



Main Offices
414 Silver Ave. SW
Albuquerque, NM 87102

Required Customer Communication

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 of San Juan Replacement Resources.

The notice:

- Describes the NMPRC process to consider this request; and
- Describes how you can participate in this process if you choose to do so.

If you **do** wish to participate in this process, the attachment provides details on how to take part.

If you **do not** wish to participate in this process, no action is required on your part.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE)	
COMPANY OF NEW MEXICO’S)	
CONSOLIDATED APPLICATION FOR)	
APPROVALS FOR THE ABANDONMENT,)	19-00195-UT
FINANCING, AND RESOURCE REPLACEMENT)	
FOR SAN JUAN GENERATING STATION)	
PURSUANT TO THE ENERGY TRANSITION ACT)	
_____)	

NOTICE OF PROCEEDING AND HEARING ON SAN JUAN REPLACEMENT RESOURCES

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

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

(1) PNM’s proposal for new generating resources to replace the retired 497 MW of capacity and energy produced by PNM’s share of the San Juan Generating Station (SJGS), including: (1) twenty-year purchased power agreements and energy storage agreements (PPAs) for (a) 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 (b) 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 (a) 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 (b) 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; and

(2) In addition to the approvals for new resources to replace SJGS, PNM requests that consideration be given to a proposed 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 its Application, but states that if the securitization portion of the Application being addressed in Case No. 19-00018-UT 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 its recommended portfolio of replacement resources, Scenario 1, is consistent with the resource selection criteria in the ETA and protects system reliability so that adding cutting edge energy storage technology will not compromise service to PNM’s customers. In addition to the Scenario 1 portfolio, PNM has presented alternative scenarios, including a reliable combination of resources that preserves as much as possible the tax base for the school district that will be affected by the closure of SJGS, although it is a more costly option for PNM’s customers.
- PNM states that Scenario 1 meets all requirements of the Public Utility Act and ETA. PNM conducted a competitive “all resources” Request for Proposals process to select replacement resources to provide ongoing utility service to customers.
- Finally, in addition to its proposed replacement portfolio, PNM seeks consideration of an additional 20 MW of solar facilities to be located at the SJGS plant site pursuant to Paragraph 40 of the Modified Stipulation approved in Case No. 13-00390-UT. Paragraph 40 requires that PNM buy solar or wind credits or allowances for its customers to offset up to 197 MW of production from SJGS Unit 4, between January 1, 2020 and the plant’s shut down, at a cost to customers of up to \$7 million per year, or \$17.5 million in total. PNM proposes that this amount be increased to \$24 million for the solar facility, to be included in PNM’s rate base, so that customers can benefit from long-term renewable energy production that offsets system fuel costs, rather than purchasing short-term renewable energy certificates over a two-and-a-half-year period.

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 refer to Case No. 19-00195-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. 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 may also be filed at this time.
- (6) The following testimony shall be filed by Staff and may be filed by intervenors on or before January 10, 2020: (a) testimony responsive to the testimony in PNM's Application; and (b) in the event the Energy Transition Act is ultimately determined not to apply to this proceeding, testimony on the merits of Staff and Intervenors' claims (if any) regarding the most cost effective resources to replace the capacity lost with the abandonment of the San Juan Units 1 and 4 under the statutes effective prior to the Energy Transition Act.
- (7) Rebuttal testimony shall be filed on or before February 15, 2020.
- (8) All motions in limine, motions to strike testimony, and other prehearing motions shall be filed on or before February 21, 2020.
- (9) A prehearing conference will be held, if necessary, beginning at 9:30 a.m. on February 25, 2020 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 on March 2, 2020, 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 on March 3, 2020 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 March 13, 2020.

As for consideration of the Jicarilla and Arroyo PPAs, the following schedule is adopted for this proceeding:

- (1) Should a settlement be reached among all or some of the parties, a stipulation may be filed by no later than October 25, 2019.
- (2) Testimony supporting the stipulation shall be filed on or before November 1, 2019. Alternatively, if a stipulation is not filed as provided above, direct testimony of Staff and intervenors shall be filed on or before November 1, 2019.
- (3) Testimony opposing the stipulation shall be filed on or before November 19, 2019. Alternatively, if a stipulation is not filed as provided above, rebuttal testimony shall be filed on or before November 19, 2019.
- (4) The evidentiary hearing shall be held on December 2, 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 on December 3, 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. 19-00195-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.nmcpr.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

Anthony F. Medeiros
Ashley C. Schannauer
Hearing Examiners