

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF PUBLIC SERVICE COMPANY )**  
**OF NEW MEXICO'S APPLICATION FOR A )**  
**CERTIFICATE OF PUBLIC CONVENIENCE AND )**  
**NECESSITY AND RELATED APPROVALS FOR AN 80 )**  
**MW GAS-FIRED GENERATING PLANT LOCATED ) Case No. 16-00105-UT**  
**AT THE SAN JUAN GENERATING STATION, )**  
**)**  
**PUBLIC SERVICE COMPANY OF NEW MEXICO, )**  
**Applicant )**  
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**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 April 26, 2016, Public Service Company of New Mexico ("PNM" or "Company") filed an Application requesting approval from the Commission for the following:

(a) A Certificate of Public Convenience and Necessity ("CCN"), pursuant to NMSA 1978, Section 62-9-1(A), to construct, own and operate an 80 megawatt ("MW") natural gas-fired generating station in San Juan County near Waterflow, New Mexico ("80 MW Plant").

(b) Pursuant to NMSA 1978, Section 62-9-1(B), a determination of ratemaking principles and treatment that will be applicable to the 80 MW Plant in future ratemaking proceedings and, pursuant to 17.3.580 NMAC, the Commission's cost overrun rule, the establishment of a "Certificated Estimated Cost". Specifically, PNM requests that the actual cost of the 80 MW Plant, up to a Certificated Estimated Cost of \$86.8 million, including Allowance for Funds Used During Construction ("AFUDC"), be included in total company rate base in all future ratemaking proceedings and that PNM be authorized to recover the plant's actual operation and maintenance ("O&M") expenses, property taxes, gas transportation costs, and depreciation expense in all future rate proceedings.

(c) Such other and further relief as the Commission may deem necessary in connection with the construction and operation of the 80 MW Plant.

In support of its Application, PNM has stated to the Commission:

1. PNM must add the 80 MW Plant to its system in order to comply with reliability requirements on PNM's system. In addition, the 80 MW Plant will allow PNM to continue responding to supply/demand imbalances resulting from increased amounts of variable energy generation on the system and will provide capacity to partially replace SJGS Units 2 and 3 after their retirement.

2. The 80 MW Plant was selected as the optimal resource to pursue at this time as the result of a competitive procurement process. PNM's goal is to have the 80 MW Plant in service by June of 2018. The plant will be built for PNM under a turnkey contract.

3. PNM will need additional peaking generating resources by the 2018 summer peak in order to provide adequate, efficient and reliable service, accommodate increasing variable energy generation from renewable resources and provide an adequate operating reserve. PNM issued a Request for Proposals in 2015 seeking competitive bids for new gas-fired turbine equipment and installation. Through PNM's bid evaluation, it was determined that the successful bidder's proposal had the lowest net present value of revenue requirements among the qualified bidders, and that the technology best suited to meet PNM's new resource need was an aeroderivative gas turbine.

4. The selection of this technology offers numerous advantages, including quick-start and remote operational capability with minimal staffing requirements. The plant will be air cooled, so that it will require a minimal amount of water for cooling, and will have a selective catalytic reduction unit to reduce nitrous oxides and a carbon oxidation catalyst to reduce carbon

monoxide. The ability to interconnect the 80 MW Plant to an existing adjacent PNM switching station and PNM's transmission system will reduce interconnection costs, and the plant's proximity to two natural gas pipelines in the San Juan Basin will enhance fuel reliability and price competition. The construction and operation of the plant will provide economic benefits to the State of New Mexico and to San Juan County.

5. The plant's estimated \$86.8 million cost includes the cost to construct the facility, the cost of the generator, electric and gas interconnection costs, land acquisition, gross receipts taxes, PNM project costs and AFUDC.

6. PNM is not asking the Commission at this time for a change in rates due to the construction of the 80 MW Plant, or for a change in PNM's capital structure, or for the Commission to determine allocation factors or a specific rate of return associated with the plant. In accordance with PNM's Commission-approved Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC"), fuel expenses for the 80 MW Plant will be recovered through the FPPCAC.

7. In addition to the specific regulatory approvals addressed above, PNM requests such other and further relief as the Commission may deem necessary for PNM to develop and operate the 80 MW Plant, including approval of its Application by December 1, 2016.

On May 18, 2016, 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. 16-00105-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 July 15, 2016, 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 1.2.2.23(B) NMAC.
- b. Staff and any Intervenor testimony shall be filed by September 30, 2016.
- c. Rebuttal testimony shall be filed by October 21, 2016.
- d. A public hearing on this matter shall be held beginning on November 7, 2016 commencing at 9:30 a.m. at the offices of the Commission, P.E.R.A. Building, 1120 Paseo de Peralta, Santa Fe, New Mexico, and continuing on succeeding days, as determined by the Hearing Examiner. The hearing on November 8, 2016 (election day) will adjourn early for voting.

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 without further published notice.

The Commission's Rules of Procedure, 1.2.2 NMAC *et seq.*, shall apply to this case except as modified by order of the Commission or Hearing Examiner. A copy of such Rules may be obtained from the offices of the Commission and such Rules are available at the official NMAC website, <http://164.64.110.239/nmac/parts/title01/01.002.0002.htm>.

Any interested person may examine the 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 or at the offices of the Commission, located at

1120 Paseo de Peralta, Santa Fe, New Mexico 87501 (telephone 888-427-5772). Further information can also be obtained at "Case Lookup EdoCKET" on the Commission's website at [www.nmprc.state.nm.us](http://www.nmprc.state.nm.us).

Any interested person may appear at the time and place of hearing and make an oral or written comment pursuant to Rule 1.2.2.23(F) NMAC without becoming an Intervenor. Interested persons may also send written comments, which shall reference NMPRC Case No. 16-00105-UT, to the Commission. Such comments, however, are not considered as evidence in this proceeding.

Any person filing prepared testimony under 1.2.2.35(I) NMAC on behalf of a party shall attend the hearing and submit to examination under oath.

All documents filed with the Commission by mail shall be sent to: Records Bureau, 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.

Copies of documents filed with the Commission must be served on all parties of record and the Commission's Utility Division Staff ("Staff") in the manner indicated on the Certificate of Service for this case. All filings shall be e-mailed to Staff and the parties on the date they are filed with the Commission. All filings shall be e-mailed to the Hearing Examiner at [Ashley.Schannauer@state.nm.us](mailto:Ashley.Schannauer@state.nm.us).

Additional details regarding this proceeding and its procedural requirements are set forth in the Hearing Examiner's May 31, 2016 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.**

Individuals with a disability who are in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, may contact the Commission's docketing office at least 24 hours prior to the hearing. The Commission's docketing office may be reached at (505) 827-4526. Public documents associated with the hearing can be provided in various accessible forms for disabled individuals. Requests for summaries or other types of accessible forms also should be addressed to the Utility Division at (505) 827-6941.

**ISSUED at Santa Fe, New Mexico, this May 31, 2016.**

**NEW MEXICO PUBLIC REGULATION COMMISSION**

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**Ashley C. Schannauer  
Hearing Examiner**