

# Position Paper



## Greater Albuquerque Chamber of Commerce

# BOARD POSITION

*Action: APPROVED*  
*Date: August 25, 2016*

### **Chamber Opposes Hearing Examiner's Recommended Decision, Urges PRC to Modify Recommendations**

#### *Position*

The Greater Albuquerque Chamber of Commerce Board of Directors opposes the recommended decision (RD) by the PRC Hearing Examiner which would disallow recovery for the necessary investments PNM has made in the Palo Verde Nuclear Generating Station ("Palo Verde" and the San Juan Generating Station ("San Juan") which are two of PNM's most important generation resources used to serve its customers. The Chamber urges the PRC to modify the RD so that it properly balances PNM's significant investments and lease commitments for these resources with the interests of PNM's customers. Charged with oversight of utilities in the state, the New Mexico Public Regulation Commission is statutorily required to responsibly balance the interests of electric customers and the utility.

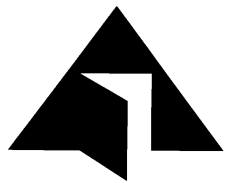
The Chamber believes the recommended decision in the pending PNM rate filing does not meet that responsibility, and in fact does a disservice to both.

Regulators give PNM the ability and obligation to serve as the sole supplier of electricity to all customers in a specific territory. In return, we believe the utility has the right to recover prudent costs, including the opportunity to make a reasonable, regulated return on its investments. The company must provide reliable service, meet state and federal regulations, and work in the best interests of customers.

The Chamber believes the recommended decision by the Hearing Examiner in the PNM rate case does not fairly consider the facts or precedent and goes against prevailing regulatory policy.

We encourage PNM be allowed to recover: 1) \$163.5 million for purchase of 64.1 megawatts of power from Palo Verde Unit 2); \$20 million per year for the cost to renew five leases for power from Palo Verde Units 1 and 2; and 3) \$52.3 million invested in emission control equipment and technology at San Juan that is required by law.

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The RD recommends three critical investments be disallowed entirely and has essentially reduced PNM's rate request from \$123.5 million to \$41.3 million.

While no one likes to see an increase in electric rates, the Chamber acknowledges that to effectively serve customers, promote economic growth and prosperity and strengthen the energy grid, periodic rate increases are necessary.

A financially healthy utility, reliable and affordable sources of energy and constructive regulatory environment are all critically important for attracting and retaining businesses and jobs.

### *Background*

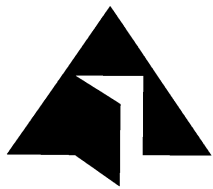
PNM's current rate filing is the company's first request for a general rate increase since 2010. The filing includes more than \$655 million dollars the company has invested since then to maintain its top quartile reliability, improve the energy grid and to responsibly serve its more than 531,000 customers.

The recommended decision by the Hearing Examiner recommends three critical investments be disallowed entirely. They are:

- \$163.5 million PNM spent to purchase an ownership interest in Palo Verde Unit 2. PNM had been leasing an energy from Palo Verde to serve customers for more than 30 years with the full approval of the Commission, including the authority to renew or purchase the leases upon expiration;
- \$20 million per year for PNM to renew five leases for continued power from Palo Verde Units 1 and 2. This is roughly half of what PNM has been paying for power under the leases for many years (a savings for customers) with the full approval of the Commission; and
- \$52.3 million for Balanced Draft emission control technology PNM installed on San Juan that is required under permits issued by the New Mexico Environment Department (NMED). This equipment reduces particulate emissions and makes the plant cleaner and safer for employees.

Since 1984 PNM has owned or leased part of all three units at Palo Verde, with the support and authorization of the Commission. As part of a blended mix of energy resources, Palo Verde has

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provided New Mexicans with reliable and affordable energy for more than three decades. Reducing carbon emissions is a national priority and there is increasing focus of environmental regulations, including the EPA's Clean Power Plan which aims to reduce carbon emissions. Nuclear energy is the only carbon-free energy resource that is available 24-7, and is needed if utilities are to reduce carbon emissions while maintaining reliability and responsibly serving customers.

If the Hearing Examiner's recommendations are approved as written, it could ultimately force PNM to relinquish nuclear energy currently in its mix of resources. The loss of this zero-emission resource would make it more difficult and costly to reduce emissions and for New Mexico to meet federal carbon regulations.

PNM takes very seriously its responsibility to protect the environment. Over the years the EPA has created tighter environmental controls across the nation. To ensure compliance with all regulations and to protect the health of employees, PNM recently invested \$52.3 million equipment, technology and operating expense at San Juan.

Additional consequences if the RD is adopted could be significant. PNM's credit rating could be downgraded due to the lack of timely cost recovery and an uncertain regulatory environment. Customer bills could potentially be impacted because PNM would have to pay more to access capital for improving and maintaining the energy grid. In addition, PNM has indicated that it will be forced to reevaluate its spending for New Mexico infrastructure, operations and in other areas.