

PNM DECEMBER 2013 N.M. PUBLIC REGULATION FILING

N.M. PRC Approvals Needed for:

- ✓ Retirement of two of the four units of San Juan Generating Station
- ✓ Recovery of the costs of the two units that are currently in rates but have not yet been fully recovered
- ✓ New power sources to replace the retiring units. At this time, the portion of replacement power being requested is existing, carbon-free nuclear from Palo Verde Nuclear Generating Station
- ✓ Restructured ownership of San Juan to allow PNM to keep its retired coal capacity to an estimated 340 megawatts.
- ✓ Installation of nitrogen-oxide reducing technology on the two units that remain open

The N.M. Public Regulation Commission timeline to review "certificate of convenience and necessity" applications is nine months, with a six-month extension if needed. PNM has asked the PRC for a decision within a year to allow it to meet EPA compliance deadlines.

FILING ONE OF SEVERAL STEPS NEEDED TO COMPLY WITH FEDERAL HAZE RULE

A December filing with the N.M. Public Regulation Commission is the next step in approval of a revised state plan to meet federal visibility rules at San Juan Generating Station. The state plan also requires approval from the U.S. Environmental Protection Agency. A decision from EPA is expected in the September 2014 time frame.

What the December filing includes

The filing requests approval for the initial components of the PNM replacement power strategy, retirement of two of the four units of San Juan Generating Station, and installation of emissions-reducing technology on the remaining two units. The filing also outlines the projected cost of the state plan and replacement power strategy, although no change in rates is requested in this filing.

- **Proposed replacement power**

- 134 megawatts of carbon-free nuclear energy to be added from Palo Verde Unit 3.

PNM currently owns part of this unit for its wholesale business. None of this unit currently is paid for by PNM's retail customers.

- San Juan is owned by nine separate companies. Changes to the ownership structure of San Juan Generating Station will allow PNM to retire an estimated 340 megawatts of its current total ownership.

- **Retirement of two of four San Juan units**

The PRC must approve the retirement of the two proposed units of San Juan since they currently are serving PNM customers.

- **Emission-Reducing Technology for Units 1 and 4**

The plan also asks for PRC approval to install a nitrogen oxide-reducing technology on the two units that will remain open. PNM's share of the cost of this technology is expected not to exceed \$82 million.

What is included in the cost projections

- ✓ Replacement power for PNM's share of units 2 and 3:
 - 134 megawatts from Palo Verde Nuclear Generating Station
 - 40 megawatts of solar energy
 - a 177-megawatt natural gas peaking plant
- ✓ Emission-reducing technology on units 1 and 4
- ✓ Recovery of the costs of the two units that are currently in rates but have not yet been fully recovered
- ✓ Amounts spent toward compliance with the federal regional haze plan required before a new state plan was achieved

- **Cost recovery for retiring two units**

Large utility investments typically are recovered over long periods of time to minimize the rate impact to customers. The two units that will be retired with approval by the EPA would not be fully paid for until 2053. This filing proposes that the units being retired be paid for over 20 years instead of 36 years.

- **Recovery of costs spent preparing to comply with federal plan**

The filing requests future recovery of prudent and reasonable costs that PNM was required to incur to begin complying with the federal plan before the state plan was identified.

What is not included in the December filing

Not included in this request but expected at a later date are:

- **Request to pay for the plan**

A request to increase rates to pay for the plan is not part of this filing. Most rates would be requested in a 2016 or 2017 filing with implementation in 2018 – two full years later than the original federal plan PNM would otherwise be required to comply with.

- **Solar / renewable replacement power**

PNM expects to propose solar energy to replace about 40 megawatts of retiring coal. A request for proposals was issued in November 2013. Approval for these resources will be included in future PRC requests.

- **Natural gas replacement power**

PNM also expects to have natural gas generation as part of its replacement power portfolio. This new source would be needed in 2018. The request to add it will be part of a later filing.

Expected savings of the plan

The December request to the PRC outlines the expected cost of the San Juan plan, including items that will be requested in later filings. The cost for the proposal remains well below the cost of original federal plan PNM would have been required to comply with and occurs two years later. The proposed plan saves PNM customers over \$780 million in the next 20 years compared to the federal plan.

Customer cost impact will be determined in later filings, with implementation of those new rates primarily expected in the 2018 time frame – about two years later than under the federal plan. The actual rate increase will depend on a number of factors, including whether the items in the December PRC filing are approved.



Talk to us.

