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San Juan Haze Plan Will Cost Ratepayers

PNM has already invested \$320,000 in environmental upgrades at the San Juan Generating Station (SJGS). This upgrade, completed in 2009, has significantly reduced pollutants and improved visibility in the region. That upgrade, completed in 2009, reduced haze-causing emissions including nitrogen oxides (NOx) by 44 percent, Sulfur Dioxide (SO2) by 71 percent, and particulates by 72 percent. In addition, the plant installed mercury removal controls which are removing 99 percent of the mercury in the flue gas.

But, according to the Environmental Protection Agency (EPA), that's just not enough to address visibility in Federal Class I parks and wildernesses. Notice we're talking about **visibility** and nothing more.

The state of New Mexico, along with PNM, developed a plan for the installation of Best Available Retrofit Technology (BART) that included Selective Non-catalytic Reduction (SNCR) technology. The SNCR will further reduce emissions at SJGS and improve regional visibility with NOx reduced by an additional 20 percent. This would be a total combined NOx reduction of 73 percent from 2006 levels. The SO2 will additionally be reduced by 20 percent. The State Implementation Plan (SIP) is estimated to cost \$77 million or approximately \$11 per household.

The EPA designed a Selective Catalytic Reduction (SCR) technology plan that would cost from \$750 million to \$1 billion dollars to install, or approximately \$85 per household with very little additional visibility benefit. With computer generated modeling of how the two systems would affect visibility in the area, the unaided eye can detect almost no perceptible difference!

The cost of this retrofit will be incremental to the costs of many other services and commodities. When utility rates increase, the costs of all services and goods produced in the state will also rise. Many New Mexicans will be hard pressed to pay for the EPA's recommended SCR technology and some may find it too great a burden.

(Continued on page 10)

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NMUSA Annual Membership Luncheon

Wednesday, October 26, 2011

Featuring:

Free Investment Seminar

Comments from Pat Lyons, Chairman, NM Public Regulation Commission

Annual Membership Dues

Help us represent you! Form on page 11.

From the President . . .



Bill Pope

There are two pressing issues before the NMUSA right now:

1. The pending decision of the Environmental Protection Agency (EPA) on environmental upgrades at the San Juan Generating Station (SJGS) for improving visibility in the area. The state Environmental Improvement Board (EIB) unanimously approved the State's plan which will save ratepayers approximately \$74 per year. It's our cover story this month!

2. Pending cases before the Public Regulation Commission. There are rate cases pending for PNM, Southwestern Public Service and the New Mexico Gas Company. While some Commissioners struggle with these decisions, the NMUSA urges them to provide a decision that is balanced between the needs of: 1) ratepayers; 2) shareholders; and 3) the general public.

After all, that is the requirement defined by statute. The Commissioners were not elected to be consumer advocates but to look ahead to what will be in the best interest of all concerned well into the future.

You will find this issue packed with informative articles. If you have questions, please contact Carla Sonntag, Executive Director, and she will be glad to provide additional information on any of the articles or on the work of the NMUSA. **And, if you haven't paid your 2011 dues, please do so now!** Your dues help fund our work on your behalf.

Bill



New Mexico Gas Company Files Rate Increase Request With PRC

New Mexico Gas Company recently filed a request with the Public Regulation Commission for a rate increase. The Company is requesting a \$34.5 million increase in annual base revenues to offset rising costs of providing gas utility service and to maintain financial health of the company. The additional revenue sought in the filing represents an 8.5 percent increase in the Company's revenues for the 12-month base period ending September 30, 2010.

Any new rates approved by the PRC would not go into effect before February 2012.

The last rate increase occurred in 2007, and was based on pipeline infrastructure and operating costs in 2005. Since that time, over \$215 million has been invested in the Company's gas delivery infrastructure and other systems. The Company's rate increase request contains a fair and reasonable rate of return, which will allow it to continue investing in its gas delivery system.

In addition to the investments that have been made since 2005 – and that are not included in the current rate structure – other factors contributing to the need for a rate increase include inflationary pressures on the Company's costs; residential customer usage that, on average, has been declining by over 2 percent per year and a decline in customer growth rates.

If the request is approved, the average monthly residential customer bill would still be lower than in 2006, 2007 and 2008, assuming natural gas prices remain at current levels. The earliest rates could change would be February 2012.

The regulatory process timeline includes:

- June 27: Intervention deadline for groups wishing to become a party to the case
- Aug. 2: Mediation conference
- Sept. 14: Staff and intervener testimony due
- Sept. 30: Rebuttal testimony due
- Oct. 11: Hearing Date

The Company is not seeking to recover certain costs from customers in this – or any future – rate case filing, including costs incurred during the February system emergencies and restoration of service, or the Company's voluntary contribution to the \$1 million Relief Fund.

New Mexico Gas Company serves approximately 465,000 residential customers and 40,000 commercial and industrial customers; its service territory encompasses approximately 55 percent of the total population of New Mexico and 23 of the state's 33 counties.

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



APS Plans to Purchase Southern California Edison Share of Four Corners Power Plant

In November, Arizona Public Service Company announced plans to purchase Southern California Edison's ownership in Units 4 and 5 of the Four Corners Power Plant near Farmington, N.M. If the transaction gains approval by state and federal regulators, APS will close the plant's older, less efficient Units 1, 2 and 3 and install additional emission controls on the remaining units.

APS will pay \$294 million for the Southern California Edison share, which is substantially less than other generation alternatives.

"This course of action represents the best alternative for APS and its customers and provides a cleaner environment while preserving a needed reliable and affordable supply of energy for the Southwest," said Mark Schiavoni, APS Senior Vice President of Fossil Generation.

In announcing the agreement, Schiavoni said there will be no layoffs at the plant, which employs 549 workers (74 percent of whom are Navajo) and provides enough electricity for more than a half-million homes. The plant and the supporting mining operations have a \$225 million annual impact on the New Mexico and Navajo economies.

"This proposal enables us to continue to support the Navajo Nation and the Farmington area with high-quality jobs that are important economic drivers for the region," said Schiavoni. Continued operation of Units 4 and 5 is expected to provide more than \$6.3 billion in economic value to the region over the next 30 years, at least 70 percent of which will benefit the Navajo Nation and its citizens.

APS, the plant operator, owns 100 percent of Units 1, 2 and 3, which are subject to significant environmental upgrades under rules proposed by the U.S. Environmental Protection Agency in October. "These rules would present a major economic challenge for continued operation and require us to look at alternatives for Units 1, 2 and 3," said Schiavoni.

As a result of the anticipated shutdown of Units 1, 2 and 3, capacity at the coal-fired station, one of the nation's largest, would be reduced by 560 megawatts from 2,100 MW to 1,540 MW (of which APS would own 970 MW). Emissions of NO_x would decline by 36 percent, mercury by 61 percent, particulates by 43 percent, CO₂ by 30 percent and SO₂ by 24 percent. APS would replace the energy lost through the closure of the three older units with 739 MW from Southern California Edison's 48 percent share of the newer, more efficient Units 4 and 5. APS currently owns 15 percent of the two units.

"Closing the three smaller, less efficient units and keeping the cleaner, more efficient Units 4 and 5 in

operation would dramatically reduce the carbon footprint in the region and enable the plant to remain compliant with state and federal environmental standards," said Schiavoni. "As always, our commitment to outstanding performance and environmental stewardship at the plant remains unwavering."

The Four Corners plant meets or exceeds all current state and federal environmental regulations and has performed at a high level for more than four decades. Southern California Edison, however, has informed the plant's other owners that California state law requires it to end participation in the plant by 2016, when the current lease with the Navajo Nation expires. In February, the Navajo Nation approved a lease extension for the plant beyond 2016.

The transaction requires approval from the Arizona Corporation Commission (ACC), the California Public Utilities Commission (CPCU), and the Federal Energy Regulatory Commission (FERC), as well as successful negotiation of a new fuel contract with mine-operator BHP Billiton for the post-2016 period. The ACC will be hearing testimony and holding hearings through mid-July and filings have been submitted with CPUC and the FERC. Negotiations are underway on the new fuel contract.

Assuming timely receipt of required approvals and a new fuel contract, the companies are targeting closing the purchase by the end of 2012.

"Installing emission control equipment at Units 1, 2 and 3, or shutting them down and seeking replacement power elsewhere, would have imposed substantial additional costs on our customers. The proposal to acquire Southern California Edison's share of Units 4 and 5 saves customers nearly \$500 million over the next best alternative," said Jeff Guldner, APS Vice President of Regulation. "While reducing overall power plant emissions in the Southwest, this proposal maintains a healthy diversity in APS's generation portfolio as we integrate more renewable resources and manage our exposure to volatile fuel sources such as natural gas."

Other owners of Units 4 and 5 include PNM, Salt River Project, El Paso Electric, and Tucson Electric Power.

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).



Xcel Energy Files New Mexico Rate Increase Request

Xcel Energy is seeking a 6.9 percent overall increase in revenue it collects from New Mexico retail customers to help fund new infrastructure that will improve reliability and strengthen the region's economic competitiveness.

The 6.9 percent increase translates into a revenue increase of \$19.9 million over current annual New Mexico revenue.

The increase was proposed in a March filing with the New Mexico Public Regulation Commission (NMPRC). The Commission has up to a year to act on the request. If approved, a typical residential customer using 1,000 kilowatt-hours of electricity per month will see a monthly increase of \$9.32, or about 10.7 percent more per month. Impact on residential bills will be higher than the overall percentage increase as the company continues an effort begun in 2006 to assign the true costs of serving each customer class.

Riley Hill, president and CEO of Southwestern Public Service Company, an Xcel Energy company, said the increase in rates is needed because the regional economy is changing and growing, and requires greater investment in the power grid. He emphasized that the growth of the power grid must keep pace as industries expand and new businesses come into the region.

Over the next five years, Xcel Energy plans to invest about \$2 billion to retrofit generation plants to make them more efficient and to reduce emissions, improve capacity and reliability on its transmission and distribution grid, and develop the future workforce in New Mexico and Texas.

A recent example of the company's efforts to improve infrastructure is a \$23 million project to boost reliability and capacity in the Artesia area, where oil exploration and refining are driving a booming economy. The company recently completed the new Eagle Creek power substation

near the Holly Corporation's Navajo oil refinery at Artesia, as well as two high-voltage power lines that will bring redundant transmission service to all customers in the area.

One of those lines is a 21-mile, 115 kilovolt (kV) transmission line going into service between the Seven Rivers Substation south of Artesia and terminating at the new Eagle Creek facility. Additionally, four miles of new 69 kV lines will boost reliability between the new Eagle Creek station and outlying substations that serve Navajo and the city of Artesia.

"Our rates must generate enough revenue to maintain strong credit ratings and raise capital to fund the improvements such as the Eagle Creek project that will make our system more efficient, more reliable, and more cost effective," Hill said. "A robust power grid is vitally important to the region's economic success and our ability to meet growing customer needs."

Current base rates are based on 2008 costs. Since that time, the company has absorbed higher costs for materials to expand and maintain its system of transmission and distribution facilities, as well as costs to make its generating fleet cleaner and more efficient.

Xcel Energy's Texas and New Mexico service area covers more than 50,000 square miles, including most of the Texas Panhandle, the Texas South Plains region, and eastern and southeastern New Mexico. Peak electricity demand in this region is currently about 5,000 megawatts.

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.



PNM Rate Case Stipulation Decision Pending

It has been a year since PNM announced it was seeking N.M. Public Regulation Commission (PRC) approval to raise rates, and as this issue of the newsletter goes to press, hearings are complete. A decision is expected in June – the latest status is at PNM.com/newrates.

Much has happened since the original request. What was considered by the PRC is the agreement PNM reached this February with several parties to seek a 10.8 percent increase as opposed to the original 21.2 percent. Those signing on to the agreement included organizations representing consumers and businesses, including the N.M. Attorney General.

When PNM filed its request, the company recognized and acknowledged that it is not a good time to ask for an increase, but cost recovery of system investments is necessary to maintain the level of service our customers require and to continue to support the state's economic growth. From 2008 through the end of this year, PNM will invest \$575 million that is not currently being recovered in rates.

Here are a few more facts:

- **Customer protections.** The agreement included some new customer protections not in its original filing. Base rates won't increase again before 2014 unless state or federal environmental mandates require new investments, and the agreement puts caps on the amount we can recover for state-mandated renewable and energy efficiency programs as well as fuel costs not covered through rates.

- **Low-income assistance.** The agreement also added expansion of the PNM Good Neighbor Fund to help low-income customers. PNM will donate an extra \$1.25 million to that fund, which provided assistance of \$807,000 to 6,486 families in 2010. None of that funding is in rates.
- **PNM earnings aren't covering investments made into systems.** While PNM has made some improvements since 2007, PNM's earnings remain far less than the investments it is actually making to serve customers.

"We believe the agreement we have reached helps us strike a balance between the need to keep power reliable, to be environmentally responsible and to keep rates affordable," said Pat Vincent-Collawn, president and CEO of PNM Resources. "That balance is important in everything we do. For example, we are investing in solar power to meet state renewable requirements, but we also made major environmental investments in our coal-fired plant that provides about half of the power to serve customers.

"The environmental upgrades positioned us well to meet both current requirements and rulings being considered for haze, mercury and air quality. In fact, San Juan's four units are among the top five performing units in the nation with respect to mercury removal among plants with similar mercury controls."

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



A UniSource Energy Company

TEP TO DEVELOP NEW GRID-CONNECTED SOLAR POWER SYSTEMS ON LOCAL ROOFTOPS

Tucson Electric Power (TEP) is preparing to build new grid-tied solar arrays on the roofs of large public buildings to help serve a growing demand for renewable power.

Through its new TEP Bright Roofs program, the company plans to lease space atop schools and other public facilities for the development of 11 megawatts (MW) of new TEP-owned solar generating capacity over the next three years. TEP Bright Roofs will feed solar energy directly into TEP's local distribution grid, generating enough clean power to serve more than 1,800 Tucson homes.

"Our new TEP Bright Roofs program offers schools and other public agencies an opportunity to put their unused rooftop space to good use, generating both clean energy for our community and lease payments that can help support education and other public services," said Paul Bonavia, Chairman, President and CEO of TEP and its parent company, UniSource Energy (NYSE: UNS).

The program is designed for buildings with at least 50,000 square feet of flat rooftop space, enough room for a photovoltaic (PV) system that generates about 250 kilowatts (kW). A high school with 200,000 square feet of available roof space could host a 1 MW system that generates enough power to serve about 170 homes.

TEP Bright Roofs will incorporate low-profile, high-efficiency T5 Solar Roof Tile systems from SunPower Corp. of San Jose, CA. The innovative system can be installed without roof penetrations, making it relatively easy to remove for roof maintenance or recoating. Tilted at a five-degree angle, the T5 Roof Tile system approximately doubles the energy generated per square meter compared to systems that are mounted flat onto commercial rooftops.

"The TEP Bright Roofs program capitalizes on the growing value of advanced solar technology as a cost-effective energy resource that can be installed quickly anywhere and at any scale," said Howard Wenger, president of SunPower's utilities and power plant business group.

TEP Bright Roofs will be part of more than 125 MW of new solar generating capacity that TEP and

its partners are developing in the Tucson area over the next three years. The output of those systems will help TEP satisfy Arizona's Renewable Energy Standard (RES), which calls on utilities to increase their use of renewable energy each year until it represents 15 percent of their power in 2025.

The total installed cost of TEP Bright Roofs will be comparable to TEP's other utility-scale systems. While they will generate less power than tracking arrays and other advanced solar technologies, they also offer unique advantages, said Dave Hutchens, Executive Vice President of TEP and UniSource Energy.

"This new program gives us an opportunity to develop new, clean energy resources in fully developed areas of our distribution grid," said Hutchens, who oversees the company's renewable energy and energy efficiency programs. "TEP Bright Roofs will help us satisfy growing energy needs without consuming land or creating new emission sources."

The energy generated by TEP Bright Roofs will be available to TEP customers through the company's Bright Tucson Community Solar Program. Participating customers can purchase 150 kilowatt-hour (kWh) "blocks" of solar energy, offsetting an equivalent amount of conventional power at a price that adds \$3 apiece to their monthly bills. TEP customers can purchase some or all of their energy through the program, reducing or eliminating their use of fossil-fueled energy.

TEP customers have subscribed to more than 1,100 blocks of solar energy since the Bright Tucson Community Solar Program was launched Feb. 1. Solar power for the program currently is generated by a 1.6 MW solar array in the Solar Zone at the University of Arizona's Science and Technology Park in southeast Tucson.

TEP provides safe, reliable power to more than 400,000 customers in southern Arizona. For more information, visit tep.com. To learn more about parent company UniSource Energy, visit uns.com.

New Mexico's Nuclear Energy Corridor

Small-scale reactors, nuclear energy and all that goes with it were the topics of discussion at the 2011 National Energy Conference held in Hobbs, NM, on April 27th and 28th.

The conference featured top leaders in nuclear technology, including Babcock & Wilcox, New Mexico Tech, URENCO USA, Washington TRU Solutions, Uranium Resources Inc., Energy Solutions and the U.S. Department of Energy.

The "Uranium Fuel Cycle," was the topic of this year's conference. Topics of discussion examined all phases of that cycle from mining, continuing with enrichment, followed by use in a reactor, and ending with processing and storage. Hobbs is in the center of the developing Eastern New Mexico Energy Corridor, which is involved in all aspects of the nuclear energy fuel cycle.

Dr. Van Romero, Vice President of Research at New Mexico Tech, said New Mexico is well-positioned to be a leading voice in nuclear energy development.

"Almost the entire cycle is contained in New Mexico," he said, "from mining to waste storage. This conference is an important step in bringing together key players in the area and continuing a dialog about energy and our national policies."

A new enrichment facility is now operational near Eunice, N.M. A de-conversion plant is in the licensing stage in Lea County. Also located in the region are Waste Control Specialist LLC and the Waste Isolation Pilot Plant, near Carlsbad, which is a long-term storage facility, funded by the Department of Energy. While not currently being mined, vast deposits of raw uranium ore exist in west-central New Mexico.

What's missing? The small-scale nuclear power plants.

"Communities in southeast New Mexico have expressed an interest in nuclear power," Romero said.

One area the conference focused on is the commercial deployment of small nuclear reactors in eastern New Mexico. Representatives of

Babcock & Wilcox presented their strategy to deploy a light-water reactor system to provide energy to communities in New Mexico.

Babcock & Wilcox is the leading international company in development and deployment of small-scale nuclear reactors. The company unveiled the B&W mPower™ reactor in 2009. The mPower reactor, with its scalable, modular design, has the capacity to provide 125 megawatts to 750 megawatts of electricity for a five-year operating cycle without refueling. The reactor is designed to produce clean, near-zero emission operations, according to the company website.

Babcock & Wilcox Canada has designed and manufactured nuclear power equipment for more than 40 years, providing nuclear heat exchangers, nuclear plant services and more than 200 nuclear steam generators to customers around the world.

Dr. Romero led a discussion on "Small Reactor Research and Readiness."

"Large nuclear reactors generate about a gigawatt of power," Romero said. "These smaller reactors are safe and easy to operate and do not need a tremendous amount of infrastructure. Canada has been operating these small reactors for years."

The two-day conference was hosted by the New Mexico Center for Energy Policy, a division of New Mexico Tech, the Economic Development Corp. of Lea County and New Mexico Junior College.

While the conference was both informative and well put together, the most amazing part was getting to talk to people from this energy corridor. Everyone in attendance saw nuclear power not only as viable, but a necessary source of energy.

"New Mexico is the Saudi Arabia of Uranium," according to Dr. Daniel Fine, research associate at New Mexico Tech and at the Center for Energy Policy in Hobbs.

Geothermal Energy - Energy From the Earth's Core

With new developments and pioneering technology, geothermal energy is spreading throughout the United States, as described in the yearly update on the geothermal industry from the Geothermal Energy Association (GEA). The Annual GEA U.S. Geothermal Power Production and Development Report shows that in 2011, the geothermal industry is producing clean power in nine states and developing 146 projects across 15 states, with the total number of geothermal projects and prospects under development increasing 12 percent.

The United States ranks No. 1 in geothermal energy production and continues to be one of the leading countries in geothermal growth. The total installed capacity of the U.S. is approximately 3,102 MW, enough to power over 2 million homes -- or the residential populations of San Francisco, Portland and Seattle combined. Currently, geothermal electric power generation is occurring in nine U.S. states, including: Alaska, California, Hawaii, Idaho, Nevada, New Mexico, Oregon, Utah and Wyoming. Bringing the geothermal resource capacity GEA identifies on-line would triple U.S. geothermal power production.

"The geothermal industry has an exciting year ahead, as there are numerous projects switching from development phases to full-fledged geothermal power plants," said GEA Executive Director Karl Gawell. "And a second wave of development is on its way. This report reveals that many projects are entering the drilling and production phase, which is where the majority of geothermal job creation is."

As the majority of the industry remains concentrated in the western U.S., pilot projects are beginning to show development potential further east. New projects are focusing on generating geothermal electricity from low temperature fluids left over as a byproduct from oil and gas production and harnessing electricity from geothermal fluids under high geological pressure along the Gulf of Mexico.

"We are building new plants in places that have never had geothermal power before, giving people in these states the clean and renewable power we need," said Gawell.

Many projects currently undergoing advanced stages of production are located in Nevada and California, with additional projects nearing construction in Oregon, New Mexico, Idaho, and Hawaii, Alaska, Louisiana and Mississippi.

"While the government incentive programs may have given the geothermal space a lift in terms of initiating new activity, it's going to take additional support from Private Investment that will fuel the majority of the growth in years to come," said Saf Dhillon, Investor Relations, U.S. Geothermal Inc.

While the number of states with geothermal installed capacity and projects in development is significant, the reach of the geothermal industry is even more extensive. A total of 43 states have companies involved in geothermal development operations.

"Atlas Copco's involvement in the geothermal industry has grown steadily over the past three decades. All three of our divisions (Industrial Technique, Compressor Technique and Construction and Mining Technique) provide machines and tools for geothermal development and power generation. From geothermal well exploration, to the Hurricane® power booster, and finally the binary cycle turboexpander generators, Atlas Copco plays a key role in providing clean geothermal energy to the nation's power grid," commented Behrooz Ershaghi, Manager of Technology for Atlas Copco Mafi-Trench Company LLC.

About the Geothermal Energy Association:

The Geothermal Energy Association (GEA) is a trade association composed of U.S. companies who support the expanded use of geothermal energy and are developing geothermal resources worldwide for electrical power generation and direct-heat uses.

Different Views on Renewable Energy and How New Mexico's Policies Affect You

Maine's Governor, Paul LePage, authored legislation to halt the current 1-percent annual increase in the state's renewable requirement, according to the Boston Globe on 5/21/11. Maine currently has a 4-percent renewable requirement that is set to increase to 10 percent in 2017.

LePage said the current requirement is producing higher (utility) rates because "the government has been subsidizing renewable energy development at the cost of Maine ratepayers."

Tom Bell, mainetoday.com, wrote that the bill's goal is to lower electricity rates, a pledge that LePage made during his campaign. The bill would require that the 4 percent level currently required by law would not increase further.

New Mexico's Renewable Portfolio Standards (RPS) require investor owned electric utilities to produce 10 percent of its power by renewable sources by 2011 increasing to 20 percent by 2020. Currently there is a cap of two percent that can be added to your utility bill to pay for renewable energy, which will eventually rise to three percent.

The cost for renewable energy varies by source. On average and recognizing that rates will vary due to several factors, wind power costs 7.5 cents per kilowatt hour (kW) and solar 13 cents per kW. (While we don't have a current estimate for Biomass, it was estimated to be about 9 cents per kW a few years ago. There are currently Biomass projects under consideration, but estimates were not available as we went to press with this edition

of Shareholder News.) These rates are in comparison to coal generated power that costs 4.8 cents per kW, nuclear energy from Palo Verde that costs 5.5 cents kW and natural gas generated power that costs 7.6 cents per kW.

In 2007, the NM Public Regulation Commission ruled that renewable energy must come from diverse sources, such as solar and biomass, rather than allowing utility companies to produce renewable power from the most cost-effective sources. As you can see from the rates listed above, this mandate substantially increases the cost for renewable energy.

Many renewable energy projects are developed by companies not related to the utility company. The developer then sells the renewable energy to a utility company seeking to meet their RPS requirements. New Mexico and the federal government offer certain incentives for renewable energy developers – and those incentives are subsidized by tax dollars. Without the incentives being subsidized, the price of wind, solar and biomass would be much higher than the rates currently being paid. While the state is struggling with budgetary issues, Production Tax Credits for renewable energy can be a costly use of taxes.

In addition, it is important to remember that a utility company using renewable energy must still have another source of power production which can produce at peak load capacity. The company must be able to continue serving its customers when the wind isn't blowing or the sun isn't shining. This is an added cost that frequently is not recognized, but is a critical component of utilizing renewable energy.

Editor's Note: *The NMUSA is not taking a position for or against the use of renewable energy. We simply felt that you have a right to know what it costs you and the state when it is used.*

San Juan Haze Plan Will Cost Ratepayers (continued from cover)

It is important to consider also that the San Juan Generating Station and the San Juan Coal Mine that supplies its fuel are major employers in the Four Corners region and contribute to the economic health of the region and the state. Some of the facts:

- SJGS employs 394 full-time workers, 20 percent of whom are Native American.
- The San Juan mine employs 526 people, of whom 46 percent are Native American.
- The plant pays millions of dollars a year in government taxes, including \$54.8 million in coal royalties and taxes paid to governments and tribes and \$6.4 million paid in property tax to San Juan County.
- San Juan also purchases about \$30 million in materials and supplies each year and holds approximately \$122 million in contracts for outside services. The plant pays \$280 million each year for coal and ash removal.

The NMUSA believes that the analysis conducted by the EPA for this BART determination is flawed. EPA failed to account for site-specific characteristics of SJGS and the unique circumstances at the plant that make installation of SCRs extremely complex and difficult. In addition, the exclusive use of the EPA Cost Control Manual grossly underestimates the expected SCR-installation costs. The manual is outdated (last updated in the early 2000s) and fails to account for SCR-specific factors as they relate to SJGS. We do not feel these factors were taken into consideration in the EPA's analysis.

The SJGS plant cannot be retrofitted with a standard plan for newer plants, nor will the cost be the same. The EPA estimate did not come close to current costs for material, labor, and equipment transportation. This plant is located in a land-locked area that will require equipment to be transported by truck, which is quite costly in light of current fuel prices

On 6/2/11, the New Mexico Environmental Improvement Board (EIB) unanimously approved the State Implementation Plan (SIP) for installation

of SNCR technology at SJGS. The NMUSA supports this plan as the best alternative for a cost effective method of addressing regional haze regulations.

NMUSA encourages you to write to EPA representatives and members of Congress expressing your view on the pending decision. Contact information is as follows:

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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.

I own shares of stock in: (NM utility stock ownership required)
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UniSource Energy

(Tucson Electric Power)

Xcel Energy

(Southwestern Public Service)

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The Yucca Mountain Saga Continues

Report Indicates NRC Withheld Favorable Yucca Mountain Safety Report

According to the Las Vegas Review Journal, 6/9/11, a crucial safety report which praised the proposed Yucca Mountain nuclear waste repository had been "kept under wraps" by the NRC. The report was released by the House Science, Space and Technology Committee, which said the NRC staff report "demonstrates in excruciating detail the level of technical support among NRC and DOE experts in favor of the site's advancement." Reuters quoted a committee statement as saying: "Despite numerous suggestions by political officials--including President Obama--that Yucca Mountain is unsafe for storing nuclear waste, the Committee could not identify a single document to support such a claim." Instead, the committee had "found great agreement among the scientific and technical experts responsible for reviewing the suitability of Yucca Mountain

... that nuclear waste can be safely stored at the site for tens of thousands of years."

NRC Chairman Gregory Jaczko, who had been accused of deliberately trying to kill the project at the behest of his former boss, Senate Majority Leader Harry Reid, told a hearing that the "conclusions of the report reaffirm that my actions have been and remain consistent with established law, guidance, and my authorities as chairman." House Science Committee Chairman Ralph Hall said the report highlighted "that the decision to shut down Yucca Mountain had no scientific basis," Platts reported. "The committee has examined this issue for the past two and a half years, and we will continue to pursue this issue to ensure nuclear waste management policy is transparent and driven by sound science."

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Second Quarter 2011

From the Executive Director . . .

This quarter has been packed with activity - rate cases, Environmental Improvement Board and Public Regulation Commission hearings and cases before the Environmental Protection Agency. These are challenging times and it's important to stay vigilant over the issues.

One of the best things about the NMUSA is that it usually takes a very moderate approach on all issues. As I visit with elected officials, I remind them that while we are shareholders, our members are also ratepayers and personally affected by the laws and regulations that impact utility company operations. And that's why we strive for moderation.

Of course we want clean air and good visibility. But when we consider the options, the related costs and the expected improvement, we support the most cost-effective means of obtaining the best results. We believe that common sense approach will benefit our members - as well as everyone else in the state - for the long run.

We hope you will take the time to express your views to elected officials on issues that affect you. They are elected to represent you and do that best when they understand your position.

I wish you the very best in all that you do!



Carla J. Sonntag

A handwritten signature in black ink, appearing to read 'Carla', written in a cursive style.