
NEW MEXICO PUBLIC REGULATION COMMISSION

FROM THE OFFICE OF DISTRICT 4 COMMISSIONER LYNDA LOVEJOY

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FOR IMMEDIATE RELEASE

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NEWS RELEASE

Commission Approves El Paso Electric's Application to Sell Interest at Four Corners

Commissioner Lovejoy Applauds Decision

SANTA FE – New Mexico Public Regulation Commissioner Lynda Lovejoy joined the rest of the Commission on Wednesday, June 15 in approving an application submitted by El Paso Electric Company (EPE). That application sought all necessary regulatory approvals for the company to sell its ownership interest in Four Corners Power Plant's Units 4 and 5 to Arizona Public Service Company (APS), the majority owner and operator of Four Corners. A purchase and sale agreement was finalized last February, with an anticipated closing date of July 6, 2016, between EPE and APS.

"I am proud of the work done in reaching an agreement between El Paso Electric and all of the other joint owners of the Four Corners Power Plant, Units 4 and 5, and approved by the New Mexico Public Regulation Commission (NMPRC)," Commissioner Lovejoy stated. The Four Corners Power Plant is located on Navajo Tribal land located near Farmington, N.M., approximately 360 miles from EPE's service territory. The Four Corners site is leased from the Navajo Nation, and is subject to easements and rights-of-way from the federal government, and wholly located in Commissioner Lovejoy's district. "I am relieved that reclamation costs, an important aspect of this agreement, were met."

The application approved on Wednesday by the Commission secures regulatory asset treatment to defer for recovery in EPE's next rate case costs associated with EPE's ownership and use of Four Corners to serve New Mexico customers. These costs included decommissioning costs, incremental final mine reclamation costs, limited Navajo Nation lease payments, and certain unfunded APS pension and other post-employment benefit costs.

EPE has committed to filing its next general rate case in New Mexico in the first quarter of 2017, using a historical test year for the 12 months ending September 30, 2016, and to remove from New Mexico rates in its next filed case, the investment and operating costs associated with Four Corners, except for rate recovery of the two regulatory assets as agreed upon in the joint stipulation and for the amounts as compromised.

The Joint Stipulation provides substantial net benefits to the public in the range of \$124.6 million to \$170.4 million in addition to significant non-quantifiable benefits, and satisfies the Commission's standards for adoption of stipulations, meets the regulatory standards for abandonment and approval, and adoption is in the public interest.

EPE should be authorized to create an incremental regulatory asset for final coal mine reclamation costs limited to the amount of \$1,092,572 on a New Mexico jurisdictional basis, amortized on a seven-year basis without carrying costs. This regulatory asset in the specified amount should be collected effective with rates approved in EPE's next rate case.

The addendum to the Joint Stipulation provides additional net benefits, and EPE will forego recovery of environmental and litigation costs on a New Mexico basis.

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