



## Filing Receipt

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**SOAH DOCKET NO. 473-22-1073  
DOCKET NO. 52485**

<b>APPLICATION OF SOUTHWESTERN</b>	<b>§</b>	
<b>PUBLIC SERVICE COMPANY TO</b>	<b>§</b>	<b>BEFORE THE STATE OFFICE</b>
<b>AMEND ITS CERTIFICATE OF</b>	<b>§</b>	
<b>CONVENIENCE AND NECESSITY TO</b>	<b>§</b>	<b>OF</b>
<b>CONVERT HARRINGTON</b>	<b>§</b>	
<b>GENERATING STATION FROM COAL</b>	<b>§</b>	<b>ADMINISTRATIVE HEARINGS</b>
<b>TO NATURAL GAS</b>	<b>§</b>	

**SOUTHWESTERN PUBLIC SERVICE COMPANY’S  
SECOND SUPPLEMENTAL RESPONSE TO ALLIANCE OF XCEL  
MUNICIPALITIES’ THIRD REQUEST FOR INFORMATION  
QUESTION NO. 3-1**

*(Filename: SPSResp3rdAXMSupp02.doc; Total Pages:22)*

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**EXHIBITS ATTACHED:**

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**SOUTHWESTERN PUBLIC SERVICE COMPANY’S  
SECOND SUPPLEMENTAL RESPONSE TO ALLIANCE OF XCEL  
MUNICIPALITIES’ THIRD REQUEST FOR INFORMATION  
QUESTION NO. 3-1**

Southwestern Public Service Company (“SPS”) files this supplemental response to the Alliance of Xcel Municipalities’ Third Request for Information, Question No. 3-1. SPS has provided notice, by email, to all parties that SPS’s Supplemental Response to Alliance of Xcel Municipalities’ Third Request for Information and accompanying exhibits (excluding voluminous and exhibits provided pursuant to the protective order) have been filed with the Commission and are available for download from the Commission’s Interchange website.

**I. WRITTEN RESPONSES**

SPS’s written supplemental responses to Alliance of Xcel Municipalities’ Third Request for Information are attached and incorporated by reference. Each response is stated on or attached to a separate page on which the request has been restated. SPS’s responses are made in the spirit of cooperation without waiving SPS’s right to contest the admissibility of any of these matters at hearing. In accordance with 16 Tex. Admin. Code § 22.144(c)(2)(A) (“TAC”), each response lists the preparer or person under whose direct supervision the response was prepared and any sponsoring witness. When SPS provides certain information sought by the request while objecting to the

provision of other information, it does so without prejudice to its objection in the interests of narrowing discovery disputes under 16 TAC § 22.144(d)(5). Pursuant to 16 TAC § 22.144(c)(2)(F), SPS stipulates that its responses may be treated by all parties as if they were made under oath.

## **II. INSPECTIONS.**

If responsive documents are more than 100 pages but less than eight linear feet in length, the response will indicate that the attachment is voluminous (“(V)”) and, pursuant to 16 TAC § 22.144(h)(2), the exhibit will be made available for inspection at SPS’s voluminous room at 919 Congress Avenue, Suite 900, Austin, Texas 78701; telephone number (512) 721-2700.

If a response or the responsive documents are provided pursuant to the protective order in this docket, the response will indicate that it or the attachment is either Confidential (“CONF”) or Highly Sensitive (“HS”) as appropriate under the protective order. Access to Confidential and Highly Sensitive materials will be available on Coffin Renner’s file sharing link to all parties that have signed and filed the certification under the protective order entered in this docket. Confidential and Highly Sensitive responsive documents will also be made available for inspection at SPS’s voluminous room, unless they form a part of a response that exceeds eight linear feet in length; then they will be available at their usual repository in accordance with the following paragraph. Please call in advance for an appointment to ensure that there is sufficient space to accommodate your inspection.

If responsive documents exceed eight linear feet in length, the response will indicate that the attachment is subject to the FREIGHT CAR DOCTRINE, and, pursuant to 16 TAC § 22.144(h)(3), the attachment will be available for inspection at its usual repository, SPS's offices in Austin, Texas, unless otherwise indicated. SPS requests that parties wishing to inspect this material provide at least 48-hour notice of their intent by contacting Stephanie Tanner at Coffin Renner L.L.P. PC, 1011 West 31st Street, Austin, Texas 78705; telephone number (512) 879-0900; facsimile transmission number (512) 879-0912; email address [stephanie.tanner@crtxlaw.com](mailto:stephanie.tanner@crtxlaw.com). Inspections will be scheduled to accommodate all requests with as little inconvenience to the requesting party and to SPS's operations as possible.

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Respectfully submitted,



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ATTORNEYS FOR  
SOUTHWESTERN PUBLIC SERVICE COMPANY

## **RESPONSES**

### **QUESTION NO. AXM 3-1:**

Reference page 9, lines 12-15 of Company witness Grant's direct testimony, please describe and provide the docket numbers and orders related to the past regulatory actions in New Mexico and Texas involving retirement of SPS's coal assets.


### **APRIL 28, 2022 SUPPLEMENTAL RESPONSE:**

NMPRC Case Co. 21-00200-UT - Conversion of Harrington from coal to gas. The New Mexico Public Regulation Commission issued a Final Order Adopting the Recommended Decision on April 27, 2022, which is attached as Exhibit SPS-AXM 3-1 (SUPP2). The Final Order approves SPS's request to convert all three Harrington units from coal to natural gas.

Preparer: Michael Knapp  
Sponsor: William A. Grant

### **CERTIFICATE OF SERVICE**

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on April 28, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

  
\_\_\_\_\_  
Mark A. Santos

**Sullivan-Leshin, Isaac, PRC**

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**From:** Sullivan-Leshin, Isaac, PRC  
**Sent:** Wednesday, April 27, 2022 2:19 PM  
**To:** Records, PRC, PRC  
**Subject:** 21-00200-UT; Filing Submission  
**Attachments:** 21-00200-UT\_2022-04-27\_Commission\_Final Order Adopting Recommended Decision.pdf

IN THE MATTER OF SOUTHWESTERN PUBLIC SERVICE )  
COMPANY'S APPLICATION 1) TO AMEND ITS CERTIFICATES )  
OF PUBLIC CONVENIENCE AND NECESSITY TO CONVERT )  
HARRINGTON GENERATION STATION FROM COAL TO )  
NATURAL GAS, 2) FOR AUTHORIZATION TO ACCRUE ) CASE NO. 21-00200-UT  
ALLOWANCE FOR FUND USED IN CONSTRUCTION, AND 3) )  
FOR OTHER ASSOCIATED RELIEF )  
 )  
 )  
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Please file the attached FINAL ORDER ADOPTING RECOMMENDED DECISION into the above captioned case.

Thank you.

Isaac Sullivan-Leshin

*Law Clerk for Office of General Counsel*



New Mexico Public Regulation Commission

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Phone: (505) 670-4830



**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

IN THE MATTER OF SOUTHWESTERN PUBLIC )  
SERVICE COMPANY’S APPLICATION 1) TO AMEND )  
ITS CERTIFICATES OF PUBLIC CONVENIENCE AND )  
NECESSITY TO CONVERT HARRINGTON )  
GENERATION STATION FROM COAL TO NATURAL ) CASE NO. 21-00200-UT  
GAS, 2) FOR AUTHORIZATION TO ACCRUE )  
ALLOWANCE FOR FUND USED IN CONSTRUCTION, )  
AND 3) FOR OTHER ASSOCIATED RELIEF )

**FINAL ORDER ADOPTING RECOMMENDED DECISION**

**THIS MATTER** comes before the New Mexico Public Regulation Commission (“NMPRC” or the “Commission”) upon August 6, 2021 filing by Southwestern Public Service Company (“SPS”) of an application, pursuant to Sections 62-9-1 and 62-9-6 of the New Mexico Public Utility Act (NMSA 1978, § 62-3-1 *et seq.*, (“PUA”)), the New Mexico Public Regulation Commission’s (“Commission”) Rules 17.1.2.9 NMAC, and 17.3.580 NMAC (Rule 580) (the “Application”) and upon the Recommended Decision issued on April 1, 2022; wherefore, being duly advised in the premises;

**THE COMMISSION FINDS AND CONCLUDES:**

1. SPS’s Application requested the Commission for a final order that: amends certificates of public convenience and necessity (“CCN”) previously obtained by SPS to authorize SPS to convert the three coal-powered steam turbine units at Harrington Generating Station (“Harrington”), north of Amarillo, Texas, to natural gas generation (“Harrington Conversion”) (*see* Sections 62-9-1 and 62-9-6 of the PUA); authorizes SPS’s Certificated Estimated Cost of construction and authorizes SPS to accrue an Allowances for Funds Used During Construction (“AFUDC”) for the Harrington Conversion (*see* Rule 580); and grants to SPS such other approvals, authorizations, and relief as the Commission deems necessary, proper, and appropriate for SPS to

implement the approvals authorized in this case. SPS stated that Harrington consists of three coal-powered steam turbine units, located in Potter County, Texas with a total net capacity of 1,050 MW. SPS stated that it obtained CCN authorization for the three coal-powered turbines in three proceedings before the Commission between 1975 and 1977.<sup>1</sup>

2. SPS sought approval to amend its existing CCNs to convert all three units at Harrington from coal generation to natural gas generation. SPS stated that the conversion will involve the construction of a new natural gas pipeline to Harrington and is possible because all three of the plant's boilers were originally designed to burn both coal and natural gas. The existing boilers, steam turbines and electric generators will continue to be used. The only change necessary is the construction of a gas pipeline and gas infrastructure to burn natural gas in the existing boilers instead of pulverized coal. SPS stated that its request is the result of an over two-year study relating to the retirement of its coal assets in New Mexico and Texas and regulatory actions in both states. SPS stated that it began informally evaluating the retirement of its coal assets in New Mexico and Texas Commission on Environmental Quality (TCEQ) in the 2015- 2016 timeframe following discussions with various stakeholders in both states. SPS informed that, as part of the settlement in Case No. 19-00170-UT,<sup>2</sup> SPS committed to studying the retirement of all its coal assets providing service to New Mexico customers. SPS stated that the study included an analysis and Request for Information ("RFI") related to replacing Harrington and was conducted in concert with

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<sup>1</sup> In the Matter of the Application of Southwestern Public Service Company for a Certificate of Convenience and Necessity to Construct Harrington Station Unit 2, Near Amarillo, Texas, Case No. 1254, Order Issuing Certificate (Dec. 9, 1975); In the Matter of the Application of Southwestern Public Service Company for a Certificate of Convenience and Necessity for its Existing Plant and System, Case No. 1253, Order Issuing Certificate (Feb. 5, 1976); In the Matter of the Application of Southwestern Public Service Company for a Certificate of Convenience and Necessity to Construct Harrington Station Unit No. 3, Near Amarillo, Texas, Case No. 1320, Order Issuing Certificate (Jan. 25, 1977).

<sup>2</sup> See In the Matter of Southwestern Public Service Company's Application for: (1) Revision of its Retail Rates Under Advice Notice No. 282; (2) Authorization and Approval to Shorten the Service Life of and Abandon its Tolk Generating Station Units; and (3) Other Relief, Case No. 19-00170-UT, Uncontested Comprehensive Stipulation.

SPS's analysis surrounding thereplacement of its Tolk Generating Station. Further, in 2019, SPS and Texas also entered into an Agreed Order to cease the use of coal-fired generation at Harrington by January 1, 2025, due to the results of the emissions quality monitoring at Harrington from 2016 to 2019.

3. SPS's Application asserted that the Harrington Conversion will serve the public convenience and necessity of New Mexico retail jurisdictional customers because it will allow SPS to continue to meet capacity needs and is supported by: (1) the results of SPS's studies in 2019 and 2021 related to the depreciation schedule of all coal assets providing service to New Mexico customers; (2) National Ambient Air Quality Standards implemented by the TCEQ that require SPS to cease the use of coal fired generation at Harrington by January 1, 2025; (3) the need to maintain Harrington's 1050 MW of generation as a resource for both necessary and reliable generation and voltage support; and (4) the economical options available to SPS and its customers to maintain generation, voltagesupport and reliability that would be otherwise lost if Harrington were retired ahead of its current schedule without replacement.

4. SPS's Application asserted that its proposed conversion of Harrington is also consistent with the Energy Transition Act ("ETA") because units at Harrington are scheduled to reach the end of their useful lives before the ETA's 2045 deadline, and the planned current depreciation schedule will not be altered as a result of the proposed conversion to natural gas. SPS's Application asserts its proposal will allow the boilers at Harrington to operate until the end of their current useful lives and the proposed conversion is consistent with SPS's long-term goal to transition to a fully carbon-free generating system by 2045. SPS anticipates that the Harrington units will run less often as more economical renewable energy resources are constructed on the system. SPS's Application asserted that its request to convert Harrington to natural gas is

consistent with the Energy Transition Act's ("ETA") goal of 100% carbon-free energy by 2045, because the units at Harrington are scheduled to reach the end of their useful lives between 2036 and 2040 – 5 to 9 years before the ETA's 2045 deadline. (DT Grant, p.12) and that the conversion to from coal will improve air quality in Texas.

5. SPS's Application asserts that its generation and voltage support needs in southeastern New Mexico supports a determination by the Commission that the public convenience and necessity requires the conversion, operation, and maintenance of Harrington and the amendment of CCNs for the Harrington Conversion in accordance with Section 62-9-1 and 62-9-6 of the PUA.<sup>3</sup>

6. SPS's Application was not requesting a determination of ratemaking principles and treatment that will apply to the Harrington Conversion's facilities in ratemaking proceedings. SPS's Application indicated that the Harrington Conversion has a Certificated Estimated Cost of between \$65 and \$75 million depending on the cost of commodities necessary for the buildout, which includes AFUDC of approximately \$2.1 million.

7. Reasonable, proper and adequate notice of SPS's Application and these proceedings has been provided.

8. The Commission has jurisdiction over the subject matter and the parties.

9. The public hearing was held on February 15 and 16, 2022, with the following entities and intervenors present: SPS, Staff, Sierra Club, CCAE, NMLCG and OPL.

10. Staff recommended approval of SPS's requests for both the CCN amendments and

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<sup>3</sup> The applicable legal standards are PUA Section 62-9-1 and 62-9-6. 62-9-6. Certificates; application; issuance. Before any certificate may be issued under Sections 62-9-1 through 62-9-6 See, the CCN standard: "...Except as otherwise provided in Section 62-9-2 New Mexico Statutes Annotated, 1978 Compilation, in determining whether any certificate shall issue as prayed for, the commission shall give due regard to public convenience and necessity... Also see 62-9-1. "New construction; ratemaking principles. A. No public utility shall begin the construction or operation of any public utility plant or system or of any extension of any plant or system without first obtaining from the commission a certificate that public convenience and necessity require or will require such construction or operation..."

the AFUDC, but suggested the following regulatory reporting conditions:

- a. SPS shall file copies of all construction permits received for this project in this docket within two weeks of receipt of the final permits required;
- b. SPS shall file in this docket the actual costs of this project, including the actual allowance for funds used during construction ("AFUDC") amounts and how they were calculated, and, also, a comparison of the original estimate to the actual installed costs, within one month of becoming available;
- c. SPS shall file a notice of the COD of these units; and
- d. SPS shall file a notice of the date that fuel costs, whether associated with start-up or commercial operation as a natural gas plant, shall first be included in SPS's Fuel and Purchased Power Cost Adjustment Clause. (DT Sidler p.16)

11. The Recommended Decision ("RD") found:

Findings: The proposed amendments to the CCNs allowing thereby allowing the proposed project, a conversion of the fuel used at Harrington Generating Station from coal to natural gas, is required by public convenience and necessity and will not result in unnecessary duplication or economic waste. Amendment of the CCNs, as requested, for the conversion, is in the public interest and should be approved. The estimated cost of the project, as proposed by SPS in the Application, is approved. The accrual of an Allowance for Funds Used During Construction (AFUDC) is appropriate. The conditions of approval requested by PRC Staff regarding regulatory reporting are reasonable. Conclusions: SPS satisfied its burden to prove by a preponderance of the evidence that the Commission should approve the requested amendments to its Certificates of Public Convenience and Necessity allowing the conversion of the Harrington Generation Station from Coal to Natural Gas. There being no persuasive evidence in opposition thereto, the Commission should also approve the request for the certified Estimated Cost of Construction and authorize the accrual of an Allowance for Funds Used During Construction. (AFUDC). There being evidence in opposition to the reasonable regulatory reporting conditions of approval as set forth by the Staff witness, the Commission should include said conditions in the Final Order.

12. The Hearing Examiner recommended that the Commission Order as follows:

SPS's requested amendments to its Certificates of Convenience and Necessity for the Harrington Generation Station allowing conversion from coal to natural gas as fuel are GRANTED, subject to the following conditions: SPS shall file copies of all construction permits received for this project in this docket within two weeks of receipt of the final permits required; SPS shall file in this docket the actual costs of this project, including the actual allowance for funds used during construction ("AFUDC") amounts and how they were calculated, and, also, a comparison of the original estimate to the actual installed costs, within one month of becoming available; SPS shall file a notice of the COD of these units; and SPS shall file a notice of the date that fuel costs, whether associated with start-up or commercial operation as a natural gas plant, shall first be included in SPS's Fuel and Purchased Power Cost Adjustment Clause. To the extent requested, SPS is GRANTED approval to include AFUDC in the Certificate of Estimated Cost of the Project. The

Commission accepts SPS's estimated cost for purposed of the Cost Overrun Rule.

13. On April 14, 2022, Sierra Club filed its Exceptions to the RD which stated that no one disputes that Harrington cannot continue to operate in its current configuration as a coal-fired plant past December 31, 2024 and that SPS committed itself to discontinue coal combustion at the plant by that date in a binding agreement with the State of Texas, before it even filed its Application. Nevertheless, Sierra Club reiterates that it originally took exception to the Application as a whole because SPS never sought actual project proposals for resources to replace Harrington to comply with its capacity obligations to the Southwest Power Pool ("SPP"). At this time, according to Sierra Club, the options before the Commission are: i) to approve a CCN for the conversion of all three units, or ii) to approve a CCN only for the conversion of the two newer units and deny the CCN for Unit 1. Sierra Club contended that option (ii) is the best least cost option based upon SPS's own modeling and the Independent Evaluator's report in order for SPS to be able to comply with the Texas agreement (to cease burning coal by December 31, 2024) while also maintaining system reliability. Sierra Club contended that the record demonstrates that all three Harrington units are not needed to ensure system reliability and SPS's modeling shows that Harrington Unit 1 is unlikely to ever be used if it is converted. Sierra Club stated that even if Unit 1 were needed in the future, the Independent Evaluator concluded that the unit could be converted at a later date, and that the conversion would take only a couple of months. Sierra Club contended that the RD's conclusion that the \$5 million difference in costs between retiring one unit and converting all three "was credibly characterized as statistically insignificant" was not testified to by any witness. Sierra Club argued that: "the Hearing Examiner improperly downplays SPS's own estimate that retiring Harrington Unit 1, instead of converting it, would save its customers \$5 million over the 20-year analysis period. SPS's independent evaluator came up with

a larger number, \$25 million.<sup>11</sup> In any event, as noted, the Hearing Examiner misuses the concept of statistical significance, which was never discussed by any witness in the case, to erroneously justify imposing on customers an unnecessary \$5 million in additional costs for a converted generating unit that will almost certainly not be used or useful.” Lastly, Sierra Club argued that Sierra Club’s position was not, as the RD said, “based on questionable modeling,” and “driven only by theoretical economic modeling considerations without regard to actual real-life circumstances”. However, Sierra Club states its option is not based upon Sierra Club’s modeling but because SPS and the Independent Evaluator’s analyses both demonstrate that it is. Sierra Club maintained that the Commission has an obligation to ensure that there is substantial evidence demonstrating that the proposed conversion of all three Harrington units is necessary to serve customer demand, that the proposed conversion is the most cost-effective option among feasible alternatives for meeting the utility’s need, and that the converted Harrington units will be used and useful. Sierra Club urged the Commission to reject the Recommended Decision and approve the conversion of only two of the three Harrington units.

14. In pre-filed testimony, at the hearing and in briefing, Staff and SPS contended that the Sierra Club position is flawed as it is driven only by theoretical economic modeling considerations without regard to actual real-life circumstances. They concur with Sierra that while the public convenience and necessity standard implies a net public benefit, and SPS must show that the change is most cost-effective among feasible alternatives, the reality is that there is no statically significant financial difference between the costs of the two alternatives, converting two or converting three units from coal to gas. Both maintain that there being no significant difference in cost, other practical criteria must be considered like reliability and that, especially during high

demand, it produces more reliability to convert all three units to natural gas and not retire one and only converts.

15. SPS filed its Response to the Sierra Club's Exceptions. SPS urged the Commission to adopt the RD is full because the Hearing Examiner correctly evaluated and weighed the credible evidence. **Full conversion is in the public interest and the most cost-effective alternative:** SPS maintains that the phrase "public convenience and necessity" is a legal standard primarily aimed at ensuring a net public benefit flows from the issuance of the CCN, which the Commission has stated is what is in the public interest. SPS argues that in a case, such as here, where the utility requests a CCN for generation not to be used toward compliance with the Renewable Portfolio Standards set forth in the Renewable Energy Act, the public convenience and necessity requires a utility to show that it needs the additional capacity the proposed plant will provide; and the utility must show that the resource it proposes is the most cost effective among feasible alternatives. SPS states the RD and the evidence demonstrates SPS's continuing need for the capacity supplied by Harrington as follows: i) Harrington's coal-fired units have been providing 1,050 MW of reasonably priced and reliable power to New Mexico customers since the mid-1970s; ii) Harrington's units have been managed to exceed their original useful lives, providing capacity, energy, reliability for customers at a cost-effective level; iii) Harrington must cease operating on coal by December 31, 2024;<sup>4</sup> and iv) SPS will continue to need the capacity and voltage support provided by Harrington's units well after coal operations must cease on December 31, 2024. SPS states that no one disputes that without conversion, SPS would need to enhance its voltage stability capabilities as well as add new firm and dispatchable replacement resources, such as gas

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<sup>4</sup>The requirement to cease operations as a coal-fired facility stems from National Ambient Air Quality Standards ("NAAQS") emissions quality monitoring at Harrington from 2017 to 2019.<sup>18</sup> As a result of that monitoring, SPS entered into an agreed order with the Texas Commission on Environmental Quality ("Agreed Order") to avoid a non-attainment designation for areas surrounding Harrington.



combustion turbines, to support the growing levels of intermittent resources under the ETA. SPS informs that if SPS is forced to operate its system without Harrington or adequate replacement resources, SPS's system will be subject to serious reliability risks depending on the availability of renewable generation and voltage demanded by the system. SPS also informs that, without conversion, SPS will also be forced below Southwest Power Pool's minimum reserve margin of 12% and replacement resources, if they could be found, would likely be cost prohibitive. In sum, SPS maintains that Commission approval of the RD is in the public interest, because of the necessary capacity, generation, and voltage support supplied by Harrington and retirement of the facility without a replacement resource for Harrington's 1,050 MW would immediately leave SPS customers without reliable service. Moreover, SPS states the evidence demonstrates that full conversion is more efficient than partial conversion and defers the need for new firm and dispatchable replacements, therefore, permitting the facility to serve as a bridge until new technologies and renewable resources can meet the generation and voltage support provided by Harrington.<sup>5</sup> The evidence demonstrates that SPS carefully considered a "retire one" scenario and that full conversion is still the best option among the alternatives presented. **Conversion is consistent with ETA's zero-carbon by 2045:** SPS argues that conversion is consistent with the ETA's zero-carbon resource standard for New Mexico investor-owned utilities by 2045 because after conversion, Harrington's units are still scheduled to reach the end of their operational lives

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<sup>5</sup> SPS recites the evidence that demonstrates that the cost of conversion is also reasonable as follows: "The total estimated cost of converting all three units at Harrington ranges from \$65 to \$75 million (\$20 to \$23 million on a New Mexico retail basis), the majority of which is the cost to construct a new pipeline that will be necessary to provide the three units with natural gas. The record is also undisputed that the cost to construct the pipeline stays the same regardless of whether two or three units are converted. This is because the size of pipe necessary to serve two units is the same size necessary to serve three—20 inches. In fact, because most of the conversion cost is in the pipeline, the incremental capital cost of converting the third unit is only approximately \$2 million. Stated differently, SPS can maintain the additional 340 MW of generation capacity of the third unit at Harrington for only an additional \$2 million of investment." Using EnCompass, which is a production cost modeling tool, SPS presented detailed economic analysis.

between 2036 and 2040 which is 5 years before the 2045 zero- carbon requirements of the ETA. SPS maintains the evidence demonstrates that the use of natural gas at Harrington will give SPS flexibility to implement additional renewable resources such as solar generation or wind generation elsewhere on SPS's system as renewable technologies, and energy storage technologies, are further developed and undergo technological improvement. SPS maintains that during the transition to renewable, it needs dispatchable generation resources such as natural gas generation during extreme weather events and when conditions negatively impact the ability of solar or wind generators to produce energy. SPS asserts that a converted Harrington is able to serve as a bridge to New Mexico's important goal of transitioning to a cleaner energy future while supporting reliability of service to customers. SPS argues that Sierra Club's preferred scenario to retire one unit is not based on credible evidence and ignores real-world issues like the reliability benefits and cost-effectiveness of converting all three Harrington units to operate on natural gas. SPS notes that Sierra Club originally recommended the Commission deny SPS's CCN amendment request in whole (retire all three Harrington Units by the end of 2024) but then its economic modeling analysis focused on the cost difference between a scenario where one Harrington unit is retired and two are converted versus converting all three units which came to the conclusion that there could be slight savings in a "retire one" scenario versus full conversion over the long-term period. To the contrary, SPS asserts that the evidence demonstrates that the cost to convert only two Harrington units to natural gas is projected to be \$5 million less than the cost to convert all three units over a 20-year period under base case assumptions. SPS asserts that the RD logically evaluated this \$5 million cost difference in the context of SPS's nearly \$12 billion in total system costs and maintains that \$5 million, when compared to \$12 billion, is a relatively minor amount. SPS states that, contrary to the Sierra Club's claim, the RD does not improperly "downplay" SPS's

estimate that retiring one unit would save customers \$5 million over 20 years. The RD properly conclude “there was no persuasive evidence of any significant difference in cost between the conversion of two units or the conversion of all three units.” SPS concludes that the Sierra Club’s criticism of the RD’s use of the term “statistically insignificant” is without merit because the RD relied on the evidence, under base case assumptions, to determine that only a \$5 million projected cost difference between the scenario in which two units are converted, compared to all three.

16. The Commission concurs with Staff, SPS and the RD that, while Sierra Club’s Exceptions have been recognized and its options considered but is not persuaded to accept them. The Commission concurs with the RD the life of the plant as a gas plant is within New Mexico’s time limit to move to 80% renewable resources 2045. The Commission concurs with Staff and SPS that that the continuing full capacity provided by all three units, not just two units, allows for more reliable power for consumers during peak demand. For this reason, the Commission concurs with the RD that converting from coal to natural gas for all three units, with continuing reliability, actually supports the gradual transition to renewables by 2045. The Commission finds that the record supports an approval of SPS’s request for modification of the CCNs for all three of the Units allowing construction of the gas supply pipeline and the conversion from coal to gas and supports approval of the estimated cost of construction and the accrual of AFUDC, allowances for funds used during construction pursuant to Rule 580 and the reporting type regulatory conditions suggested by Staff.

17. The Commission finds the RD is supported by substantial evidence in the record and therefore incorporates the RD in its entirety by reference as if fully set forth in this Order, and the statement of the case, discussion, and all findings of fact and conclusions of law and decretal paragraphs contained in the RD, are ADOPTED, APPROVED, and ACCEPTED as Findings and

Conclusions and Decretal Paragraphs of the Commission in their entirety.

**IT IS THEREFORE ORDERED:**

A. The findings of fact and conclusions of law and decretal paragraphs contained in the RD are ADOPTED, APPROVED, and ACCEPTED as orders of the Commission in their entirety.

B. The RD is ADOPTED, APPROVED and ACCEPTED in its entirety.

C. Any matter not specifically ruled on during the hearing or in this Final Order is disposed of consistently with this Final Order.

D. This Order is effective immediately.

E. This docket shall be closed upon SPS's filing in this docket of an updated loads and resources table that shows excess capacity of SPS's loads and resources with Harrington Unit 1 on line and without; how is the excess capacity utilized by SPS, such as does the capacity sit idle or is it sold on the open market.

F. Copies of this Order shall be e-mailed to all persons on the attached Certificate of Service if their e-mail addresses are known, and otherwise shall be sent via regular mail.

ISSUED under the Seal of the Commission at Santa Fe, New Mexico, this 27<sup>th</sup> day of  
April, 2022.

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ Cynthia B. Hall, electronically signed  
CYNTHIA B. HALL, COMMISSIONER DISTRICT 1

/s/ Jefferson L. Byrd, electronically signed  
JEFFERSON L. BYRD, COMMISSIONER DISTRICT 2

/s/ Joseph M. Maestas, electronically signed  
JOSEPH M. MAESTAS, COMMISSIONER DISTRICT 3

/s/ Theresa Becenti-Aguilar, electronically signed  
THERESA BECENTI-AGUILAR, COMMISSIONER DISTRICT 4

/s/ Stephen Fischmann, electronically signed  
STEPHEN FISCHMANN, COMMISSIONER DISTRICT



**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

IN THE MATTER OF SOUTHWESTERN PUBLIC )  
 SERVICE COMPANY'S APPLICATION 1) TO AMEND )  
 ITS CERTIFICATES OF PUBLIC CONVENIENCE AND )  
 NECESSITY TO CONVERT HARRINGTON ) **CASE NO. 21-00200-UT**  
 GENERATION STATION FROM COAL TO NATURAL )  
 GAS, 2) FOR AUTHORIZATION TO ACCRUE )  
 ALLOWANCE FOR FUND USED IN CONSTRUCTION, )  
 AND 3) FOR OTHER ASSOCIATED RELIEF )

**CERTIFICATE OF SERVICE**

I CERTIFY that on this date I sent, via email only, a true and correct copy of the **Final**

**Order Adopting Recommended Decision** to the following on the date indicated:

<b>Mark A. Walker</b>	<a href="mailto:Mark.A.Walker@xcelenergy.com">Mark.A.Walker@xcelenergy.com</a> ;	B. Tyler	<a href="mailto:bltyler@hollandhart.com">bltyler@hollandhart.com</a> ;
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**DATED** April 27, 2022

**NEW MEXICO PUBLIC REGULATION COMMISSION**

**/s/ Isaac Sullivan-Leshin, electronically signed**

**Isaac Sullivan-Leshin, Law Clerk**

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