

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,)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)
)
)
Applicant)
_____)

Case No. 13-00390-UT

NOTICE OF PROCEEDING AND HEARING

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 December 20, 2013, Public Service Company of New Mexico ("PNM" or "Company") filed an Application requesting the following approvals from the Commission by September 20, 2014, but no later than December 20, 2014:

- (1) Abandonment of San Juan Generating Station ("SJGS" or "San Juan") Units 2 and 3 by December 31, 2017, with an accounting order allowing full recovery of the undepreciated investment in SJGS Units 2 and 3 as of the date of retirement through a regulatory asset amortized over twenty years with a carrying charge equivalent to PNM's pre-tax weighted average cost of capital on the unamortized balance;

(2) Issuance of a certificate of public convenience and necessity ("CCN") to include Palo Verde Nuclear Generating Station Unit 3 ("PVNGS Unit 3") as a supply resource to serve New Mexico retail customers effective January 1, 2018, at a value for ratemaking purposes of \$335 million and recovery of the costs associated with funding the decommissioning trust for PVNGS Unit 3 on a pro rata basis;

(3) Issuance of a CCN and any other necessary approvals for the acquisition of an additional 78 megawatts ("MW") of capacity in SJGS Unit 4 effective January 1, 2015, at a value for ratemaking purposes of approximately \$52.5 million in exchange for an equal amount of capacity in SJGS Unit 3;

(4) Recovery of the costs of selective non-catalytic reduction equipment ("SNCR") together with balanced draft to be installed on SJGS Units 1 and 4 by January 31, 2016, not to exceed \$82 million, with any cost overruns recovered in rates only after a Commission determination in a future rate case that they were prudently incurred, using the Commission's Cost Overrun Rule (17.3.580 NMAC) to guide the process; and

(5) Issuance of an accounting order allowing PNM's cost of compliance with the Best Available Retrofit Technology ("BART") determination for SJGS under the August 21, 2011, Federal Implementation Plan issued by the U.S Environmental Protection Agency ("EPA") to be placed in a regulatory asset for future recovery in a rate case, with a determination in this proceeding that such costs are reasonable and were prudently incurred.

PNM states that these approvals are either necessary for, or facilitate, compliance with environmental requirements under the Clean Air Act for SJGS associated with a Revised State Implementation Plan ("Revised SIP") issued by the New Mexico Environmental Improvement Board, which is pending approval by the EPA. In addition to the specific regulatory approvals

described above, PNM requests such other relief as the Commission may deem proper under the circumstances.

In support of its Application, PNM presented the testimony of nine witnesses.

PNM states that approval of its Application is estimated to increase customer bills approximately \$87.81 per year, or approximately \$7.33 per month, in 2018 for a residential customer using an average of 600 kWh per month. PNM further states that failure to approve the application is likely to result in larger increases because other approaches to comply with the Regional Haze Rule will be more expensive.

The Commission has not decided if PNM's Application should be approved. It has commenced this case to test PNM's evidence and analyses to determine if PNM's Application should be approved as presented, modified or denied in whole or in part. On January 22, 2014, the Commission entered an Order designating the undersigned to preside over this proceeding and to issue a Recommended Decision, among other matters.

Further information regarding this case can be obtained by contacting PNM or the Commission at the addresses and telephone numbers provided below. The Commission has assigned Case No. 13-00390-UT to this proceeding and all inquiries or written comments concerning this matter should refer to that case number.

The present procedural schedule for this case is as follows:

a. On or before April 21, 2014, 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 comments on this case without becoming a party may do so without filing a motion to intervene.

b. On or before July 7, 2014, Staff shall, and Intervenors may, file Direct Testimony.

c. Rebuttal testimony may be filed on or before August 1, 2014.

d. A prehearing conference will be held beginning at 9:30 A.M. on August 13, 2014 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.

e. A public hearing on this matter shall be held beginning on August 19, 2014, commencing at 9:30 a.m. MT at the offices of the Commission, P.E.R.A. Building, 1120 Paseo de Peralta, Santa Fe, New Mexico, and continuing thereafter until concluded.

The procedural dates and requirements of this case are subject to further order of the Commission or Hearing Examiner. Interested persons should contact the Commission for confirmation of the hearing date, time, and place since hearings are occasionally rescheduled.

Any interested person may examine PNM's Application and all other pleadings, testimony, exhibits and other documents filed in the public record for this case at the offices of PNM at the following address: Public Service Company of New Mexico, 414 Silver Ave. SW, Albuquerque, New Mexico 87102, telephone (505) 241-2700, with the Commission, P.E.R.A. Building, 1120 Paseo de Peralta, Santa Fe, New Mexico, 87501, telephone (888) 427-5772 or at "Case Lookup EdoCKET" on the Commission's website at www.nmprc.state.nm.us .

The Commission's Rules of Procedure (1.2.2.1 NMAC) shall apply to this proceeding except as modified by order of the Commission or Hearing Examiner. A

copy of the rules may be obtained from the offices of the Commission or at www.nmcpr.state.nm.us/nmac/ .

Anyone filing pleadings, documents or testimony in this case may file either in person at the Commission's docketing office in the P.E.R.A. Building in Santa Fe, New Mexico, or by mail to the Commission's address at P.O. Box 1269, Santa Fe, New Mexico 87504-1269, and shall serve a copy on all parties of record and Staff in the manner specified on the most recent Certificate of Service for this case. All filings shall be e-mailed on the date they are filed with the Commission. Any such filings shall also be e-mailed to the Hearing Examiner at ashley.schannauer@state.nm.us. All documents e-mailed to the Hearing Examiner shall include Word files if created in that format.

Any person whose testimony has been pre-filed shall attend the hearing and submit to examination under oath.

Any interested person may appear at the time of hearing and make a written or oral comment pursuant to 1.2.2.23(F) NMAC without becoming an intervenor. Interested persons may also send written comments, which shall reference NMPRC Case No. 13-00390-UT, to the Commission at the mailing address set out below. Such comments will not be considered as evidence in this proceeding.

All documents mailed to the Commission and its personnel shall be mailed to: New Mexico Public Regulation Commission, P.E.R.A. Building, P.O. Box 1269, Santa Fe, New Mexico, 87504-1269. The following physical address of the Commission shall be used only for special or hand deliveries: 1120 Paseo de Peralta, Santa Fe, NM 87501.

Additional details regarding this proceeding and its procedural requirements are set forth in the Hearing Examiner's February 20, 2014 Procedural Order.

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, on February 20, 2014.

NEW MEXICO PUBLIC REGULATION COMMISSION

**Ashley C. Schannauer
Hearing Examiner**