

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN PUBLIC)
SERVICE COMPANY'S APPLICATION)
REQUESTING: (1) ISSUANCE OF A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
AUTHORIZING CONSTRUCTION AND OPERATION)
OF WIND GENERATION AND ASSOCIATED)
FACILITIES, AND RELATED RATEMAKING)
PRINCIPLES INCLUDING AN ALLOWANCE FOR)
FUNDS USED DURING CONSTRUCTION FOR THE)
WIND GENERATION AND ASSOCIATED)
FACILITIES; AND (2) APPROVAL OF A)
PURCHASED POWER AGREEMENT TO OBTAIN)
WIND-GENERATED ENERGY)
)
SOUTHWESTERN PUBLIC SERVICE COMPANY,)
Applicant.)

Case No. 17-00044-UT

NOTICE TO CUSTOMERS

NOTICE IS HEREBY GIVEN that:

1. On March 21, 2017, Southwestern Public Service Company ("SPS") filed an application seeking New Mexico Public Regulation Commission ("Commission") approval to construct, operate, and maintain two wind generation facilities (collectively, "SPS Wind Facilities"): the "Sagamore Wind Project" – a 522 megawatt ("MW") wind generating plant and associated facilities in Roosevelt County, New Mexico and the "Hale Wind Project" – a 478 MW wind generating plant and associated facilities located in Hale County, Texas. SPS is proposing to develop and own the SPS Wind Facilities to take

advantage of the federal Production Tax Credits ("PTC") associated with those facilities for the benefit of its customers. The New Mexico site is being purchased from Invenergy and the Texas site is being purchase from Nextera. In connection with the development of the SPS Wind Facilities, SPS is proposing to enter into a 30-year power purchase agreement ("PPA") with Bonita Wind Energy, LLC ("Bonita"), an affiliate of Nextera, for an additional 230 MW of wind generation output from three wind facilities in Texas. SPS projects that the combination of PTCs and fuel savings will lead to approximately \$2.8 billion in overall energy cost savings over the service lives of the SPS Wind Facilities and the Bonita PPA, with New Mexico retail customers receiving approximately \$638 million of those savings.

2. SPS's Application requests that the Commission:
 - a. Find it is in the public interest and consistent with Sections 62-6-12(A)(4) and 62-6-13 of the Public Utility Act for SPS to purchase the Sagamore and Hale sites, which will be the locations of the SPS Wind Facilities;
 - b. Issue a Certificate of Public Convenience and Necessity authorizing the construction, operation, and maintenance of the SPS Wind Facilities, and authorize SPS to accrue an allowance for funds used during construction;
 - c. Approve SPS's proposal to recover costs for the Sagamore Wind Project between the date the project begins commercial operation and the date the full investment in the project is included in rate base in a Commission rate case;
 - d. As part of the recovery of costs for the Sagamore Wind Project for the period before its full investment is included in rate base, allow SPS to record unused PTCs in a deferred tax asset that will be included in rate base;

- e. Approve an energy-based methodology to allocate the costs of the SPS Wind Facilities among jurisdictions;
- f. Approve a depreciation rate for production-related SPS Wind Facilities of 4.34%, which reflects a 25-year service life and a negative 8.5% net salvage value;
- g. For purposes of calculating SPS's base rate revenue requirement during the period between the date that the SPS Wind Facilities are included in rate base and December 31, 2025, allow SPS to include in rate base the deferred tax asset that results from unused PTCs;
- h. Confirm that SPS will be allowed to flow the value of the PTCs to its customers through its fuel and purchased power cost adjustment clause after the SPS Wind Facilities are included in rate base;
- i. Approve SPS's proposal to treat the revenue from the sale of Renewable Energy Certificates generated from the SPS Wind Facilities as off-system sales in which SPS retains 10% of the margins;
- j. Find that SPS's transactions with an affiliate, Capital Services, LLC to purchase turbines for the SPS Wind Facilities is a reasonable Class I transaction under Section 62-6-19(B)(1) of the Public Utility Act and Commission Rule 17.6.450 NMAC;
- k. Find that it is reasonable and consistent with Commission Rule 17.9.551 NMAC for SPS to enter into the Bonita PPA;
- l. To enable SPS to complete construction of the SPS Wind facilities in time to meet the deadline for claiming 100% of the value of the PTCs for the benefit of customers, approve a procedural schedule that will allow SPS to obtain a final order as soon as practicable, but not later than December 31, 2017; and
- m. Grant to SPS such other approvals, authorizations, and relief as the Commission deems necessary and proper in order to allow SPS to implement and effectuate the relief in the final order issued in this case.

3. SPS's proposal to construct, operate, and maintain the Wind Facilities and enter into the Bonita PPA would affect all of SPS's New Mexico retail customers.

4. The Commission has assigned Case No. 17-00044-UT to this Application, and all correspondence, pleadings, inquiries, written comments, or other communications concerning this matter should refer to that case number.

5. The present procedural schedule for this proceeding established in the Procedural Order issued by the Hearing Examiner on April 7, 2017 is as follows:

- a. Any person desiring to become a party to this case must file the original and five copies of a motion for leave to intervene in conformity with Rules 1.2.2.23(A) and 1.2.2.23(B) NMAC on or before May 22, 2017. All motions for leave to intervene shall be served on all existing parties and other proposed intervenors of record.
- b. The Utility Division Staff ("Staff") shall, and any intervenors may, file direct testimony on or before July 18, 2017, or in the alternative, any uncontested stipulation and any required documents pursuant to 1.2.2.20. NMAC, may be filed by July 18, 2017.
- c. Opposition to any stipulation pursuant to 1.2.2.20(B) NMAC shall be filed by July 24, 2017.
- d. Rebuttal testimony may be filed on or before August 3, 2017 or in the alternative, testimony in support of any stipulation shall be filed by August 3, 2017.
- e. Testimony in opposition to any stipulation shall be filed by August 8, 2017.
- f. A public hearing will be held on August 15, 2017 starting at 9:30 A.M. in the Ground Floor Hearing Room of the Commission in the P.E.R.A. Building, 1120 Paseo De Peralta, Santa Fe, New Mexico, and continuing thereafter, if necessary, to hear and receive testimony, exhibits, arguments, and any other appropriate matters relevant to this proceeding.

6. The procedural dates and requirements currently set in this case are subject to further order of the Commission or the Hearing Examiner. Interested persons should contact the Commission for confirmation of the hearing date, time, and place since hearings are occasionally rescheduled.

7. The Commission's Rules of Procedure found at 1.2.2 NMAC shall apply to this proceeding unless modified by order of the Commission or the Hearing Examiner. A copy of such Rules may be obtained from the offices of the Commission and are available online at the official NMAC website, <http://www.nmcpr.state.nm.us/nmac/>.

8. Any interested person may examine the application together with any exhibits, related papers, and pleading that may be filed in this case at SPS's offices or the Commission's office at the following addresses:

Southwestern Public Service Company
c/o Mike McLeod
111 East Fifth Street
Post Office Box 1937
Roswell, New Mexico 88201
Telephone: 575.625.5499

Southwestern Public Service Company
c/o Wes Berger, Manager, Rate Cases
600 S. Tyler, Suite 2400
Post Office Box 1261
Amarillo, Texas 79105-1261
Telephone: 806.378.2891

New Mexico Public Regulation Commission
P.E.R.A. Building
1120 Paseo de Peralta
Post Office Box 1269

Santa Fe, New Mexico 87504-1269
Telephone: 1-888-427-5772
Commission's website, <http://www.nmprc.state.nm.us/>

9. Anyone filing pleadings, testimony, and other documents in this case may file either in person with the Commission's Records Bureau in the P.E.R.A. Building in Santa Fe, New Mexico, or by mail addressed to: Records Bureau, New Mexico Public Regulation Commission, P.E.R.A. Building, P. O. Box 1269, Santa Fe, New Mexico, 87504-1269. The following physical address of the Commission shall be used only for special or hand deliveries: 1120 Paseo de Peralta, Santa Fe, New Mexico 87501. Copies of all filings shall be served on all parties of record and Staff as specified in the most recent Certificate of Service issued in this case. Copies of all filings shall also be e-mailed on the date of filing to the Hearing Examiner at elizabeth.hurst@state.nm.us by no later than 5:00 p.m. Mountain Prevailing Time.

10. Any person filing prepared testimony under 1.2.2.35(I) NMAC on behalf of a party shall attend the hearing and submit to examination under oath. No person shall testify at the hearing unless that person has pre-filed testimony.

11. Interested persons may appear at the time and place of hearing and make written or oral comment without becoming an intervenor. Written comments, which shall reference Case No. 17-00044-UT, also may be sent to the Commission at the mailing address provided in paragraph 9 above. However, pursuant to Rule 1.2.2.23(F) NMAC, comments shall not be considered as evidence in this case.

12. Additional details regarding this proceeding and its procedural requirements are set forth in the Hearing Examiner's April 7, 2017 Procedural Order.

13. ANY PERSON WITH A DISABILITY REQUIRING SPECIAL ASSISTANCE IN ORDER TO PARTICIPATE IN THIS PROCEEDING SHOULD CONTACT THE COMMISSION AT LEAST 24 HOURS PRIOR TO THE COMMENCEMENT OF THE HEARING.

ISSUED at Santa Fe, New Mexico this 7th day of April 2017.

NEW MEXICO PUBLIC REGULATION COMMISSION



Elizabeth C. Hurst
Hearing Examiner