



Main Offices
414 Silver Ave. SW
Albuquerque, NM 87102

Required Customer Communication

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE)
COMPANY OF NEW MEXICO'S)
ABANDONMENT OF SAN JUAN) **19-00018-UT**
GENERATING STATION UNITS 1 AND 4)
_____)

**NOTICE OF PROCEEDING AND HEARING ON SAN JUAN ABANDONMENT
AND SECURITIZATION OF ENERGY TRANSITION COSTS**

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

On July 1, 2019, Public Service Company of New Mexico (PNM) filed its Consolidated Application for the Abandonment, Financing and Replacement of the San Juan Generating Station pursuant to the Energy Transition Act (Application). On July 10, 2019, however, the Commission issued an order separating the Commission's review of PNM's Application into two proceedings. The abandonment and securitization issues will be addressed in this proceeding, Case No. 19-00018-UT. The replacement resources will be addressed in Case No. 19-00195-UT. A separate notice and hearing schedule are being established for Case No. 19-00195-UT.

Therefore, of the approvals PNM requested in its Consolidated Application, the following will be addressed in this case:

(1) PNM's proposed abandonment of the San Juan Generating Station (SJGS), including: (a) abandonment of the SJGS plant and facilities located at Waterflow, New Mexico; (b) decommissioning of the SJGS plant and facilities and reclamation of the coal mine that provides fuel for SJGS; and (c) recovery of abandonment costs and related energy transition costs as defined in the Energy Transition Act, NMSA 1978, Sections 62-18-1 to -23 (2019) (ETA), of approximately \$360.1 million; and

(2) PNM's proposed financing order under the ETA approving the issuance of highly-rated Energy Transition Bonds in the principal amount of approximately \$361 million secured by a non-bypassable customer charge that will provide for recovery of: (a) PNM's undepreciated investments totaling \$283.0 million; (b) costs for job training and severance for employees at SJGS and the coal mine in the amount of \$20.0 million; (c) decommissioning and reclamation costs of \$28.6 million; (d) transactional costs associated with issuing energy transition bonds and obtaining approval of abandonment of \$8.7 million; (e) the Energy Transition Indian Affairs Fund to be administered by the Indian Affairs Department, in the amount of \$1.8 million; (f) the Energy Transition Economic Development Assistance Fund to be administered by the Economic Development Department, in the amount of \$5.9 million; and (g) the Energy Transition Displaced Worker Assistance Fund, to be administered by the Workforce Solutions Department, in the amount of \$12.1 million.

As noted above, PNM's proposal for new generating resources to replace the retired 497 MW of capacity and energy produced by PNM's share of the SJGS will be addressed in Case No. 19-00195-UT. That proposal includes the following: (1) twenty-year purchased power agreements and energy storage agreements (PPAs) for the output from a 50 MW solar facility located on Jicarilla Apache tribal lands combined with a 20 MW battery storage agreement (the Jicarilla PPA) and for the output from a 300 MW solar facility located in McKinley County combined with a 40 MW battery storage agreement (the Arroyo PPA); and (2) issuance of certificates of public convenience and necessity (CCNs) for 40 MW and 30 MW utility-owned energy storage systems, referred to as the Sandia and Zamora facilities, respectively, located at two existing utility sites in Bernalillo County, and 280 MW of utility-owned natural gas-fired generating units, referred to as the Pinon Gas Plant, located in Waterflow, New Mexico at the SJGS site. In addition to the foregoing SJGS replacement resource proposals, PNM requests that consideration be given to a PNM-owned 20 MW solar facility to be installed at the SJGS site as a means of fulfilling PNM's obligation under Paragraph 40 of the Modified Stipulation approved in Case No. 13-00390-UT.

PNM is not requesting adjustment to its general base rates in either proceeding, but PNM states that if the Application is approved, customers will be assessed an Energy Transition Charge on their bills after issuance of the Energy Transition Bonds. This non-bypassable charge will be filed and implemented through an Advice Notice filing at the time the bonds are issued. PNM also states that customers will receive a credit in the form of a regulatory liability in a future rate case for SJGS related costs collected in base rates after the Energy Transition Charge takes effect. PNM requests that the costs of the replacement resource be recovered through the Fuel and Purchased Power Cost Adjustment Clause and placed in rates in a future rate case.

PNM estimates the net bill impact of these charges and credits will be a savings of \$7.11 for a residential customer using an average of 600 kWh per month in 2023, the first full year PNM expects the resources in PNM's recommended replacement resource portfolio will be in service. PNM further states that failure to approve SJGS abandonment will result in larger bill increases in the future because the costs of continuing to rely on SJGS exceed the costs of abandoning SJGS and replacing its capacity with a mix of new resources.

In support of its Application, PNM presented the testimonies of 13 witnesses.

The following bulleted statements summarize PNM's assertions and testimony filed in support of the portion of the Application that will be addressed in this case:

- PNM states that its Consolidated Application under the ETA charts a new energy policy course for the state and provides a framework to address the challenges that come from aging coal-fired generation facilities like SJGS, and to meet ambitious targets for renewable energy and zero carbon resources. The ETA mandates new January 1, 2023 emission restrictions that confirm the need to retire SJGS. The ETA also provides the Commission with tools to address the SJGS plant and mine closure impact on workers and the local economy in the Four Corners region, through issuance of Energy Transition Bonds. PNM requests approval of ETA authorized securitized financing, which dedicates a portion of the energy transition bond proceeds for those purposes.
- PNM states that abandonment of SJGS will result in a net benefit to customers. PNM's analyses demonstrate that it is financially more costly for customers to continue to operate SJGS beyond the current operational period, through June 30, 2022, when the plant's current coal supply and operating agreements expire. The abandonment of SJGS also will be necessary in order for PNM to meet the Renewable Energy Act's renewable energy portfolio standards, as amended by Section 29 of the ETA, and meet the environmental standards of performance for SJGS contained in Section 36 of the ETA.
- PNM states that it 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 defined in the ETA. The proposed Securitization allows for the recovery of costs relating to the abandonment of SJGS at substantially lower customer impacts than would be required through traditional ratemaking methods.
- As part of the approval for securitized financing, PNM also asks the Commission to determine that the Application contains all information required by Section 4 of the ETA and to approve in its financing order the issuance of \$361 million in securitized bonds in the manner set forth in PNM's Consolidated Application and subject to the requirements for financing orders in the ETA.
- PNM states that proceeds of the sale of the Energy Transition Bonds will be used to finance payment of certain abandonment costs pursuant to the ETA, including providing severance and job training for employees losing their jobs as a result of the closure of SJGS, and will be used for utility purposes, including expenditures authorized by the ETA. The non-bypassable Energy Transition Charge will be reset periodically. PNM estimates the first-year revenue requirement to be recovered through the non-bypassable charge to be \$22.8 million, which will be allocated to rate classes consistent with the production cost allocation methodology authorized in the Company's most recent general rate case:

1 - Residential	\$12,548,110
2 - Small Power	\$2,663,608
3B - General Power	\$3,551,930
3C - General Power Low LF	\$499,530
4B - Large Power	\$2,086,259
5B - Lg. Svc. (8 MW)	\$109,421
10 - Irrigation	\$73,500

11B - Wtr/Swg Pumping	\$184,286
15B - Universities 115 kV	\$113,715
30B - Manuf. (30 MW)	\$602,487
33B - Lg. Svc. (Station Power)	\$4,899
35B - Lg. Svc. (3 MW)	\$342,024
36B - SSR- Renew. Energy Res.	\$42,253
6 - Private Lighting	\$11,973
20 - Streetlighting	\$34,668

• Finally, PNM proposes to assess the charges to customers within each rate class consistent with energy and demand cost allocations within the class. PNM estimates that the initial Energy Transition Charge for residential customers that consume 900 kWh of power per month or less will be \$1.90/month and will be \$4.97/month for residential customers that consume more than 900 kWh per month. For small power customers, PNM estimates that the initial Energy Transition Charge will be \$4.15/month. PNM presents these revenue requirements and bill impacts for informational purposes only. The final revenue requirements and Energy Transition Charges may vary from the amounts included in PNM's Application.

Further information regarding this case can be obtained by contacting PNM or the Commission at the addresses and telephone numbers provided below. Additional details regarding the procedural requirements for this proceeding are set forth in the Procedural Order issued by the Hearing Examiners on July 25, 2019. All inquiries or written comments concerning this matter must refer to Case No. 19-00018-UT.

The present procedural schedule for this case is as follows:

- (1) Any person desiring to become a party (intervenor) in this case shall file a motion for leave to intervene in conformity with Rules 1.2.2.23(A) and 1.2.2.23(B) NMAC by no later than September 24, 2019.
- (2) PNM shall conduct face-to-face public community meetings in accordance with the Commission's Orders of July 10 and 12, 2019 with affected government entities, including specifically the Nenahnezad Chapter, the Tse daa K'aan (Hogback) Chapter, the Shiprock Chapter, the San Juan Chapter and the Navajo Nation Council, to educate and provide answers to the public, including affected coal miners, concerning PNM's plans and intentions with regard to the proposed shutdown of the San Juan Generating Station. PNM shall make its best efforts to conduct all face-to-face public community meetings described in ordering paragraph B below with the affected government entities by no later than September 3, 2019.
- (3) On or before August 1, 2019, PNM shall send this Notice by certified mail to the proper regulatory officials or agencies of the affected government entities identified above. PNM shall promptly file in the docket an affidavit confirming such service by certified mail and listing the names and addresses of each official or agency so served.
- (4) PNM shall file a legal brief on or before August 23, 2019 regarding the issue of the extent to which N.M. Const. Article IV, § 34 prevents the application of the Energy Transition Act, NMSA 1978, §§ 62-18-1 to -23 (2019), to the issues in this case. PNM may also file supplemental testimony regarding the foregoing issue on or before August 23, 2019.
- (5) Responses to the PNM legal brief filed on August 23, 2019 shall be filed on or before October 18, 2019.
- (6) The following testimony shall be filed by Staff and may be filed by intervenors on or before October 18, 2019: (a) testimony responsive to the testimony in PNM's Application; (b) testimony responsive to the issues addressed in the legal brief and supplemental testimony filed by PNM on August 23, 2019 regarding the applicability of the Energy Transition Act to the current proceeding; and (c) in the event the Energy Transition Act is ultimately determined not to apply to this proceeding, testimony on the merits of Staff and Intervenor's claims (if any) regarding the abandonment of the San Juan Units 1 and 4 and the allocation of the costs associated with the abandonment (including any undepreciated investment in the San Juan Generating Station).
- (7) Rebuttal testimony shall be filed on or before November 15, 2019.
- (8) All motions in limine, motions to strike testimony, and other prehearing motions shall be filed on or before November 22, 2019.
- (9) A prehearing conference will be held, if necessary, beginning at 9:30 a.m. on November 25, 2019 in the Ground Floor Hearing Room of the Commission in the P.E.R.A. Building, 1120 Paseo de Peralta, Santa Fe, New Mexico 87501.
- (10) A public comment hearing in this matter shall be held pursuant to 1.2.2.23.F NMAC beginning on December 9, 2019, commencing at 9:30 a.m. MT in the Ground Floor Hearing Room of the Commission, P.E.R.A. Building, 1120 Paseo de Peralta, Santa Fe, New Mexico.
- (11) The evidentiary hearing in this matter shall be held beginning on December 10, 2019 commencing at 9:00 a.m. MT in the Ground Floor Hearing Room of the Commission, P.E.R.A. Building, 1120 Paseo de Peralta, Santa Fe, New Mexico, and shall continue as necessary until December 19, 2019.

Interested persons may appear at the time and place of hearing and make oral or written comment pursuant to 1.2.2.23(F) NMAC without becoming an intervenor. Written comments, which shall reference Case No. 19-00018-UT, may be sent to the Commission at: New Mexico Public Regulation Commission; Attention: Melanie Sandoval, Records Management Bureau, P.E.R.A. Building, 1120 Paseo de Peralta, P.O. Box 1269, Santa Fe, NM 87504-1269, Telephone: (505) 827-6968. However, pursuant to 1.2.2.23(F) NMAC, comments shall not be considered as evidence in this case.

Interested persons should contact the Commission at (505) 827-6956 for confirmation of the hearing date, time, and place since hearings are occasionally rescheduled or, if deemed not required or necessary, canceled at the discretion of the Hearing Examiners or Commission.

PNM's Application, together with the supporting pre-filed direct testimony, and any exhibits and related papers, may be examined by any interested person online on the PNM website at <https://www.pnm.com/regulatory> or in person at the offices of PNM at the following address: Public Service Company of New Mexico, 414 Silver Avenue, SW, Albuquerque, New Mexico, Telephone: 505-241-2700.

The public record for this case may be examined in person at the Commission's Records Bureau in the P.E.R.A. Building, 1120 Paseo De Peralta, Santa Fe, New Mexico, (505) 827-6968, or under "Case Lookup E-docket" on the Commission's website at <http://164.64.85.108/>.

Anyone filing pleadings, testimony, and other documents shall file either in person with the Commission's Records Management Bureau in the P.E.R.A. Building in Santa Fe, New Mexico, or by mail addressed to: New Mexico Public Regulation Commission; Attention: Melanie Sandoval, Records Management Bureau, P.E.R.A. Building, 1120 Paseo de Peralta, P.O. Box 1269, Santa Fe, NM 87504-1269. The following physical address shall be used only for special or hand deliveries: Records Management Bureau's fourth floor office, 1120 Paseo de Peralta, Santa Fe, NM 87501. All filings shall be served on the parties of record and Staff on the date of filing as specified in the most recent Certificate of Service (Official Service List) issued in accordance with 1.2.2.10(C)(4) NMAC. Unless otherwise requested or ordered, parties shall serve all pleadings, testimony, and other filings by email only.

All filings shall be emailed to the Hearing Examiners on the date filed at ashley.schannauer@state.nm.us and anthony.medeiros@state.nm.us by no later than 5:00 p.m. MT. Such filings shall include the Word or other native version of the filing (e.g., Excel or Power Point) if created in such format. All PDF documents provided to the Hearing Examiners shall be text-searchable. Any filings not emailed to the Hearing Examiners in compliance with the foregoing requirements are subject to being summarily rejected and stricken from the record in the Hearing Examiners' discretion.

The procedural dates and requirements established by the Hearing Examiners are subject to further order or ruling of the Hearing Examiners or Commission. The Commission's Rules of Procedure, 1.2.2 to 40 NMAC, shall apply in this case except as modified or varied by order of the Hearing Examiners or Commission. The Rules of Procedure can be obtained from the offices of the Commission and are available online at <http://www.nmcp.state.nm.us/nmac/>.

ANY PERSON WITH A DISABILITY REQUIRING SPECIAL ASSISTANCE IN ORDER TO PARTICIPATE IN THIS PROCEEDING SHOULD CONTACT THE COMMISSION AT LEAST 24 HOURS PRIOR TO THE COMMENCEMENT OF THE HEARING.

ISSUED at Santa Fe, New Mexico this 25th day of July 2019.

NEW MEXICO PUBLIC REGULATION COMMISSION

Ashley C. Schannauer
Anthony F. Medeiros
Hearing Examiners