

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

<b>IN THE MATTER OF SOUTHWESTERN</b>	)	
<b>PUBLIC SERVICE COMPANY’S</b>	)	
<b>APPLICATION REQUESTING APPROVAL TO</b>	)	
<b>RETIRE AND ABANDON ITS CARLSBAD</b>	)	
<b>GENERATING STATION,</b>	)	<b>CASE NO. 17-00 _____-UT</b>
	)	
<b>SOUTHWESTERN PUBLIC SERVICE</b>	)	
<b>COMPANY,</b>	)	
	)	
<b>APPLICANT.</b>	)	
	)	

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**SOUTHWESTERN PUBLIC SERVICE COMPANY’S**  
**APPLICATION FOR RETIREMENT AND ABANDONMENT OF THE CARLSBAD**  
**GENERATING STATION**

In accordance with NMSA 1978 § 62-9-5, Southwestern Public Service Company (“SPS”) applies to the Commission for an order granting the following relief:

- (a) authorize SPS to retire and abandon the use of the Carlsbad Generating Station (“CGS”) facility; and
- (b) grant all other approvals, authorizations, and relief that may be required for SPS to retire and abandon the CGS.

In support of this Application, SPS states the following:

**I. BACKGROUND**

1. SPS is a New Mexico corporation principally engaged in generating, transmitting, distributing, and selling electrical energy to the public in portions of New Mexico and Texas. SPS is a public utility as defined in the PUA, which provides electric service to the public within New Mexico pursuant to the rules, regulations, and tariffs on file with and approved by the Commission.

2. SPS's principal office in New Mexico is located at 111 E. Fifth Street, Roswell, New Mexico 88201. SPS's principal corporate office is located at 600 S. Tyler Street, Suite 2900, Amarillo, Texas 79101. As of May 22, 2017, SPS's principal corporate office will be located at 790 S. Buchanan Street, Amarillo, Texas 79101.

3. SPS is a wholly-owned subsidiary of Xcel Energy Inc. ("Xcel Energy"), which is a holding company under the Federal Energy Regulatory Commission ("FERC") regulations adopted under the Public Utility Holding Company Act of 2005.<sup>1</sup> Xcel Energy is also the parent company of three other rate-regulated utility operating companies,<sup>2</sup> a regulated natural gas pipeline company, two transmission-only operating companies regulated by the FERC, and a non-profit service company<sup>3</sup> that was established under the authority of the Securities and Exchange Commission, but which is now under the supervision of the FERC, and other legal entities.

4. The following corporate representatives and attorneys of SPS should receive all notices, pleadings, discovery requests and responses, and all other documents related to this case:

Linda Hudgins  
Regulatory Case Specialist  
Southwestern Public Service Company  
600 S. Tyler, Suite 2400  
Amarillo, TX 79101  
806.378.2709  
806.378.2820 (facsimile)  
linda.l.hudgins@xcelenergy.com

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<sup>1</sup> 18 C.F.R. Part 366.

<sup>2</sup> Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; and Public Service Company of Colorado, a Colorado corporation.

<sup>3</sup> Xcel Energy Services Inc.

Jeffrey L. Fornaciari, Esq.  
Hinkle Shanor LLP  
Post Office Box 2068  
Santa Fe, NM 87504-2068  
505.982.4554  
505.982.8623 (facsimile)  
jfornciari@hinklelawfirm.com

Matthew P. Loftus, Esq.  
Xcel Energy Services Inc.  
816 Congress Avenue, Suite 1650  
Austin, TX 78701  
512.236.6923  
512.478.9232 (facsimile)  
matthew.p.loftus@xcelenergy.com

## **II. BACKGROUND REGARDING CGS**

5. The CGS is a Westinghouse W-191 G gas turbine that was installed in 1967 and has been in its current location since 1977.

6. The CGS has the ability to generate 13 megawatts (“MW”) in the summer and 16 MW in the winter.

7. The CGS is near the end of its useful life and has operated primarily for voltage support over the past several years.

8. Due to several distribution and transmission projects, the CGS is no longer needed for voltage stability.

9. SPS does not need the capacity from the CGS to reliably serve its customers.

10. The present and future public convenience and necessity do not require the service or use of the CGS facility.

11. The CGS currently has a Commission-approved remaining life of 2025; however, several capital expenditures estimated to cost in excess of \$1 million (or approximately \$200,000

for the New Mexico retail jurisdiction)<sup>4</sup> will be needed to allow the CGS to operate until 2025. Additionally, significant operating and maintenance costs for a major overhaul outage could be required. SPS does not believe incurring these costs for the CGS would be an economically prudent use of funds.

12. SPS estimated that approximately \$4.9 million (or \$0.9 million for the New Mexico retail jurisdiction) can be saved if the CGS is retired early.

13. The CGS has unrecovered amounts for investment and dismantling costs of approximately \$998,689 (or \$193,566 on a New Mexico retail basis). SPS will address recovery of any unrecovered investment and costs to decommission and dismantle the CGS in its next applicable base rate case.

### **III. NOTICE**

14. On the same day SPS files this Application, it will serve a copy of this Application, and the supporting testimony, on the Commission's Utility Division Staff, the New Mexico Attorney General, and the parties in SPS's last general electric rate case, Case No. 15-00269-UT.

15. A copy of the proposed notice, except for the case number and the specific dates for the procedural schedule, is attached to this Application as Exhibit A. SPS proposes to publish notice one time in a newspaper of general circulation in each of the counties in which SPS operates.

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<sup>4</sup> An approximation based on the 12 Coincident Peak-Production jurisdictional allocator as of June 30, 2016.

#### **IV. MISCELLANEOUS MATTERS**

16. In support of SPS's Application, SPS is concurrently filing the direct testimony of the following witnesses:

- (a) Alan J. Davidson, whose testimony addresses: (1) background of the CGS, including that the unit is near the end of its useful life and the capacity and energy from the unit is not needed to reliably serve SPS customers; (2) the assessment undertaken by SPS that estimated approximately \$4.9 million (or \$0.9 million for the New Mexico retail jurisdiction) in savings if the CGS is retired early; (3) the decommissioning and dismantling activities to be undertaken if SPS's Application is approved; and (4) an introduction of SPS's other witness in the case.
- (b) Christopher W. Larson, whose testimony discusses: (1) the remaining unrecovered plant balance for the CGS; (2) the amounts recovered for decommissioning and the potential shortfall based on a decommissioning study estimate; and (3) SPS's plan to address the unrecovered investment and costs incurred to decommission and dismantle the CGS in excess of the cost of removal reserve in its next applicable rate case.

**WHEREFORE**, SPS requests that the Commission:

- (a) authorize SPS to retire and abandon the use of the CGS facility; and
- (b) grant all other approvals, authorizations, and relief that may be required for SPS to retire and abandon the CGS.

Respectfully submitted,

HINKLE SHANOR LLP

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Jeffrey L. Fornaciari  
Post Office Box 2068  
Santa Fe, NM 87504-2068  
505.982.4554

Matthew P. Loftus Esq.  
Xcel Energy Services Inc.  
816 Congress Avenue, Suite 1650  
Austin, TX 78701  
512.640.6622

Attorneys for Southwestern Public Service  
Company