New Mexico Utility Shareholders Alliance

SHAREHOLDER News

First Quarter 2011 Circulation 9000

NM Public Regulation Commission Leadership

Three New Mexico Public Regulation Commissioners were sworn into office on January 1, 2011. Introduced in the fourth quarter 2010 ***Shareholder News***, these Commissioners won their respective races and were officially elected November 2, 2010. Theresa Becenti-Aguilar, District 4, was originally appointed to finish the term of Carol Sloan. Patrick Lyons, District 2, and Ben Hall, District 5 are both serving for the first time.

Chairman
Pat Lyons
NMPRC District 2

Vice Chairman
Jerome Block
NMPRC District 5

The Commission elected leadership with Pat Lyons, District 2, as Chairman, and Jerome Block, District 3, as Vice Chairman.

"I appreciate the other Commissioners having the faith in me to lead the PRC," Lyons said. "We will maintain a positive attitude to build a better public image and take this Commission to a new level of professionalism."

Block, in his third year at the NMPRC and his second year as Vice Chairman said, "I look forward to working with the new Commissioners."

NMUSA congratulates the new Commissioners and Commission leadership!

INSIDE

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NMUSA News

2011 membership drive is underway. Help us represent your interests before the state Legislature, NM Public Regulation Commission and Congress.
Membership form on page 7.

New Mexico Gas Outage: Learn the facts and the fixes on page 3.

Save the Date: NMUSA Annual Membership Luncheon
Wednesday, October 26, 2011

From the President . . .

Bill Pope

The circumstances surrounding the recent gas outage have been difficult for many in our state - including two of our board members who were among those without gas service. Unfortunately, the public often did not get full information and it has led to frustration and anger. We hope the article on page 3 will help our members understand the facts.

Our Executive Director, Carla J. Sonntag, is actively engaged in the legislative session. She is there every day working on legislation that could impact our members. It has been a tough session without much positive news yet. We will give you a full report in the next edition of ***Shareholder News***.

We greatly appreciate your membership in the New Mexico Utility Shareholders Alliance. If you have not returned your dues and membership form, please do so at your earliest opportunity.

Bill

Tucson Electric Power Offering Output of New Local Solar Array Directly to Customers

Tucson Electric Power (TEP) unveiled a large photovoltaic (PV) array today to provide power for a new program that offers customers a unique opportunity to buy solar energy directly from TEP.

The new 1.6-megawatt (MW) tracking array was developed for TEP by Tucson-based SOLON Corp. in the Solar Zone at the University of Arizona's Science and Technology Park in southeast Tucson. The array is now TEP's largest local solar resource, though much larger systems are already being planned for the Solar Zone and other regional sites.

"This system is the first of more than a dozen local solar projects that will be built over the next few years to help us take full advantage of southern Arizona's most abundant renewable energy resource," said Paul Bonavia, Chairman, President and CEO of TEP and its parent company, UniSource Energy (NYSE: UNS).

The system's output will be sold directly to customers through TEP's new Bright Tucson Community Solar program. Beginning Feb. 1, energy from the array will be available in 150 kilowatt-hour (kWh) "blocks" that will add $3 apiece to monthly bills. TEP customers can purchase some or all of their energy through the program, reducing or eliminating their use of conventional power for an affordable price.

Because solar power costs more than energy from traditional resources, participating in the program will increase customers' electric bills – at least for now. Each block replaces an equivalent amount of conventional power at a rate that will remain fixed for 20 years under rules approved by the Arizona Corporation Commission (ACC).

The 1.6 MW system will produce enough power to make 1,600 "blocks" available to TEP customers. Additional blocks will become available as TEP expands its local solar generating resources. The company will invest $28 million this year in such systems and has proposed similar plans over the following three years at a level that would result in new capacity totaling 28 MW – enough energy to fully power nearly 4,500 Tucson homes.

TEP also is planning to purchase the output of 10 new utility-scale solar power systems planned for development in the Tucson area. Those systems, which range in size from 2 MW to 35 MW, would combine with TEP's company owned resources to create more than 160 MW of combined solar generating capacity by the end of 2014. That's enough power to serve more than 25,000 Tucson homes.

See Tucson Electric Power on page 4

New Mexico GAS COMPANY

The Truth About the Gas Outage

Annette Gardiner
President

At the beginning of February, a once in 50-year storm led to a series of events that impacted the transmission of natural gas across a number of states and resulted in a loss of service to customers, including those of New Mexico Gas Company. New Mexico Gas Company had prepared for the storm by overbuying gas, packing transmission lines with extra gas and ensuring its system was fully capable of meeting the increased demand.

However, we could not have anticipated that gas delivery from Texas would be significantly reduced and production in the San Juan and Permian basins would simultaneously be severely impacted. These events, combined with the electrical blackouts in Texas that significantly reduced operations of vital gas fields, resulted in pressure dropping on the interstate pipelines which transport gas to New Mexico and three other states. In addition, gas wellheads in Texas and New Mexico, which are not owned by the company, froze, further limiting our ability to get gas for our customers.

As pressure continued to fall, and the gas that we ordered did not arrive, we had to take immediate action to reduce demand to preserve system integrity. To do that, we were forced to declare System Emergencies and quickly shut off some parts of our system. While we recognize this action affected 28,707 of our customers, it enabled us to preserve gas service for our remaining 471,000.

The decisions to shut down parts of our system were purely driven by the need to take immediate action in order to protect the entire system. Furthermore, our system design dictated the steps we were forced to take. This meant we had to:

* Identify and close critical valves that were easily accessible by our crews within 20 minutes;
* Close valves to those portions of the system that were already experiencing low pressure; and
* Terminate service to one of two PNM electric generating plants.

As part of the process, we evaluated curtailments in other areas, including parts of Albuquerque and Santa Fe, but their systems and valve configurations were too complex to complete a shut down in the time we had available.

Following the shut off, safely reconnecting service to 28,707 customers was a massive task; New Mexico Gas Company crews and a skilled back-up workforce were challenged by the time and effort needed to relight customers. Even with the valuable help of Governor Martinez, the National Guard, emergency personnel and gas company employees who flew in from as far away as Michigan and Florida, it took up to 6 days to restore service to all customers.

This extreme weather event has only happened twice in the last 100 years – in 1911 and in 1971. But the rarity of this kind of arctic blast to our region isn't going to stop us from examining what happened, how it happened, and how we can better plan for the future – both as an industry and a company.

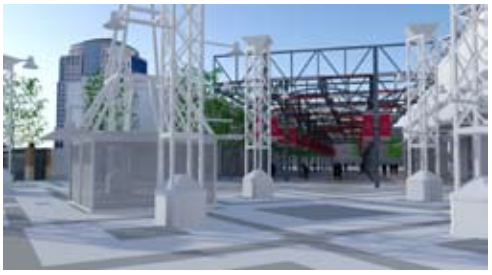
While we didn't create the problem, we have learned from it. This experience has highlighted the importance of better communications between all parties within the entire delivery chain. For New Mexico Gas Company, this means that we need to enhance our customer communications effort, including being more aggressive with pre-emergency communications. Furthermore, we need to increase our direct communications with elected officials, government agencies and emergency management departments.

The industry as a whole also needs to play an important role in preventing these types of shortages from ever happening again. Suppliers, pipeline owners, storage providers, power plant owners and distribution companies must make improvements to industry-wide systems and procedures. This includes examining how these types of weather events can impact the delivery chain, developing a coordinated back-up plan and increasing real-time information sharing between all constituencies.

See New Mexico Gas on page 7

DIAMONDBACKS, CHASE FIELD GO SOLAR

Construction begins on solar shade structure;
'working laboratory' to power cars from the sun



Chase Field

Chase Field will have a new feature this season – a stylish structure that will generate 75 kilowatts of solar power and provide Arizona Diamondbacks fans with extra summer shade.

A product of a partnership between the D-backs, Maricopa County Stadium District and Arizona Public Service (APS), the structure will cover 17,280 square feet above the plaza area near the ballpark's western entrances and ticket booths. Construction begins today and is expected to be complete by May.

"The solar structure will not only further distinguish the Diamondbacks' green initiatives among professional sports teams, but it will also provide needed shading near the ballpark to enhance our fan experience during the hot summer months," said Diamondbacks' President and CEO Derrick Hall. "This innovative project will be on display when baseball fans from around the world visit downtown Phoenix in July to attend the All-Star Game at Chase Field."

APS plans to use the solar facility, which will have a 20-year life span, as a technical demonstration project. It will include electric vehicle charging stations and test a battery storage system.

"We are pleased to develop this project as part of our existing partnership with the Diamondbacks' and MCSD," said APS President Don Robinson. "Behind the scenes, this will be a working laboratory. We will study what's possible with urban solar arrays and how we can power electric vehicles directly from the sun."

The project will also feature educational exhibits showcasing elements of sustainable living such as renewable energy, energy efficiency, electric vehicles and recycling.

"This new structure represents Maricopa County's ongoing commitment to green practices and sustainability through a unique public-private partnership dedicated to enhancing the quality of life for the citizens of the county and Chase Field," said Andrew Kunasek, Chairman of the Maricopa County Board of Supervisors, which also serves as the Stadium District's governing board.

HKS Inc. is the architect for the project. Renewable Energy Contractors, a division of Ironco, is the general contractor for construction.

APS, Arizona's largest and longest-serving electricity utility, serves more than 1.1 million customers in 11 of the state's 15 counties. With headquarters in Phoenix, APS is the largest subsidiary of Pinnacle West Capital Corp. (NYSE: PNW).

Tucson Electric Power continued from page 2.

TEP's solar energy resources help the company comply with Arizona's Renewable Energy Standard (RES), which requires Arizona utilities to increase their use of renewable power each year until it represents 15 percent of their energy in 2025. In 2011, the policy calls on TEP to secure 3 percent of its power from renewables, including solar energy, wind, biogas and other resources.

Tucson Electric Power (TEP) is an Arizona-based electric power company that produces some of its power in New Mexico. For more information, visit tep.com or for UniSource Energy, TEP's parent company, visit uns.com.

Scaled Back PNM Rate Request Lessens Customer Impact

PNM in February reached an agreement that would reduce its original request for a 21 percent increase to 10.8 percent but that also would include the ability to incorporate riders to recover the cost of various system investments.

The agreement was reached with several key parties, including staff of the N.M. Public Regulation Commission and the state Attorney General's Office. It requires approval from the Commission to be implemented.

If approved by state regulators, the agreement would provide PNM with a rate path to increase its electric revenues up to $105 million in phases beginning May 15, 2011. Rates will increase about 5.7 percent effective May 15, 2011, and about 5.1 percent effective Jan. 1, 2012.

A schedule for a hearing on the stipulation had not been established by press time for this newsletter.

Among the elements called for by the stipulation are:

* A first-phase increase of $45 million, or 5.7 percent, beginning May 15;

* A second-phase increase of $40 million, or 5.1 percent, beginning Jan. 1, 2012;

* An "Additions Rider" capped at $20 million, to cover changes in plant-related rate base between June 30, 2010, and Dec. 31, 2012. The rider would be effective Jan. 1, 2013, through Dec. 31, 2013;

* A separate renewable energy rider beginning July 1, 2012, for the recovery of costs associated with Commission-approved renewable energy procurement plans, including PNM's investment in its utility-scale solar power facilities totaling 22 megawatts. This plan is part of the state mandated renewable portfolio rule.

* An increase in the fixed customer charge from approximately $4 to $5 effective May 15, 2011.

The agreement does not preclude PNM from applying for the recovery of costs to comply with any requirement or mandate under state or federal environmental law, regulation or rule that becomes effective after June 30, 2010.

The agreement also would begin a transition to a single rate structure for southern customers that previously were part of the TNMP system. As part of that transition, there will be a single fuel clause for both northern and southern customers effective with the implementation of new rates.

Several factors made it possible to reduce the amount of the request. The most important was the continued increase in energy use despite the slow economy allowed system costs to be spread over a larger usage base. This accounted for about $22 million of the reduction.

In addition, PNM agreed to keep its current method of booking depreciation. That change represents about $9.6 million. PNM also agreed to keep its current methodology for recovering pension-related expenses. That change represented about $13 million of the difference. Another change representing about $20 million was the use of a lower implied return on equity. The original filing asked for an 11.75 percent ROE. The agreement filed represents an implied ROE of 10.25 percent.

A key driver for the rate case remains the need to make capital investments to improve and maintain system reliability. The agreement would result in $85 million in annual additional revenues to support projects necessary to maintain first-class reliability, including the expansion of substations and power lines in Rio Rancho, Santa Fe, Alamogordo and other areas, as well as necessary upgrades to five power plants.

Because of its duty to serve customers, PNM has spent more than $420 million in necessary system upgrades that are not currently being recovered in rates. Narrowing the gap between revenue and costs will, in the long run, reduce the high borrowing expenses customers ultimately pay, which helps the system operate at a lower cost.

For more information about PNM and PNM Resources, visit: http://www.pnmresources.com/

Xcel Energy's Solar Program

Xcel Energy has announced that construction is under way on five utility-scale solar projects in southeast New Mexico that will create the state's largest source of clean, renewable solar power.

The five-site deployment is being planned and built by SunEdison, with Xcel Energy purchasing the output through a long-term purchased energy agreement. Total capacity is 54 megawatts measured in direct current, or 50 megawatts alternating current.

SunEdison is a leading worldwide solar energy services provider and subsidiary of MEMC Electronic Materials, Inc. (NYSE: WFR). Xcel Energy (NYSE:XEL), through its regional operating company Southwestern Public Service Company, provides power to approximately 400,000 customers in eastern and southeastern New Mexico and the Panhandle and South Plains regions of Texas.

Four of the photovoltaic solar projects are under construction in Lea County, with another planned for Eddy County. Each facility will have a capacity of about 10.886 megawatts (DC), and are expected to be fully operational by the end of 2011.

Xcel Energy expects to purchase more than 112 million kilowatt-hours of clean solar energy in the first year of operation alone. The five-site deployment will help enable Xcel Energy to continue meeting New Mexico's renewable portfolio standard, which requires that regulated electric utilities meet 15 percent of their electricity needs by 2015, and 20 percent by 2020, through renewable energy sources, including solar technologies.

"Xcel Energy has built its reputation on responsible stewardship of our environment while meeting customer expectations for innovation, reliability and competitively priced energy," said Riley Hill, president and CEO of Southwestern Public Service Company, an Xcel Energy company. "The SunEdison project positions us as a leading provider of solar power and a reliable partner in the development of a renewable energy economy in New Mexico."

The five installations will be built, financed and maintained by SunEdison, under a 20-year solar power services agreement with Xcel Energy, which will buy the solar energy generated by the solar power plants for the benefit of its New Mexico and Texas customers. The deployment will not only provide clean renewable energy to the citizens of New Mexico but will also stimulate local economic growth and job creation.

This 54-megawatt (DC) deployment eclipses the 8.22 megawatt solar power system SunEdison constructed and activated for Xcel Energy in Alamosa, Colo. in December 2007. Once constructed, the Lea and Eddy county projects, combined, will be the largest in New Mexico.

"SunEdison is proud of our continued relationship with Xcel Energy," stated Carlos Domenech, president of SunEdison and executive vice president of MEMC. "Having recently activated a 70-megawatt deployment in Italy, SunEdison has proven our ability to construct and finance large utility-scale solar deployments. We look forward to working with Xcel Energy in helping them reach their renewable energy goals."

It is expected that Lea and Eddy deployment will generate more than 2 million megawatt-hours of clean, renewable energy over twenty years—enough energy to power more than 192,000 average U.S. homes for one year.

Xcel Energy (NYSE:XEL) is a major U.S. electricity and natural gas company with regulated operations in eight states including New Mexico. For more information, please visit www.xcelenergy.com.

Sun Edison LLC is a global provider of solar-energy services. For more information, please visit www.sunedison.com.

MEMC is a global leader in the manufacture and sale of wafers and related intermediate products to the semiconductor and solar industries. For more information, please visit www.memc.com.

Join the Alliance NOW!

If you aren't a member or haven't paid dues for 2011, we strongly urge you to do so now. Dues are voluntary but help us attend regulatory and legislative meetings to advocate the interests of utility shareholders. Your contribution also helps fund this newsletter, our web site (www.nmusa.org) and membership meetings.

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Telephone **E-mail Address**

I own shares of stock in: (NM utility stock ownership required)
(Check all that apply)

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(Arizona Public Service)
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_____ New Mexico Gas Co
_____ Other _____
_____ UniSource Energy
(Tucson Electric Power)
_____ Xcel Energy
(Southwestern Public Service)

Please complete this form and mail with your annual dues of $15. Please make checks payable to NMUSA.

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New Mexico Gas continued from page 3

There are valuable lessons to be learned from this experience, which will help New Mexico Gas Company and the entire industry more effectively plan for the future. We cannot miss these opportunities to identify and make the necessary improvements to emergency communications systems and procedures at all levels.

While the past several weeks have been challenging for the entire industry, we are proud of how New Mexico Gas Company's employees have performed. Our committed employees, along with other emergency personnel, worked around the clock to restore service as quickly as possible.

Our employees live, work and volunteer in the communities we serve and we all take our commitment to providing reliable service extremely seriously.

For more information on the New Mexico Gas Company, visit www.nmgco.com

Importance of E-mail

When NMUSA sends a message, you can rest assured we consider it too important to wait until the next issue of ***Shareholder News***.

If you haven't received an e-mail from the NMUSA in the past six months, then we do not have a current e-mail address for you. Please send your e-mail address to: **nmusa@rt66.com**. Make sure to include your name and mailing address so that we can correctly update your file.

You are an important part of the NMUSA - the only statewide association dedicated to gas and electric utility company shareholders' interests.

From the Executive Director . . .

Carla J. Sonntag

While the legislative session is in full swing and taking long hours to monitor, it seems that little has been accomplished in the first five weeks. Legislation that would benefit the state, like doing away with the Cap and Trade and other related rules, has been quickly stopped in committees.

NMUSA would like to see the Cap and Trade rules stopped as they put New Mexico at a competitive disadvantage with neighboring states that do not have similar measures; they will also be costly to ratepayers. Interestingly enough, even though there were multiple attempts to pass these measures through the state legislature over the past several years, they were never successful. Proponents of these measures simply bypassed the state legislature for action by the Environmental Improvement Board (EIB). Whether you like the measures or not, bypassing the legislative process is certainly not a constructive way to pass such far reaching measures.

We greatly appreciate those who have already responded to the NMUSA membership drive. For those who have not yet responded, we encourage you to do so now. Dues are only $15 per household per year. Your dues help pay for the NMUSA's work on your behalf as well as this newsletter to keep you informed about what we're doing.

We hope you'll save the date of **Wednesday, October 26, 2011** for our annual Membership Luncheon. This is a great event that grows every year and we look forward to having you with us.

Please join us because, ***"Together, we have the power!***"