

To PNM Customers:

The enclosed document is required by the New Mexico Public Regulation Commission ("NMPRC"). The purpose of the document is to provide notice for PNM's proposed abandonment of the Four Corners power plant and issuance of a securitized financing order filing.

The notice:

- describes the Public Regulation Commission process to consider this request.
- describes how you can participate in this process if you choose to do so.

If you **do** wish to participate in the regulatory process, the attachment provides details on how to take part. If you **do not** wish to participate in the regulatory process, you are not required to do anything.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF)
PUBLIC SERVICE COMPANY OF NEW MEXICO)
FOR APPROVAL OF THE ABANDONMENT OF THE)
FOUR CORNERS POWER PLANT AND ISSUANCE)
OF A SECURITIZED FINANCING ORDER) Case No. 21-00017-UT
)
PUBLIC SERVICE COMPANY OF NEW MEXICO,)
)
Applicant.)
)

NOTICE OF PROCEEDING AND HEARING

NOTICE is hereby given of the following proceeding and hearing pertaining to the above-captioned case pending before the New Mexico Public Regulation Commission ("Commission" or NMPRC):

On March 15, 2021 Public Service Company of New Mexico (PNM) filed an Amended Application for the abandonment of its ownership share and the related financing of the Four Corners Power Plant (FCPP) pursuant to the Energy Transition Act (ETA). Pursuant to the ETA, PNM is deferring a request for replacement resources until after Commission consideration of PNM's proposal to abandon the coal plant with the use of securitized financing to recover its abandonment costs. PNM's Application requests the following approvals from the Commission:

- 1) abandonment of the FCPP, including a) abandonment of the FCPP plant and facilities located near Fruitland, New Mexico, and b) recovery of abandonment costs and related energy transition costs as defined in the ETA of approximately \$300 million; and
- 2) sale of PNM's abandoned interest in FCPP to the Navajo Transitional Energy Company, LLC (NETC) under Sections 62-6-12(A)(4) and 62-6-13 of the Public Utility Act (PUA); and
- 3) a financing order under the ETA approving the issuance of Energy Transition Bonds in the principal amount of approximately \$300 million secured by a non-bypassable customer charge that will provide recovery of: a) PNM's undepreciated investments totaling \$271.3 million; b) decommissioning costs of \$4.6 million; c) transactional costs associated with issuing energy transition bonds and obtaining approval of abandonment of \$7.3 million; d) the Energy Transition Indian Affairs Fund to be administered by the Indian Affairs Department, in the amount of \$1.5 million; e) the Energy Transition Economic Development Assistance Fund to be administered by the Economic Development Department, in the amount of \$5.0 million; and f) the Energy Transition Displaced Worker Assistance Fund, to be administered by the Workforce Solutions Department, in the amount of \$10.0 million.

Pursuant to Section 62-18-5(A) of the ETA and the filing of its Amended Application, PNM requests that the Commission issue the foregoing approvals within nine months of PNM's March 15, 2021 filing date.

The following enumerated paragraphs summarize PNM's assertions and testimony filed in support of the Application:

- (1) Pursuant to the ETA, PNM's Consolidated Application requests approval to: abandon, sell, and transfer to the Navajo Transitional Energy Company PNM's minority ownership interest in FCPP as of December 31, 2024; and finance abandonment and other energy transition costs through the issuance of ETA authorized and securitized energy transition bonds, which dedicate a portion of the energy transition bond proceeds for those purposes.

(2) PNM asserts that the abandonment of FCPP will result in a net benefit to customers. PNM’s analyses demonstrate that it may be financially more costly for customers to continue to rely on power from PNM’s 200 MW share of FCPP beyond the current planned operational period through 2031, than the anticipated cost of relying on new resources upon an early exit from FCPP as of December 31, 2024. PNM further asserts that the sale of FCPP is lawful and is in the public interest.

(3) PNM states that overall customer savings will result from the approval of the FCPP abandonment and continue into the future because the costs of continuing to rely on FCPP are estimated to exceed the costs of abandoning FCPP and replacing its capacity with potential new resources. Although actual customer bill impacts will be determined based on the cost of future replacement resources, PNM estimates that the early exit from FCPP and replacing its capacity with new resources could range for Residential 1A customers from an increase of \$1.32 to a decrease of \$19.31 per month based on usage and replacement resources, and for Small Power 2A customers from an increase of \$2.89 to a decrease of \$133.12 per month based on usage and replacement resources. PNM claims that the benefits to customers include savings from the use of securitized financing to finance the early abandonment of FCPP, which further lowers costs to customers when compared to traditional rate recovery of costs relating to abandonment. The savings amounts estimated by PNM range from \$30 million to \$300 million. PNM asserts that its prior decision to remain in FCPP was prudent and that, in any event, PNM is authorized to recover the requested undepreciated investments in FCPP as abandonment costs in accordance with the ETA.

(4) PNM is a “qualifying utility” under Section 2(T) of the ETA and therefore is authorized pursuant to Section 4(A) of the ETA to file a financing application for issuance of a financing order under Section 5 of the ETA in its Application. PNM will recover its ETA-defined energy transition costs through the securitization financing set forth in the ETA. The proposed securitization of these costs allows for the recovery of costs relating to the abandonment of FCPP at substantially lower customer impacts than would be required through traditional ratemaking methods.

(5) Proceeds of the sale of the Energy Transition Bonds will be used to finance payment of certain abandonment costs pursuant to the ETA, and will be used for utility purposes, including expenditures authorized by the ETA such as funding state administered programs to benefit affected workers and communities.

(6) If the Application is approved, PNM anticipates issuing the Energy Transition Bonds around the time of PNM’s exit from FCPP as of December 31, 2024. Customers will be assessed an Energy Transition Charge on their bills after issuance of the Energy Transition Bonds. PNM is not requesting any adjustment to its general base rates in its Application. Upon the Energy Transition Charge taking effect, PNM states that customers will receive a credit in the form of a rate-rider for FCPP related costs that are being collected in base rates at that time.

(7) Although the exact energy transition charge revenues will be calculated at the time the bonds are issued, PNM has estimated the first-year revenue requirement to be approximately \$16.7 million, which will be allocated to customer rate classes consistent with the production cost allocation methodology for rates approved by the Commission. The following table represents the estimated allocation of the first-year revenues that would occur under current rates:

1 – Residential	\$9,176,849
2 – Small Power	\$1,947,985
3B – General Power	\$2,597,644
3C – General Power Low LF	\$365,323
4B – Large Power	\$1,525,751
5B – Lg. Svc. (8 MW)	\$80,023
10 – Irrigation	\$53,753
11B – Wtr/Swg Pumping	\$134,775
15B – Universities 115 kV	\$83,163
30B – Manuf. (30 MW)	\$440,619
33B – Lg. Svc. (Station Power)	\$3,583
35B – Lg. Svc. (3 MW)	\$250,133
36B – SSR – Renew. Energy Res.	\$30,901
6 – Private Lighting	\$8,756
20 – Streetlighting	\$25,354

PNM proposes to assess the charges to customers within each rate class consistent with energy and demand cost allocations within the class.

(8) In order to assess the Energy Transition Charge on future customer bills, PNM will file an Advice Notice with the Commission at the time the securitized bonds are issued. The approved non-bypassable charges will be used to repay the bonds after issuance and will be

periodically reset through similar subsequent filings. For residential customers, PNM proposes to implement two levels of charges based on the monthly amount of electricity consumed: the estimated non-bypassable charge for residential customers that consume up to 900 kWh of power per month would be \$1.32/month; for customers consuming more than 900 kWh per month, the estimated charge would be \$3.44/month. For small power customers, PNM estimates that the initial Energy Transition Charge will be \$2.89/month.

(9) PNM presents these revenue requirements and bill impacts for informational purposes only; the final revenue requirements and resulting bill impacts, the Energy Transition Charges, and the actual amounts provided for the Energy Transition Indian Affairs, Economic Development and Displaced Worker funds may vary from the amounts included in PNM's Application.

Any interested person may inspect PNM's Application filed in this case at PNM's offices, 414 Silver Avenue, SW, Albuquerque, New Mexico, telephone number 505-241-2700, or contact the Commission's offices, telephone number 888-427-5772. This case has been docketed as Case No. 21-00017-UT and any inquiries should refer to that number.

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>.

The procedural schedule for this case is as follows:

A. On or before May 17, 2021, any person desiring to intervene to become a party ("intervenor") in this case must file a motion for leave to intervene in conformity with NMPRC Rules of Procedure 1.2.2.23(A) and (B) NMAC. Persons who wish to provide public comment on this case without becoming a party may do so without filing a motion to intervene.

B. All dispositive motions and supporting legal briefs shall be filed by no later than May 17, 2021. Responses to motions filed on the deadline shall be filed by May 31, 2021. Responses to motions filed before May 17, 2021 shall be due within 13 days of service consistent with 1.2.2.12(C)(1) NMAC.

C. The Commission's Utility Division Staff ("Staff") shall, and any intervenor may, file direct testimony on or before July 12, 2021. Alternatively, should a settlement be reached among all or some of the parties, a stipulation may be filed no later than July 12, 2021. Parties requesting that administrative notice be taken of parts of the evidentiary record in Case 16-00276-UT in direct testimony or otherwise shall file by July 12, 2021 a pleading designating those particular portions of the record for which administrative notice is requested. "Particular portions" means that each respective designation in the pleading shall pinpoint the page and line numbers of the Case 16-00276-UT transcript or testimony or the page numbers of identified testimony or freestanding exhibits.

D. Any rebuttal testimony to the direct testimony submitted on July 12, 2021 shall be filed on or before August 2, 2021. Alternatively, if a stipulation is filed as provided above, PNM and Staff shall, and any intervenor may, file direct testimony regarding the stipulation on or before August 2, 2021. Parties requesting that administrative notice be taken of parts of the evidentiary record in Case 16-00276-UT in testimony (either rebuttal or stipulation direct) filed on August 2, 2021 or otherwise shall file by August 2, 2021 a designation specifying those particular portions of the record for which administrative notice is requested.

E. Any rebuttal testimony to the direct testimony regarding a stipulation shall be filed on or before August 9, 2021. Parties requesting that administrative notice be taken of parts of the evidentiary record in Case 16-00276-UT in such rebuttal testimony or otherwise shall file by August 9, 2021 a designation specifying those particular portions of the record for which administrative notice is requested.

F. All motions in limine, motions to strike testimony, and other prehearing motions shall be filed on or before August 12, 2021. Responses to such motions shall be filed on or before August 19, 2021.

G. A prehearing conference shall be held on August 26, 2021 at 2:00 p.m. Mountain Time (MT) via the Zoom videoconference platform. The prehearing conference may be vacated if the Hearing Examiner determines it is not necessary.

H. The evidentiary portion of the public hearing of this matter will be held on August 31, 2021 beginning at 9:00 a.m. MT to hear and receive evidence, arguments, and any other appropriate matters relevant to this proceeding. The evidentiary hearing will continue, as necessary through September 14, 2021. Due to the ongoing COVID-19 pandemic, the public hearing shall be conducted via the Zoom videoconference platform. Access to and participation in the evidentiary hearing shall be limited to party-participants (i.e., counsel, witnesses, and other representatives of the parties), the Commissioners, and other Commission personnel. The Zoom hearing will be livestreamed through YouTube and will be displayed on the Commission's website at <http://nmprc.state.nm.us>. Persons not participating in the hearing as an attorney or witness may view the hearing on the Commission's website and shall not join the hearing via Zoom except to provide oral comment as allowed below.

I. Interested persons who are not affiliated with a party may make oral or written comment pursuant to Rule 1.2.2.23(F) NMAC. Oral comment shall be taken at the commencement of the public hearing in this matter on August 30, 2021 at 9:30 a.m. MT. and shall be limited to 3 minutes per commenter. As part of the public hearing, public comment will be taken via the Zoom platform. Therefore, persons wishing to make an oral comment must register in advance, not later than 9:00 a.m. MT on August 30, 2021, by e-mailing Ana Kippenbrock at Ana.Kippenbrock@state.nm.us. Written comments may be submitted before the Commission takes final action by sending the comment, which shall reference NMPRC Case No. 21-00017-UT, to prc.records@state.nm.us. Public comments, whether oral or written, shall not be considered

as evidence in this proceeding.

Additional details regarding the procedural requirements for this proceeding are set forth in the Procedural Order issued by the Hearing Examiner on March 19, 2021. The procedural dates and requirements established in the Procedural Order are subject to further order of the Hearing Examiner. Interested persons should contact the Commission at 505-690-4191 for confirmation of the hearing date, time, and place, since hearings are occasionally rescheduled or canceled if deemed not required in the discretion of the Hearing Examiner.

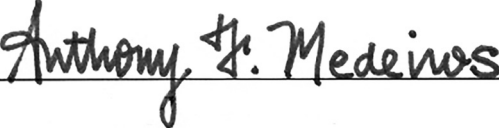
The Commission's Rules of Procedure under 1.2.2 NMAC shall apply in this case except as modified or varied by order of the Hearing Examiner or Commission. The Rules of Procedure and other NMPRC rules are available online at the New Mexico Commission of Public Records' State Records Center and Archives website at <http://www.srca.nm.gov/nmac-home/nmac-titles>.

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 in order 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. MT. Parties shall serve a copy on all parties of record and Staff. All filings shall be e-mailed by no later than 5:00 p.m. MT on the date they are filed with the Commission. In addition, all filings shall be e-mailed to the Hearing Examiner on the date filed at anthony.medeiros@state.nm.us by no later than 5:00 p.m. MT. Such e-mailing 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 e-mailed 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.

Any person with a disability requiring special assistance in order to participate in this proceeding should contact the Commission at 505-690-4191 prior to the start of the public hearing.

ISSUED at Santa Fe, New Mexico this **19th** day of **March 2021**.

NEW MEXICO PUBLIC REGULATION COMMISSION



A handwritten signature in black ink that reads "Anthony F. Medeiros". The signature is written in a cursive style and is positioned above a solid horizontal line.

Anthony F. Medeiros
Hearing Examiner