

San Juan Agreement Approved by N.M. Public Regulation Commission



PNM Resources

ALBUQUERQUE, N.M., Dec. 16, 2015 /PRNewswire/ -- PNM Resources' (NYSE: [PNM](#)) New Mexico Utility, Public Service Co. of New Mexico (PNM), today received approval from the New Mexico Public Regulation Commission (NMPRC) of an agreement that would allow for the retirement of two units at San Juan Generating Station (SJGS). The NMPRC voted 4-1 to approve the NMPRC General Counsel's proposed order for approval of the Hearing Examiner's Nov. 16, 2015 recommended decision.

"We are very pleased to have Commission approval of the agreement," said Pat Vincent-Collawn, PNM Resources' chairman, president and CEO. "The record for this case over the last two years has demonstrated our continued commitment to customers to provide reliable, affordable and environmentally sustainable power. This plan not only represents the least-cost alternative for compliance with federal environmental regulations, but also protects the economy of the Four Corners region and the state."

The approved agreement between PNM and various parties will result in the closure of two of the four coal-fired units at SJGS by Dec. 31, 2017, the installation of emissions control technology on the remaining units and other environmental and customer benefits to address compliance with federal visibility regulations under the Clean Air Act. In addition, the agreement will aid New Mexico's ability to comply with the U.S. Environmental Protection Agency's (EPA) Clean Power Plan, which imposes limits on carbon emissions. Signatories to the Aug. 13, 2015 agreement, which was the subject of the Hearing Examiner's recommended decision, are PNM, the Utility Division Staff of the NMPRC, the New Mexico Attorney General, Western Resource Advocates, the New Mexico Coalition for Clean Affordable Energy, New Mexico Industrial Energy Consumers, New Mexico Independent Power Producers and Interwest Energy Alliance.

"It's important to remember that we were originally faced with a costly federal implementation plan to reduce regional haze with equipment on all four San Juan units, but with the leadership of Governor Susana Martinez and strong community support including support from the Navajo Nation, we were able to work with the EPA and the state to find a lower-cost plan for customers that provides even broader environmental benefits," added Vincent-Collawn. "The agreement approved today is the result of substantial work done by many parties. I appreciate the collaborative effort that brought forth the best solution to a complex problem, along with the tenacity of those parties to continue to work on this solution during the course of the two years that it took to gain approval."

The closure of SJGS Units 2 and 3 by Dec. 31, 2017 and the installation of the Selective Non-Catalytic Reduction (SNCR) equipment on the remaining two units are expected to reduce water use and seven different emissions (including carbon) at SJGS by approximately 50 percent.

Approval of the plan also allows for significant customer savings to begin when the new coal contract with Westmoreland Coal Company takes effect and Federal Energy Regulatory Commission approval is received.

Approval of the agreement allows for:

- Retirement of SJGS Units 2 and 3 and recovery of and a return on 50% (currently estimated to be ~\$127.5 million) of the undepreciated value of the assets at Dec. 31, 2017.
- A Certificate of Public Convenience and Necessity (CCN) for 132 megawatts in SJGS Unit 4 with an initial book value of zero plus additional capital investment (including SNCR equipment), allowing for the continued operation of Units 1 and 4 and implementation of the beneficial new coal supply agreement.
- A CCN for 134 megawatts of the Palo Verde Nuclear Generating Station (PVNGS) Unit 3 to be used as replacement power with an initial rate base value based on the book value as of Dec. 31, 2017 (currently estimated to be ~\$1,118/kW).
- Accelerated recovery of SNCRs on SJGS Units 1 and 4 so they are fully recovered by July 1, 2022.
- The acquisition of 65 megawatts of SJGS Unit 4 as excluded utility plant by PNM.
- Beginning in January 2020, PNM will acquire and retire one megawatt-hour of Emission Rate Credits or Allowances or Renewable Energy Certificates for every megawatt-hour produced by 197 megawatts of PNM's share of SJGS Units 1 and 4. This will also help New Mexico achieve compliance with the EPA's Clean Power Plan. The associated costs cannot exceed \$7 million per year and will be recovered in rates.
- PNM will make a filing in 2018 to demonstrate the ongoing economic viability of SJGS beyond 2022 through an NMPRC case that all parties to the agreement will support being decided within six months. This time frame allows PNM and Westmoreland Coal Company to plan for coal mining operations beyond 2022.
- PNM will also contribute an additional \$250,000 this year to the company's Good Neighbor Fund, which helps low income customers cover electric bills in emergency financial situations. This is part of PNM's ongoing commitment to supporting community organizations and providing assistance to the least fortunate in New Mexico. Schedule 1 below reflects the projected incremental impact on 2018 rate base.

Background:

PNM Resources (NYSE: [PNM](#)) is an energy holding company based in Albuquerque, N.M., with 2014 consolidated operating revenues of \$1.4 billion. Through its regulated utilities, Public Service Company of New Mexico (PNM) and Texas-New Mexico Power Company (TNMP), PNM Resources has approximately 2,707 megawatts of generation capacity and provides electricity to more than 753,000 homes and businesses in New Mexico and Texas. For more information, visit the company's website at www.PNMResources.com.

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Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Statements made in this news release that relate to future events or PNM Resources' ("PNMR") or Public Service Company of New Mexico's ("PNM") (collectively, the "Company") expectations, projections, estimates, intentions, goals, targets, and strategies are made pursuant to the Private Securities Litigation Reform Act of 1995. Readers are cautioned that all forward-looking statements are based upon current expectations and estimates. PNMR and PNM assume no obligation to update this information. Because actual results may differ materially from those expressed or implied by these forward-

looking statements, PNMR and PNM caution readers not to place undue reliance on these statements.

PNMR's and PNM's business, financial condition, cash flow, and operating results are influenced by many factors, which are often beyond their control that can cause actual results to differ from those expressed or implied by the forward-looking statements. For a discussion of risk factors and other important factors affecting forward-looking statements, please see the Company's Form 10-K and Form 10-Q filings with the Securities and Exchange Commission, which factors are specifically incorporated by reference herein.

Schedule 1

	2018 Incremental Rate Base ⁽¹⁾ <i>(in millions)</i>
PVNGS Unit 3 CCN	
Based on an estimated value of ~\$1,118/kW	\$113
SNCR and Balanced Draft on SJGS Units 1 and 4	
Reflects \$78 million of capital investment. Approval of balanced draft cost deferred to general rate case.	\$63
Retirement of SJGS Units 2 and 3 and CCN for Additional 132 MWs of SJGS Unit 4	
PNM expects to have an estimated \$255 million undepreciated value in SJGS Units 2 and 3 at Dec. 31, 2017. PNM will recover 50 percent of the undepreciated value in SJGS Units 2 and 3 at a full rate of return. The result is a reduction to rate base for the 50 percent that would be written off. ⁽²⁾	\$(78)
2018 Incremental Rate Base Total	<u>\$98</u>

⁽¹⁾Rate base amounts include other items such as working capital for PVNGS Unit 3 and are all net of deferred income taxes. These estimates are included in the Company's 2018 \$2.5 billion average rate base projection for PNM Retail.

⁽²⁾The net after-tax income statement impact related to the agreement is approximately \$90 million. This includes the SJGS Units 2 and 3 unrecovered investment write-off and certain other items related to SJGS that are currently estimated to be approximately \$12 million.

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