BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN PUBLIC SERVICE COMPANY'S 2023 INTEGRATED RESOURCE PLAN FOR NEW MEXICO	)	**Case No. 23-0073-UT**
SOUTHWESTERN PUBLIC SERVICE COMPANY	)	

SIERRA CLUB'S COMMENTS[1]

Pursuant to 17.7.3.12 NMAC, Sierra Club respectfully submits these comments on Southwestern Public Service Company's ("SPS" or the "Company") 2023 Integrated Resource Plan ("2023 IRP"), dated October 13, 2023. Sierra Club has been engaged in the public advisory process for this IRP, and SPS's previous IRP, as well as other IRP processes across the country. Sierra Club welcomes the New Mexico Public Regulation Commission's initiatives to facilitate a more transparent IRP process through the use of Independent Monitors.

The IRP process is a critical part of any regulated utility's responsibility to ratepayers. It provides a process by which stakeholders, SPS, and the Commission may rigorously evaluate key assumptions and uncertainties in meeting future energy demand, probe the full range of supply- and demand-side planning alternatives, and debate how to handle risk *before* SPS commits itself and its ratepayers to significant investment costs associated with procuring new

[1] Comments prepared with assistance from Shelley Kwok, Devi Glick, Rose Anderson, and Tenzin Gyalmo at Synapse Energy Economics, which is a research and consulting firm specializing in energy, economic, and environmental topics. Since its inception in 1996, Synapse has grown to become a leader in providing rigorous analysis of the electric power and natural gas sectors for public interest and governmental clients. Synapse's staff includes experts in energy and environmental economics, resource planning, electricity dispatch and economic modeling, all-sector emissions modeling, energy efficiency, renewable energy, transmission and distribution, rate design and cost allocation, risk management, cost-benefit analysis, environmental compliance, and both regulated and competitive electricity and natural gas markets.

generation or extending the life of existing generation resources. Ideally, the integrated resource planning process offers an opportunity for an informed, deliberative, and collaborative approach to resource planning, which ultimately serves the best interest of New Mexico's ratepayers and also accounts for the utility's interests and requirements. An effective process engages stakeholders throughout the stages of planning—in reviewing initial assumptions, finding a common frame of reference for analysis, reviewing draft model outcomes, and vetting the action items that emerge from this analysis. To that end, and as further explained below, the Sierra Club, with the assistance of Synapse Energy Economics, offer the following comments and recommendations as part of SPS's IRP report.

- Two of SPS's portfolios, the Multi-Jurisdictional Baseline portfolio and the Gas-to-Hydrogen conversion portfolio, rely on between 1,770 MW and 5,736 MW of new natural gas capacity over the study period (2028-2043). Without conversion to burn at least 96% hydrogen, however, gas resources are not compliant with New Mexico's Energy Transition Act or the proposed Greenhouse Gas Standards and Guidelines for Fossil-Fuel-Fired Power Plants under Section 111 of the Clean Air Act ("Section 111 Rule"). Given the uncertainties around hydrogen as a fuel source, continued investment in gas risks subjecting ratepayers to stranded asset costs.
- SPS did not fully model all renewable tax credits and funding options that could be available to the Company under the Inflation Reduction Act ("IRA"), including Energy Community Reinvestment Financing.
- SPS did not model and consider all potential compliance pathways under the proposed Section 111 Rules, including operating its new proposed combustion turbines ("CT") and combined cycle gas plants ("CC") at reduced operational levels instead of investing in hydrogen conversion.

Recommendations:

- SPS's Five-Year Action Plan should not include any plans to build new gas capacity, given that new gas resources were not found to be economic by the model during this time frame and that the Company did not assess the full impact of the proposed Section 111 Rule.
- SPS should not plan to build any new gas capacity during the study period that would have to be converted to operate on hydrogen to comply with the ETA and the proposed Section 111 Rules. Given the uncertainty around the cost and

commercial viability of hydrogen as a fuel source, SPS should rely on commercially available clean energy resources and not subject ratepayers to stranded asset risk.

- SPS should outline its understanding of the environmental compliance options required for new and existing fossil units to comply with the proposed Section 111 Rule.
- SPS should model additional tax credits available for renewables under the IRA in its final IRP modeling runs, including the Energy Infrastructure Reinvestment Financing program within the IRA.

I. SPS SHOULD CAREFULLY CONSIDER ALTERNATIVES TO GAS IN ITS REPLACEMENT PORTFOLIO.

A. SPS includes a substantial quantity of new gas capacity in two of its four portfolios, which is risky and may subject ratepayers to stranded asset risk.

SPS allowed its model to build new gas resources in two of its four portfolios. Specifically, in the both the Multi-Jurisdictional Baseline ("MJB") portfolio and the Gas-to-Hydrogen conversion ("HC") portfolios, the model suggests that SPS build 837 MW of new combined cycle gas capacity as well as a substantial portion of new firm peaking capacity (933 MW in the HC scenario, and 4,899 MW in the MJB) over the study period (2028-2043). In the Existing Commercially Available Carbon-Free Dispatchable Technology Resource ("ET") and Long Duration Storage ("LDS") portfolios, no new gas resources are built.

SPS acknowledges that new gas resources are not compliant with the Energy Transition Act ("ETA"), and thus the MJB portfolio is not compliant with the ETA, but the presence of so much gas in half of the Company's portfolios is concerning. In the HC portfolio, SPS models all new gas resources as converting to operate on hydrogen. This is also concerning because, based on current hydrogen production methods and technology, there are no currently-operating, utility scale generation resources that are capable of co-firing 96% hydrogen (or more), as required by the Section 111 Rule and the ETA. Moreover, hydrogen produced from current steam generation processes can result in greater lifecycle greenhouse gas emissions than burning gas alone. Similarly, we note that with respect to renewable hydrogen (which is required under the proposed Section 111 Rules), there are no currently-operating, utility scale generation resources. If new gas plants are built and then renewable hydrogen does not become economically competitive, ratepayers will be stuck with a stranded asset.

In fact, SPS's own modeling indicates that hydrogen conversion for new gas resources is not a particularly attractive option, as it plays out in accordance with SPS's assumptions for this IRP. When allowed to select either gas-to-hydrogen resources or short-duration battery storage, the model still selects four-times as much storage resources as hydrogen-capable gas plants.[2]

In response to stakeholder requests, SPS modeled two relatively aggressive, but plausible, demand-side scenarios for meeting a portion of capacity needs, which were called "dynamic load shifting" and "demand response." Both of these scenarios were found to yield material cost savings.

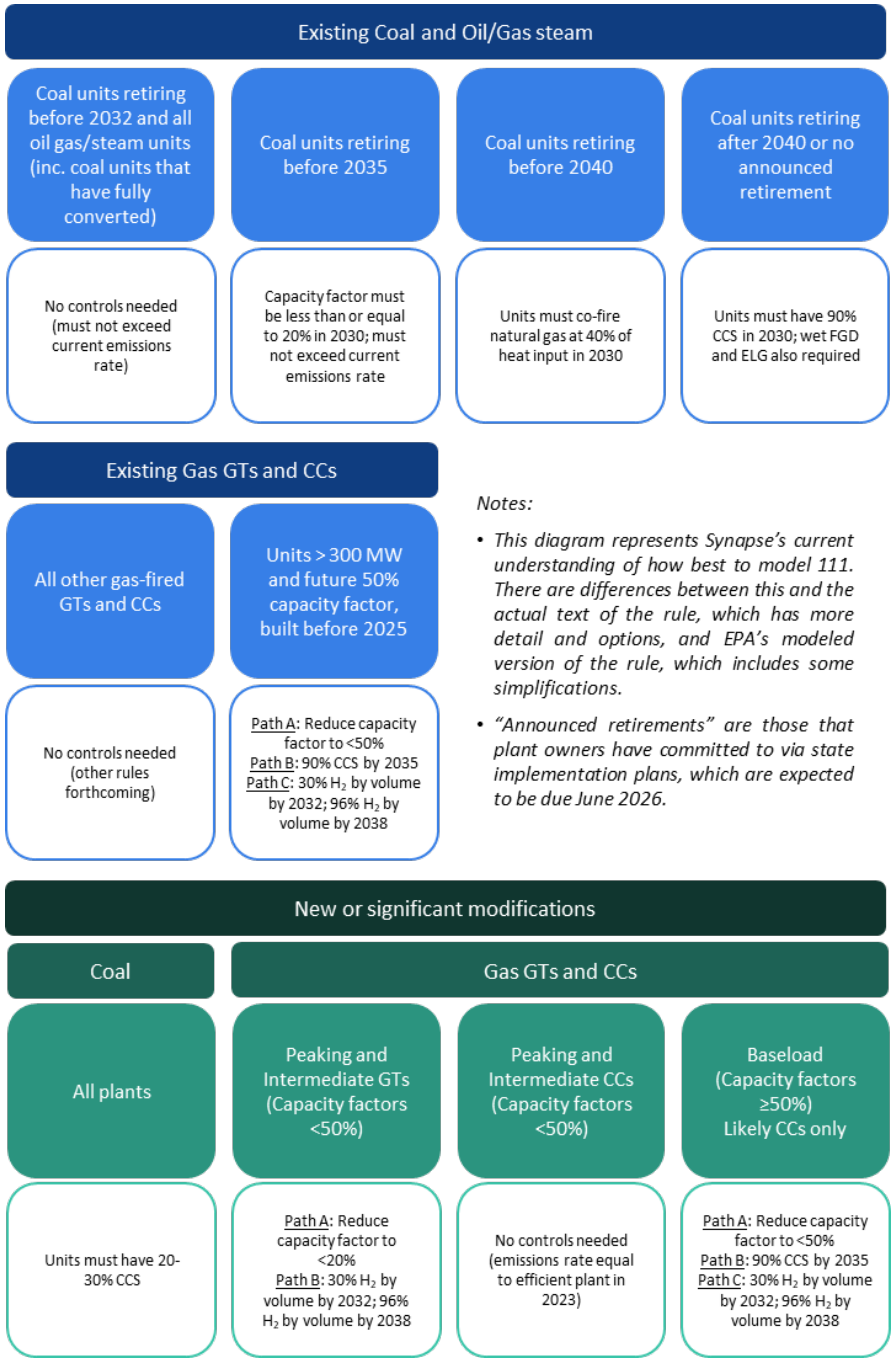
In the near term, SPS should focus on building out clean energy resources, including battery storage ("BESS"), solar PV, wind, and increasing investment in energy efficiency, demand response, and support for customer-sited distributed generation resources.

B. SPS should ensure that it properly reflects regulatory risk in modeling new gas resources.

In May 2023, the U.S. Environmental Protection Agency ("EPA") issued proposed new carbon pollution standards for coal- and gas-fired power plants under Section 111 of the Clean Air Act. The proposed Section 111 Rule is summarized below in Figure 1. These guidelines will impact SPS's existing coal and gas plants, as well as any future gas generation. Additionally, on the state level, SPS is subject to compliance with New Mexico's Energy Transition Act ("ETA"). The ETA includes a 2045 Carbon-Free goal, under which no carbon-emitting resources are allowed to operate beyond 2045.

[2] 2023 IRP, Table 9-11 at 159.

Figure 1. EPA's Proposed Rule under Section 111 of the Clean Air Act.



Source: Created by Synapse based on our understanding of the 111 rule

In the Company's MJB scenario, the proposed Section 111 Rules were not modeled, and the final scenarios contained 4,899 MW of new CTs and 837 MW of new CC capacity. On page

143 of the IRP, SPS specifically states that "unless the new CTGs are retired before 2045, the most cost-effective portfolio of resources under the MJB case would not comply with New Mexico's 2045 carbon-free goal under the ETA. Alternatively, the CTGs could be converted to operate on clean fuels (i.e., hydrogen) or carbon capture equipment could be installed."[3] SPS should clarify that CC's would face the same challenges as CTGs.

In the HC cases, the Company did incorporate analysis that included converting new gas-fired units to operate partially on hydrogen. For this case, SPS assumed new gas fired CTGs would begin blending 30% hydrogen, by volume, in 2032, increasing to 96% hydrogen, by volume, by 2038. As a result, EnCompass only selected 933 MW of CTs, a decrease of 3,966 MW relative to the MJB. The CC buildout was unchanged. It is still unclear whether the new CC included in the HC cases was modeled to incorporate hydrogen-blending requirements. SPS mentions hydrogen as a potential solution for allowing gas plants to continue to operate while meeting ETA goals. However, it is risky for the Company to build new gas plants under the assumption that hydrogen will be cost-effective in the future. As SPS admits, "wide-scale deployment of the technology requires progress in hydrogen generation, delivery infrastructure and enhancement in internal combustion engines."[4] The Company should focus on building renewables and storage in the near-term as these are existing viable and cost-effective resources.

Additionally, as shown in Figure 1 above, another compliance option for new CC and CTs is to reduce how each is utilized. In the case of CC's, new and efficient units are not subject to compliance if they operated below a 50 percent capacity factor, and new CTs are not subject to compliance if they operate below 20 percent. These compliance options are much more certain

[3] 2023 IRP at 143.

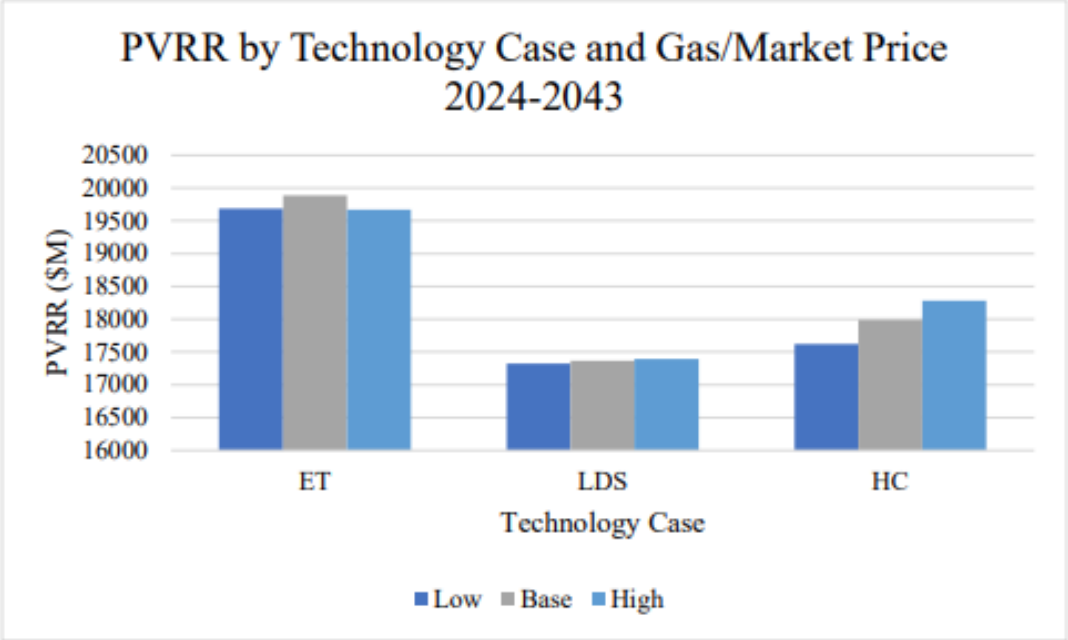
[4] *Id*. at 111.

and likely than conversion to operate on hydrogen, at least in the near term. Therefore, SPS should understand how this compliance pathway will impact its portfolio build-out and its portfolio costs.

C. SPS should ensure that it properly reflects risks due to natural gas price volatility in modeling new gas resources.

As part of the IRP process, SPS evaluated three different natural gas price forecasts: a low, base, and high case. In the ET portfolio, both the high- and low-gas and market energy price sensitivities resulted in lower costs than the base scenario. In the LDS case, there are only marginal differences between the low, base, and high case. Neither the ET nor the LDS built new gas resources. Under the Gas-to-Hydrogen conversion case, the high case is $289 million more expensive than the base case (as show in Figured 9.F.22 below from SPS's IRP). This is because, as discussed above, in the Gas-to-Hydrogen case adds 933 MW of new CTs and 837 MW of new CC. SPS and its ratepayers will be much more exposed to increased fuel costs in a future where there is still significant reliance on gas resources. SPS should consider this risk before locking ratepayers into future reliance on gas with new CT and CC builds.

Figure 9F.22: Present Value Revenue Requirements (PVRR) by Technology Case and Gas/Market Price 2024-2043



Significant reliance on natural gas resources can subject ratepayers to higher fuel costs if prices rise overall, but even more concerning, it exposes ratepayers to fuel price volatility which ratepayers cannot plan for. Natural gas is a global commodity, which means that both domestic and global market forces can impact the price and demand for the resource. When the market is constrained and prices spike, those costs are passed on directly to ratepayers. For example, DTE Electric Company in Michigan recently filed its 2022 Fuel Reconciliation Docket and noted that natural gas spending was 74 percent higher than the Company initially planned.[5] Those higher-than-expected prices resulted, in large part, from the war in Ukraine. As a result, DTE is requesting to recover an additional $154 million from captive ratepayers for 2022 alone. Absent action from the Michigan Commission, DTE and its shareholders are essentially insulated from those gas price spikes. Instead, those costs and the risk of further fuel prices spikes falls entirely

[5] MPSC Case No. U-21051, Exhibit A-7.

on to ratepayers. While this is in a different region of the country, the same phenomenon could happen just as easily in New Mexico. SPS should explicitly consider the value in avoiding gas price volatility in its IRP modeling.

D. SPS should model all tax credits reasonably available for renewables under the Inflation Reduction Act.

SPS's renewable energy costs account for the base impacts of the IRA, but they do not fully incorporate the available benefits of the IRA. This means that renewables may be even lower cost than currently presented in SPS's 2023 IRP.

In August 2022, Congress passed the IRA. This legislation expanded the tax credits available to clean energy resources, further improving their economic competitiveness relative to fossil-based alternatives. For wind and solar resources options modeled in EnCompass, it appears as though SPS relied on levelized cost of energy ("LCOE") assumptions from the National Renewable Energy Laboratory 2023 Annual Technology Baseline ("NREL 2023 ATB"). The ATB's LCOE calculations incorporate the production tax credit ("PTC") for both wind and solar that is equal to roughly $25/MWh through 2043 and then declines to zero by 2046. SPS also modeled a 30 percent investment tax credit ("ITC") for battery storage.

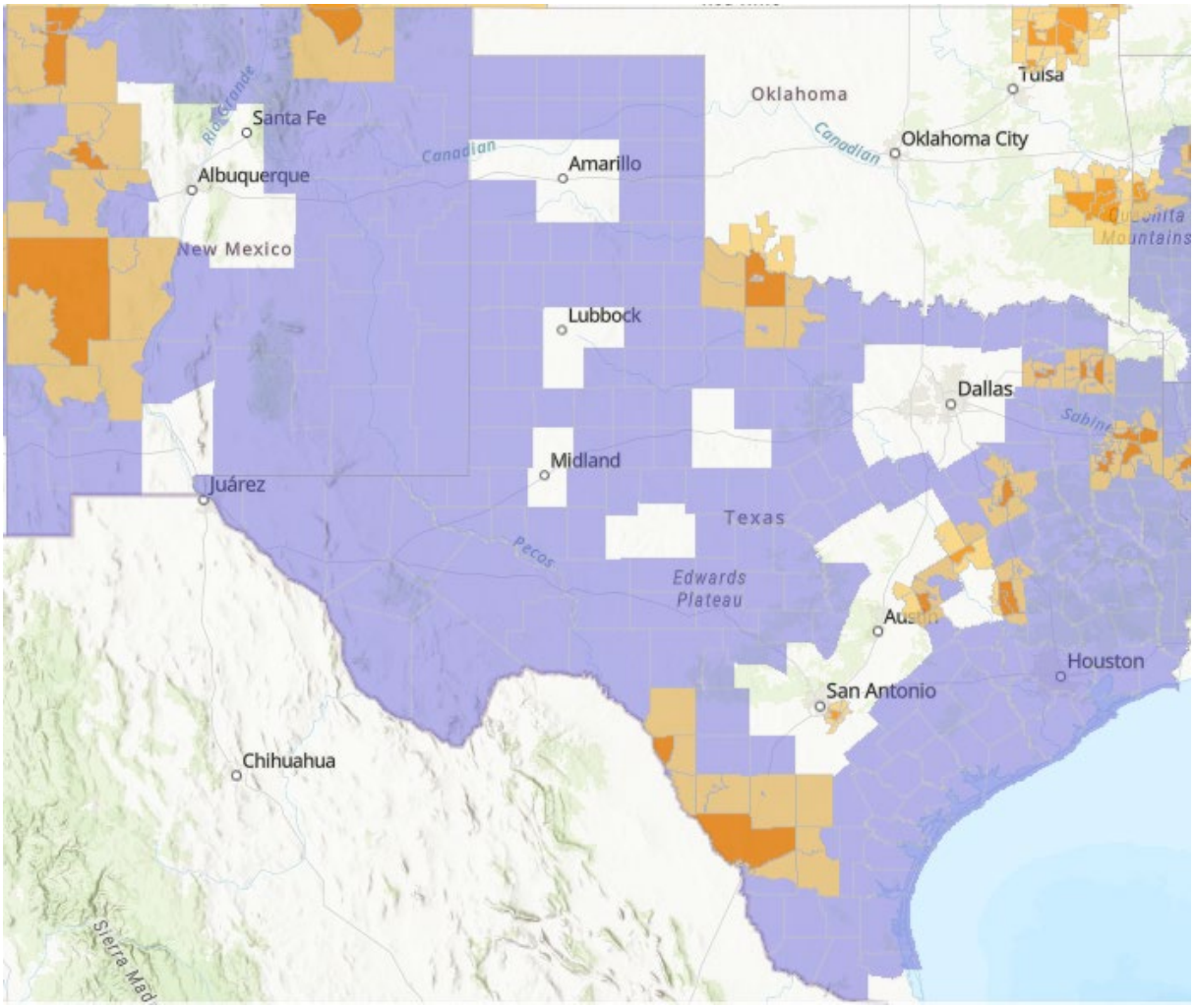
While this is a reasonable initial analysis, it is not a comprehensive modeling approach because it fails to account for the tax credit adders that are also applicable to these projects and could increase the benefits by an additional 10 to 20 percent. The IRA also made the PTC and ITC technology-neutral, which means that solar and wind can now take advantage of the PTC or the ITC. By artificially limiting solar and wind projects to the PTC, SPS may not be representing the full tax benefits potentially available. SPS should take advantage of this opportunity and include a more comprehensive analysis of IRA tax credit options in its final IRP modeling.

Moreover, the IRA offers an additional ten percent tax credit adder for renewable energy projects located in areas designated as energy communities, such as those around existing or retired coal plants and mines. [6] This is significant because much of SPS's service territory falls under what the Department of Energy qualifies as energy communities (orange and purple regions from Figure 2 below).[7] At a minimum, given its broad access to regions where the energy community adder would apply, SPS should model a sensitivity or scenario where wind and solar projects receive these credits.

[6] An energy community is defined as being (1) a brownfield site under CERLCA; (2) an area which has or had certain amounts of direct employment or local tax revenue related to oil, gas, or coal activities and has an unemployment rate at or above the national average; or (3) a census tract or any adjoining tract in which a coal mine closed after December 31, 1999, or in which a coal-fired electric power unit was retired after December 31, 2009. *See* Inflation Reduction Act, Section 13101, 13102, 13701, and 13702.

[7] U.S. Department of Energy, "Energy Community Tax Credit Bonus," (2023), available at: https://arcgis.netl.doe.gov/portal/apps/experiencebuilder/experience/?id=a2ce47d4721a477a8701bd0e08495e1d.

Figure 2. Map of energy communities eligible for IRA tax credit bonus



The IRA also states that if a project meets requirements for components being manufactured in the United States, another additional ten percent tax credit adder can be applied.[8] Currently, the domestic manufacturing industry for wind projects is at a level that suggests developers could claim this benefit. According to the Department of Energy's 2023 Land-Based Wind Market Report, over 85 percent of nacelle assembly and 70–85 percent of tower manufacturing occurred in the United States. While current domestic manufacturing of blades and hubs is closer to 5-25 percent, the IRA adder has boosted the domestic market and led

[8] *See* Inflation Reduction Act, Section 13101.

to at least 11 supply-chain announcements to open U.S. based manufacturing facilities for land-based wind components.[9] SPS should offer this credit to the EnCompass model to determine if domestically manufactured wind projects would offer benefits to its service territory and should be a larger contributor of its future generation mix.

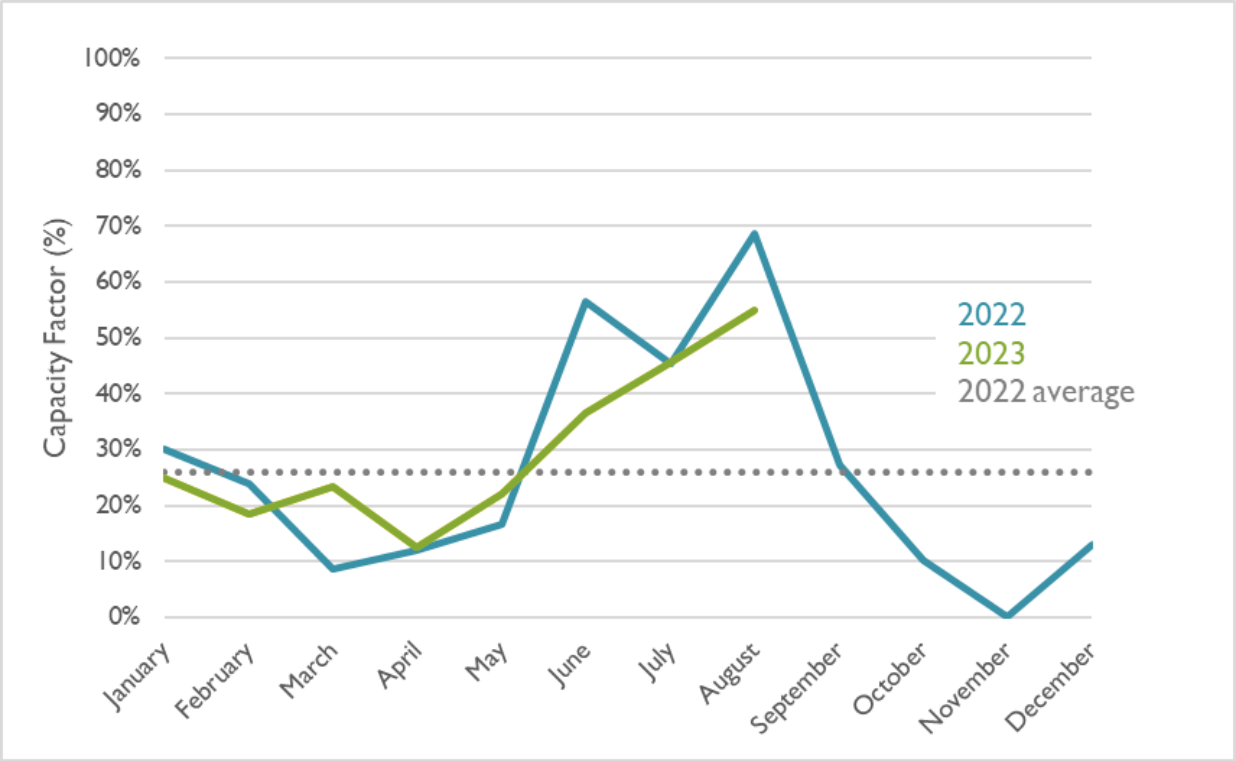
II. SPS SHOULD RETIRE TOLK IN 2028 AS PLANNED.

Sierra Club supports SPS's plan (approved by the Commission in Case No. 22-00286-UT) to retire the Tolk coal-fired generating station by the end of 2028, and to operate the plant economically over its remaining life. By committing to this retirement date, SPS and its ratepayers can reduce the risk of running out of water in the region, and avoid paying for additional environmental controls that would be required as part of Section 111(d) of the Clean Air Act, along with other proposed and finalized environmental regulations.

Given the driving concern with Tolk around limited water availability, we will reiterate our hope that SPS will continue to operate the unit economically and reduce its capacity factor as it nears retirement. Figure 3 shows Tolk's monthly capacity factor over the prior 2 years. In 2022, Tolk's annual capacity factor was 26 percent. In November 2022, the plant did not generate any electricity. For 2023 so far, Tolk has operated at similarly low-capacity factors. SPS should focus on procuring replacement resources that can reduce the need to continue relying on energy from Tolk.

[9] DOE, *Land-Based Wind Market Report: 2023 Edition,* (2023), available at: https://www.energy.gov/sites/default/files/2023-08/land-based-wind-market-report-2023-edition.pdf.

Figure 3. Tolk historical 2022 and 2023 capacity factors



III. SPS SHOULD APPLY FOR DEPARTMENT OF ENERGY FUNDING UNDER THE ENERGY INFRASTRUCTURE REINVESTMENT LOAN PROGRAM TO FINANCE TRANSMISSION SYSTEM UPGRADES AND TO LOWER COSTS OF REPLACING TOLK WITH CLEAN ENERGY.

SPS should take advantage of Department of Energy ("DOE") funding through the Energy Infrastructure Reinvestment ("EIR") loan program to finance transmission system upgrades and to lower costs of replacing Tolk with clean energy. To incentivize replacement of aging fossil fuel infrastructure with clean energy investments, DOE's Loan Programs Office has been allocated $250 billion in loan guarantee authority to fund "projects that retool, repower, repurpose, or replace energy infrastructure that has ceased operations"[10] for conditional project commitments through September 30, 2026. The qualifying project areas covered by this provision are wide-ranging, including: fossil fuel retirement and replacement, renewable energy

[10] Inflation Reduction Act, Section 1706(a)1-2.

and storage, distributed energy, transmission interconnection and reconductoring, coal ash remediation, as well as various upgrades to existing generation facilities.[11] DOE's EIR loan program can fund projects that would address several of SPS's current system needs for affordable and reliable power that are discussed in the Company's IRP.

First, the EIR program is specifically designed to facilitate the replacement of retired coal-fired power plants with renewable energy sources and storage. For example, the owner of a retired 300 MW coal-fired power plant may leverage existing interconnection and road infrastructure to repurpose the site for a build out of 30 MW of solar and 250 MW of 4-hour battery storage.[12] The DOE loan can be allocated towards the construction of the solar and storage as well as costs to remediate any on-site coal ash ponds.[13] As discussed earlier, projects may also be eligible for other clean energy infrastructure incentives such the ITC, PTC, and Low-Income Communities Bonus Credits (depending on where the project is located).[14]

Second, DOE's EIR loan program can fund projects that would address SPS's current system and transmission needs. DOE's project eligibility guidance further discusses "transmission interconnection to off-site clean energy" and "transmission reconductoring to expand transfer capacity" as potential areas utilities might leverage EIR funding. [15] As discussed in the IRP, the limited capacity of interconnections between SPP and neighboring systems

[11] DOE, Loan Programs Office, "Program Guidance for Title 17 Clean Energy Financing Program" at 30, (May 19, 2023), available at: https://www.energy.gov/lpo/articles/program-guidance-title-17-clean-energy-program#page=1.

[12] *Id.* at 28.

[13] *Id.*

[14] DOE, Office of Economic Impact and Diversity, "Low-Income Communities Bonus Credit Program," available at: https://www.energy.gov/diversity/low-income-communities-bonus-credit-program.

[15] DOE, Loan Programs Office, "Program Guidance for Title 17 Clean Energy Financing Program" at 30, (May 19, 2023), available at: https://www.energy.gov/lpo/articles/program-guidance-title-17-clean-energy-program#page=1.

continues to constrain the Company's ability to dispatch non-affiliate and more distant generation to its customers. SPS should evaluate to what extent transmission improvements within its service territory could qualify for EIR funding and alleviate transmission issues that are clearly present throughout SPP.

Moreover, in the aftermath of Winter Storm Elliott, a growing body of energy infrastructure research emphasizes the importance of additional transmission capacity to improve reliability and resiliency in load pockets during periods of added system stress by bringing in power from other regions.[16] Even during regular, non-emergent conditions, transmission interconnection improvements would significantly improve the Company's ability to integrate cheaper renewable resources and alleviate load pockets within SPS's service territory. The Commission's rules require SPS to evaluate transmission improvements that will improve service and reliability, and the Company should evaluate and utilize this opportunity for EIR funding to finance these and other related transmission infrastructure improvements before the 2026 deadline.

The low-interest DOE loans could lower the cost of retiring and replacing coal units and upgrading SPS's transmission system. Under the EIR, utilities such as SPS receive loan guarantees at much lower interest rates than the utility's rate of return on the coal plant[17] which can cover up to 80% of projects costs, with many applicants receiving loans to cover 50-70% of

[16] Michael Goggin and Zachary Zimmerman, "The Value of Transmission During Winter Storm Elliott," GridStrategies (February 2023), available at: https://acore.org/the-value-of-transmission-during-winter-storm-elliott/.

[17] Christian Fong et al., "The Most Important Clean Energy Policy You've Never Heard About," Rocky Mountain Institute, (Sept. 13, 2023), available at: https://rmi.org/important-clean-energy-policy-youve-never-heard-about/.

project costs.[18] SPS has the opportunity to leverage low-interest and relatively low-risk refinancing on coal plants' remaining balances, which lowers the costs of retiring and replacing increasingly uneconomic units, such as Tolk, with clean energy sources.

In sum, applying for EIR funding, improving transmission, and retiring aging fossil fuel generation would translate to significant savings for rate-payers, lowering the cost of energy, and alleviating energy burden for low-income households throughout SPS's service territory in addition to the benefits of clean energy deployment and reduced air pollution.[19] Unfortunately, SPS's IRP does not mention, let alone evaluate, the potential benefits of the EIR. It would be a missed opportunity for SPS to forgo applying to the EIR program to reduce costs and would also significantly hurt customers and rate-payers in the process. SPS should take advantage of a free consultation with the LPO as soon possible, and should consider applying for EIR funding to reduce the cost of the energy transition for its customers.

IV. SPS SHOULD ANALYZE PUBLIC HEALTH IMPACTS.

Electricity generation through the burning of fossil fuels has undeniable negative impacts on public health. Under the New Mexico IRP Rule, utilities "shall" evaluate the "environmental impacts" of supply-side resources.[20] To protect the communities SPS serves, and also account for the environmental impacts of its fleet, it is increasingly important for SPS to include quantified health impacts in its assessments of its portfolio options in this IRP process. SPS should quantify and analyze the comparative public health and climate impacts from air pollution, namely CO_2, SO_2, NOx, particulate matter, and mercury emissions, under each of the

[18] DOE, Loan Programs Office, "Program Guidance for Title 17 Clean Energy Financing Program" at 9, (May 19, 2023), available at: https://www.energy.gov/lpo/articles/program-guidance-title-17-clean-energy-program#page=1.

[19] *Id.* at 28.

[20] N.M. Code R. § 17.7.3.9.C(13).

portfolios it considers in its IRP and evaluate the public health cost that various air pollutants have on public health, especially in environmental justice communities.

In the selection of a preferred portfolio, SPS can and should incorporate public health costs into its assessments. The Company's customers and other New Mexico residents bear the consequences of the ongoing decision to remain reliant on fossil fuels, which, beyond burdening customer bills, pollute air and waterways and negatively impact public health. Fossil fuel combustion is one of the main sources of harmful air pollutants, exposure to which contributes to increased instances of asthma attacks, respiratory infections, hospital admissions, missed school days and work days, and a variety of other health problems.[21] To comply with New Mexico's IRP Rule, the IRP should evaluate all relevant costs, including environmental costs. Air pollution contributes significantly to increased morbidity and mortality, and existing modeling tools can be used to translate and monetize air pollution into social cost estimates.[22]

In addition, SPS should consider the environmental justice implications associated with its ultimate selection of its preferred portfolio because the communities that are harmed most by persisting reliance on fossil fuel burning power plants are the communities who should benefit the greatest from reduced emissions, coal retirements, and investments in renewable energy.

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[21] *See, e.g.,* EPA, Sulfur Dioxide Basics, available at: https://www.epa.gov/so2-pollution/sulfur-dioxide-basics (summarizing public health harms from SO_2); *see also* EPA, Ground-level Ozone Basics, available at: https://www.epa.gov/ground-level-ozone-pollution/ground-level-ozone-basics#effects (summarizing public health harms from ozone).

[22] EPA, "Environmental Benefits Mapping and Analysis Program – Community Edition (BenMAP-CE)," (last updated Sept. 13, 2023), available at: https://www.epa.gov/benmap. EPA's BenMAP-CE is a modeling software that enables users to estimate health impacts and economic value of changes in air quality and helps analyze the benefits that discrete air pollution reductions can have on human health and the economy. The BenMAP-CE program has been used to assess fossil fuel electricity health impacts and health-related benefits of attaining the reductions in a variety of air pollutants, including ozone and $PM_{2.5}$.

EJScreen[23] is EPA's environmental justice screening and mapping tool that combines environmental and demographic indicators based on nationally-consistent data and allows utilities to do just that. When run for a particular power plant, EJScreen demonstrates the relative environmental justice concerns for designated areas by "EJ Indexes," making significant data explicit, especially when reviewing communities that surround facilities and their racial composition, per capita income, and other demographic indicators in relation to various pollutants. SPS should take care to consider the distinct communities whose health is impacted by SPS's continued reliance on fossil fuel generation.

V. IMPROVEMENTS TO THE PUBLIC PARTICIPATION PROCESS ARE NEEDED.

Sierra Club appreciates the opportunity to submit these comments and participate in SPS's IRP process, which was overseen by the Independent Monitor, Gridworks. Although Sierra Club appreciates the time and resources that Gridworks invested into stakeholder process, and found that it was generally informative, we believe that the stakeholder process would have been more helpful to SPS, the Commission, and the public if the process mandated a more robust dialogue between the Company and stakeholders ***after*** the filing of the IRP, and if SPS had disclosed considerably more detail in its underlying modeling files. Given the complexity of prevailing IRP modeling platforms and the volume of data integrated into the process, the 30-day period for public comment is simply insufficient for a rigorous and comprehensive evaluation of the utility's data assumptions or methodologies. While SPS has spent the better part of a year developing inputs and modeling potential resource portfolios, stakeholders have only 30 days to

[23] EPA, "EJScreen: Environmental Justice Screening and Mapping Tool," (last updated Sept. 6, 2023), available at: https://www.epa.gov/ejscreen.

review the final product and provide feedback. Moreover, the Company is not even required to respond to those comments.

The lack of discovery or immediate disclosure of all of the Company's modeling data creates additional, significant obstacles to a meaningful evaluation of the utility's planning process. Indeed, without the underlying modeling inputs, it is not possible for any stakeholder to "ground truth" the Company's cost and revenue assumptions or offer alternatives that are supported by reliable data. Going forward, we believe New Mexico utilities, the Commission, and ratepayers would benefit from full transparency, with some opportunity for discovery, in the IRP process.

VI. CONCLUSION

Incorporating recommendations discussed above into SPS's IRP will help ensure that the ratepayers of New Mexico enjoy reliable and affordable service. Sierra Club looks forward to a continued engagement in SPS's planning process.

Respectfully submitted this 13th day of November 2023.

If you have any questions or would otherwise like to discuss this comment letter, please do not hesitate to contact us. Thank you for your consideration.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that this day, a true and correct copy of Sierra Club's Comments was sent to the following by email**:**

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