

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF PUBLIC SERVICE )  
COMPANY OF NEW MEXICO'S )  
CONSOLIDATED APPLICATION FOR )  
APPROVALS FOR THE ABANDONMENT, ) 19-\_\_\_\_-UT  
FINANCING, AND RESOURCE REPLACEMENT )  
FOR SAN JUAN GENERATING STATION )  
PURSUANT TO THE ENERGY TRANSITION ACT )**

**DIRECT TESTIMONY  
OF  
RONALD N. DARNELL**

**July 1, 2019**

**NMPRC CASE NO. 19-\_\_\_\_-UT  
INDEX TO THE DIRECT TESTIMONY OF  
RONALD N. DARNELL**

**WITNESS FOR  
PUBLIC SERVICE COMPANY OF NEW MEXICO**

SECTION 1 – OVERVIEW OF PNM’S CONSOLIDATED APPLICATION .....	1
A. Retirement of the San Juan Coal Plant .....	7
B. Replacement Resources .....	9
C. Other Considerations .....	14
SECTION 2 – COMMUNITY IMPACT .....	17
CONCLUSION.....	24

PNM EXHIBIT RND-1

Résumé of Ronald N. Darnell

AFFIDAVIT

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 **Q. PLEASE STATE YOUR NAME AND DESCRIBE YOUR POSITION AT**  
2 **PNM.**

3 **A.** My name is Ronald N. Darnell. As the Senior Vice President, Public Policy, for  
4 Public Service Company of New Mexico (“PNM” or “Company”), I am  
5 responsible for regulatory, governmental and tribal affairs, corporate  
6 communications, pricing, community relations and stakeholder engagement for  
7 PNM. My business address is Public Service Company of New Mexico, 414  
8 Silver Avenue, SW, Albuquerque, New Mexico 87102. For more about my  
9 educational and professional qualifications, please see PNM Exhibit RND-1.

10

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 **A.** My testimony provides an overview of the Company’s Consolidated Application  
13 and the benefits to the community that would result from Commission approval of  
14 the Application.

15

16 **SECTION 1 – OVERVIEW OF PNM’S CONSOLIDATED APPLICATION**

17 **Q. WHAT IS THIS CASE ABOUT?**

18 **A.** This case is all about the implementation of the Energy Transition Act. The law  
19 charts a new energy policy course for the state to transition from traditional  
20 energy resources to a carbon-free environment. The Energy Transition Act does  
21 so by creating an innovative framework for New Mexico’s public utilities to  
22 replace coal-fired generation facilities with renewable resources, like wind and

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 solar, natural gas-fired peaking plants and cutting-edge energy storage  
2 technologies.

3  
4 In response to the Energy Transition Act, PNM is working hard to become the  
5 nation's first investor-owned utility to achieve a zero-emission goal by 2040.  
6 We're doing this through a collaborative and innovative approach to replace the  
7 generation at the San Juan coal plant. By doing this, we are committed to get to  
8 the best result for New Mexico's future while keeping energy affordable for the  
9 communities we serve. This plan focuses on the well-being of our local  
10 communities and our state at large by mitigating the impact of coal plant  
11 retirements. The Energy Transition Act enables and supports this approach  
12 through a financing mechanism known as "securitization." We believe that this  
13 proposal is the next step in the transition towards a cleaner, affordable energy  
14 future for New Mexicans.

15  
16 PNM's retirement of San Juan Units 2 and 3 in 2017 was an important first step in  
17 reducing our reliance on coal generation. The Energy Transition Act is a major  
18 policy shift that provides the Company with the opportunity to take the next step  
19 of replacing the remaining coal-fired generation at the San Juan coal plant. To  
20 continue along the path to realizing the Energy Transition Act's vision of a  
21 carbon-free environment, our filing assesses four scenarios for how the  
22 implementation of the Act could work. These four scenarios were developed  
23 from conversations throughout the legislative process, as well as after listening to

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 stakeholders throughout the state who played a key role in the legislation's  
2 development. In addition, the Energy Transition Act requires utilities like PNM  
3 to evaluate replacement resources based on a number of factors. Assigning  
4 different weights to these factors can lead to different outcomes and, in turn,  
5 different resource replacement scenarios.

6  
7 Based on that evaluation, we are recommending a scenario that combines solar,  
8 wind and battery storage distributed throughout New Mexico, with natural gas  
9 generation located in San Juan County. This scenario, which we are referring to  
10 as "Scenario 1," will accelerate the deployment of renewable resources and  
11 battery storage in PNM's resource mix while simultaneously saving customers'  
12 money. Equally important, the natural gas generation located in San Juan County  
13 will provide significant economic support to the sovereign tribal and other  
14 communities in the area.

15  
16 Finally, PNM wants to emphasize that the San Juan coal plant retirement is just a  
17 first step on a longer carbon-free energy path for New Mexico. More resources  
18 will be turning over in coming years, and if storage and renewable resources  
19 continue their cost declines, we will be well-situated to take advantage of even  
20 more and lower cost resources in future years.

21

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 **Q. CAN YOU DESCRIBE THE THREE OTHER RESOURCE**  
2 **REPLACEMENT SCENARIOS THAT PNM IS PRESENTING IN**  
3 **TODAY'S FILING?**

4 **A.** Yes. Under Scenario 2, the San Juan coal plant would be replaced by natural gas-  
5 fired resources located in San Juan County. This scenario would offer the most  
6 localized benefits to San Juan County of any scenario.

7  
8 Under Scenario 3, the San Juan coal plant would be replaced by renewables and  
9 battery storage distributed throughout the state, with no new natural gas  
10 generation.

11  
12 Under Scenario 4, San Juan coal plant would be replaced entirely by renewable  
13 energy resources. There would be no new natural gas generation or battery  
14 storage under this scenario.

15  
16 PNM Witness Thomas Fallgren provides detailed information about each of these  
17 scenarios.

18  
19 **Q. WHAT IS THE COMPANY'S ASSESSMENT OF THESE THREE**  
20 **SCENARIOS?**

21 **A.** We believe that Scenario 2 represents the best situation for San Juan County in  
22 terms of mitigating community impacts, as it will keep more jobs and taxes in San

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1           Juan. The resource mix in this scenario would also meet the Company's  
2           operational and reliability requirements.

3  
4           By contrast, Scenarios 3 and 4 present challenges related to specific requirements  
5           PNM is held responsible for as a regulated utility. With respect to Scenario 3,  
6           there are challenges related to the technological and operational risks associated  
7           with deploying energy storage to a degree not yet tested by any utility in the  
8           United States. With respect to Scenario 4, the technical analysis indicates that  
9           implementing this portfolio would violate established reliability standards. These  
10          challenges are discussed in further detail in the Direct Testimony of PNM Witness  
11          Fallgren and the Direct Testimony of PNM Witness Nicholas Phillips.

12  
13          We understand that people will have questions about our assessment of these  
14          scenarios, and we are looking forward to engaging with stakeholders and  
15          continuing the dialogue in this case. Drawing from the passage of the Energy  
16          Transition Act, we learned that stakeholders can find solutions to complex  
17          challenges when they come together with openness and transparency. By  
18          providing detailed information about these scenarios, this filing is intended to  
19          honor that legacy and spirit of cooperation. In the coming weeks, we look  
20          forward to engaging with stakeholders and receiving their feedback as to a best  
21          path for replacement resources.

22

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1   **Q.   WHAT APPROVALS IS PNM REQUESTING FROM THE COMMISSION**  
2   **IN ITS CONSOLIDATED APPLICATION?**

3   **A.**   PNM seeks approval of three primary actions: abandonment of the San Juan coal  
4   plant, resource replacement for the coal plant, and approval of the financing order.  
5   A brief overview follows. For a complete list of the requested approvals in this  
6   proceeding, please see the Consolidated Application.

7   **1. Abandonment of San Juan Generating Station.**

8   First, PNM is asking the Commission to authorize the Company to pursue the  
9   necessary actions for the future abandonment of its interests in San Juan  
10   Generating Station Units 1 and 4 as of July 1, 2022. This request includes: (1) the  
11   abandonment of the coal plant and facilities located at Waterflow, New Mexico;  
12   (2) the decommissioning of the coal plant and facilities and related mine  
13   reclamation; and (3) the recovery of abandonment costs and related costs through  
14   the issuance of securitized bonds. PNM estimates that it will issue securitized  
15   bonds in an amount of approximately \$361 million.

16   **2. Approval of Replacement Resources Under Scenario 1.**

17   Second, the Company is asking the Commission to issue an order approving a  
18   resource portfolio that will replace the retired capacity and energy at the San Juan  
19   coal plant. Because regulatory convention requires a specific plan for the  
20   Commission to evaluate, we are submitting formal requests for approval of each  
21   resource contained in our recommended combination of supplier-owned long-  
22   term agreements and utility-owned certificates of convenience and necessity.



**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1           **3. Approval of Financing Order.**

2           Finally, PNM is asking the Commission to approve a financing order approving  
3           PNM’s issuance of energy transition bonds that are securitized by a non-  
4           bypassable charge on customers. The Energy Transition Act allows utilities to  
5           issue these bonds to investors with prior approval of the Commission to facilitate  
6           the transition from coal-fired generating resources to carbon-free resources.  
7           Under this approach, the Company will forgo its profit on its unrecovered  
8           investment in the San Juan coal plant and related facilities and the bonds will be  
9           “securitized” by a charge paid by its customers. The availability of securitization  
10          in this case significantly lowers the cost of a retirement scenario as compared to  
11          PNM’s previous estimates, which makes this scenario even more economically  
12          attractive. Securitization is also the mechanism the Energy Transition Act  
13          establishes to fund state-administered tribal and community programs and  
14          severance and job training for workers at the plant and coal mine.

15  
16          ***A. Retirement of the San Juan Coal Plant***

17          **Q.     WHY DO WE NEED TO CONSIDER THE RETIREMENT OF THE SAN**  
18          **JUAN COAL PLANT NOW?**

19          **A.**     Reducing carbon emissions is a policy imperative, and the ambitious goals of the  
20          Energy Transition Act reflect New Mexico’s urgency to address this issue.  
21          PNM’s coal generation resources have been a key element of this portfolio for  
22          decades. They are also the largest source of carbon emissions. We have been

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 listening to the voices of various stakeholders, who are rightfully committed to  
2 reducing their own impact on the environment and are concerned about the  
3 greenhouse gas emissions associated with generating electricity. Today, the  
4 Company is operating in an environment where generation technologies are  
5 changing more rapidly than ever before, as previously costly energy resources and  
6 storage technologies become more affordable. Emerging energy storage  
7 technologies and tax credits for renewable generation, coupled with sustained  
8 lower natural gas prices and increases in efficiencies of new natural gas  
9 generation, are driving the transition away from coal-fired generation.

10  
11 Increased environmental regulation also plays a key role. For example, the  
12 Energy Transition Act places rigorous new emissions restrictions on the San Juan  
13 coal plant beginning in 2023.<sup>1</sup> In addition, the Act sets forth a series of renewable  
14 portfolio requirements that establish milestones for PNM's transition to a carbon-  
15 free future.<sup>2</sup> As PNM Witness Fallgren discusses in his testimony, Commission  
16 approval of the Consolidated Application will put the Company on track to meet  
17 the Act's 40 percent renewable portfolio standard in 2025.

18  
19 In sum, making the transition to sustainable energy now is the right thing to do for  
20 the environment, the people and the economic health of the state.

---

<sup>1</sup> See Energy Transition Act, Section 36.

<sup>2</sup> See *id.* Section 29.

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1     ***B. Replacement Resources***

2     **Q. PLEASE DESCRIBE THE PROCESS THAT PNM USED TO SELECT**  
3     **THE SCENARIOS THAT IT IS INCLUDING IN TODAY'S FILING.**

4     **A.** The Company's most significant task was to issue an all-source request for  
5     proposals ("RFP") for the replacement resources that would be necessary to  
6     maintain reliable service, assuming the retirement of the San Juan coal plant.  
7     There was a robust response from the bidding community, resulting in 345 bids  
8     for consideration by PNM and HDR Engineering Inc., an independent engineering  
9     firm. We also issued a supplemental RFP for additional energy storage facilities  
10    in April 2019 that resulted in 45 bids.

11

12    Through this process, PNM has focused on evaluating and identifying  
13    replacement portfolios that will meet the Energy Transition Act's objectives of  
14    complying with renewable portfolio standards and other environmental goals,  
15    mitigating the impact of coal retirement on tribal and local communities, and  
16    maintaining reliable service. With the assistance of outside experts, we  
17    determined that we had a strong mix of resource plans to select from. As PNM  
18    Witness Fallgren discusses in his testimony, our outside experts have cautioned us  
19    against integrating large-scale batteries into our system at this point in time, while  
20    recommending that we begin to integrate smaller-sized batteries throughout our  
21    system. The end result of this process is a resource portfolio that includes a very  
22    significant increase in the Company's solar resources (350 MW) and one of the

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 highest penetrations of battery storage (130 MW) for an electric utility of our size  
2 in the country, coupled with natural gas resources that provide needed reliability  
3 for the system.

4

5 **Q. HOW DO THE SCENARIOS COMPARE WITH ONE ANOTHER?**

6 **A.** The following table shows how the respective scenarios compare with one  
7 another along various metrics:

8

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1

**PNM Table RND-1 – Scenario Comparison**

<b>Resource Portfolio</b>	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 4</b>
Carbon Reduction (from 2005 levels) <sup>3</sup>	62%	59%	65%	67%
Loss of Load Expectation in 2023 (events per year) <sup>4</sup>	0.19	0.21	0.36	5.63
20-year Net Present Value (in millions) <sup>5</sup>	\$4.678	\$4.732	\$4.834	\$5.452
Average Monthly Residential Customer Savings in 2023 (compared to business as usual) <sup>6</sup>	-\$7.11	-\$6.53	-\$7.57	-\$1.65

2

<sup>3</sup> See Direct Testimony of PNM Witness Fallgren, PNM Table TGF-2.

<sup>4</sup> This metric represents the number of loss of load events due to capacity shortages, calculated in events per year. See Direct Testimony of PNM Witness Wintermantel at 9, lines 10-17. Based on the size of PNM’s system, Astrapé recommended as part of the 2017 IRP that PNM target a 0.2 Loss of Load Expectation (“LOLE”) standard (which means two events in ten years) at a minimum, which was included in the 2017 IRP. *Id.* at 12, lines 3-5. The LOLE figures in this table were calculated by Astrapé. They are included in the company’s report. See *id.*, PNM Exhibit NW-2, Table 29.

<sup>5</sup> See Direct Testimony of PNM Witness Wintermantel, Table NW-7.

<sup>6</sup> Savings “compared to business as usual” means how much an average residential customer would pay if the San Juan coal plant continues to operate, versus the costs associated with the replacement resources under each scenario. The figures in this table are based on an assessment performed by PNM Witness Settlage. See Direct Testimony of PNM Witness Settlage, Exhibit MJS-7, pages 1-4 (column labeled “Net Impact”). The average residential customer uses approximately 600 kWh per month. See Direct Testimony of PNM Witness Settlage at 26, lines 17-18. Mr. Settlage also estimates the impact of Scenarios 1 through 4 over a variety of usage levels for the Residential and Small Power Classes, which comprise over 90% of all PNM customers. See *id.* at 26, lines 12-18; PNM Exhibit MJS-7.

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 **Q. HOW WOULD THE STATE OF NEW MEXICO BENEFIT FROM**  
2 **COMMISSION APPROVAL OF THE CONSOLIDATED APPLICATION?**

3 **A.** The global energy industry is reaching a tipping point away from coal-fired power  
4 and towards diverse and sustainable energy. With abundant renewable and clean  
5 energy resources available in the state, New Mexico is well-positioned to lead this  
6 transition. New Mexico, through the Energy Transition Act, joined California and  
7 Hawaii as the first states in the nation to approve a 100% clean energy mandate,  
8 and PNM was the first investor-owned utility in the nation to commit to 100%  
9 carbon-free emissions by 2040. The retirement of the San Juan coal plant would  
10 significantly reduce coal-fired generation in the Company's resource portfolio,  
11 with corresponding reductions in greenhouse gas and regulated air emissions, and  
12 water consumption. It will promote the development of new resources located in  
13 New Mexico that bring opportunities to respond to the expanding regional energy  
14 markets and accommodate renewable energy growth in New Mexico and the  
15 West.

16  
17 At the same time, we are sensitive to the impacts that the closure of the San Juan  
18 coal plant will have on the local community and the state. To varying degrees,  
19 the scenarios included in this filing will help support the tax base for the Central  
20 Consolidated School District and create jobs for workers in San Juan County. For

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 example, the Company estimates that 375 new construction jobs will be created in  
2 the school district under Scenario 1.<sup>7</sup>

3  
4 Moreover, the Company is proposing that consideration be given to a PNM-  
5 owned 20 MW solar facility to be installed at the site of the San Juan coal plant.  
6 This facility would be built to fulfill PNM's obligation to acquire renewable  
7 energy certificates to offset certain emissions at San Juan Unit 4 between January  
8 1, 2020 and the plant shutdown. Using the already-committed customer funds to  
9 instead install solar facilities at the San Juan coal plant would add to the property  
10 tax base for San Juan County.

11  
12 Finally, the Energy Transition Act seeks to address the effects of the coal plant  
13 closure by focusing on concrete ways to support the people most affected. The  
14 securitized financing provides the means to make available severance and job  
15 training for affected PNM and San Juan Coal Company ("SJCC") employees.  
16 Through this Application, we are seeking to maximize the \$20 million in funding  
17 that is authorized by Section 2(H)(2)(b) of the Energy Transition Act for these  
18 purposes. Securitization also makes possible additional tribal and regional  
19 support that the Act directs to several state agencies for economic development  
20 and workforce training. We understand that employees in San Juan are facing  
21 uncertainty in this time of transition and respect the hundreds of employees who  
22 have committed, and continue to commit, their time to our Company and the

---

<sup>7</sup> See Direct Testimony of PNM Witness Fallgren, PNM Table TGF-3.

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 historic role the San Juan coal plant has played in providing low-cost, reliable  
2 power to our state for the past several decades. Although no perfect solution to  
3 this issue exists, PNM believes that these and other measures described in the next  
4 section of my testimony will help address some of the needs of our affected  
5 employees and communities.

6  
7 ***C. Other Considerations***

8 **Q. WHY IS PNM SEEKING CONSOLIDATED APPROVAL OF THE**  
9 **ABANDONMENT OF THE SAN JUAN COAL PLANT, A**  
10 **REPLACEMENT RESOURCE PORTFOLIO, AND A FINANCING**  
11 **ORDER IN THIS PROCEEDING?**

12 **A.** In part, PNM is submitting a Consolidated Application because that is what the  
13 Energy Transition Act calls for. The Energy Transition Act provides for the  
14 abandonment of qualifying facilities such as the San Juan coal plant, securitized  
15 financing related to such abandonments, and criteria for the Commission’s  
16 consideration in evaluating proposed replacement resources. The Energy  
17 Transition Act explicitly states that an application for a financing order “may be  
18 filed as part of the application for approval to abandon a qualifying facility.”<sup>8</sup> In  
19 addition, the Act makes clear that an abandonment application “may include  
20 requests for approvals for new resources necessitated by the abandonment of a

---

<sup>8</sup> Energy Transition Act, Section 4(A).



**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1           qualifying generating facility.”<sup>9</sup> Thus, the Act contemplates that the three  
2           components of this application work in concert with one another. I also note that  
3           the Commission has taken the position in the past that an abandonment case  
4           should include replacement resources. Accordingly, a comprehensive evaluation  
5           of the Consolidated Application will allow the Commission to best achieve the  
6           purposes of the statute.

7  
8           Equally important, we believe that presenting a comprehensive proposal to the  
9           Commission and interested stakeholders will allow for a holistic examination of  
10          these issues and result in the best outcome from both an environmental and  
11          economic perspective. This single look at the “big picture” realizes the collective  
12          vision laid out in the Energy Transition Act of cleaner, emissions-free energy for  
13          New Mexicans, and recognizes the public interest balancing that is the mission of  
14          this Commission.

15

16   **Q.    BUT THE ENERGY TRANSITION ACT ALSO PERMITS PNM TO SEEK**  
17   **COMMISSION APPROVAL OF REPLACEMENT RESOURCES WITHIN**  
18   **ONE YEAR OF THE COMMISSION’S APPROVAL OF AN**  
19   **ABANDONMENT APPLICATION. WHY DO WE NEED TO DO THIS**  
20   **NOW?**

21   **A.**    As an initial matter, the affected communities need to know what resources will  
22          be replacing the San Juan coal plant. Moreover, as discussed by PNM Witness

---

<sup>9</sup> *Id.* Section 4(C).

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 Fallgren, prompt decisions are needed to take advantage of certain tax credits  
2 applicable to the renewable resources proposed in this Application, and to meet  
3 construction deadlines so that new resources are in place when the coal plant is  
4 retired. If the independent suppliers cannot leverage these tax credits, there will  
5 be negative and long-lasting ramifications for our customers' bills. Sufficient  
6 lead time after the conclusion of this case will be needed for new replacement  
7 resources to be built.

8  
9 **Q. ARE THERE ANY STATUTORY OR REGULATORY DEADLINES**  
10 **ASSOCIATED WITH THE REPLACEMENT RESOURCES IN PNM'S**  
11 **APPLICATION?**

12 **A.** Yes. The Energy Transition Act anticipates that a holistic review will occur in an  
13 expeditious way and PNM is asking that review of the new resources not be  
14 deferred. This ensures that the Act's transition to cleaner energy can begin  
15 immediately and stay on course. The following statutory deadlines apply to this  
16 case:

- 17 • Section 5(A) and (C) of the Energy Transition Act allows the Commission  
18 to issue a financing order, together with abandonment and replacement  
19 resource approvals, within six months from the date the application for a  
20 financing order is filed. The Commission may extend the time for issuing  
21 the order by three months for good cause shown. Sections 4(D) and 5(C)  
22 of the Act also recognize that the Commission can defer new resource  
23 approvals to a separate docket.

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

- 1           • If deferred to a separate proceeding, Section 62-9-1(C) of the Public  
2           Utility Act provides that the Commission must issue an order granting or  
3           denying an application for a certificate of convenience and necessity  
4           within nine months or the application is deemed approved. The  
5           Commission may extend this nine-month statutory period for an additional  
6           six months for good cause. PNM is requesting that consideration of the  
7           new resources not be delayed.
- 8           • The Commission’s rule for prior approval of purchased power agreements  
9           (“PPAs”) at 17.9.551.10 NMAC provides that the Commission shall issue  
10          a final order on an application for approval of a PPA within six months or  
11          the application is deemed approved. PNM is requesting approval of the  
12          PPAs discussed in the testimony of PNM Witness Fenton and PNM  
13          Witness Fallgren.

**SECTION 2 – COMMUNITY IMPACT**

16   **Q.    HAS PNM HAD AN ANALYSIS PREPARED THAT ADDRESSES THE**  
17   **ECONOMIC IMPACTS ON PNM’S SERVICE AREAS THROUGHOUT**  
18   **THE STATE IF THE SAN JUAN COAL PLANT IS CLOSED IN 2022?**

19   **A.**    Yes. In early 2019 PNM commissioned a study by Regional Economic Models,  
20    Inc. (“REMI”). The REMI study was designed to examine the impact of the San  
21    Juan coal plant and San Juan mine closures on the economy of PNM’s service  
22    territory. PNM Witness Phillips addresses the study in his Direct Testimony.

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 **Q. IS THIS THE ONLY EXAMINATION OF ECONOMIC IMPACT THAT**  
2 **HAS BEEN PERFORMED?**

3 **A.** Previous economic studies of the San Juan coal plant have been performed, and  
4 one such study was presented to the Commission in Case No. 17-00174-UT.  
5 These studies have noted the effect of the station on the local economy. PNM's  
6 study added an assessment of the impact in PNM's service territory from PNM's  
7 transition to new generating resources, looking at both the type of technology as  
8 well as the location; resulting operational changes for PNM's system; and the  
9 change in the cost of electricity for PNM customers.

10

11 **Q. WHAT EFFORTS ARE BEING MADE TO HELP MITIGATE THE**  
12 **IMPACTS OF THE SAN JUAN CLOSURE?**

13 **A.** PNM has continued to mitigate work force reductions through voluntary  
14 retirements, attrition and available transfers to other PNM assignments. PNM  
15 estimates that of the current employees 43% will be retirement eligible in or  
16 before 2022. Also, all PNM employees are eligible for severance if their position  
17 is eliminated. SJCC employees are also eligible for severance as discussed further  
18 below.

19

20 The Energy Transition Act also provides for retraining of affected PNM and  
21 SJCC employees to equip them for the significant transition in the electric utility  
22 business. I discuss this further below.

23

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 **Q. ARE THERE OTHER EFFORTS THAT COULD ASSIST IN THE**  
2 **MITIGATION OF LOCAL ECONOMIC IMPACTS?**

3 **A.** Yes. The preference for siting of certain replacement resources in the San Juan  
4 area as provided for in Section 3 of the Energy Transition Act will provide  
5 economic opportunity as well as tax base. PNM is proposing to locate resources  
6 in the affected school district that, according to Section 3(E) of the Act, shall be  
7 subject to local property taxes. Please see PNM Witness Fallgren's testimony for  
8 further discussion.

9  
10 **Q. PLEASE ELABORATE ON THE PROVISIONS OF THE ENERGY**  
11 **TRANSITION ACT THAT WILL HELP MITIGATE THE ECONOMIC**  
12 **IMPACT FROM THE RETIREMENT OF THE SAN JUAN COAL**  
13 **PLANT.**

14 **A.** The Energy Transition Act provides for the following:  
15 1. Section 2(H)(2)(b) of the Act provides for up to \$20 million for severance and  
16 training for employees losing their jobs because of the shutdown of San Juan  
17 coal plant and the San Juan Coal Company's coal mine.  
18 2. Section 16 of the Act provides for additional funds as outlined below:  
19 a. Energy Transition Indian Affairs Fund = 0.5% of bond proceeds.  
20 b. Energy Transition Economic Development Assistance Fund = 1.65%  
21 of bond proceeds.  
22 c. Energy Transition Displaced Worker Assistance Fund = 3.35%.

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 As PNM Witness Eden explains in her testimony, if the Commission approves  
2 PNM's requested financing order and the issuance of energy transition bonds,  
3 PNM would make payments currently estimated to be approximately: (1) \$1.8  
4 million for deposit into the Energy Transition Indian Affairs Fund; (2) \$6.0  
5 million for deposit into the Energy Transition Economic Development Assistance  
6 Fund; and (3) \$12.1 million for deposit into the Energy Transition Displaced  
7 Worker Assistance Fund.

8

9 **Q. HOW WAS THE PNM SEVERANCE DETERMINED?**

10 **A.** At the time of this filing there are approximately 200 PNM employees on the San  
11 Juan site. An estimate of the number of employees that would continue to decline  
12 through attrition before June 2022 plus the estimated number of PNM employees  
13 that would retain PNM employment was performed. This resulted in an estimated  
14 168 employees eligible for severance on the site. In addition, 12 PNM Resources  
15 service employees that support the station are estimated to also be eligible for  
16 severance with the closure. The current PNM severance plan is highly dependent  
17 on the number of years of service for each employee. Therefore, the average  
18 years of service was developed to be 20 years. The calculation for PNM  
19 severance was based on the above estimates compared to the current actual PNM  
20 severance plan details. This resulted in an estimated \$10.4 million for PNM's  
21 share of the severance, which is an average of nine months of salary equivalent  
22 severance.

23

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 **Q. HOW WAS THE SAN JUAN COAL COMPANY SEVERANCE**  
2 **DETERMINED?**

3 **A.** PNM contacted SJCC to provide comparable estimates to the above PNM  
4 estimates. SJCC provided PNM the current mine employees at 242 employees  
5 and an estimate of 57 mine employees required to maintain employment past  
6 2022 to provide for the extended reclamation activities on the mine site. SJCC  
7 also informed PNM that it is currently proposing to provide its mine employees  
8 an estimated three months' severance. An estimate of the cost to increase the  
9 SJCC three months' severance to a nine months' severance to match the PNM  
10 San Juan coal plant employees was performed. This resulted in an estimated cost  
11 for SJCC mine employee severance of \$7.4 million.

12

13 **Q. HOW WERE THE PNM RETRAINING COSTS UNDER SECTION 2(H)**  
14 **OF THE ENERGY TRANSITION ACT DETERMINED?**

15 **A.** PNM completed an employee survey of its San Juan coal plant employees to seek  
16 their input on post 2022 job options. This survey included options to remain in  
17 the utility business or to seek employment outside the utility business. Based on  
18 these survey results PNM developed estimates of training classes that could be  
19 established to help prepare employees for those future opportunities. Based on  
20 the estimated future classes to support these survey results the PNM job retraining  
21 dollars are estimated at \$1.3 million.

22

**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 **Q. HOW WERE THE SAN JUAN COAL COMPANY RETRAINING COSTS**  
2 **UNDER SECTION 2(H) OF THE ENERGY TRANSITION ACT**  
3 **DETERMINED?**

4 **A.** PNM took the average retraining dollars per employee from their survey and  
5 corresponding training classes above which was \$8,000 per employee. This same  
6 \$8,000 was then multiplied by SJCC-supplied impacted mine employees of 185 to  
7 achieve the SJCC training dollars estimate of \$1.5 million.

8  
9 **Q HOW DO THE SEVERANCE AND RETRAINING COSTS COMPARE TO**  
10 **THE PROVISIONS IN SECTION 2(H) OF THE ENERGY TRANSITION**  
11 **ACT?**

12 **A.** Section 2(H)(2)(b) of the Act provides for “up to 20 million dollars per qualifying  
13 generating facility in costs for severance and job training for employees losing  
14 their jobs ...” PNM has quantified a total of \$20.6 million of costs expected to be  
15 incurred. PNM is requesting recovery of \$20 million. Please see PNM Witness  
16 Monroy’s testimony for further discussion.

17  
18 **Q. WHAT IS PNM PROPOSING FOR DISTRIBUTION OF THESE FUNDS**  
19 **AND FOR THE TIMING OF THE DISBURSEMENT OF THESE FUNDS?**

20 **A.** The PNM severance funds would be paid directly by PNM to impacted employees  
21 and the amount included in the bond total.

22



**DIRECT TESTIMONY  
OF RONALD N. DARNELL  
NMPRC CASE NO. 19-\_\_\_\_-UT**

1 The SJCC severance funds would be paid into an escrow account administered by  
2 a third party on April 30, 2020 or Commission approval, whichever is later, for  
3 the amount indicated above. Those funds would then be distributed to impacted  
4 employees at the time of their impaction. Any additional dollars remaining from  
5 this fund that are not paid to SJCC employees for severance prior to December  
6 2022 would be transferred to the New Mexico Workforce Solutions Department  
7 fund identified in Section 16 of the Act, as discussed further below. PNM is  
8 seeking to establish this early pre-payment as a regulatory asset and recover at the  
9 time of bond issuance.

10  
11 The PNM Employee Training fund would be administered by PNM and collected  
12 as part of a regulatory asset and recovered at the time of the bond issuance.

13  
14 The SJCC Training dollars would be paid to the Workforce Solutions Department  
15 who would administer these training activities. PNM would make that one-time  
16 payment on April 30, 2020 or Commission approval, whichever is later. PNM  
17 would establish a regulatory asset for this payment and recover it at the time of  
18 the bond issuance. See PNM Witness Monroy's Direct Testimony for more  
19 details on recovery of these costs.

20  
21 **Q SECTION 16 OF THE ENERGY TRANSITION ACT PROVIDES FOR**  
22 **ECONOMIC DEVELOPMENT SUPPORT FOR IMPACTED TRIBAL**



Résumé of Ronald N. Darnell

# PNM Exhibit RND-1

Is contained in the following 2 pages.

**RONALD N. DARNELL**  
**EDUCATIONAL AND PROFESSIONAL SUMMARY**

**Address:** Public Service Company of New Mexico  
414 Silver Ave. SW  
Albuquerque, New Mexico 87102

**Position:** Senior Vice President of Public Policy, 2012 to Present  
Vice President of Regulatory Affairs, 2008 to 2012

**Previous Positions:**

Xcel Energy, 2000-2008

Director, Regulatory Administration South, 2007-2008

- \* Responsible for regulatory policy, administration and pricing for Xcel-Colorado's retail and wholesale operations

Director, Pricing and Planning, 2000-2007

- \* Responsible for electric, gas and thermal regulatory pricing and load forecasting for regulated utility services in all states

New Century Energy, 1998-2000

Director, Electric Rates and Regulatory Services

- \* For utility operations in Wyoming, Colorado, New Mexico, Texas and under the jurisdiction of the Federal Energy Regulatory Commission, 1999-2000
- \* For utility operations in Wyoming and Colorado, 1998-1999

Public Service Company of Colorado, 1982 - 1998

Pricing Consultant, Marketing Department, 1997-1998

Unit Manager, Electric Rate Design and Regulatory Policy, 1994-1997

Supervisor, Revenue Requirements, 1989-1994

Senior Rate Accountant, 1988-1989

Rate Accountant, 1983-1988

Junior Rate Accountant, 1982-1983

**Education:**

California State University, 1981

Bachelor of Science in Business Administration – Accounting Emphasis

**Testimony Presented before:**

Colorado Public Utilities Commission  
Wyoming Public Service Commission  
Federal Energy Regulatory Commission  
New Mexico Public Regulation Commission

- \* Case No. 08-00273-UT
- \* Case No. 08-00305-UT
- \* Case No. 09-00260-UT
- \* Case No. 10-00037-UT
- \* Case No. 10-00086-UT
- \* Case No. 13-00390-UT
- \* Case No. 16-00191-UT
- \* Case No. 18-00269-UT

**New Mexico Environmental Improvement Board**

- \* Case No. EIB 13-02(R)

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE )  
COMPANY OF NEW MEXICO'S )  
CONSOLIDATED APPLICATION FOR )  
APPROVALS FOR THE ABANDONMENT, ) 19-\_\_\_\_\_-UT  
FINANCING, AND RESOURCE REPLACEMENT )  
FOR SAN JUAN GENERATING STATION )  
PURSUANT TO THE ENERGY TRANSITION ACT )

AFFIDAVIT

STATE OF NEW MEXICO )  
 ) ss  
COUNTY OF BERNALILLO )

**RONALD N. DARNELL, Senior Vice President of Public Policy at Public Service Company of New Mexico and PNMR Services Company**, upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing **Direct Testimony of Ronald N. Darnell** and it is true and accurate based on my own personal knowledge and belief.

SIGNED this 28<sup>th</sup> day of June , 2019.

  
RONALD N. DARNELL

SUBSCRIBED AND SWORN to before me this 28<sup>th</sup> day of June, 2019.

  
NOTARY PUBLIC IN AND FOR  
THE STATE OF NEW MEXICO

My Commission Expires:

1.21.2020