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PRC nixes some customer costs for Four Corners Power Plant

On January 3, the Public Regulation Commission adopted the hearing examiners' finding that PNM acted imprudently in extending its participation in Four Corners Power Plant beyond 2016. As a result, the commission disallowed roughly \$84 million from the amount PNM can recover from customer rates. This comes as part of the Commission's final order in PNM's pending rate case.

PNM had asked the Commission to approve rates that would have included more than \$200 million in costs associated with operating the Four Corners coal plant after 2016. Those are costs that PNM incurred after it decided to renew its stake in the coal-fired Four Corners plant beyond 2016, when the prior coal-supply agreement expired. This issue was first litigated in PNM's 2016 rate case, in which the hearing examiners found the expenditures to be imprudent, but the commission ultimately deferred a decision on prudence until the next rate case and approved a settlement that allowed PNM to recover a reduced amount in rates.

In the current rate case, Sierra Club attorneys and its expert, Jeremy Fisher, refuted PNM's argument on prudence and demonstrated that ratepayers are entitled to a significant disallowance for PNM's bad decision-making with this coal plant, backed by financial calculations and analyses.

The current case comes after PNM's 2021 proposal to transfer its 13% stake in Four Corners to NTEC, the owner of the mine that feeds the plant. The commission rejected that transfer, and Sierra Club and commission attorneys successfully defended that decision at the Supreme Court this year.

"Today, the commission recognized that PNM failed to do its due diligence before reinvesting in Four Corners after 2016, when there were clear signs that coal is a costly and deadly fuel," said Matthew Gerhart, a Senior Attorney with Sierra Club. "Four Corners is now the largest single source of air pollution in New Mexico. Four Corners should be retired and replaced with clean energy."