

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF NEW)
MEXICO FOR DECERTIFICATION AND)
ABANDONMENT OF 114MW OF LEASED)
PALO VERDE NUCLEAR GENERATING)
STATION CAPACITY AND SALE AND)
TRANSFER OF RELATED ASSETS)
AND FOR APPROVAL TO PROCURE)
NEW RESOURCES UNDER 17.9.551 NMAC)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)
)
Applicant.)
_____)**

Case No. 21-00083-UT

NOTICE TO PNM CUSTOMERS

NOTICE is given that on April 2, 2021, Public Service Company of New Mexico (PNM) filed an Application with the New Mexico Public Regulation Commission (Commission or NMPRC) for approval to:

- 1) Abandon PNM’s 104 MW of Leased Interests in Palo Verde Nuclear Generating Station (PVNGS) Unit 1 upon termination of the leases on January 15, 2023, and abandon PNM’s 10.4 MW of Leased Interest in PVNGS Unit 2 upon termination of the lease on January 15, 2024 (collectively, the Leased Interests);
- 2) Sell PNM-owned assets related to PVNGS which include PVNGS switchyard facilities, transmission facilities, common or “excluded” assets under the PVNGS leases in the Unit 1, Unit 2, and common facilities as necessary for the operation of the 114 MW Leased Interests, and nuclear fuel associated with the Leased Interests (collectively, the PVNGS Assets). PNM says that it proposes to sell the PVNGS Assets to the Salt River Project Agriculture Improvement and Power District, a

current co-owner of PVNGS that will purchase the Leased Interests from the lessors when the leases terminate;

- 3) Create regulatory assets in the amounts of the remaining undepreciated investments in leasehold improvements for the Leased Interests, and associated costs, with consideration of their recovery in a future rate case. The proceeds of the sale of the PVNGS Assets will be used to reduce the amounts of the regulatory assets to be recovered;
- 4) Enter into the following purchased power agreement PPA and two energy storage agreements (ESAs) pursuant to 17.9.551 NMAC (“Rule 551”) for resources to replace the PVNGS leased capacity: an agreement with Jicarilla Solar Energy Center I, LLC for 150 MW of solar energy from the Jicarilla Solar Energy facility; an agreement with Jicarilla Energy Storage Center I, LLC for 40 MW of four-hour energy storage capacity from the Jicarilla Energy Storage Facility; and an agreement with Sandia Peak Grid, LLC for 100 MW of two-hour energy storage capacity from the Sandia Peak Grid facility; and
- 5) Enter into the following PPA and ESA for resources for system reliability: an agreement with Atrisco Solar, LLC for 300 MW of solar energy from the Atrisco Solar Facility and an agreement with Atrisco Energy Storage, LLC for 150 MW of four-hour energy storage capacity from the Atrisco Energy Storage Facility.

On June 15, 2020, PNM was required to give the PVNGS lessors irrevocable notice of PNM’s return or proposed repurchase of the 104 MW of Unit 1 Leased Interests as of the date of the lease terminations (with similar notice for the 10 MW of Unit 2 Leased Interest due January 15, 2021). PNM says that its analysis leading up to the notice deadline

showed that customers will save money if PNM returns the Leased Interests rather than repurchasing them. PNM provided notice to the lessors on June 11, 2020 that it would return the leases upon their respective termination dates. PNM says that its most recent resource analysis indicates that when considering the aggregate resource acquisitions needed in 2023 to replace the leased capacity, maintain system reliability and meet expected customer loads, the savings to customers will be between \$22 to \$55 million on a net present value basis, compared to purchasing the Leased Interests and ensuring sufficient resources for system reliability.

If the Commission approves PNM’s requests in this case, PNM estimates a \$12.6 million reduction in costs once PNM stops recovering the costs associated with the Leased Interests and begins recovering the costs of the proposed regulatory assets and replacement PPA and ESAs. However, depending on when PNM files a general rate case to remove the costs from rates, PNM may continue to recover the costs associated with the Leased Interests from ratepayers after it begins recovering energy costs of the proposed PPA and ESAs through its fuel clause. The following table estimates the allocation of the \$12.6 million reduction in costs among PNM’s rate classes once PNM stops recovering the costs associated with the Leased Interests and begins recovering the costs of the proposed regulatory assets and replacement PPA and ESAs.

| <u>Abandonment and Replacement</u> | |
|---|--------------------|
| Consolidated Customer Class | Impact (\$) |
| 1 - Residential | (\$8,542,761) |
| 2 - Small Power | (\$1,502,876) |
| 3B - General Power | (\$1,533,072) |
| 3C - General Power Low LF | (\$286,839) |
| 4B - Large Power | (\$940,327) |
| 5B - Lg. Svc. (8 MW) | (\$61,898) |

| | |
|--------------------------------|-------------|
| 10 - Irrigation | (\$47,166) |
| 11B - Wtr/Swg Pumping | (\$4,556) |
| 15B - Universities 115 kV | (\$28,271) |
| 30B - Manuf. (30 MW) | (\$161,746) |
| 33B - Lg. Svc. (Station Power) | (\$884) |
| 35B - Lg. Svc. (3 MW) | \$220,201 |
| 36B - SSR - Renew. Energy Res. | \$241,389 |
| 6 - Private Lighting | \$4,632 |
| 20 - Streetlighting | (\$3,707) |

Once PNM stops recovering the costs associated with the Leased Interests and begins recovering the costs of the proposed regulatory assets and replacement PPA and ESAs, PNM estimates the net bill impact will be a savings of approximately \$1.61 per month for a residential customer using an average of 600 kWh per month.

PNM estimates the costs of the procurement of the reliability resources to be approximately \$20 million. The following table estimates the allocation of the estimated \$20 million increase in costs among PNM's rate classes.

| <u>Reliability Resources</u> | |
|-------------------------------------|--------------------|
| Consolidated Customer Class | Impact (\$) |
| 1 - Residential | \$9,915,298 |
| 2 - Small Power | \$2,308,914 |
| 3B - General Power | \$3,388,666 |
| 3C - General Power Low LF | \$429,729 |
| 4B - Large Power | \$1,964,153 |
| 5B - Lg. Svc. (8 MW) | \$94,745 |
| 10 - Irrigation | \$59,968 |
| 11B - Wtr/Swg Pumping | \$225,122 |
| 15B - Universities 115 kV | \$122,172 |
| 30B - Manuf. (30 MW) | \$639,430 |
| 33B - Lg. Svc. (Station Power) | \$5,483 |
| 35B - Lg. Svc. (3 MW) | \$568,167 |
| 36B - SSR - Renew. Energy Res. | \$211,030 |
| 6 - Private Lighting | \$17,866 |
| 20 - Streetlighting | \$40,476 |

PNM estimates the net bill impact of adding the proposed system reliability resources will be an increase of approximately \$1.87 per month for a residential customer using an average of 600 kWh per month.

PNM presents these estimated costs and bill impacts for informational purposes only, and the final order in this case may vary PNM's estimated costs and bill impacts.

Any interested person may inspect PNM's Application filed in this case at PNM's offices, by appointment, at 414 Silver Avenue, SW, Albuquerque, New Mexico, telephone number 505-241-2700. Interested persons may also examine PNM's Application and all other pleadings, testimony, exhibits, and other documents in the public record for this case on the Commission's website at <https://edocket.nmprc.state.nm.us>. Interested persons may contact Ana Kippenbrock at ana.kippenbrock@state.nm.us or 505-690-4191 for assistance in accessing Edocket. This case has been docketed as Case No. 21-00083-UT and any inquiries should refer to this case number.

The procedural schedule for this case is as follows:

- A. PNM shall supplemental testimony by June 25, 2021.
- B. Any person desiring to intervene to become a party (intervenor) must file a motion for leave to intervene in conformity with Commission Rules of Procedure 1.2.2.23(A) and 1.2.2.23(B) NMAC on or before June 18, 2021.
- C. The Commission's Utility Division Staff shall, and any intervenor may, file direct testimony on or before August 20, 2021.
- D. Any rebuttal testimony shall be filed on or before September 30, 2021.

E. To be considered, a stipulation must be filed on or before September 3, 2021.

F. A public hearing shall be held beginning on October 12, 2021, commencing at 9:00 a.m. MDT, and shall continue as necessary through October 22, 2021. At a later date, the Hearing Examiner shall decide whether to hold the hearing in person, at a location to be determined, or through the Zoom videoconference platform.

Interested persons who are not affiliated with a party may make oral or written comment without becoming an intervenor. Oral comment shall be taken at the commencement of the public hearing on October 12, 2021 and shall be limited to three minutes per commenter. Written comments may be submitted before the Commission takes final action by sending the comment, which shall reference NMPRC Case No. 21-00083-UT, to prc.records@state.nm.us. Public comments, whether oral or written, shall not be considered as evidence in this proceeding.

The procedural dates and requirements provided herein are subject to further order of the Commission.

The Commission's Procedural Rules, 1.2.2 NMAC, apply to this case except as modified by Order of the Commission. The Rules of Procedure are available online at <http://164.64.110.134/nmac/home>.

Pleadings, testimony and other documents shall be served on all parties and Staff in the way specified in the most recent Certificate of Service issued by the Hearing Examiner. Anyone filing pleadings, documents, or testimony in this case shall comply with the Commission's electronic filing policy, as amended from time to time. This includes filings in .pdf format, with electronic signatures, sent to the Records Bureau's e-mail address,

as set out on the Commission's website, at: prc.records@state.nm.us, within regular business hours of the due date to be considered timely filed. Documents received after regular business hours will be considered as being filed the next business day. Regular business hours are from 8:00 a.m. to 5:00 p.m. MDT. Parties shall serve a copy of all filings on all parties of record and Staff. All filings shall be emailed by no later than 5:00 p.m. MDT on the date they are filed with the Commission. In addition, all filings shall be emailed to the Hearing Examiner on the date filed to Carolyn.glick@state.nm.us by no later than 5:00 p.m. MDT. Such emailing shall include the Word or other native version of the filing (e.g., Excel or Power Point) if created in such format. Any filings not emailed to the Hearing Examiner in compliance with the requirements of the Procedural Order and Commission rules are subject to being summarily rejected and stricken from the record in the Hearing Examiner's discretion.

Interested persons should contact the Commission at 505-690-4191 for confirmation of the hearing dates because hearings are occasionally rescheduled.

Any person with a disability requiring special assistance to participate in this proceeding should contact the hearing examiner at Carolyn.glick@state.nm.us at least 24 hours before the hearing begins.

ISSUED at Santa Fe, New Mexico, this 11th day of May, 2021.

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ Carolyn R. Glick

Carolyn R. Glick, Hearing Examiner