

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 THE SAN JUAN GAS PLANT,)**

Case No. 15-00205-UT

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

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 June 30, 2015, 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, § 62-9-1(A), to construct, own and operate a 187 megawatt ("MW") natural gas-fired generating station in San Juan County near Waterflow, New Mexico ("San Juan Gas Plant").

(b) Pursuant to NMSA 1978, § 62-9-1(B), a determination of ratemaking principles and treatment that will be applicable to the San Juan Gas 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". In particular, PNM is seeking authorization to include the actual cost to construct the San Juan Gas Plant, up to a Certificated Estimated Cost of \$131.7 million, including Allowance for Funds Used During Construction ("AFUDC"), in the Company's total rate base in future ratemaking proceedings as the capital cost of the facility; and to recover in future ratemaking proceedings the plant's non-fuel operation and maintenance costs, property taxes and depreciation expenses.

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

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

1. The San Juan Gas Plant is being developed as replacement generation to partially replace retiring coal-fired units and to accommodate changing demand on PNM's system. The San Juan Gas 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 San Juan Gas Plant in service by the first quarter of 2018. The plant will be built for PNM under a turnkey contract.

2. Based on its most current forecast of loads and resources, PNM will need additional peaking generating resources before 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 reserve margin. PNM issued its 2014 Request for Proposals ("2014 RFP") 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 a large-frame gas turbine.

3. The selection of this technology offers numerous advantages, including quickstart and remote operational capability with minimal staffing requirements. The plant will employ low water use technology and be equipped with air emission control equipment that will make it among the cleanest fossil fuel generators in PNM's generation fleet. The ability to interconnect the San Juan Gas 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.

4. The plant's estimated \$131.7 million cost includes the cost to construct the facility, the cost of the generator, electric and gas interconnection costs, land acquisition and county siting approval costs, gross receipts taxes, PNM project costs and AFUDC.

5. PNM is not asking the Commission at this time for a change in rates due to the construction of the San Juan Gas 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 San Juan Gas Plant will flow through the FPPCAC when the Plant becomes operational.

6. 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 San Juan Gas Plant, including approval of its Application within nine months of its filing but in any event no later than May 2016.

On July 15, 2015, the Commission entered an Order designating the undersigned to preside over this proceeding and to issue a Recommended Decision, among other matters.

The Commission has assigned Case No. 15-00205-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 December 16, 2015, 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 January 15, 2016.

- c. Rebuttal testimony shall be filed by February 3, 2016.
- d. A prehearing conference will be held on February 9, 2016, 2016 commencing at 9:30 a.m. at the offices of the Commission, P.E.R.A. Building.
- e. A public hearing on this matter shall be held beginning on February 22, 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 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 Procedural Rules found at 1.2.2 NMAC shall apply to this proceeding 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 or at <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 505-827-6941). Further information can also be obtained at "Case Lookup EdoCKET" on the Commission's website at 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. 15-

00205-UT, to the Commission at the address set out in Paragraph 8 below. 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.

Additional details regarding this proceeding and its procedural requirements are set forth in the Hearing Examiner's September 9, 2015 Procedural Order.

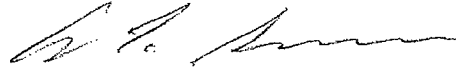
ANY PERSON WITH A DISABILITY REQUIRING SPECIAL ASSISTANCE IN ORDER TO PARTICIPATE IN THIS PROCEEDING SHOULD CONTACT THE COMMISSION AT LEAST 24 HOURS PRIOR TO THE COMMENCEMENT OF THE HEARING.

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 9th day of September, 2015.

NEW MEXICO PUBLIC REGULATION COMMISSION



Ashley C. Schannauer
Hearing Examiner