

Executive Summary

PNM's Next Step Toward a Clean Energy Future

PNM's application in this case represents a major step under the Energy Transition Act to provide for an early exit from the Four Corners Power Plant ("FCPP") by December 31, 2024, almost seven years sooner than the plant's anticipated shutdown by its other owners. After posing the question of an early exit in PNM's integrated resource planning process, PNM negotiated the abandonment of its FCPP interest through a transfer to its plant co-tenant, Navajo Transitional Energy Corporation ("NTEC"). This effort completes PNM's transition out of coal, following on the approval by the Commission of the abandonment of the San Juan Generating Station ("SJGS"), which is expected to be shut down by the current owners by the end of June 2022.

The Energy Transition Act charts a new energy policy course for the state as it transitions away from coal-fired generation to cleaner energy resources for New Mexico consumers. The law sets out a framework to use securitized financing transactions to accelerate the removal of coal-fired power from the generation portfolios that serve customers. This critical financial tool ensures that PNM's transformation of its generation portfolio comes with lower costs for customers and with support for impacted communities that face their own economic transitions.

Overview of PNM's Application

PNM is asking the Commission to approve the following actions:

- abandonment of PNM's minority interest of 200 MW of the Four Corners capacity, representing thirteen percent (13%) of the total generation capacity at the plant, and;
- securitized financing of energy transition costs that include plant abandonment and financing costs along with funding state-administered tribal and community programs.

PNM requests that the Commission issue a decision on the application within the six-month period for review provided in the Energy Transition Act.

While the requests under the Energy Transition Act are similar, the FCPP application differs from the SJGS application in two key respects. First, unlike PNM's ability to shutdown SJGS, PNM's abandonment of FCPP requires the transfer of PNM's interest to one of the plant's co-tenants, the Navajo Transitional Energy Company, LLC ("NTEC"). Second, PNM is deferring its application for replacement resource until the fourth quarter of 2021, after this consolidated request for abandonment and securitization has been considered.

As part of the transfer to NTEC, PNM shareholders will be absorbing \$75 million in costs related to the transaction, resulting in additional customer savings from the early exit from FCPP.

Benefits of Commission Approval

The benefits from Commission approval shown in PNM's application and supporting testimonies include:

- Eliminating coal-fired generation from PNM's resource portfolio.

- Delivering carbon-emission reductions in accordance with PNM’s duties under the Energy Transition Act.
- Accelerating the transformation of PNM’s generation portfolio while lowering costs. Estimated customer savings range from approximately \$300 million to \$30 million depending on the Commission’s selection and cost of the ultimate replacement resources.
- Funding more than \$16 million in economic development and other tribal and local community benefits in San Juan County.
- Financing energy transition costs at the lowest feasible cost and favorable credit rates.
- Maintaining reliable and flexible service for customers.

Conclusion

The abandonment and transfer of PNM’s ownership share of FCPP to NTEC represents an important second step in the transition away from coal-fired generation and accelerates the implementation of a cleaner, more flexible energy portfolio for consumers.

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