

Four Corners station could move to seasonal operations

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Published: Friday, March 12th, 2021 at 7:04am



The Four Corners Power Plant in Waterflow, N.M., near the San Juan River in northwestern New Mexico. (Susan Montoya Bryan/Associated Press)

ALBUQUERQUE, N.M. — The coal-fired Four Corners Generating Station near Farmington could become a seasonally operated power plant, potentially

reducing facility emissions by up to 25% annually, the plant's five co-owners announced Friday morning.

The owners agreed to shut down one of the facility's two generating units for seven months each year beginning in fall 2023, with both units operating only during the peak summer months from June-October.

Plans to keep the plant open through July 2031, when the facility's coal supply contract with the nearby Navajo Mine expires, remain unchanged, the owners said.

But by reducing output in the fall and winter, when electric demand is lower, plant owners can cut down on operating costs. That will save money for customers and achieve environmental benefits while still providing needed electricity to the utilities involved in the facility as they continue to transition their individual grids to clean energy resources over time, said Tom Fallgren, vice president for generation at Public Service Co. of New Mexico, which owns a 13% stake in the plant.

PNM plans to unilaterally exit the plant in December 2024, selling off its share to the Navajo Transitional Energy Co., which currently owns a 7% stake in Four Corners. But that plan still must be approved by the state Public Regulation Commission, where environmental and consumer advocacy organizations have criticized PNM's proposed sale to NTEC as simply off-loading its ownership stake onto the Navajo Nation with no real environmental gains, since the plant would continue operating through 2031.

The new agreement, however, adds significant environmental benefits as PNM abandons the facility while still preserving the interests of other utilities in the plant, Fallgren told the Journal.

"Four Corners is still a very valuable resource to them, especially during the critical peak demand periods from June-October," Fallgren said. "By having the flexibility to idle down one unit, they can use lower-cost resources like renewables in the off-peak months."

The agreement offers a needed transitional plan for the other co-owners. "It's a better fit for them," Fallgren said. "It doesn't change the anticipated plant

closure date. The other owners still intend to operate it through 2031.”

Withdrawal still pending

It’s unclear what impact the new agreement will have on PNM’s proposed plant departure at the PRC, where it filed for approval to abandon Four Corners last January.

In response to intervenor criticism in the case, PRC Hearing Examiner Anthony Medeiros ordered PNM on Feb. 26 to provide more information by March 15 about PNM’s previous investments in Four Corners and its plan for NTEC to buy its share of the coal plant. That supplemental written testimony, due on Monday, must include an explicit request for PRC approval of the NTEC sale, something PNM didn’t include in its January filing.

It must also explain how its deal with NTEC would benefit the public. And it must demonstrate the “prudence” of its past investments in the plant — plus about \$73 million more PNM plans to invest through 2024 — before the PRC rules on PNM’s eligibility to recover about \$300 million in lost, or “stranded,” investments it will face when exiting Four Corners.

Medeiros’ order accelerated PNM negotiations with its Four Corners partners about moving to seasonable operations — something the co-owners had been discussing for some time — in order to incorporate the agreement into PNM’s supplemental testimony to the PRC, Fallgren said.

Tribal support

Plant co-owners met online with Navajo Nation officials Thursday afternoon to present details of their new deal before publicly announcing the agreement Friday morning.

Getting tribal government support was critical since the Navajo Nation heavily depends on economic benefits generated by Four Corners, Fallgren said.

Of 700 direct employees currently working at the plant and coal mine, 600 are Navajo. In addition, the Navajo government receives between \$40 million and \$45 million annually in coal royalties, plus taxes on mine and plant operations, accounting for nearly 24% of the Navajo Nation’s fiscal year 2021 general fund. Utility leaders told tribal officials that the seasonal agreement is carefully

structured to eliminate adverse impacts on the Navajo Nation.

Plant co-owners, for example, will continue to pay royalties on all minimal levels of coal they're required to take annually under current contracts with the Navajo Mine, even as plant generation declines during fall and winter. The utilities will also continue to pay all taxes, and workers will be reassigned to other jobs during seasonal ramp downs, said Daniel Froetscher, president and CEO of Arizona Public Service Co., the majority owner and operator of Four Corners with a 63% percent stake in the plant.

"APS is committing to no APS employee layoffs or furloughs as part of its transition to seasonal operations at Four Corners," Froetscher told Navajo officials. "... Likewise, revenue impacts of the agreement are minimal."

The co-owners negotiated those commitments to assist in a "just energy transition" for the Navajo Nation, providing a years-long "glidepath" to replace coal income and jobs with other resources, Fallgren said. The tribe has already been hit hard by closure of the coal-fired Navajo Generating Station in Arizona in 2019, and it's facing shutdown of the San Juan Generating Station near Farmington in 2022.

Still, the co-owners' new agreement is contingent on PRC approval for PNM to transfer its stake in Four Corners to NTEC, which provided the catalyst for the plant's utility partners to consider new operational agreements at the facility.

And it's uncertain how moving to seasonal operations will sway PRC deliberations, since many environmental organizations want Four Corners shut down before 2031.

PNM, however, says the new deal is a "landmark agreement" that significantly enhances its plan to exit Four Corners.

"The plan for seasonal operations achieves environmental benefits while preserving the (Navajo) community's jobs and royalty payments," said PNM Resources Chairman, President and CEO Pat Vincent-Collawn in a statement. "I'm proud of our team who continued to collaborate with all of the parties to address the overall needs of each of the owners and achieve these additional benefits."

Environmental response

Clean energy advocates intervening in the PRC case said any reduction in carbon emissions from Four Corners is positive, but keeping the plant running another decade is unacceptable.

“Less coal is better than more coal, but I’m skeptical that operating this coal plant another ten years is in anybody’s best interests,” said Noah Long, Natural Resources Defense Council western director for climate and energy.

Sierra Club New Mexico Chapter Director Camilla Fiebelman said PNM and APS do need to assist the Navajo Nation in the transition away from coal, but they should also be working to close Four Corners down.

“This deal looks like a wolf wearing sheep skin,” Fiebelman said. “Sure, there’s a short-term benefit of reducing carbon emissions, but it sidesteps the need to get out of coal now.”

Western Resource Advocates attorney Steve Michel said the utilities are “moving in the right direction.” But APS plans to invest another \$600 million in Four Corners to keep it running.

“That seems pretty crazy,” Michel said. “PNM’s share is \$73 million, and that’s a big expense that would be charged to ratepayers. That’s an outstanding issue that this deal doesn’t address.”