
24-00089-UT; Bench Request Order

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BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION OF PUBLIC)
SERVICE COMPANY OF NEW MEXICO FOR)
REVISION OF ITS RETAIL ELECTRIC RATES) Docket No. 24-00089-UT
PURSUANT TO ADVICE NOTICE NO. 625)
_____)**

BENCH REQUEST ORDER

THIS MATTER comes before the New Mexico Public Regulation Commission (the “Commission”) upon its own motion. The Commission finds that it shall issue this Bench Request Order to Public Service Company of New Mexico (“PNM”) to clarify issues in this proceeding related to the potential acceleration of depreciation of Four Corners Generating Station (“Four Corners”).

JURISDICTION AND DISCUSSION

1. The Commission has jurisdiction over this matter pursuant to the Energy Transition Act (“ETA”)¹ and the Commission’s procedural rules.²

2. On June 14, 2024, PNM filed the “Application For Revision Of Retail Electric Rates” (“Application”).

3. In the Application, PNM requests approval to accelerate the depreciation schedule for Four Corners from 2041 to 2031.³ PNM Witness R. Brent Heffington testified as follows:

Q. Is PNM requesting that the terminal date for the depreciation rates be changed for Four Corners?

A. Yes. As explained by PNM witness Monroy, PNM determined that the current terminal date does not align with PNM’s expected remaining participation in the plant. The current Four Corners [coal supply agreement (“CSA”)] runs through July 6, 2031. As stated in PNM’s Interim Update Report in Case No. 23-00409-UT, PNM has evaluated available opportunities for an early exit from Four Corners and PNM has determined it is in the interest of customers for PNM to

¹ NMSA 1978, § 62-18-1 to -23 (2019, as amended through 2023).

² 1.2.2.30(B)(3) NMAC; 1.2.2.35(K) NMAC.

³ Application (June 14, 2024) at 3; Direct Testimony Of R. Brent Heffington (June 3, 2024) at 2:19-20, 4:6-7, and 37:8-11.

remain as a participant in Four Corners until the expiration of the current CSAs in July 2031. In order to align the approved terminal date with the expected Four Corners terminal date, PNM is requesting that July 2031, [sic] be approved for purposes of setting depreciation rates. This will match recovery of depreciation expense with the remaining useful life of Four Corners and avoid undepreciated investments after the plant no longer serves customers.⁴

And PNM Witness Henry E. Monroy testified that “PNM anticipates an increase in annual depreciation expense in the Test Period of \$20 million primarily due to the shortening of the Four Corners terminal date by 12 years.”⁵

4. On the issue of securitized financing under the ETA, Witness Monroy further testified:

Q. Will PNM still seek a securitized financing order for Four Corners in a future filing?

A. PNM has not made any final determination on whether PNM will file for securitization of any remaining Four Corners energy transition costs under the ETA at this time. What is known is that PNM plans to exit Four Corners at the end of the current coal supply agreement in 2031. PNM will seek to file for abandonment as the terminal date gets closer and replacement resources are evaluated and become known. The final determination of securitization will be made at that time.⁶

5. The Commission acknowledges the financial implications of PNM’s transition from coal, particularly regarding the management of undepreciated investments in Four Corners. The Commission also recognizes that securitization may influence PNM’s overall financial strategy, especially in its ability to invest in future renewable projects. Securitizing Four Corner’s undepreciated investments may offer PNM the opportunity to ensure favorable financing while ensuring that economic transition assistance is delivered to communities impacted by the closure of Four Corners. The Commission intends to closely monitor this issue.

⁴ Direct Testimony Of R. Brent Heffington at 37:13-38:3 (emphasis in original).

⁵ Direct Testimony Of Henry E. Monroy (June 14, 2024) at 38:10-12.

⁶ *Id.* at 39:7-14 (emphasis in original).

FINDINGS AND CONCLUSIONS

6. The Commission finds that it must assess the financial and regulatory impacts of PNM's request to accelerate depreciation, including any interaction with provisions of the ETA.

7. The Commission finds that it requires clarification regarding PNM's intentions and the financial implications under different depreciation scenarios, including the use of securitized financing options provided by the ETA.

IT IS THEREFORE ORDERED:

A. By November 12, 2024, PNM shall file supplemental testimony pursuant to the requirements below.

B. PNM's supplemental testimony shall include a working Excel spreadsheet that calculates the net present value of Four Corners revenue requirements for two scenarios:

i. accelerating depreciation at Four Corners to match a 2031 abandonment date, identifying the estimated energy transition costs as defined by the ETA and may be securitized under the ETA; and

ii. continuing to depreciate Four Corners pursuant to the currently approved depreciation schedule and securitizing the estimated energy transition costs under the ETA as of 2031.

C. PNM's supplemental testimony shall include the following:

i. a detailed explanation of the assumptions used to calculate the net present value revenue requirements for both scenarios listed above;

ii. an estimation of the amount of economic transition assistance that may be created pursuant to the ETA under both scenarios listed above; and

iii. a description and explanation of PNM’s understanding of whether and how the economic transition assistance to the affected region as addressed in the ETA would occur if PNM decides not to request a financing order under the ETA.

D. This Order is effective when signed.

E. Copies of this Order shall be e-mailed to all persons listed on the attached Certificate of Service if their e-mail addresses are known, and if not known, mailed to such persons via regular mail.

F. In computing time in accordance with statute, rule, or Commission order, the computation shall begin on the date that this Order is filed with the Chief Clerk or Chief Clerk’s designee of the Records Management Bureau.

SIGNED under the Seal of the Commission at Santa Fe, New Mexico, this 15th day of October, 2024.

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ Patrick J. O’Connell, electronically signed
PATRICK J. O’CONNELL, COMMISSIONER



BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PUBLIC)
SERVICE COMPANY OF NEW MEXICO FOR)
REVISION OF ITS RETAIL ELECTRIC RATES) **Docket No. 24-00089-UT**
PURSUANT TO ADVICE NOTICE NO. 625)
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CERTIFICATE OF SERVICE

I CERTIFY that on the date indicated below, I sent via email a true and correct copy of the foregoing *Bench Request Order*.

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DATED this 15th day of October, 2024.

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ LaurieAnn Santillanes, electronically signed
LaurieAnn Santillanes, Law Clerk