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BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF STAFF'S PETITION)
TO INITIATE AN INQUIRY INTO THE)
SERVICE AND RATE IMPACTS OF PUBLIC)
SERVICE COMPANY OF NEW MEXICO'S)
"AGREEMENT IN PRINCIPLE" TO RETIRE)
SAN JUAN GENERATING STATION UNITS)
2 AND 3 BY 2017)
UTILITY DIVISION STAFF,)
Petitioner.)

Case No. 13-00200-UT

NEW MEXICO ATTORNEY GENERAL'S RESPONSE TO STAFF'S PETITION

The New Mexico Attorney General, Intervenor herein, supports the Staff's Petition requesting that the Commission initiate an inquiry into the impacts of Public Service Company of New Mexico's (PNM) "Agreement in Principle" relating to closure of portions of the San Juan Generating Station (SJGS). The Public Regulation Commission as the regulator of public utilities has an important role to play in the decisions relating to SJGS. If the PRC does not get involved in the process until PNM files a case relating to SJGS, the Commission could be preempted from a decision-making role because of the actions of other state and federal agencies that may not have a mandate to oversee utility rates to consumers. And because PNM stated at the Commission open meeting of July 3, 2013 that it will seek "ratemaking treatment of the unrecovered cost" of the SJGS units it has agreed to close, it is already evident that PNM does not contemplate discontinuation of recovery of the cost of plant that will no longer be used and useful. Because this is the type of issue that could be affected by the actions of other governmental agencies and utilities, the Attorney General believes that the public interest

requires that the Commission initiate a proceeding at the earliest time. The Attorney General believes that the following issues should be among those included in the Commission's investigation:

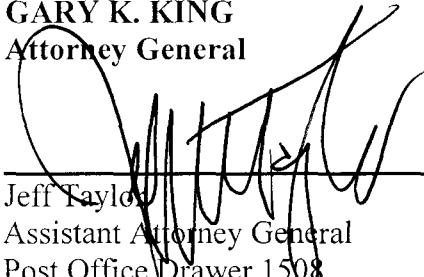
- Whether SJGS Units 2 and 3 be abandoned?
- Whether the proposed abandonment is voluntary?
- What is the impact of replacing SJGS, a base load unit, with a natural gas plant that is not a base load unit?
- Where should any replacement gas unit be located?
- Whether the timing of SJGS abandonment, which coincides with expiration of Palo Verde leaseback agreements, impacts PNM's base load, resource diversity and costs?
- Comparison of the cost of required environmental retrofit of SIP versus cost of abandonment of SJGS Units 2 and 3, including replacement power and fuel costs.
- If abandoned, should SJGS stranded costs be recovered; should ratepayers continue to pay for the costs of SJGS that are included in current rates if the plant is not used to generate electricity for customers?
- Other rate and reliability impacts of PNM's "Agreement in Principle", including its efficiency and renewables compliance; and load following and back-up power cost being paid by ratepayers.

WHEREFORE, The Attorney General respectfully requests that the Commission initiate an investigation of PNM's "Agreement in Principle" and its effects on New Mexico consumers as requested by PRC Staff, and such other relief as is appropriate.

Respectfully Submitted,

OFFICE OF THE NEW MEXICO ATTORNEY GENERAL

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DATED this 3rd day of July, 2013.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY, that a true and correct copy of the **New Mexico Attorney General's Response to Staff's Petition**, filed on the 3rd day of July, 2013, was sent via first-class, postage prepaid mail, and via electronic transmission, to the following individuals:

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DATED this 3rd day of July, 2013.

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