

# Electricity Generation in Transition - A Regulatory Perspective

Presentation to Joint Meeting of Legislative Finance  
Committee & Revenue Stabilization and Tax Policy Committee

Farmington, NM

Sandy Jones, Commission Chair

July 19, 2017



# Public Regulation Commission

- Introductions
  - Sandy Jones, Chairman
  - Ernest Archuleta, Chief of Staff
  - Cydney Beadles, Director Legal Division
  - Bill Garcia, Acting Director Utilities Division, Director Consumer Relations
- Ex-Parte Limitations

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# Public Regulation Commission

- The Commission
  - Commission = 5 Elected Commissioners Elected by District
  - Regulatory Oversight of Electric, Gas and Water Public Utilities
  - Rates & Service (NM only; not Interstate)
- Electric Utilities in New Mexico
  - 3 Investor-Owned (IOUs)
    - Public Service Company of New Mexico (PNM)
    - Southwestern Public Service (SPS)
    - El Paso Electric (EPE)
  - 2 Generation and Transmission Coops (Limited Jurisdiction)
  - 16 Rural Distribution Coops (Limited Jurisdiction)
  - Municipal Utilities (outside of PRC Jurisdiction)

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# Public Regulation Commission

- Authority over Utilities (Open to Intervention & Public Comment)
  - Sets Retail Rates (e.g. Rate Cases)
  - Authorizes Acquisitions and Construction of Capital Assets through Issuance of Certificates of Convenience and Authority (CCN)
  - Authorizes Sale or Abandonment (Shut Down) of Capital Assets
  - Renewable Portfolio Standard (RPS)
  - Energy Efficiency (EE)
- Integrated Resource Planning
  - Public Process
  - Opportunity for City/County Participation
  - Establishes Roadmap for Future Utility Resource Needs

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# Intervention

- Wide Range of Intervenors and Representation in Rate Cases (and others)
  - Customer groups:
    - Residential and Small Business (AG)
    - Large Commercial & Industrial
    - Municipal
    - Environmental & Public Interest Groups
  - Opportunity to present evidence or to participate in settlement
  - Pursuant to NM Statute 8-8-12, PRC's Utility Division Staff represents "public interest in utility matters" by balancing the "public interest, consumer interest and investor interest".

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# San Juan Generating Station (SJGS)

## 2018 PRC Review

- In the 13-00390-UT abandonment case, PNM committed to file its recommendation on the extent to which SJGS should continue operating beyond 2022 (current coal supply agreement ends June 30, 2022)
- Filing to be made during last half of 2018 seeking PRC review & decision in 6 months
- 4-Year Action Plan in PNM's 2017 IRP reports that PNM will pursue abandonment of SJGS by 2022

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# 2015 Electric Rates & Bills in NM

- NM Residential bill is lowest in US but energy usage is also relatively low. Rate is slightly higher than average.
- NM Commercial bill and rate are slightly lower than average. Energy usage is low.
- NM Industrial bill is low but so is energy usage. Rate is slightly lower than average.

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# 2015 Electric Rates & Bills in NM

<u>Residential</u>	Average Monthly Energy (kWh)	Average Monthly Bill	Average Effective Rate (¢/kWh)
New Mexico	635	\$79.23	12.47 ¢
Mountain Region	844	\$99.91	11.83 ¢
US Total	901	\$114.03	12.65 ¢

- Lowest Monthly Bill in US
- 11<sup>th</sup> Lowest Electric Energy Usage
- 20<sup>th</sup> Highest Effective Rate
- [Source: US Energy Information Administration; Statewide Comparison]

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# 2015 Electric Rates & Bills in NM

<u>Commercial</u>	Average Monthly Energy (kWh)	Average Monthly Bill	Average Effective Rate (¢/kWh)
New Mexico	5,208	\$536.69	10.30 ¢
Mountain Region	5,760	\$559.29	9.71 ¢
US Total	6,305	\$670.82	10.64 ¢

- 20<sup>th</sup> Lowest Monthly Bill in US
- 15<sup>th</sup> Lowest Electric Energy Usage
- 19<sup>th</sup> Highest Effective Rate
- [Source: US Energy Information Administration; Statewide Comparison]

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# 2015 Electric Rates & Bills in NM

<u>Industrial</u>	Average Monthly Energy (kWh)	Average Monthly Bill	Average Effective Rate (¢/kWh)
New Mexico	67,526	\$4,276.79	6.33 ¢
Mountain Region	74,816	\$4,929.08	6.59 ¢
US Total	98,391	\$6,798.62	6.91 ¢

- 10<sup>th</sup> Lowest Monthly Bill in US
- 15<sup>th</sup> Lowest Electric Energy Usage
- 18<sup>th</sup> Lowest Effective Rate
- [Source: US Energy Information Administration; Statewide Comparison]

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# National Trends & Evolution

- Renewable energy now competitive with fossil fuel based generation on a kWh energy basis
- Intermittency of renewable energy generation requires flexible back-up, i.e. natural gas
  - Gas-fired generation can be more quickly adjusted to respond to fluctuations in demand
  - Increased availability of shale gas has kept gas prices low
  - Gas-fired generation less costly to construct

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# National Trends & Evolution

- Renewables constituted 19.9% of electricity generated during 1<sup>st</sup> half of 2016
  - Renewables constituted 13.7% in all of 2015
- Coal plant retirements 67% of all 2015 retirements
  - Coal 14.8 GW retired out of 22.7 GW retired all sources
  - Additional 6.5 GW coal generation retired 1<sup>st</sup> half of 2016
  - At least 14 GW additional coal generation to be retired by 2018
- Of 100.5 GW generation planned through 2023, only 1.5 GW coal-based production

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# National Trends & Evolution

- Renewable Portfolio Standard (RPS) statutory mandates result in displaced kWh from fossil fuel generation
  - CA 50% RPS by 2013  
SB 1368 limits emissions of new coal-fired power plants to 1,100 lbs. of CO<sub>2</sub> per MWh
  - AZ 15% RPS by 2025 (Current)  
Evaluating 30% RPS by 2030 (AZCC E-00000Q-16-00289)
  - CO 30% by 2020

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# National Trends & Evolution

- Large energy customers have developed goals with respect to sustainability and sourcing of energy needs
- Renewable Energy Buyers Alliance (REBA) was formed to grow corporate demand for renewable energy and to help utilities meet the demand.

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# National Trends & Evolution

- RPS Data to show growing amount of renewable energy generation among 3 electric IOUs which displaces conventional energy.

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# National Trends & Evolution

- EE Data to show growth in savings from efficiency measures which dampens demand (all other things being equal).
- EUEA 3% funding requirement is about \$40-45 million per year for 3 electric IOUs.

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# Challenges

- Economic Impact / Job Loss
- Loss of tax revenue
- Stranded investment
- Commission resources

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# Opportunities

- Meet Western US demand for clean energy mandates
  - Develop clean energy generation in Four Corners
  - Develop transmission to deliver clean energy
- Federal Production Tax Credit
- Distributed Energy Resource Development (i.e. Solar Rooftop)
- Energy Storage

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## Questions?

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