

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF NEW)
MEXICO FOR APPROVAL TO ABANDON)
SAN JUAN GENERATING STATION UNITS)
2 AND 3, ISSUANCE OF CERTIFICATES)
OF PUBLIC CONVENIENCE AND)
NECESSITY FOR REPLACEMENT POWER)
RESOURCES, ISSUANCE OF ACCOUNTING)
ORDERS AND DETERMINATION OF)
RELATED RATEMAKING PRINCIPLES AND)
TREATMENT,)

Case No. 13-00390-UT

PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)

Applicant)
_____)

SUPPLEMENTAL DIRECT TESTIMONY

OF

GERARD T. ORTIZ

February 5, 2014

**SUPPLEMENTAL DIRECT TESTIMONY OF
GERARD T. ORTIZ
NMPRC CASE NO. 13-00390-UT**

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Gerard T. Ortiz. I am Vice President, Regulatory Affairs, for Public Service Company of New Mexico (“PNM” or the “Company”). My business address is 414 Silver Avenue, SW, MS-1105, Albuquerque, New Mexico 87102.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes. I filed Direct Testimony in support of PNM’s Application in this proceeding on December 20, 2013.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?

A. My supplemental direct testimony responds to the requirement set forth in Ordering Paragraph A of the *Initial Order Requiring Filing of Supplemental Testimony* (“Initial Order”) that was issued by the New Mexico Public Regulation Commission (“NMPRC” or “Commission”) on January 22, 2014, for supplemental testimony on identified issues. I address the requirements in the ordering paragraphs for supplemental direct testimony concerning how the Commission should review certain elements of PNM’s Application in this case, and how the Commission can make its determinations, given the requested information identified in the ordering paragraphs. Specifically, I address Ordering Paragraphs A.1, and parts of A.2, A.7, A.8, A.9 and A.10.

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1 **Q. ARE THERE OTHERS WHO ARE SUBMITTING SUPPLEMENTAL**
2 **DIRECT TESTIMONY ON BEHALF OF PNM IN RESPONSE TO THE**
3 **INITIAL ORDER?**

4 **A.** Yes. Chris M. Olson, PNM's Vice President, Generation, addresses all or
5 portions of Ordering Paragraphs A.3, A.6, A.7 and A.9 of the Initial Order.
6 Patrick J. O'Connell, PNM's Director of Planning and Resources, addresses all or
7 portions of Ordering Paragraphs A.2, A.4, A.5 and A.10 of the Initial Order.

8
9 **Q. BEFORE TURNING TO THE SPECIFIC REQUESTS IN THE INITIAL**
10 **ORDER, DO YOU HAVE ANY PRELIMINARY COMMENTS ON PNM'S**
11 **APPLICATION IN THIS PROCEEDING?**

12 **A.** I do. I want to take this opportunity to provide some additional context for
13 PNM's Application and supporting evidence, and the basis for the scope of relief
14 that PNM is seeking in this proceeding. In its filing, PNM presented the results of
15 a comprehensive and rigorous analysis that demonstrates that the Revised SIP is
16 both more cost effective and environmentally beneficial than compliance with the
17 FIP.¹ The relief that PNM is seeking from the Commission in this proceeding,
18 including recovery of PNM's undepreciated investment in SJGS Units 2 and 3, is
19 what is necessary in order for PNM to pursue the Revised SIP option in the most
20 cost-effective manner for customers, properly balancing their interests with the
21 interests of shareholders and the overall public interest.

¹ The defined terms in my Supplemental Direct Testimony have the same meaning as in my Direct Testimony filed in this proceeding on December 20, 2013.

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1 **Q. HOW DOES PNM RESPOND TO THE APPARENT CONCERN IN**
2 **PARAGRAPH A.1 THAT NOT ALL OF THE REPLACEMENT**
3 **RESOURCES FOR SJGS UNITS 2 AND 3 HAVE BEEN SUBMITTED**
4 **FOR COMMISSION APPROVAL IN THIS PROCEEDING?**

5 **A.** PNM understands and appreciates that the Commission has certain questions,
6 particularly with respect to PNM's plans for replacement generation resulting
7 from the retirement of SJGS Units 2 and 3 by December 31, 2017, as required by
8 the Revised SIP. It is important to understand that PNM is not seeking to
9 immediately replace, on a MW for MW basis, the generation capacity that will be
10 lost as a result of the retirement of SJGS Units 2 and 3. PNM is taking a carefully
11 considered and longer-term approach with respect to its proposed replacement
12 portfolio which is consistent with the planning principles under the IRP Rule.
13 The replacement portfolio presented in PNM's Application, and the sequencing of
14 PNM's requests for CCNs for the individual generation resources, are the result of
15 careful analysis with a related goal of affording PNM and the Commission
16 flexibility in future resource planning and deployment.

17
18 PNM will need replacement generation resources upon the retirement of SJGS
19 Units 2 and 3. To that end, PNM has identified at least 78 MW of additional
20 capacity in SJGS Unit 4, and 134 MW of capacity from PVNGS Unit 3, as the
21 initial, foundational generation resources that can provide very cost-effective and
22 reliable replacement capacity. This replacement capacity comes from existing,
23 well-known resources. They have provided reliable power supplies to customers

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1 in the western United States, including New Mexico customers, for many years.

2 The analysis conducted by PNM Witness O'Connell places both of these
3 resources at the very top of the list of the most cost-effective generation resource
4 candidates. For these reasons, PNM is seeking CCNs in this proceeding for both
5 of these resources.

6
7 Through its analysis, PNM has also identified a proposed 177 MW gas peaking
8 resource to be built at San Juan, and a proposed 40 MW solar resource, as
9 additional cost-effective resources to serve as not only replacement power for
10 SJGS Units 2 and 3, but to help address anticipated near-term load growth.
11 However, unlike San Juan and Palo Verde, neither of these resources is yet built
12 and operational. While, as explained in the Supplemental Direct Testimonies of
13 PNM Witnesses Olson and O'Connell, PNM is moving forward with the
14 necessary planning and preparation for these facilities, there is still time available
15 before PNM must irrevocably commit to procure and incorporate these resources
16 into PNM's generation portfolio. PNM believes that these resources will remain
17 the preferred generation resources in the relevant planning horizon but that it is
18 not prudent or necessary to obtain CCNs for these resources in this proceeding.
19 PNM will use the additional time before seeking the CCNs to further refine its
20 cost estimates and load requirement projections so that the optimum resource
21 configuration and timing for deployment can be determined and the lowest
22 reasonable resource cost can be achieved.

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Q. IF PNM IS NOT SEEKING APPROVAL OF ALL OF PNM'S PROPOSED REPLACEMENT RESOURCES IN THIS PROCEEDING, IS IT PREMATURE FOR THE COMMISSION TO TAKE ACTION ON PNM'S APPLICATION?

A. Not at all. As previously indicated in the Direct Testimony of PNM Witness Olson, a primary driver underlying PNM's Application in this proceeding is the Revised SIP and its associated deadlines. If PNM is to successfully pursue the Revised SIP to the benefit of consumers, it requires this Commission's approval to abandon SJGS Units 2 and 3 effective December 31, 2017. The timing of the filing of this case is tied not only to the deadlines under the Revised SIP but also to consideration for the Commission in terms of providing sufficient time to fully review PNM's Application. This case was filed so that the deadline for Commission action would generally coincide with the timing of EPA's final action on the revised SIP.

Q. IF PNM IS NOT SEEKING APPROVAL OF ALL OF ITS PROPOSED REPLACEMENT RESOURCES IN THIS CASE, WHAT CAN THE COMMISSION RELY UPON TO DETERMINE THAT THE PUBLIC CONVENIENCE AND NECESSITY DO NOT REQUIRE THE CONTINUED OPERATION OF SJGS UNITS 2 AND 3?

A. Ample evidence has been submitted in conjunction with PNM's Application to support a finding that the public convenience and necessity do not require the continued operation of SJGS Units 2 and 3, and that compliance with the Revised

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1 SIP will benefit consumers. PNM Witness Olson presented testimony concerning
2 the vast cost differential between the SCR technology required under the EPA's
3 FIP and the SNCR technology required under the Revised SIP. Installation of
4 SNCR on SJGS Units 1 and 4 coupled with the retirement of SJGS Units 2 and 3
5 will allow PNM to comply with the EPA's Regional Haze Rule in a more cost-
6 effective manner. PNM Witness Ronald Darnell presented testimony concerning
7 the significant, multimedia environmental benefits that will flow from
8 implementation of the Revised SIP. In addition, implementation of the Revised
9 SIP and the replacement generation resources presented in this case will result in
10 a more diverse and balanced generation portfolio going into the future. These
11 benefits are proper considerations when determining the effects on the public
12 convenience and necessity resulting from the retirement of SJGS Units 2 and 3.

13
14 In addition, PNM conducted a rigorous analysis of potential replacement
15 resources to address the loss of generation capacity due to the proposed retirement
16 of SJGS Units 2 and 3. This analysis is basically the same analysis that would be
17 performed for purposes of developing an IRP and was presented in the Direct
18 Testimony of PNM Witness O'Connell. Mr. O'Connell's analysis demonstrates
19 that compliance with the Revised SIP, even with the addition of required
20 replacement generation resources, is more cost-effective than the FIP. Mr.
21 O'Connell's analysis also specifically identifies an optimum replacement
22 generation portfolio which PNM presented for the Commission's consideration in
23 this case. The analysis depicted in PNM Exhibit PJO-3 of Mr. O'Connell's Direct

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1 Testimony shows a difference in net present value of \$720 million between the
2 Revised SIP with a replacement portfolio including PNM's 134 MW interest in
3 PVNGS Unit 3 compared to compliance with the FIP. Similarly, PNM Witness
4 Henry Monroy presents an analysis of the anticipated impact to customer bills
5 under the Revised SIP and PNM's proposed replacement resource portfolio.

6
7 The foregoing provides the Commission with the evidence necessary to conclude
8 that the public convenience and necessity do not require the continued operation
9 of SJGS Units 2 and 3 and that PNM's request for abandonment should be
10 approved.

11
12 **Q. IS THERE ANY TANGIBLE RISK THAT, BY NOT REQUIRING**
13 **COMMISSION APPROVAL OF ALL OF PNM'S PROPOSED**
14 **REPLACEMENT RESOURCES IN THIS PROCEEDING, PNM**
15 **CUSTOMERS WILL NOT HAVE ACCESS TO AN ADEQUATE SUPPLY**
16 **OF COST-EFFECTIVE AND RELIABLE GENERATION RESOURCES?**

17 **A.** No. PNM's resource planning concerning the specific replacement resources, and
18 the proposed timing of the implementation of those resources, will assure that
19 PNM customers have uninterrupted access to cost-effective and reliable power.

20
21 **Q. PLEASE ADDRESS CLAUSES (c) AND (d) OF ORDERING PARAGRAPH A.2**
22 **WHICH REQUIRE SUPPLEMENTAL TESTIMONY PROVIDING "AN**
23 **EXPLANATION OF HOW PNM INTENDS TO COORDINATE THIS**

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**PROCEEDING WITH THE IRP PROCEEDING, INCLUDING...(c) HOW
THE COMMISSION SHOULD REVIEW THE PORTFOLIO PROPOSED IN
THIS CASE IF IT IS BASED UPON THE PRELIMINARY ANALYSES IN
PNM'S IRP PROCESS, AND (d) HOW THE COMMISSION SHOULD
DECIDE THIS CASE WITHIN THE REQUESTED TIMEFRAME IF
REPLACEMENT RESOURCES ARE NOT IDENTIFIED UNTIL THE
FILING OF THE IRP PLAN.”**

A. As an initial matter in response to clause A.2(c), it is not accurate to characterize the resource portfolio that PNM presented in this case as “preliminary analyses in PNM’s IRP process.” Rather, PNM performed a rigorous resource planning analysis, using the same type of methodology used for development of an IRP, to identify an optimum replacement resource portfolio for consideration by the Commission in determining the public convenience and necessity associated with abandonment of SJGS Units 2 and 3. The reality of the situation is that the Commission is often confronted with cases in which it must rely on forecasts, projections and estimates. Waiting for more or updated information, which more likely than not will change little, if at all, may only result in a decision being made for the Commission, i.e. the EPA may decide that lack of timely Commission action means that the Revised SIP cannot be implemented timely and thus should be rejected.

**Q. CAN YOU CONTRAST THE IRP PROCESS WITH THE REQUESTED
APPROVALS FOR PNM'S PROPOSED RESOURCE PORTFOLIO IN THIS
PROCEEDING?**

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1 The IRP process is based on a twenty-year planning horizon with a four-year action
2 plan. 17.7.3.7(J), 17.7.3.9(I)(1) NMAC. So long as the IRP is compliant with the IRP
3 Rule, it may be accepted by the Commission without hearing. 17.7.3.12(A) NMAC.
4 Notably, the IRP action plan does not replace the requirement for applications for
5 approval of resource additions. 17.7.3.9(I)(2) NMAC. While the IRP helps guide
6 planning decisions based on long-term analyses, what is critical in the ultimate selection
7 of a generation resource is whether the specific resource under consideration is found to
8 be reasonable at the time a CCN decision is made. The IRP Rule recognizes that
9 changing circumstances may necessitate deviations from an IRP. 17.7.3.10 NMAC.
10 This would also be true even if there were a current IRP if material changes warranted
11 resource additions inconsistent with the current IRP action plan. 17.7.3.12(B) NMAC.

12
13 In this case, PNM identified least cost replacement portfolios. As discussed more fully
14 by Mr. O'Connell in his Direct Testimony, PNM released information regarding the
15 2014 IRP for the public advisory process earlier than in previous years in order to
16 provide the Commission with information about public input prior to the formal filing of
17 the 2014 IRP. However, as I pointed out in my Direct Testimony and reconfirmed
18 above, the timeline associated with approval of the Revised SIP does not afford the
19 luxury of awaiting the formal filing of the 2014 IRP before seeking the approvals
20 necessary in this case. PNM used the IRP process methodology to identify for the
21 Commission the least cost replacement portfolios for SJGS Units 2 and 3. There is
22 nothing to suggest that the 2014 IRP process will result in any different conclusions
23 about the resource additions needed to replace this lost capacity.

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**Q. ARE THE REPLACEMENT RESOURCES SUFFICIENTLY IDENTIFIED TO
ALLOW THE COMMISSION TO MAKE A REASONED DECISION EVEN IF
CCNs ARE NOT BEING REQUESTED FOR ALL OF THE IDENTIFIED
RESOURCES?**

A. Yes. PNM identified four specific replacement generation resources and has provided supporting analyses for its proposed replacement portfolio. Mr. O'Connell's analyses show the necessary resource additions through 2018 to assure that customer needs are met in the most cost-effective manner. Moreover, it is not unusual to identify needed resources during a planning process but to defer seeking formal approval of the resources until a later time. Indeed, under the IRP process, resource additions to meet customer needs are identified, but CCN applications for the specific resources are deferred to future cases. This case is really no different with respect to the proposed 177 MW natural gas facility and the 40 MW solar resource. By deferring requests for CCNs in this case for these resources, PNM will be able to further refine the details of the resources, complete the bidding processes and reduce costs for customers. As discussed by PNM Witness Olson, PNM will file an application for a CCN for the 177 MW natural gas facility sometime between December 2014 and the Spring of 2015. PNM Witness O'Connell confirms that PNM will file its 2015 Renewable Energy Portfolio Plan by June 2014 which will include the proposed 40 MW solar resource. Again, filing the applications for CCNs for these resources closer to the time when the resources will be needed will result in a more refined cost estimate and better enable PNM to implement these resources in the most cost-effective manner. What is most important is that the replacement portfolios have been identified so that the Commission can be

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1 assured that cost-effective supply reliability will not be adversely affected by a decision
2 to retire San Juan Units 2 and 3.

3
4 **Q. IT APPEARS THAT MUCH OF PNM'S SUPPORT FOR ITS PROPOSED**
5 **REPLACEMENT PORTFOLIO IS BASED ON ECONOMIC MODELING. IS**
6 **THIS APPROPRIATE?**

7 **A.** Yes. Economic modeling, such as that presented in this case, is indispensable in making
8 resource planning decisions. Indeed, under 17.7.3.9 NMAC of the IRP Rule, economic
9 and resource analyses are required for resource planning purposes. The key for the
10 Commission is to assure itself that the processes and assumptions used in the economic
11 modeling are designed to arrive at a reasonable prediction of future needs. The
12 modeling presented by PNM in this case is based on proven and recognized
13 methodologies and well-founded and generally accepted assumptions.

14
15 **Q. IS THERE PRECEDENT FOR THE COMMISSION TO RELY ON**
16 **ECONOMIC MODELING IN CASES SUCH AS THE PRESENT ONE?**

17 **A.** Yes. One of the Commission's predecessors has explained the appropriate use of
18 the results emanating from economic models as follows:

19 "Reasoned decision making can use an economic model to
20 provide useful information about economic realities,
21 provided there is a conscientious effort to take into account
22 what is known as to past experience and what is reasonably
23 predictable about the future.

24
25 "In the world of today, model-building is not merely a sport
26 of youngsters and tiny planes. Models are central to the
27 forecasts and programs evolved by members of the

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1 executive and legislative branches, concerned with such
2 searching questions as inflation and stabilization,
3 production and unemployment, and other problems of
4 national policy. These economic models are robed in the
5 elegance of high-speed computers, but they are at base
6 extrapolations from past experience, projections that must
7 undergo continual examination and revision.

8
9 “They do not always have the reassuring concreteness of
10 empirical observations, but they are the best we have to
11 work with in casting our programs. Provided that the
12 assumptions on which a model is based are adequately
13 explained and justified, we see no reason why this type of
14 evidence may not be used in support of a ratemaking
15 application.”²

16 Similarly, they are absolutely necessary in making necessary resource planning
17 decisions that have long-term implications years into the future.

18
19 **Q. WHAT SUPPLEMENTAL DIRECT TESTIMONY ARE YOU**
20 **ADDRESSING IN ORDERING PARAGRAPH A.7?**

21 **A.** Ordering Paragraph A.7 requires, in part, that PNM explain how it anticipates the
22 Commission should review and approve its Application for a CCN for 78 MW of
23 capacity in San Juan Unit 4 that would be acquired by an exchange for capacity in
24 Unit 3 with another party in the absence of a concrete Swap Agreement.

25
26 **Q. WHAT IS PNM’S RESPONSE?**

² *Re Public Service Company of New Mexico*, 101 PUR 4th 126, 1989 WL 418588, pp. 47-48 (NMPSC Case No. 2146, Pt. II), *quoting with approval American Public Gas Association v. Federal Power Commission*, 567 F.2d 1016, 1037 (D.C. Cir. 1977); *see also, New Mexico Industrial Energy Consumers v. New Mexico Public Service Commission*, 104 N.M. 565, 571, 725 P.2d 244, 250 (1986) (affirming use of projected future demands and costs even though such numbers are unknowable).

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1 **A.** PNM Witness Olson addresses this issue in his Direct Testimony and
2 Supplemental Direct Testimony. PNM continues to diligently pursue a final
3 agreement with the other participants concerning the ownership structure of San
4 Juan following the retirement of Units 2 and 3 and hopes to be able to present
5 such an agreement to the Commission. However, even if no definitive agreement
6 is reached in the relative near term, PNM believes that the Commission can issue
7 a conditional CCN for PNM's acquisition of additional capacity in SJGS Unit 4.
8 The conditional CCN would include specified key terms relating to such things as
9 cost and amount of additional capacity that would all have to be satisfied before
10 PNM would be authorized to complete the proposed acquisition.

11
12 **Q. WHAT SUPPLEMENTAL DIRECT TESTIMONY IS REQUIRED BY**
13 **ORDERING PARAGRAPH A.8?**

14 **A.** Ordering Paragraph A.8 seeks confirmation of the lowest valuation that PNM
15 would accept for its interest in PVNGS Unit 3, as well as the identification of
16 alternative resources in the event the Commission does not authorize a CCN for
17 Unit 3.

18
19 **Q. PLEASE RESPOND.**

20 **A.** PNM's willingness to offer its 134 MW interest in PVNGS Unit 3 as replacement
21 capacity to offset the retirement of SJGS Units 2 and 3 demonstrates the
22 Company's commitment to ensuring that the Revised SIP is a viable alternative to

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1 the FIP. As the analysis performed by PNM Witness O'Connell confirms, the
2 optimum replacement portfolio includes PVNGS Unit 3 as a resource.

3
4 PNM's valuation of its interest in PVNGS Unit 3 in the amount of \$335 million
5 (\$2,500/MW) is based on an independent, third-party analysis by PNM Witness
6 John Reed of Concentric Energy Advisors, Inc., a qualified appraiser. This
7 valuation is corroborated and confirmed by the real-world experience of PNM
8 Witness Terry Horn in dealing with transfers of other interests in PVNGS in the
9 recent past.

10
11 PNM is very mindful of the need to balance the interests of customers and
12 shareholders. Today all the benefits of PVNGS Unit 3 inure to shareholders. If
13 PVNGS Unit 3 is to be dedicated to retail service in New Mexico in the future, a
14 proper balancing of interests requires a fair valuation for ratemaking purposes and
15 PNM has provided such a valuation for consideration by the Commission.
16 However, in the absence of a valid reason to depart from this independent
17 valuation, PNM is not in a position to accept less than \$2,500 per MW for its
18 interest in PVNGS Unit 3. In this regard, it is also important to note that, under
19 the analysis presented by PNM Witness O'Connell, PVNGS Unit 3 is a cost
20 effective resource up to a \$3,100 per MW price.

21
22 **Q. WHAT GENERATION RESOURCE ALTERNATIVES WOULD PNM**
23 **PURSUE IF THE COMMISSION DID NOT APPROVE A CCN FOR**

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**PNM'S INTEREST IN PVNGS UNIT 3 AT A VALUATION
ACCEPTABLE TO PNM?**

A. In his Direct Testimony, PNM Witness O'Connell provides an analysis that assumes implementation of the Revised SIP without the inclusion of PVNGS Unit 3 in the replacement portfolio. This analysis can be found in PNM Exhibit PJO-3 which confirms that inclusion of the proposed 134 MW from PVNGS Unit 3 at the independent valuation is the lowest cost alternative. However, if PVNGS Unit 3 is not included in the replacement portfolio, the alternate generation resource would be a natural gas facility at a higher cost and would subject customers to greater future risk. Although not as cost-effective as inclusion of PVNGS Unit 3, this Revised SIP option is still more cost-effective and less risky than compliance with the FIP, either by installing SCR on all four units of San Juan or retiring all four units of San Juan.

**Q. WHAT SUPPLEMENTAL DIRECT TESTIMONY IS REQUIRED BY
ORDERING PARAGRAPH A.9?**

A. Ordering Paragraph A.9 requires, in part, that PNM explain how it anticipates the Commission should review and approve the Application for abandonment of San Juan Units 2 and 3 in the absence of a CCN application for the 177 MW natural gas facility that PNM anticipates will be a future replacement resource for part of the abandoned capacity.

Q. PLEASE ADDRESS THIS ISSUE.

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1 **A.** I addressed this issue in large measure in my testimony above. I would add that
2 the proposed 177 MW natural gas peaking facility is also addressed in the
3 Supplemental Direct Testimony of PNM Witness Olson which includes a
4 description of the tasks PNM has undertaken to date with respect to this proposed
5 facility as well as a preliminary timeline for its development, construction and
6 deployment. This information supports the viability of this resource as suitable
7 replacement capacity. However, as discussed above, the evidentiary support for a
8 Commission finding approving the abandonment of SJGS Units 2 and 3 is
9 primarily found in the analyses contained in the Direct Testimony of PNM
10 Witness O'Connell relating to the various possible replacement portfolios and the
11 emission control cost comparisons provided by PNM Witness Olson. An actual
12 application for a CCN for the proposed 177 MW peaking plant is not a
13 prerequisite for the Commission's approval for the abandonment of SJGS Units 2
14 and 3.

15
16 **Q. WHAT SUPPLEMENTAL DIRECT TESTIMONY IS REQUIRED BY**
17 **ORDERING PARAGRAPH A.10?**

18 **A.** Ordering Paragraph A.10 requires, in part, that PNM explain how it anticipates
19 the Commission should review and approve the Application for abandonment of
20 San Juan Units 2 and 3 in absence of a CCN application for the 40 MW solar
21 resource that PNM has identified as a future replacement resource for part of the
22 abandoned capacity.

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1 Q. WHAT IS PNM'S RESPONSE TO THIS REQUIREMENT?

2 A. Again, my discussion above addresses this issue. PNM Witness O'Connell, in his
3 Supplemental Direct Testimony, provides additional detail concerning the steps
4 PNM has taken with respect to the proposed 40 MW of solar power. PNM has
5 issued an RFP for renewable resources and has received several varied responsive
6 bids. PNM intends to file a request for Commission approval of its Renewable
7 Energy Portfolio Procurement Plan by June 1, 2014, and the 40 MW of solar
8 facilities will be included in that filing.

9
10 While the foregoing serves to confirm the continued efficacy of 40 MW of solar
11 as appropriate replacement power, the evidentiary support for Commission
12 approval for the abandonment of SJGS Units 2 and 3 is found in the analyses
13 contained in the Direct Testimonies of PNM Witness O'Connell and PNM
14 Witness Olson.

15
16 Q. WHILE NOT REQUESTED IN THE COMMISSION'S ORDER, DO YOU
17 HAVE ANY UPDATES WITH RESPECT TO THE LEGAL
18 CHALLENGES TO THE FIP PENDING IN THE TENTH CIRCUIT
19 COURT OF APPEALS?

20 A. Yes. As previously reported, further proceedings in the Tenth Circuit have been
21 abated pending final EPA approval of the Revised SIP. On January 23, 2014, the
22 parties to the proceedings in the Tenth Circuit filed separate status reports
23 confirming that the approval process for the Revised SIP remains on schedule. In

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1 the joint filing submitted by PNM, Governor Martinez and the NMED, it was
2 noted that PNM filed the Application in this proceeding for the required
3 abandonment of SJGS Units 2 and 3. Following the filing of the status reports,
4 the Tenth Circuit issued an order continuing the abatement of the proceedings and
5 requiring the filing of updated status reports on May 12, 2014. The Tenth Circuit
6 is carefully monitoring the progress toward implementation of the Revised SIP.

7
8 **Q. FINALLY, CAN YOU ADDRESS THE STATEMENT IN THE INITIAL**
9 **ORDER IN PARAGRAPH 16 THAT SUGGESTS PNM'S APPLICATION**
10 **IS "NOT COMPLETE"?**

11 **A.** PNM respectfully disagrees. PNM's Application and supporting documentation
12 make out a clear case to support the requested relief which is necessary for PNM
13 to pursue the Revised SIP. PNM will certainly provide additional information
14 and respond to questions, as it has in its supplemental direct testimony, to assist
15 the Commission in reviewing PNM's Application. However, the Application
16 package as originally filed contains the essential evidentiary support for the relief
17 requested. Any application will require the provision and development of
18 additional information. That is done through the discovery process, including
19 bench requests, and the evidentiary hearing. Nothing in the Commission rules or
20 prior cases has given notice that the type of additional information required by the
21 Initial Order is absolutely essential for an abandonment application. In addition,
22 PNM has further demonstrated why this information is not essential. For that

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1 reason, PNM believes that the timeframe for Commission action on the
2 Application commenced when PNM filed the Application on December 20, 2013.

3

4 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT**
5 **TESTIMONY?**

6 **A. Yes, it does.**

GCG # 517504

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PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)

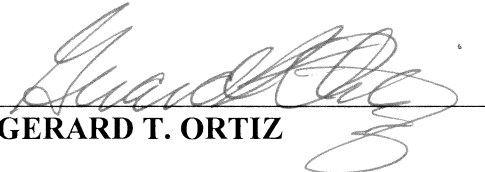
Applicant)
_____)

AFFIDAVIT

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

Gerard T. Ortiz, Vice President of Regulatory Affairs, Public Service Company of New Mexico, upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing **Supplemental Direct Testimony of Gerard T. Ortiz** and it is true and accurate based on my own personal knowledge and belief.

SIGNED this 4TH day of February, 2014.


GERARD T. ORTIZ

SUBSCRIBED AND SWORN to before me this 4th day of February, 2014.

Ronda Morehead
NOTARY PUBLIC IN AND FOR
THE STATE OF NEW MEXICO

