

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)**

Case No. 13-00390-UT

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

Case No. 19-00018-UT

**ORDER REQUESTING RESPONSE TO PNM'S DECEMBER 31, 2018
VERIFIED COMPLIANCE FILING CONCERNING
CONTINUED USE OF SAN JUAN GENERATING STATION TO SERVE NEW
MEXICO CUSTOMERS
PURSUANT TO PARAGRAPH 19 OF THE MODIFIED STIPULATION**

THIS MATTER comes before the New Mexico Public Regulation Commission (“Commission” or “NMPRC”) on Public Service Company of New Mexico’s (PNM) Verified Compliance Filing made pursuant to the requirements Paragraph 19 of the Modified Stipulation approved by the Commission’s 12/16/2015 Final Order in this case. The Commission, having reviewed the application and being otherwise duly informed, **FINDS:**

1) Paragraph 19 of the Modified Stipulation required that PNM make a filing with the PRC between July 1, 2018 and December 31, 2018 concerning whether the remaining units of San Juan Generating Station (SJGS) (Units 1 & 4) should continue serving PNM’s New Mexico retail customers after the June 30, 2022 expiration of the coal supply agreement (CSA) with San Juan Coal Company/Westmoreland. The Modified Stipulation contemplated that PNM’s decision would be based in part on post-June 2022 coal pricing information.

2) Paragraph 19 of the Modified Stipulation required PNM to make the filing "before PNM has made a binding commitment to a post-2022 coal supply agreement, but after PNM has received firm pricing and other terms for the supply of coal at SJGS, unless PNM proposes not to pursue a coal supply post-2022."

3) Paragraph 19 further provided that "The Signatories agree to support expedited Commission review and decision within six months after the date of PNM's filing. PNM shall not enter into a binding coal supply agreement prior to the conclusion of the case docketed to determine the extent to which SJGS should continue serving PNM customers, unless the agreement allows PNM to withdraw or adjust the terms depending on the outcome of the docket.

4) PNM's filing required by Paragraph 19 was made on December 31, 2019. In that filing PNM reveals that all co-owner participants in SJGS, including PNM, but excluding the City of Farmington, have provided the formal written notice to the other co-owners that after reviewing post-2022 coal pricing information, they do not intend to renew the existing participation and coal agreements for SJGS. TEP gave notice on May 22, 2018. Farmington gave notice on June 14, 2018. Los Alamos County gave notice one June 15, 2018. PNM provided notice on June 29, 2018 for both its merchant and retail ownership. UAMPS gave notice on July 26, 2018.

5) PNM's December 31, 2019 filing further indicates that no owners have sold their interests in SJGS to any third party and Farmington has not acted to either purchase those interests or otherwise acquire them at no cost; an option available to Farmington under the terms of the participation agreement between the co-owners. PNM has confirmed it will continue to negotiate with Farmington to acquire PNM's interests in SJGS, but it is obligated to begin taking steps toward an orderly closure of SJGS, because Farmington has not availed itself of that opportunity.

6) Because the co-owners have given notice that they will not continue with SJGS, PNM indicates it has given notice to San Juan Coal Company/Westmoreland that it will not extend or negotiate an extension of the CSA. PNM states: "Because a majority of the Participants have decided not to continue SJGS operations beyond June 2022, and there has been no sale or transfer of the SJGS ownership interests to Farmington or any third-parties, the Participants are contractually required to proceed with planning for an orderly shutdown of SJGS in 2022."

7) PNM states that Paragraph 19 required PNM to issue a request for proposals (RFP) as soon as practicable after the filing of its 2017 Integrated Resource Plan (IRP) and it did so on October 30, 2017. PNM indicates it has received 345 bid proposals for projects which it is now in the final stages of reviewing.

8) PNM further states: "PNM is in the process of developing the information necessary in order to file a future request with the Commission with respect to the abandonment of SJGS Units 1 and 4, and for any replacement resources." PNM affiant Mr. Fallgren states: "PNM plans to make a filing in the second quarter of 2019 requesting Commission approval to abandon SJGS Units 1 and 4 and for approval of specific replacement resources. In the meantime, PNM will continue its evaluation of the responses to the all resources RFP." PNM also indicates it: "will initiate technical conferences during the first quarter of 2019 with the signatories, the participants in the 2017 IRP proceeding and parties in this case, to discuss aspects of PNM's anticipated filing. PNM's consultants will provide these stakeholders with technical and modeling information."

9) PNM requests: "Because the majority of SJGS owners have given notice not to continue SJGS operations and there are no agreements that would allow it to operate beyond 2022. As a result, PNM is not seeking any approvals in its compliance filing that would allow PNM to

continue use of SJGS after June 2022 to serve retail customers and the issue presented under Paragraph 19 of the Modified Stipulation is essentially moot, Therefore, the Commission may accept the Compliance Filing as compliant with Paragraph 19 of the Modified Stipulation and this docket can remain closed.”

10) In light of the fact that PNM’s filing confirms that PNM has essentially irrevocably committed itself to the abandonment of SJGS over six months ago and is currently already involved in the steps necessary under its Exit Agreement with its co-owners to proceed with an orderly closure of SJGS, the Commission finds that it should open a new docket to address the issue of PNM’s abandonment of SJGS and seek the input of the signatories to the Modified Stipulation and the other parties in the 13-00390-UT and 17-00174-UT.

11) The issue to be addressed is whether the Commission should grant PNM’s request to accept the December 31, 2019 filing as a compliance filing and take no further action pending PNM’s filing of a formal abandonment application and request to approve replacement resources, or whether the Commission should not delay the abandonment proceeding any longer and should instead set a procedural schedule in the new docket requiring PNM to file testimony in support of already pending abandonment of SJGS. The respondents should also address whether and how the Commission should address the matter of replacement resources in this new proceeding or a separate proceeding.

IT IS THEREFORE ORDERED:

A. Pleadings addressing the issues identified above shall be filed by 12:00 PM (noon) January 18, 2019. Any response pleadings shall be filed by 12:00 PM (noon) January 22, 2018.

B. The Commission’s Utility Division staff (“Staff”) is required to file a position statement consistent with Staff’s statutory duty under §8-8-12.

C. New Docket 19-0000_-UT is opened by this Order. All subsequent pleadings addressing this matter shall be filed in docket 19-000__-UT only. No further pleadings shall be filed in case 13-00390-UT and that case shall remain closed.

D. This Order is effective immediately and a copy of this Order shall be served upon all persons listed on the Certificates of Service for cases 13-00390-UT and 17-00174-UT by e-mail, if e-mail addresses are known, or by regular mail otherwise.

ISSUED under the Seal of the Commission at Santa Fe, New Mexico, this 10th day
of January 2019.

NEW MEXICO PUBLIC REGULATION COMMISSION



CYNTHIA HALL, COMMISSIONER, DISTRICT 1




JEFFERSON L. BYRD, COMMISSIONER, DISTRICT 2



VALERIE ESPINOZA, COMMISSIONER, DISTRICT 3



TERESA BECENTI-AGUILAR, COMMISSIONER, DISTRICT 4



STEPHEN FISCHMANN, COMMISSIONER, DISTRICT 5

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing **Order Requesting Response to PNM's December 31, 2018 Verified Compliance Filing Concerning Continued Use of San Juan Generating Station to Serve New Mexico Customers Pursuant to Paragraph 19 of the Modified Stipulation** issued by the New Mexico Public Regulation Commission on January 10, 2019, was sent via email on January 11, 2019 to the parties indicated below:

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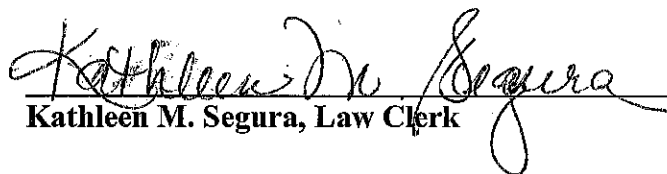
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DATED this 11th day of January, 2019.

NEW MEXICO PUBLIC REGULATION COMMISSION



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