the revised LGIP within 60 days of its effective date. PNM

asserts that interconnection customers that do not desire to participate in the proposed process may withdraw their application and PNM will refund their deposit.

31. In response to the deficiency letter, PNM filed revised tariff sheets, in Docket No. ER11-3522-001, and states that this proposal is consistent with or superior to the *pro forma* LGIP as it will allow PNM to more efficiently and effectively study interconnection requests and promotes the interconnection of valid generation projects while providing customers with an understanding and a process to successfully transition to the revised LGIP.

B. Waiver of Existing LGIP Provisions

32. PNM requests a one year waiver of its serial queue provisions in order to immediately move any interconnection requests submitted after the date of this filing into a cluster window for study. PNM states that the Commission has previously approved waiver requests stating that “where good cause for a waiver of limited scope exists, there are no undesirable consequences, and the resultant benefits to customers are evident . . . a one-time waiver is appropriate.”¹² PNM explains that it is not requiring every customer in its interconnection queue to join the reform process. Instead, it is proposing to allow any existing customers in the interconnection queue to either participate in the reformed cluster studies or to remain in PNM’s serial queue.¹³ PNM states that customers that elect to remain in the serial interconnection queue will not have their request processed until after the one-year waiver request or until PNM clears its reformed queue process, which could take several years. PNM asserts that the request for waiver is just and reasonable and consistent with Commission precedent granting similar requests.¹⁴

33. In response to the deficiency letter PNM clarified that after the one-year waiver period ended it would continue to finish the cluster study process. Therefore, customers in the cluster studies would have a higher priority in PNM’s queue than the customers that chose to remain in the serial queue. Therefore, all serial queue requests will have a lower priority than all Definitive Queue and Preliminary Queue requests and will not be processed until such Definitive Queue and Preliminary Queue cluster studies are completed, which could take several years.

¹² *Id.* at 50.

¹³ PNM Filing at 6 (describing section 5.1.1.1 of PNM’s revised LGIP).

¹⁴ *El Paso Elec. Co.*, 128 FERC ¶ 61,155 (2009).

34. PNM states that this proposal is consistent with or superior to the *pro forma* LGIP as the language provides a clear indication of the processing order that PNM will implement and where serial queue requests fit in that process.

III. Notice and Responsive Pleadings

35. Notice of PNM's May 5, 2011 Filing was published in the *Federal Register*, 76 Fed. Reg. 28,018 (2011), with protests and interventions due on or before May 26, 2011. The New Mexico Renewable Energy Transmission Authority (RETA), enXco, Inc. (enXco), and Iberdrola Renewables, Inc. (Iberdrola) filed motions to intervene and comments. Terra-Gen Power, LLC, (Terra-Gen), Gallo Canyon Wind, LLC, Vaughn Wind, LLC, and First Wind New Mexico Wind Holdings, LLC (collectively, First Wind) filed a motion to intervene and protest. Cielo Wind Services, Inc. (Cielo) filed a motion to intervene out of time and comments. PNM and enXco filed answers.

36. Notice of PNM's August 1, 2011 Filing was published in the *Federal Register*, 76 Fed. Reg. 47,569 (2011), with protests due on or before August 22, 2011. enXco and First Wind filed comments.

A. Protests, Comments, and Answers

37. Terra-Gen, First Wind, enXco, Iberdrola, and RETA generally support PNM's proposal. Iberdrola states that the proposed cluster study approach strikes a fair balance between allowing viable projects to move through the Definitive Queue process, while allowing projects in earlier stages to be refined in the Preliminary Queue process.¹⁵

38. Further, Iberdrola and RETA state that PNM's revisions will support development of renewable generation in New Mexico. RETA states that the use of clustering studies, enhanced financial commitments from project developers, and a first-ready, first-served approach to interconnection are potential solutions to some identified problems in processing interconnection requests.¹⁶ RETA supports PNM's proposal and argues that the proposal is consistent with Commission precedent.¹⁷

¹⁵ Iberdrola Comments at 3.

¹⁶ *Id.* P 8-18.

¹⁷ RETA Comments at 5 (*citing Southwest Power Pool, Inc.*, 128 FERC ¶ 61,114 (2009), *order on compliance filing*, 129 FERC ¶ 61,226 (2009)).

1. Expedited Study Process

39. Terra-Gen argues that PNM's proposal does not contain a suitable mechanism to reduce the current queue backlog of projects that are ready to proceed to the study phase. Terra-Gen asserts that, under PNM's current transition plan, study requests will not be completed until the first quarter of 2013, which will prevent several wind projects from qualifying for federal production tax credits currently being offered to projects that are placed in service by December 31, 2012. Terra-Gen contends that these federal tax credits are a critical component in financing its wind projects that have been waiting in PNM's interconnection queue for several years. Thus, Terra-Gen requests that the Commission require PNM to establish an expedited transition study process to alleviate the current backlog and ensure that viable projects would be in-service by December 31, 2012.¹⁸

40. Terra-Gen suggests a modified Definitive Queue and a higher deposit requirement.¹⁹ Terra-Gen contends that without more stringent requirements, the magnitude of projects seeking interconnection will far exceed the existing capability of the transmission system and require significant transmission upgrades which may take several years to complete, thereby delaying projects even further.²⁰ Thus, Terra-Gen argues that requiring PNM to conduct an expedited transition study process is warranted given PNM's delays in processing existing requests and the 17 months it took PNM to devise a final LGIP reform proposal.²¹

41. In its Answer, PNM reiterates that its proposed reforms have been extensively vetted with stakeholders. PNM asserts that while it understands Terra-Gen's concerns, it argues that the quickest and most efficient way to expedite the queue process is to follow the new procedures. PNM explains that under the Definitive Queue process, an interconnection customer with a valid request can be included in the Transition Definitive

¹⁸ Terra-Gen states that in *Southwest Power Pool* the Commission accepted a similar proposal to expedite the study process for interconnection requests. *Southwest Power Pool*, 126 FERC ¶ 61,012 (2009).

¹⁹ Terra-Gen states that, for example, the initial deposit could be set as high as \$10,000/MW, with any excess deposit amounts to be refunded. Terra-Gen argues that the current \$2,000/MW threshold proposed by PNM is relatively low, and could lead to an overwhelming amount of requests being studied in the first cluster.

²⁰ Terra-Gen Protest at 7-10.

²¹ *Id.* at 5-7.

Queue Cluster Window, which closes 60 days after the effective date of the revised LGIP. PNM explains that once the Facilities Study phase of the Definitive Queue is finalized, an interconnection customer can move to the LGIA phase. PNM contends that the Definitive Queue process takes approximately 14 months, depending on the need for restudies, and will allow viable projects to interconnect in a more timely fashion.

2. Serial Study Approach

42. First Wind alleges that its projects will be harmed by PNM's proposal. First Wind contends that after spending four years waiting in the interconnection queue, it finally holds two of the top queue positions.²² First Wind argues that requiring it to join a cluster study will further delay the process and add additional complexities to its requests. First Wind additionally argues that it cannot take advantage of PNM's offer to continue in the serial queue ahead of the cluster studies because PNM failed to study its interconnection requests in a timely manner.

43. First Wind requests that the Commission require PNM to allow the first five projects in the interconnection queue to opt out of the cluster processes without being subjected to the one-year delay or placed subordinate to those projects that choose to participate in the cluster process. In addition, First Wind argues that PNM should be required to take all necessary steps to execute the Facilities Study agreements so they may be afforded grandfathered status. First Wind also states that it would agree to an expedited process conducted by the Commission's Alternative Dispute Resolution staff or a settlement judge.

44. enXco asserts that PNM's proposal to allow all customers with valid interconnection requests as of the effective date of the revised LGIP the option to continue in the serial process will cause confusion with respect to queue priority and cost allocation between projects in the cluster process versus those in the serial process and could significantly lengthen the transition process. enXco asserts that there must be a clear distinction between late-stage customers (i.e. those customers with a signed Facilities Study agreement) and other interconnection customers so that only late-stage customers would be allowed to continue in the serial process. enXco asks that the Commission direct PNM to remove the language in its proposed LGIP allowing those

²² First Wind also argues, and provides information intended to support, that PNM continually postponed First Wind's requests while processing studies for inferior queued projects. First Wind Protest at 4-9.

customers with valid interconnection requests the option of remaining in the serial process and ensure that only late-stage customers have that option.

45. enXco requests that PNM provide an option for customers that are ready to move forward with commercial operation to interconnect prior to completing the transmission upgrades proposed for a particular cluster making use of existing available transmission capacity on a temporary basis. enXco argues that this will allow for a more efficient use of the existing transmission system and increase flexibility for interconnection customers.

46. In its answer, PNM disagrees with First Wind's allegations that it will be harmed by the cluster process. According to PNM, the cluster process allows the most viable projects to interconnect to the grid in an efficient and timely manner.²³ PNM contends that allowing the first five projects in the queue to opt out of the cluster process, as suggested by First Wind, will not speed up the process. PNM states that all interconnection requests prior to the date of filing get the same choice, to enter the cluster study process or remain in the serial queue.

47. PNM explains that while PNM's cluster process will be the quickest and most efficient manner to get First Wind's projects to the grid, it is willing to work with First Wind to come up with a solution. PNM states that it is willing to modify its LGIP to allow the projects that have a Feasibility Study in process, such as First Wind's, to continue to be processed in the serial queue and not be required to conform to the revised LGIP.²⁴ Any projects that do not have a Feasibility Study in process would have to conform to the provisions of the revised LGIP or could retain their position in the serial queue.

48. Regarding enXco's comments, PNM disagrees that the proposal will eviscerate the bright-line distinction between early-stage and late-stage interconnection customers and cause confusion. However, PNM states that it is willing to delete the section that allows customers to remain in the serial queue. PNM states that if it is directed to remove the option, then each customer currently in the queue would be required to either withdraw its application or participate in the transition Definitive Queue cluster, if qualified, the initial Preliminary Queue cluster, or in the second Definitive Queue cluster.

²³ PNM Answer at 11.

²⁴ PNM also commits to make this provision available to any other entity with a Feasibility Study in process.

3. Waiver

49. enXco understands that PNM's proposal is to permanently reform its LGIP. Thus, enXco states that it is unclear why PNM is seeking a one-year waiver of its existing LGIP interconnection requirements.²⁵ enXco argues that a return to processing interconnection requests using a serial study approach will lead to future backlogs and the same situation that prompted PNM to pursue interconnection queue reform in the first place.

50. PNM contends that its proposed request for a one-year waiver of the *pro forma* LGIP is appropriate and will contribute towards more efficient processing of the interconnection queue. PNM argues that the Commission has granted a waiver of the LGIP in similar circumstances.²⁶ PNM maintains that its one-time waiver satisfies the Commission standard because it is limited in scope, there are no undesirable consequences, and the resultant benefits to the customers are evident.

4. Queue Position

51. enXco is concerned that PNM plans to use queue position in determining access to available transmission capacity in the initial Definitive Queue cluster.²⁷ enXco states that in the initial Definitive Queue cluster, access to available transmission capacity for the purposes of interconnection should be based on compliance with the milestones in the proposed LGIP and a project's commercial operation date and not queue position. According to enXco, retaining queue position as the determinant would stall lower queued requests that are ready to proceed, behind higher queued projects that are not ready. enXco argues that late-stage projects (i.e. those with executed Facilities Study agreements) would be adequately protected by allowing them to continue under the existing procedures, ahead of projects in the new cluster process. enXco requests that PNM add language explicitly stating that there will be no priority access to available transmission capacity granted to projects within the initial Definitive Queue cluster based on their queue position.

²⁵ We note that in PNM's deficiency letter response, PNM clarified that it intends to return to a serial approach after the requested one-year waiver.

²⁶ See *El Paso Electric Co.*, 128 FERC ¶ 61,155 (2009).

²⁷ enXco bases its concern on the PNM stakeholder process and proposed LGIP section 5.1.1.2.

52. enXco argues that the re-study provision in section 7.6 of PNM's proposed LGIP should be clarified so that the "backfilling"²⁸ language will be triggered by the withdrawal of any project in the same cluster study. In addition, enXco requests that the Commission direct PNM to modify section 4.2.2 of its proposed LGIP to provide that when a customer withdraws from the Definitive Queue, similarly situated customers in both the Definitive Queue and Preliminary Queues are eligible to backfill for the withdrawing customer, provided they meet the eligibility criteria for inclusion in the Definitive Queue. enXco contends that this change will result in a more efficient interconnection process by minimizing the number and scope of re-studies, maximizing the efficient use of transmission upgrades, and moving more projects through the process at a faster pace.

53. With respect to enXco's concern regarding access to existing network capacity, PNM clarifies that if a customer enters and completes the Definitive Queue process, there would be no priority granted to those customers within the Definitive Queue. PNM asserts that the study process identifies and meets the needs of all customers in the cluster, and as such there would be no issue with priority access.

54. With respect to enXco's request to clarify the backfilling provisions in the Definitive Queue, PNM clarifies that a similarly-situated customer in the Preliminary Queue could be substituted into the Definitive Queue to backfill a withdrawing project as long as all milestones for the Definitive Queue have been met. PNM agrees to modify the language in section 4.2.2 of the revised LGIP to reflect such clarification.²⁹

5. Engineering and Procurement Agreement

55. enXco objects to PNM removing the need for an E&P Agreement. enXco explains that E&P Agreements authorize the transmission provider to begin engineering and procure long lead-time items needed for interconnection. enXco contends that PNM has not demonstrated that the cluster study process will erase the need for E&P agreements, particularly with respect to customer-specific interconnection facilities. enXco also argues that PNM has not provided an explanation of how retaining the E&P agreement option for customers in cluster studies would negatively impact the interconnection process.

²⁸ Backfilling is substituting the next highest queued similarly situated interconnection request provided that such a substitution occurs on a non-discriminatory basis and does not have a material impact on the effort required for completion of the applicable study. PNM's Revised LGIP, section 4.2.2.

²⁹ PNM Answer at 18.

56. Contrary to enXco's request to retain the E&P Agreement, PNM argues that cluster studies allow customers and the transmission provider to move ahead in a similar fashion as the E&P Agreement. PNM further argues that allowing individual customers to engage in the procurement of network upgrade construction activities prior to identifying the network upgrades for an entire cluster would be impractical and could possibly delay the process even further.

6. Financial Security

57. enXco argues that the refundable financial security required to demonstrate readiness to enter the Definitive Queue (\$2,000/MW) is insufficient. According to enXco this will lead to speculative projects entering the queue with little incentive to depart until the Facilities Study stage. Therefore, enXco requests that the Commission direct PNM to increase the amount required to satisfy the financial security option, make a portion of the security non-refundable based on the interconnection process stage, or some combination of both.

58. In response to enXco's contention that the financial security should be increased, PNM maintains that the proposed criteria are sufficient to encourage the most viable projects to participate in the cluster process.³⁰

7. Point of Delivery

59. enXco further notes that interconnection customers whose projects will not be network resources must state the point of delivery in order to enter the Definitive Queue. enXco argues that customers should also have a valid transmission service request pending to utilize that delivery point. Therefore, enXco requests that section 7.2 of the proposed LGIP include a pending transmission request with PNM associated with the delivery point provided under section 7.2c.

60. Cielo states that section 7.2c of PNM's proposal requires an interconnection customer that is not designated as a PNM network resource to specify a point of delivery to be used in the interconnection studies. Cielo requests clarification that the selection of a point of delivery will not prejudice any subsequent request for transmission delivery service for the output of the plant that uses a different point of delivery than the one selected in the interconnection studies.

61. With respect to Cielo's request for clarification that an interconnection customer is not bound to the point of delivery selected in the study process if, upon commercial

³⁰ PNM Answer at 15.

operation circumstances change, PNM asserts that the proposed requirement for point of delivery designation was included in the revised LGIP after discussion and approval by stakeholders. PNM further explains that, given the nature of PNM's system, a change in point of delivery could have dramatic effects on the study performed. PNM clarifies that if an interconnection customer chooses a revised delivery point that is geographically similar to its initial delivery point or one that would have been part of the initial cluster study, then PNM could accommodate the change.

8. Transmission Service

62. enXco and RETA express concern that PNM's transmission service request process faces similar problems and backlogs as its interconnection process. enXco recognizes that this proceeding is limited to PNM's LGIP provisions; it still requests that the Commission encourage PNM to begin a stakeholder process to reform its transmission service request process. RETA argues that it would be helpful if the Commission signals in this proceeding a willingness to entertain expeditiously proposed solutions for New Mexico to address PNM's transmission service backlog on a limited basis.

63. PNM responds that it has not included any tariff revisions related to its transmission queue, thus requests by enXco and RETA to revise its transmission service procedures are outside the scope of this proceeding.

9. Appendix A-1

64. enXco also notes that section 4.2 of the proposed LGIP refers to an Appendix A-1, which was not included in the filing and that PNM proposes no changes to its LGIA, even though some updates appear necessary due to the changes in the LGIP.

65. In its Answer PNM agrees to provide Appendix A-1, an overview and timeline of the submission process referenced in section 4.2.

10. Comments on PNM's Deficiency Letter Response

66. enXco maintains that PNM's current backlog situation is a direct consequence of PNM's existing serial process. enXco argues that reverting PNM's queue reform to a serial scheme will lead to an ever-increasing backlog of interconnection requests, withdrawals, and re-studies.³¹ For example, enXco contends that under the existing serial study process, it has received estimates for study completion of over five years.

³¹ enXco Deficiency Response Comments at 2-3. EnXco argues that in transmission systems with limited excess transmission and numerous interconnection

67. enXco contends that PNM's proposal to return to a serial study process is further flawed by allowing current interconnection requests to remain in PNM's serial queue and be processed after the completion of the Definitive Queue cluster.³² Specifically, enXco argues that interconnection customers (particularly those customers with requests in the early study stages) will have a strong financial incentive to remain in the serial queue, because those customers will be able to take advantage of any network upgrades constructed and paid for by the customers that choose to enter the cluster process. enXco argues that this will undermine the purpose of cluster studies - reducing backlog, and unfairly discriminates against those customers who choose the cluster process.

68. enXco argues that by focusing on the viability of projects, PNM is addressing one of the main problems facing its interconnection queue that led to the current backlog – speculative projects. However, enXco argues that by returning to a serial study process speculative projects will continue to backlog PNM's queue and prevent viable projects from efficiently moving forward.³³

69. First Wind argues that PNM's response to the deficiency letter highlights its concerns that the one year waiver will effectively be longer than one year since projects remaining in the serial queue will not be processed until after the cluster studies process is completed, which could take several years.

IV. Discussion

70. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2011), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding and we will grant Cielo's late-filed motion to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

71. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2011), prohibits an answer to a protest unless otherwise ordered by the

customers, the most significant consequence of a serial approach occurs when an interconnection customer withdraws from the queue. According to enXco, such withdrawal necessitates the re-study of all later-queued customers affected – thus, leading to further delays in clearing the queue, which in turn spurs additional withdrawals, and which later results in virtual stagnation of the queue.

³² *Id.* at 4.

³³ *Id.* at 5.

decisional authority. We will accept PNM's and enXco's answers because they have provided information that assisted us in our decision-making process.

72. PNM has proposed a revised Attachment N and new Appendix A-1 and requested a one-year waiver of its existing LGIP provisions to allow existing interconnection requests submitted under its *pro forma* LGIP to be studied in clusters in accordance with revised LGIP provisions submitted as Attachment N to its Open Access Transmission Tariff. As discussed below, we conditionally accept PNM's revised tariff sheets that propose to revise its LGIP as consistent with or superior to the *pro forma* LGIP. We find that clearing PNM's interconnection queue backlog as soon as possible will be beneficial to all customers seeking interconnection as that will enable a more efficient interconnection process going forward.³⁴ In other words, accepting PNM's revised LGIP as a long-term methodology will benefit customers because it will promote a more efficient and timely process that is expected to reduce the backlog of interconnection requests and generally reduce interconnection costs for customers since fewer re-studies will be needed. Finally, we find that PNM's proposed cluster study approach in the revised LGIP is consistent with Commission precedent.³⁵

73. PNM has indicated that it is willing to delete the section that allows customers to remain in the serial queue.³⁶ In the compliance filing directed below, we will require that PNM delete the provisions of its revised LGIP that allow customers to return to the serial queue and file other tariff changes necessary to allow the cluster process to remain in effect.

A. Waiver of Existing LGIP Provisions (i.e. the serial approach)

74. PNM has requested a one-year waiver of its existing serial LGIP provisions; however, we find this request to be unclear and ambiguous. The Commission has found good cause for granting a waiver where the waiver would be of limited scope, there are no undesirable consequences, or the resultant benefits to customers are obvious. Here, we find PNM's waiver request is not one of limited scope and may in fact result in undesirable consequences for customers. PNM is proposing to make substantial revisions

³⁴ *Southwest Power Pool, Inc.*, 126 FERC ¶ 61,012, at P 36-37 (2009); *Cal. Indep. Sys. Operator Corp.*, 118 FERC ¶ 61,226, at P 24 (2007).

³⁵ *See Cal. Sys. Indep. Operator Corp.*, 124 FERC ¶ 61,292 (2008); *Midwest Indep. Transmission Sys. Operator, Inc.*, 124 FERC ¶ 61,183 (2008); *Southwest Power Pool, Inc.*, 126 FERC ¶ 61,012 (2009); *El Paso Electric Co.*, 128 FERC ¶ 61,155 (2009).

³⁶ PNM Answer at 8.

to its existing procedures, including changing deposit amounts, reassessing milestones and eliminating E&P Agreements. In addition, PNM's waiver of its entire existing LGIP methodology would effectively allow for multiple cluster windows and studies that may exist well beyond the requested one-year waiver period. These revisions seem entirely inconsistent with the old interconnection procedures and it would seem unlikely the old provisions would harmonize very well for customers when reinstated thereby creating a dichotomy between customers that may not be just and reasonable. In fact, PNM itself states that it will not return entirely to actually processing requests under the serial provisions for several years because during that time it will be processing those projects in the cluster studies. While after one year projects will no longer be eligible to apply for the cluster study approach, those projects that missed the one-year deadline will have to sit in the serial queue until such time that PNM completes the cluster study process. As a result, we find that the scope of PNM's waiver request would not avoid undesirable circumstances identified by PNM.

75. Furthermore, PNM has made convincing arguments regarding the inefficiencies of the serial approach in its balancing authority and how it has caused backlogs and delays on PNM's interconnection queue. PNM has stated that it has seen an increase in interconnection requests that fueled these delays, but PNM has failed to provide a reason to believe that this increase in interconnection requests is temporary and would warrant a return to the serial approach. PNM has repeatedly stated that its existing serial approach is ineffective in managing interconnection queue backlogs. PNM has failed to explain how returning to the serial approach would prevent future inefficiencies, backlogs or delays as the protesters contend. Given the current magnitude of interconnection requests and the fact that the majority of these requests are attributed to the development of renewable energy in the region, we are not convinced that reinstating the serial study approach, after the one-year waiver period would be an efficient means of interconnecting needed generation.

76. We also find and agree with enXco that PNM's proposal may create a perverse incentive for interconnection customers (particularly those customers with requests in the early study stages)³⁷ to remain in the serial queue, because those customers would be able to take advantage of any network upgrades constructed and paid for by customers that choose to enter the cluster study process. We also note that, because PNM's proposal imposes no cost to customers that choose to stay in the serial process, PNM's proposal

³⁷ We do not have similar concerns regarding the continued processing of customers in the later stages (e.g., customers with executed Facility Study agreements or Facilities Studies in process) of the existing serial study process because these customers are ready to move forward with commercial operation prior to any cluster study.

may facilitate customers whose projects are not viable to remain in the serial study process in hopes that conditions might change and cause their projects to become viable. For the reasons stated above, we deny PNM's request for a one-year waiver of its existing LGIP provisions without prejudice.

B. Proposed LGIP

77. With respect to PNM's proposal to streamline its interconnection procedures to address a backlog of interconnections requests, we find PNM's proposal to be consistent with or superior to the *pro forma* LGIP because it allows PNM to better manage this process. PNM's proposal replaces its interconnection procedures from a first-come, first-served approach to enable it to implement an approach that allows projects that are farther along in development to proceed on a more accelerated basis while allowing less-developed projects to receive early information regarding feasibility before final commitments are made. We find that PNM's proposal should help effectively expedite the processing of commercially viable projects.

78. Currently, PNM's LGIP study approach studies interconnection requests individually on a sequential basis. Given the location and the unusually large number of interconnection requests PNM has received, as discussed above PNM points out that processing under the current study approach presents complications.³⁸

79. As a result, PNM's proposal to study geographically and electrically related interconnection requests under two different interconnection queues, using a cluster study approach, is expected to address PNM's current backlog and other complications associated with using the current serial procedure. In certain instances, clustering is the preferred method for conducting interconnection studies, and PNM's proposal adopting the cluster approach to study related projects together will likely improve efficiency by limiting the need for re-studies.³⁹ In the Technical Conference Order, the Commission noted that clustering studies is a way to efficiently prioritize interconnection requests while still providing protection from discrimination.⁴⁰ Further, this transition towards a

³⁸ PNM Filing at 3, 8.

³⁹ *Standardization of Small Generator Interconnection Agreements and Procedures*, Order No. 2006, FERC Stats. & Regs. ¶ 31,180 at P181, *order on reh'g*, Order No. 2006-A, FERC Stats. & Regs. ¶ 31,196 (2005), *order granting clarification*, Order No. 2006-B, FERC Stats. & Regs. ¶ 31,221 (2006), Order No. 2003 at P 155.

⁴⁰ Technical Conference Order, 122 FERC ¶ 61,252, at P 18; *see also Cal. Sys. Indep. Operator Corp.*, 124 FERC ¶ 61,292, at P 33 (2008); *Midwest Indep.*

“first-ready, first-served” approach is consistent with the guidance provided by the Commission in the Technical Conference Order.⁴¹

80. Further, PNM’s proposal should discourage speculative projects from entering more advanced stages of the study process, allowing PNM to focus on more developed projects, while also providing options for interconnection customers seeking informational studies. In the Technical Conference Order, the Commission also stated that it may be appropriate to increase the requirements for obtaining and keeping a queue position and that increasing the deposits may be appropriate to more accurately reflect the cost of studies.⁴² PNM’s proposal increases the deposit amounts to initiate an interconnection request. The Commission finds that increasing the deposit in a tiered fashion, under the circumstances presented by PNM, is reasonable because it recognizes that larger projects likely carry a greater risk. Moreover, consistent with the Technical Conference Order, we find in this instance that the new deposit requirement is appropriate because it better identifies viable projects that are more ready to proceed with construction and commercial operation while discouraging speculative projects that could delay the cluster study process.

81. Under the Definitive Queue, site control is necessary for a valid interconnection request. PNM has removed the option to provide an additional \$10,000 in lieu of a demonstration of site control and asserts that the revised procedure required for demonstration of site control will provide additional flexibility to interconnection customers that want to have their requests evaluated at an early stage but are unable to meet the site control or alternative deposit requirement. We accept PNM’s increased deposit requirement and revised site control procedures providing for alternative demonstrations as reformatory measures necessary for PNM to facilitate the interconnection of viable generation, and, to reduce the opportunity for speculative projects to enter and remain in the queue. At the same time, we find that PNM has not raised the site control (and deposit) requirements so high as to preclude non-speculative projects from initiating requests to interconnect.⁴³ Accordingly, we find that PNM’s

Transmission Sys. Operator, Inc., 124 FERC ¶ 61,183, at P 112 (2008); *Southwest Power Pool, Inc.*, 126 FERC ¶ 61,012, at P 37 (2009).

⁴¹ *Id.*

⁴² Technical Conference Order, 122 FERC ¶ 61,252 at P 16; *see also Cal. Sys. Indep. Operator Corp.*, 124 FERC ¶ 61,292 at P 58; *Midwest Indep. Transmission Sys. Operator, Inc.*, 124 FERC ¶ 61,183 at P 56.

⁴³ *Southwest Power Pool, Inc.*, 128 FERC ¶ 61,114 (2009) (weighing the balance of deposit amounts and the impacts on project); *Midwest Indep. Transmission Sys.*

(continued...)

proposal is just and reasonable. Furthermore, as discussed below, we find that the protests have not demonstrated that PNM's proposal is unjust and unreasonable or unduly discriminatory.

82. Consistent with our finding above that PNM's requested waiver of the serial provisions should be denied, we also find that PNM should continue the clustering approach and not revert back to the serial approach for the reasons described above. Additionally, we find PNM's proposed transition procedures contained in the revised section 5.1.1.1, as described below, to be consistent with or superior to the *pro forma* LGIP. These proposed transitional provisions exempt those customers that have an executed Facilities Study, a Facilities Study posted, or that are in the LGIA negotiation process. The proposed transitional provisions will allow those more advanced projects to move forward in an efficient and timely fashion under the serial approach while also allowing the other projects currently in the queue to move ahead with their interconnection requests under the cluster approach with an overall reduction in queue processing delay.

1. Protestors Concerns

83. enXco requests the Commission to direct PNM to add language stating that there will be no priority access to available transmission capacity granted to projects in a Definitive Queue cluster based on their queue position. We disagree that such language is necessary. The proposed LGIP does not grant priority access to customers studied in a Definitive Queue cluster based on queue position. Rather, section 4.2.2 of PNM's revised LGIP provides that "[PNM] shall, without regard to Queue Position, simultaneously study two or more valid Interconnection Requests . . . in a non-discriminatory basis." Accordingly, we will deny enXco's request on this issue.

84. We accept the revisions PNM proposed in its response to the deficiency letter to address enXco's concerns regarding backfilling. We agree that PNM's revisions to section 4.2.2 clarify that similarly-situated customers in the Preliminary Queue could be substituted into the Definitive Queue in order to backfill a withdrawing project as long as all milestones for the Definitive Queue are met.

85. Additionally, enXco requests that PNM provide an option for customers that are ready to move forward with commercial operation to interconnect prior to completing the transmission upgrades proposed for a particular cluster in order to make use of existing available transmission capacity on a temporary basis. We disagree. While we would

Operator, Inc., 124 FERC ¶ 61,183 (2008) (balancing increased milestone requirements and the impact on speculative projects).

expect PNM to make existing transmission capacity available on a temporary basis, it is not necessary to insert such a requirement as part of PNM's proposal to expedite the queue process. Also we disagree with enXco and find that the transition process, as PNM further explained in its response to the deficiency letter, provides sufficient clarity for projects to move into the cluster studies or remain in the serial process.

86. Next, we agree with PNM's proposed method to allocate costs for studies and network upgrades among cluster study participants. We find that allocating 50 percent of an interconnection customer's study costs based on the number of interconnection requests in a cluster, and 50 percent based on the interconnection customer's requested capacity strikes a reasonable balance between capacity-related costs and those costs which are independent of the capacity of the individual generating facilities. We also find to be reasonable PNM's proposed method of allocating network upgrade costs resulting from the cluster studies on a pro-rata basis for station equipment (including all switching stations) based on the number of generating facilities interconnecting at an individual station, and proportionally for all transmission lines, transformers, and voltage support related to network upgrades, based on the capacity of each individual generating facility in the cluster study requiring such network upgrades.

87. Furthermore, we note that PNM does not propose to modify the method by which interconnection customers recover their allocated costs for network upgrades they fund. The method for recovery of those funds is governed by the existing provisions in PNM's *pro forma* LGIA.

88. We also agree with PNM's proposal to eliminate the E&P Agreement option from the LGIP. Allowing individual customers to engage in network upgrade construction activities, as provided under the E&P Agreement, prior to identifying network upgrades required to serve the entire cluster could delay the interconnection process. However, we note that interconnection customers will not be adversely impacted with the elimination of the optional E&P Agreement because the cluster study process will still provide customers with a head start on ordering equipment and proceeding with initial design.

89. As discussed above, we also find that PNM's proposed transition procedures are just and reasonable. These proposed transitional provisions facilitate a timely and orderly processing of interconnection requests. Regarding an expedited transition process as requested by Terra-Gen and enXco, we note that the proposed transition procedures in section 5.1.1.1 of the revised LGIP includes provisions that exempt those customers that have an executed Facilities Study agreement, a Facilities Study posted or that are in the LGIA negotiation process, from the requirements of the revised LGIP. Section 5.1.1.1 also provides that Facilities Studies in process are to be completed within 60 days prior to the start of PNM's proposed Transition Definitive Cluster Window. We find that this provision should adequately expedite the interconnection process for those projects that are in the final stage of executing a generator interconnection agreement.

90. Furthermore, we reject PNM's offer to modify its LGIP to allow projects that have a Feasibility Study in process, such as First Wind's, to continue to be processed in the serial queue and not be required to conform to the revised LGIP. As we discussed above, we find the transition procedures sufficient for those projects that do not have an executed Facilities Study in process. To allow less developed projects, i.e. those only in the Feasibility Study as noted in section 5.1.1.1 of the LGIP, to be included in the transition serial queue would upset the balance struck by PNM in effectively transitioning from a serial to a clustering approach.

91. With respect to Terra-Gen's and enXco's desire to further speed up the interconnection process, we understand that PNM needs time to adequately study the system impacts of the projects in its interconnection queue. PNM estimates that the revised interconnection process could be completed in 14 months under the cluster approach, as compared to approximately 22 months for a single request under the serial approach.⁴⁴ While further speeding up the process with shorter time frames would be desirable, PNM's filing represents a substantial improvement over the current interconnection procedures. We find PNM's proposal will facilitate more timely and orderly process of interconnection requests, and will expedite the process for viable projects. Thus, we reject Terra-Gen's and enXco's request.

92. Furthermore, we disagree with First Wind's assertion that certain projects will be harmed by PNM's proposal. First, the proposal as conditioned herein includes just and reasonable safeguards that give every project an equal opportunity to join the cluster studies or remain in the serial queue, assuming the project satisfies section 5.1.1.1 for the transitional serial queue. In addition, we find that customers will benefit overall from PNM's proposal and address their needs by reducing sequential processing timelines.⁴⁵ Finally, without modifying the process to make it more effective (including the need to potentially delay some projects), the queue backlog would not improve and could be exacerbated if PNM continues to rely exclusively on the existing process.⁴⁶ Accordingly, we find that PNM's proposal as conditioned herein will benefit its customers.

⁴⁴ PNM Answer at 8; *Cal. Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,292, at P197-198 (denying requests to further shorten proposed timelines noting that the new time frames, even though longer than were currently provided for in the tariff, were more realistic with the proposed changes).

⁴⁵ *El Paso Electric Co.*, 128 FERC ¶ 61,155, at P 15 (2009).

⁴⁶ *Cal. Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,031, at P 59 (2008).

93. With respect to section 7.2c of PNM's revised LGIP, Cielo requests that PNM clarify that changing a point of delivery will not prejudice any subsequent request for transmission delivery service for the output of the plant that uses a different point of delivery than the one selected in the interconnection studies. PNM maintains that considering the required coordination of joint facility owners with adjacent systems and the limited amount of outlet capacity at the boundaries of PNM's system, changing a designated point of delivery could have dramatic effects on a performed study. The Commission has stated that an interconnection customer need not enter into an agreement for the delivery component of transmission service to interconnect.⁴⁷ In addition, requiring interconnection customers to identify a point of delivery is inconsistent with Order No. 2003.⁴⁸ Accordingly, as part of the interconnection study process, PNM cannot require a customer that is not designated as a network resource to identify a point of delivery. However, there may be merit to providing a customer the option of designating a point of delivery. As such, PNM may on compliance demonstrate that allowing such an option would be consistent with or superior to the pro forma LGIP. This demonstration must include a discussion of the consequences to the customer for subsequently changing the point of delivery. We find PNM's proposal as conditioned to be consistent with or superior to the *pro forma* LGIP and to be responsive to Cielo's concerns. In addition, enXco requests that PNM revise section 7.2c to require interconnection customers' projects that are not network resources to have a pending transmission service request with PNM. We disagree with enXco's proposal; requiring a transmission service request at this point in the study is premature. .

94. Finally, we agree with PNM that any arguments regarding its transmission queue or requests to revise its transmission service procedures are outside the scope of this proceeding.⁴⁹

⁴⁷ Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 23.

⁴⁸ *See id.* P 756.

⁴⁹ *See, e.g., Midwest Indep. Transmission Sys. Operator, Inc.*, 135 FERC ¶ 61,060 (2011) (rejecting issues as outside the scope of the proceeding); *PJM Interconnection, L.L.C.*, 134 FERC ¶ 61,066, at P 32 (2011) (rejecting arguments as outside the scope of the proceeding).

The Commission orders:

(A) PNM's tariff records filed in Docket No. ER11-3522-001 are hereby conditionally accepted, as discussed in the body of this order, to become effective September 30, 2011, as requested.

(B) PNM is hereby directed to file a compliance adopting the changes, as discussed above, within 30 days of the date of this order.

(C) PNM's proposed tariff record filed in Docket No. ER11-3522-000 is hereby rejected as moot, as discussed above.

(D) PNM's request for a one year waiver of its serial queue provisions in the LGIP is hereby denied, as discussed above.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.