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Editorials

Editorial: PNM deserves fair return on its power investments

By Albuquerque Journal Editorial Board

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Cheap electricity sounds great. Free sounds even better. As someone once said, “Such a deal!”

From that perspective, the recommended decision by a Public Regulation Commission hearing officer on Public Service Company of New Mexico’s rate-hike request sounds great, until you delve into the reasoning, precedent and policy.

Then it short circuits.

Hearing examiner Carolyn Glick recommended on Aug. 4 that PNM recover none – as in zero – of the money it has agreed to pay for leases already signed, at a lower cost than it paid before, to continue to procure 114 megawatts of power from the Palo Verde nuclear plant in Arizona over the next eight years. That total will be about \$160 million.

She also completely disallowed any recovery for the purchase of 64 megawatts of new power from Palo Verde to make up for capacity lost as PNM shuts down two units of the coal-fired San Juan Generating Station, part of an air-cleanup deal praised by both state and federal officials. Whether the purchase should be taken at market value as PNM suggests, or some lower figure such as book value, is a fair consideration. Zero is not.

Glick, a former Sierra Club member, also disallowed \$52 million for pollution controls at San Juan that are required by the state’s air quality permit. In effect, she ruled they weren’t needed, as if a hearing officer can somehow trump what in effect is state law.

In all, she slashed PNM’s rate hike request from an increase of \$123.5 million to \$41.3 million.

Glick said PNM didn’t prove the nuclear power was the lowest-cost alternative. The problem with that is Palo Verde – in addition to being a zero-carbon source – is part of the Integrated Resource Plan the utility is required to work from. And even if recovery of the cost of the new power via the new transactions is disallowed, there is still nuclear in the portfolio – as there should be.

In addition to telling the commission the recommended decision will lead to layoffs and possibly a lower credit rating, PNM has objected to this decision via the filing of “exceptions,” and two of the major intervenors – an industrial consumer and an environmental group no less – agree in their exceptions that some reasonable value be set for the new Palo Verde purchase and/or leases. During the evidentiary portions of the lengthy rate case, there were no objections even raised to the “half-price” lease extensions.

PNM is likely not entitled to the full amount it has asked for. But Glick’s recommended decision is so extreme that on its face it appears to be an unconstitutional taking.

The commission needs to do what it is charged to do: balance the interests of ratepayers and shareholders in an equitable way supported by precedent and evidence.

It should reject this decision and do that – and save itself a likely embarrassing result if PNM appeals to the state Supreme Court.

This editorial first appeared in the Albuquerque Journal. It was written by members of the editorial board and is unsigned as it represents the opinion of the newspaper rather than the writers.