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## Selecting New Mexico's Next Utility Regulators

Selecting New Mexico's next Public Regulation Commissioners is a critical task. Plagued by issues of statewide concern and national embarrassment, the vote for three NMPRC commissioners in the fall is critical.

There are three races that will bring new faces to the commission and could completely change the way business is done there.

**District 2:** Chairman David King is leaving due to term limits. King will have served two consecutive four year terms at the end of 2010.

**Candidates:** Stephanie L. DeBois (D), and Pat Lyons (R).

**District 4:** Commissioner Carol Sloan, in her first term, is barred from seeking re-election due to conviction on felony charges.

**Candidates:** Gary Montoya (R), and Theresa Becenti-Aguilar (D).

**District 5:** Commissioner Sandy Jones chose not to run for re-election to the PRC in order to seek the Democratic nomination for Public Lands Commissioner.

**Candidates:** Bill McCamley (D), and Ben Hall (R).

It is important for voters to understand the role of the NMPRC when they select

a commissioner. One of the key points regarding the commission's decision-making functions is found in New Mexico state statute:

*"It is the declared policy of the state that the public interest, the interest of consumers and the interest of investors require the regulation and supervision of such public utilities to the end that reasonable and proper services shall be available at fair, just and reasonable rates, . . ."*

**Public Regulation Commissioners are charged with finding balance between the public, the consumer and the shareholder.**

Public Regulation Commissioners are charged with finding balance between the public, the consumer and the shareholder. The consumer advocacy role is reserved for the Attorney General and should not be the focus of the PRC or any individual commissioner.

NMUSA will publish information from candidates in the third quarter **Shareholder News**. We are also planning a candidate forum in conjunction with our annual meeting on October 13, 2010. We encourage you to attend both the forum and the luncheon. Please see page 11 for additional information.

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NMUSA Annual Meeting and PRC Candidate Forum  
October 13, 2010

For more information, please see page 11

NMUSA's Newest Board Member - Mr. Ashton B. Collins, Jr.  
Learn more about Mr. Collins on page 2

Membership Drive - We want YOU!

*"Together, we have the Power!"* Join us - page 11



**Bill Pope**

## From the President . . .

Our quarterly board meeting was held the 18th of May. We were honored to welcome Ash Collins who will serve on the NMUSA Board of Directors. Ash brings a lot of wisdom and experience to the board. You can learn more about him in the article below.

Also at the board meeting were two representatives of PNM who provided an update on the proposed rate increase and other items of interest to NMUSA members.

The board spent considerable time in discussion of primary election races with particular emphasis on the three new PRC commissioners that will fill vacant positions. We will be organizing a candidate forum for the annual NMUSA Membership meeting on October 13, 2010 and I would encourage all of our members to attend.

It's important to know the candidates before you cast your vote in November.

*Bill*

## NMUSA Welcomes New Director: Ashton B. Collins, Jr.

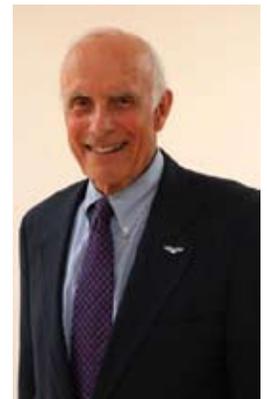
Ash Collins, now retired from a 48-year career in serving the electric utility industry, was President and Chief Executive Officer of the RCI Consulting Group, a firm which began operations with the trademark symbol Reddy Kilowatt and produced public communications programs based on Reddy. The company served over 200 investor-owned utilities in the U.S., Canada, and overseas.

As the uses of Reddy declined with the first energy crunch in the 1970's, Ash Collins led the firm in a major transformation to meet the emerging needs of the utility industry. The result, The RCI Consulting Group, provided strategic intelligence and issues analysis services to the electricity supply industry in the US and 12 other countries. RCI's clients included investor-owned utilities, crown corporations (Canada), municipal utilities and their associations and rural electric cooperatives.

Mr. Collins' work included testimony and other public statements on restructuring, competition and related matters before legislative and regulatory bodies and city councils. He was responsible for the development of RCI's strategic issues and management system and has been the principal director of scores of consulting projects over the past three decades.

Mr. Collins served as a trustee of the Thomas Alva Edison Foundation, was a lecturer at the Executive Management course of the Edison Electric Institute on topics such as boards of directors, board practices and trends, corporate governance and issues management. He also served for 12 years on the Board of Directors of the Public Service Company of New Mexico, including serving as its Chairman. Mr. Collins has also served on the vestry of St. John's Episcopal Cathedral, Albuquerque, NM.

A graduate of Kent School, Mr. Collins holds a Bachelor's Degree in economics from Cornell University, having studied under Dr. Alfred E. Kahn. He joined RCI in 1956 after serving as a rated line officer in the Strategic Air Command, United States Air Force.



**Ash Collins, Jr.**



## Southwestern Public Service Company Names Riley Hill as President and CEO

Xcel Energy's regional operating company, Southwestern Public Service Company (SPS), began a new year with a new leader who hopes to build upon the company's commitment to service in New Mexico.

In November 2009, Riley Hill succeeded David Eves as president and CEO of SPS after Eves was named president and CEO of Xcel Energy's Public Service Company of Colorado (PSCo), based in Denver.

Hill, 50, was raised in El Dorado, KS and graduated summa cum laude with a Bachelor of Science degree in electrical engineering from Wichita State University. He spent the first part of his career in the service of Westar Energy in Topeka. In 2004 he joined PSCo and worked his way to the rank of vice president of customer and community service before taking the helm at SPS in its Amarillo, TX headquarters.

Since the middle of the decade, Xcel Energy has been restructuring its core utility business along regional operating company lines in an effort to put more decision-making power in the hands of local leaders. A Roswell district office was re-established in the past two years, and a strong leadership team came together in SPS's Amarillo headquarters building. Hill said he plans to continue building on this successful model, which he says leads to strong customer service and better relationships with community leaders.

"Like many utility companies in the 1990s and the earlier part of the new century, we took our eyes off the customer as we faced the uncertainties of a changing marketplace," Hill said. "The deregulation of our retail businesses did not materialize, however, and our focus is squarely back on meeting customer needs where they live. We're determined to wear the white hats in our communities."

Part of that strategy involves holding down costs even as the company spends millions on infrastructure and renewable energy development – investments that can sustain and enrich area communities for years to come.

"We play a critical role in building our communities. We can't grow without power and the means to move that power to where it's needed – and we can't build sustainable growth unless we provide more renewable options."

The critical link is positive outcomes on future rate filings in New Mexico, Hill said.

"Energy costs tend to rise during periods of economic growth," Hill said. "If our rate structure is insufficient to cover our costs and reward our shareholders, we cannot access the capital needed to develop the electrical grid of the future."

Hill said one of his primary goals is to engage regulators and community leaders in this process in hopes of getting better regulatory treatment and cost recovery.

"Not only do we operate in two states but we also serve approximately 34 percent of our load on a wholesale basis, and this part of our business is regulated by the Federal Energy Regulatory Commission (FERC)," Hill said. "Multiple regulatory jurisdictions present numerous challenges, and the only way to navigate is to employ skilled people who are in touch with the needs and wishes of the communities we serve."

One of those needs is renewable energy, a need Xcel Energy – as the nation's No. 1 wind power provider and No. 5 solar provider in the nation – is primed to meet. "Xcel Energy is well equipped and experienced in bringing renewable energy resources to our customers, and New Mexico is no exception," he said. "New Mexico is blessed with abundant solar resources, and we are completing the development of \$1 million in solar demonstration projects in four eastern New Mexico cities that hopefully will stir the



**Riley Hill**

See Riley Hill on page 4



## UniSource Energy to Unveil Design for New Energy-Efficient HQ

UniSource Energy has settled on a design for its new downtown headquarters and submitted plans to the City of Tucson for review.

The nine-story building will incorporate solar panels and numerous energy-saving features in an elegant, contemporary design that will become a new landmark in downtown Tucson.

"It's a beautiful design that represents our company extremely well," said Scott Rathbun, Director of Asset and Facilities Management, who is overseeing the project. "I think our employees are going to be very proud as they see it begin to take shape."

The new UniSource Energy headquarters building and surrounding landscaping will occupy a two-acre lot on East Broadway between Scott and Sixth Avenues. Construction crews will break ground later this year, and the building is scheduled to be complete before the end of 2011.

The building will include about 8,700 square feet of ground-floor retail space as well as a large conference center, meeting rooms and nearly 170,000 square feet of office space for more than 425 of TEP's approximately 1,100 Tucson employees. Nearly 600 parking spaces will be available in a three-level subterranean parking garage and an integrated above-ground parking structure.

The new building will be home to most if not all of the 85 TEP employees currently working in leased offices in the UniSource Energy Tower – a name that will change when the new building is complete. The company has not yet decided what other employees and departments will relocate to the new building, Rathbun said.

Energy efficiency is a key feature of the building's design. Its long, rectangular footprint is intended to minimize its exposure to direct sunlight from the east and west, and an integrated shade structure will shield its west face. The building will be clad with high-efficiency glass and will feature energy-saving lights, HVAC units and other mechanical systems. A rainwater harvesting system will help ensure that all landscaping needs are met with recycled water.

Those features, along with plans for an integrated photovoltaic array, should help UniSource Energy secure a Leadership in Energy and Environmental Design (LEED) Certification for the new building from the U.S. Green Building Council. The certification will help UniSource Energy promote its commitment to energy efficient construction techniques and environmentally sensitive design.

*Inquiries about purchasing UniSource Energy stock can be directed to BNY Mellon at (866) 537-8709 or by visiting [www.melloninvestor.com/isd](http://www.melloninvestor.com/isd).*

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### Riley Hill continued from page 3

imaginations of our customers."

Additionally, SPS signed a deal in December for the purchase of 50 megawatts of photovoltaic solar energy from five sites being developed by SunEdison in Lea and Eddy counties.

The territories served by Xcel Energy happen to lie in some of the continent's best renewable energy development zones – a land of far-flung horizons that makes Hill and his family – wife Rebecca and their three children - feel perfectly at home.

"I spent the first 44 years of my life in and around Wichita and Topeka Kansas which both have a similar culture to the Texas Panhandle and Eastern New Mexico," Hill said. "The transition has been very natural and easy."

Xcel Energy (NYSE: XEL) is a major U.S. electricity and natural gas company with regulated operations in eight Western and Midwestern states. More information is available at [www.xcelenergy.com](http://www.xcelenergy.com).



## New Mexico Gas Company

### Save Energy - Save Money

New Mexico Gas Company's new Energy Efficiency Programs provide substantial incentives for homeowners and businesses to reduce their energy bills, now and into the future. These programs offer rebates on the purchase of qualifying energy efficient natural gas appliances and products.

"With these new rebates, we anticipate being able to help more than 8,000 New Mexico customers buy more energy-efficient products and realize significant reductions in their energy consumption during the first year alone," said John Fernald, Director of Regulatory Affairs for the Company. These customers will also be able to enjoy continued lower natural gas bills over the lifetime of these more energy-efficient products, he added.

In developing this year's programs, New Mexico Gas Company sought input from numerous community and consumer organizations, energy efficiency experts, building contractors, and a public advisory panel composed of regulatory agency personnel and consumer advocacy groups. "Our goal was to develop a meaningful program that would help the largest number of our customers, especially those on low incomes, by offering rebates on the most cost-effective products that will yield the greatest benefits in energy savings and lower gas bills," said Steve Casey, Energy Efficiency Programs Manager.

These enhanced programs offer residential customers point-of-purchase rebates on low-flow shower heads and water heater wraps, and mail-in rebates with the purchase and installation of qualifying water heaters, furnaces and home insulation. New Mexico Gas Company is also continuing its sponsorship of the ENERGY STAR® Homes Program, offering contractor rebates when they build ENERGY STAR-

qualified homes. Rebates on high-efficiency tank and tankless water heaters are available to commercial customers.

"Our new program for food service businesses is a special feature this year," said Casey. This innovative offering provides rebates on qualifying convection ovens, fryers, dish washers, griddles and low flow pre-rinse valves. The value of this program is dramatic, he said, because restaurants and commercial food service operations use 2.5 times more energy per square foot than any other type of business activity, according to the Environmental Protection Agency.

The Company's commitment goes beyond rebates. New Mexico Gas Company provides energy saving tips and resources to its customers on a regular basis and also works with the New Mexico Mortgage Finance Authority to provide assistance to income-qualified customers to improve the energy efficiency of their homes and lower their utility bills. It also sponsors the New Mexico EnergySmart program, which offers home weatherization, repairs and installation of energy-saving measures.

New Mexico Gas Company recently received national recognition for its Energy Efficiency Programs when it was named an ENERGY STAR Partner of the Year by the U.S. Environmental Protection Agency and the U.S. Department of Energy. This award recognizes organizations that have shown outstanding leadership and made significant contributions towards improving energy efficiency. New Mexico Gas Company was chosen from among more than 17,000 organizations participating in the ENERGY STAR program.

For more information on New Mexico Gas Company's Energy Efficiency Programs, visit [www.nmgco.com/Energy\\_Efficiency](http://www.nmgco.com/Energy_Efficiency).



## PNM Seeks Rate Increase to Strengthen Business, Prepare for Tomorrow

By Pat Vincent-Collawn

As you likely heard in the news a few weeks ago, PNM has filed a rate request with the N.M. Public Regulation Commission, asking regulators to grant a \$165.2 million revenue increase phased in over time to ease the impact on customers.

We know there is no good time to ask for a rate increase, and it's particularly difficult to do so in tough economic times. But we have an obligation to look ahead at our financial health and the investments we think will be required to maintain the first-class reliability our customers expect. We also recognize this is a needed step to continue to restore the health of the investment many of you have made in our company.

PNM consistently ranks in the top quartile of investor-owned utilities for electric reliability. We want to maintain that record, particularly because electricity powers so much of what we do at work, at home and at play.

A key driver in the increase is the need to make capital investments totaling \$700 million in the next five years. This is to maintain, upgrade and expand the electric grid, including:

- Expansion of substations, lines and other critical items in Rio Rancho, Santa Fe, Alamogordo and other areas.
- Plant upgrades to keep our cheapest sources of energy, including San Juan Generating Station and the Four Corners, Palo Verde, Afton and Luna power plants, running reliably.
- Upgrades at the coal-fired San Juan plant to meet both environmental and cyber-security standards.

Another driver in the request is the need for PNM to strengthen its credit rating. In 2008, as we were awaiting a vote on our first rate increase request in more than 20 years, the utility's credit status was downgraded by both major credit rating agencies. In particular, Standard and Poor's now rates PNM as below investment grade. Such ratings make borrowing more difficult and more expensive, which puts even more pressure on electric rates.

An improved credit rating is a goal that will benefit

the company, those it serves and its owners. It will take time, but we're determined to get there. But we can't do it without adequate rate relief.

Capital also will be easier to raise if the utility earns an adequate return on equity (ROE). In the new rate case, we are asking for the opportunity to earn an 11.75 percent ROE. The company has consistently lagged behind almost every utility in the nation in ROE, despite significant cost cutting efforts to reduce annual O & M by \$30 million, keep ongoing O & M to half the rate of inflation, and reduce the number of employees, including cutting the company's officer ranks by 40 percent in just a few years.

Another feature of the rate case is that it contains different rates for the northern part of the state plus Deming than it does for the southern communities we serve -- Alamogordo, Ruidoso, Silver City, Lordsburg, Bayard and Tularosa. The southern states formerly were served by TNMP, which PNM Resources purchased in 2005. Since that acquisition, rates for those customers have decreased three times for a total of 15 percent. We were hopeful that as part of this rate filing we could reach agreement to have a single rate structure for all of the communities we serve, but weren't able to reach that agreement prior to the filing deadline. PNM intends to combine rates in the future, consistent with past agreements, which we believe would benefit all customers.

It will take nine months or so for the PRC to act on our request. In the meantime, there will be opportunities for shareholders and others to become involved, particularly during a public hearing that will take place several months from now.

We hope you'll take the time to educate yourself about our request and support our effort, at the appropriate time, for the future health of PNM and its ability to provide New Mexico with the energy of the future.

*Vincent-Collawn is president and CEO of PNM Resources, the holding company that owns PNM. More information on the rate request is available online at [PNM.com](http://PNM.com).*



## APS Bringing Solar to 200 Flagstaff Rooftops

Arizona Public Service will soon bring solar panels to the rooftops of 200 Flagstaff homes and businesses as part of the Community Power Project, a pilot program recently approved by the Arizona Corporation Commission.

APS will own, operate and receive energy from solar panels on customer rooftops suitable for the project. The company will hire solar contractors to install and maintain the systems in a limited area of northeast Flagstaff. Customers will receive a long-term Community Power Rate for the solar portion of their bill. This rate will remain fixed at a guaranteed level – approximately equivalent to what they pay today – for 20 years. The company anticipates rollout of the program this summer.

“Our customers want solar energy for their homes and businesses and the Community Power Project is an important option,” said APS President Don Robinson. “With the Community Power Project we will also be among the first utilities in the country to study different solar power scenarios as they happen in real time and test different ways to manage these challenges on the grid. What we learn could very well become a lynchpin for making rooftop solar generation a widespread phenomenon in the future.”

The Community Power Project will enable APS to measure system impacts and better understand the total customer experience with technology. APS, along with its four technology partners in the project, has received a \$3.3 million federal grant

from the U.S. Department of Energy to study the effects of high concentrations of solar energy on the grid over a 45-month period. The Flagstaff program will serve as the host of this study.

APS intends to generate 1.5 megawatts (MW) of electricity from the Community Power Project. Under the current plan, 200 qualified participants will be interconnected with the electrical grid along a single electric distribution area, or “feeder”, called Sandvig 4 in northeast Flagstaff. This area, which serves approximately 3,000 residential and business customers, is bounded by Wupatki Trail to the north, Railhead Avenue to the south, Kochfield Road to the east and Timberline Estates to the west.

Also as part of this project, APS plans to install a utility-scale solar array and several small wind turbines in the test area. The company also plans to work with local agencies to provide 50 solar water heaters in the pilot area on homes of customers with limited-incomes.

More information on the APS Community Power Project can be found at [www.aps.com/communitypower](http://www.aps.com/communitypower). Information on current ACC-approved APS renewable energy programs for customers can be found at [www.aps.com/greenchoice](http://www.aps.com/greenchoice).

APS, Arizona’s largest and longest-serving electric utility, serves more than 1.1 million customers throughout the state. With headquarters in Phoenix, APS is the principal subsidiary of Pinnacle West Capital Corp. (NYSE: PNW).

### *Something to think about . . .* (from unknown authors)

“Compromise is an agreement whereby both parties get what neither of them wanted.”

“Happiness is not getting what you want, it’s learning to enjoy what you have.”

“A successful person is not one who has never failed, but one who has never stopped trying.”

## EPA Proposes Competing Approaches to Regulate Coal-Ash Waste

Mark Peters, of U.S. NEWS reported (May 4, 2010) that the U.S. Environmental Protection Agency (EPA) said it would pursue tighter controls on the disposal of coal ash from power plants, following a December 2008 spill that sent a billion gallons of wet ash slopping over 300 acres in Tennessee.

But the agency stopped short of declaring coal ash a hazardous waste, in a temporary victory for the utility industry.

The regulation of coal-ash disposal has pitted utility companies concerned over the cost and complexity of eliminating wet-ash storage against health and environmental advocates who say arsenic, selenium and other contaminants in coal ash are a threat to human health and the environment. The two sides disagree on whether the waste material should be considered hazardous.

The EPA didn't take a stance on whether to regulate coal ash as hazardous waste, instead offering that approach as one of two possibilities. The hazardous-waste approach would put enforcement powers in the hands of federal and state officials, creating disposal restrictions and effectively phasing out the use of ash ponds. The second proposal would put in place new restrictions, but enforcement would come through lawsuits by states and individuals, the EPA said.

"In the course of developing these proposals, it became clear that there are people who feel very strongly about one or the other," said EPA Administrator Lisa Jackson during a press briefing.

The EPA estimates the cost of the hazardous-waste and nonhazardous-waste approaches at \$20 billion and \$8 billion, respectively. The EPA won't actually refer to coal ash as hazardous under either approach. That's because industry groups have raised concerns the terminology could hurt the reuse of the waste material in such products as cement and drywall.

The issue of coal-ash waste was the subject of 48 meetings since last fall between the staff of President Barack Obama's regulatory czar, Cass Sunstein, and industry groups, environmental advocates and others. The EPA's announcement Tuesday fueled the ongoing divide. A utility-industry group in a statement said regulation of coal ash

as a nonhazardous waste alongside new federal standards for ash pond safety would be the only "prudent" course for the EPA.

"Adoption of more stringent regulation—including regulating coal combustion byproducts as hazardous waste or mandating closure of certain types of ash-management facilities—will drive up costs for our customers without providing a commensurate health or environmental benefit," said Jim Roewer, executive director of the Utility Solid Waste Activities Group, in a statement.

Environmental and health groups say hazardous-waste regulations are essential to ensure federal officials can track and enforce standards for coal-ash facilities.

The EPA's "inclusion of an option to regulate coal ash as hazardous waste is an important first step," said Trip Van Noppen, executive director of Earthjustice, in a statement. "The next important step will be to maintain this position in the face of inevitably misguided claims by polluters that the sky will fall."

The federal agency will take public comment on how to handle the waste from coal-fired generators and eventually issue final rules.

***NMUSA supports . . . safe and responsible management of coal ash waste. However, we believe . . . that regulation of coal ash as a hazardous material is not warranted.***

***Editor's note:*** NMUSA was actively engaged in urging the EPA not to reclassify Coal Combustion Byproducts (CCBs) as hazardous waste.

NMUSA supports and encourages safe and responsible management of coal ash waste. However, we believe the EPA was correct when they determined under four separate administrations over the past 20 years, that regulation of coal ash as a hazardous material is not warranted.

Classified as nonhazardous, nearly 43 percent of coal ash was recycled in 2007 (most current available information) into beneficial uses such as the manufacturing of cement. Recycling reduces greenhouse gas emissions, preserves natural resources, and reduces the need for disposal.

NMUSA met with New Mexico's congressional delegation or their staff as well as many state elected officials to discuss our concerns. U.S. Senator Jeff Bingaman and State Senator Richard Martinez, Chair, Radioactive & Hazardous Materials Legislative Interim Committee wrote letters to the EPA at our request.

## **New Mexico Environmental Department (NMED) Issues Draft Cap & Trade Rule**

The rule would cap greenhouse gas (GHG) emissions in New Mexico and allow regulated entities to trade GHG emission allowances with other states and Canadian provinces through the Western Climate Initiative.

The New Mexico Utility Shareholders Alliance (NMUSA) submitted comments opposing the draft rule, which included the following points:

- NMUSA represents the interests of over 7,000 gas and electric utility shareholders of companies operating in New Mexico. The vast majority of our members are also ratepayers of the companies affected by this proposed rule. Seventy-two percent of our members are 65 years or older and 47% have annual household incomes of less than \$50,000. Any costs associated with the requirements of the NMED proposed rule will be passed on to ratepayers. As shareholders, we support healthy utility companies and understand the need for increased rates for utility operations. However, the potential costs associated with this proposed rule will not benefit the utility companies operating in the state, but will increase costs to ratepayers. Many in our state simply cannot afford an unnecessary utility bill increase.
- New Mexico needs to increase its tax base for the benefit of all its citizens. NMED's proposed cap-and-trade program will adversely affect this need by creating costs that will not exist in neighboring states. This will provide an incentive for existing businesses to leave and for new businesses to locate in other states that do not have these associated costs.
- NMED's proposal has a very limited focus by only capping emissions from power plants and oil and gas facilities. This will produce an insignificant impact on total U.S. GHG emissions.
- NMED's proposal is a regional approach which puts participating states such as New Mexico at an economic disadvantage. A federal approach would be more equitable to assure participation by all states as well as increased opportunities for trading allowances.

## **Global Geothermal Power Production at 10,000 MW**

A Geothermal Energy Association study found (GEA International Market Report , May 2010) that in the past five years 24 countries have increased geothermal power production by 20 percent and 70 countries have initiated geothermal projects, up 52 percent from 2007, with Europe and Africa in the lead, E&E News PM reported. The U.S. has 3,086 MW of installed geothermal capacity; global capacity was reported at 10,000 MW.

Geothermal Energy Association Executive Director Karl Gawell was quoted as saying: "The colossal growth of the international market is only a small fraction of the geothermal power potential we could be utilizing. Even if we assume the lowest possible projections for geothermal potential, the vast majority of countries don't fully use their geothermal resource." New projects, said the study, have expanded the technology to include using low-temperature reserves and generating power by flushing water through hot, dry rocks.

## **Senate Majority Leader Reid Considering Option of Energy-Only Bill**

According to BusinessWeek (May 10, 2010) Senate Majority Leader Harry Reid, D-Nev., said he may pursue passage of an energy-only bill that will not include GHG emissions limits. Reid said a narrower bill had support from "a couple of Republicans." Reid did not name the Republicans, but he said a larger bill including limits had no Republican support.

Reid spokesman Jim Manley said the smaller bill would be derived from the American Clean Energy Leadership Act, which received Senate Energy Committee approval by a 15-8 vote in June 2009. The bill would, among other things, require utilities to obtain 15 percent of their electricity from renewable sources by 2021, set new energy efficiency standards and open more of the eastern Gulf to oil and gas drilling.

## New Energy Economy (NEE) Files GHG Cap Petition

The New Energy Economy filed a petition with the Environmental Improvement Board (EIB) to cap GHG emissions. The requirements outlined in NEE's petition was significantly changed after the public comment hearing on March 1, 2010. Highlights of the current petition call for a reduction goal including:

- 3 percent annual reduction of GHG emissions below 2010 levels, starting in 2012;
- Threshold for Regulation: Sources emitting 25,000 metric tons per year;
- Cost Mitigation Measures: Offsets within New Mexico, ability for source owners to apply reductions from one source to another source under their ownership, credit borrowing and banking;
- Cost Cap of \$50 X 3 percent of 2010 emissions. The \$50 limit will increase by \$1 each year after 2012;
- Applicable sectors: Initially to Oil & Gas and Electricity, with ability to expand to other sectors in 2014.

NMUSA opposed the original petition at the public hearing before the EIB. Although the requirements listed above were a significant change, NMUSA continued to oppose the petition because:

- A cap only proposal can severely limit options for a company emitting GHGs;
- The NEE proposed cap applies only to regulated sources in New Mexico, but the EIB has no authority to regulate emissions from sources located on tribal lands. This would significantly reduce the potential impact in the state.
- With such a narrow focus only in the state of New Mexico, there would be a negligible impact on U.S. GHG emissions.
- There have been no significant studies of the economic impact of this proposed cap. However, rough estimates indicate that costs could be exorbitant for some utilities. This is at least partly attributable to the fact that the controls to reach the NEE recommended GHG cap are not commercially available.

Earlier this year, several parties, including El Paso Electric, Southwestern Public Service, and PNM filed suit to challenge the EIB's authority over this matter. District Court Judge Shoobridge in April issued an injunction enjoining the EIB from considering NEE's petition until the lawsuit challenging the EIB's jurisdiction over the rule is resolved.

NEE petitioned the N.M. Supreme Court in May to issue an emergency writ ordering Judge Shoobridge to vacate the injunction. This was followed by a petition for writ from the EIB. The Supreme Court issued an order requiring the plaintiffs to respond to the NEE petition by June 3, 2010.

## Utilities Endeavor to Introduce Dynamic Pricing to Consumers

According to the Wall Street Journal (May 18, 2010), utilities have been trying to figure out how best to convince consumers to use smart meters to cut their electricity bills by using power when it is cheapest, the Wall Street Journal reported. John Geary, VP of innovation for TXU Energy, was quoted as saying the meters "put consumers in charge of an expense that's often thousands of dollars a year and in ways that were never possible before. They won't be flying blind anymore."

Some utilities, including Reliant Energy and Pacific Gas & Electric, already have begun offering rate plans with different electricity prices at different

times of the day and year, while others still offer flat rates only. The dynamic pricing strategy has met with some resistance. Pennsylvania Consumer Advocate Irwin "Sonny" Popowsky was quoted as saying: "How can you expect a frail, elderly person to turn down the air conditioning on a hot day to avoid high prices?"

Wrote the Journal: "Though fewer than 10 percent of U.S. homes have smart meters now, the Department of Energy is funding efforts that will boost that number to nearly a third by 2015. The majority of homes in California and Texas, the two most populous states, will have smart meters by 2013."

## NMUSA Annual Membership Meeting and PRC Candidate Forum

October 13, 2010

### Public Regulation Commission Candidate Forum

Featuring candidates from:

- District 2: the southeast quadrant of the state (for Chairman David King's seat)
- District 4: the northwest quadrant of the state (for Commissioner Carol Sloan's seat)
- District 5: the southwest quadrant of the state (for Commissioner Sandy Jones's seat)

This will be a structured forum where all candidates are given an opportunity to introduce themselves and answer predetermined questions posed for all candidates. It is a great opportunity to hear the candidates speak about their qualifications and intentions for serving as a Public Regulation Commissioner.

### NMUSA Luncheon

Featuring keynote speaker: Paul J. Gessing, President, Rio Grande Foundation

Mr. Gessing graduated from Bowling Green State University in Ohio with a degree in Political Science in 1997 and received his Masters in Business Administration from the University of Maryland in 2005. He was named President of the Rio Grande Foundation in 2006. Mr. Gessing has published articles in the Wall Street Journal, Washington Post, US News & World Report, The Albuquerque Journal and several other major publications. Mr. Gessing writes for and appears regularly in media outlets around New Mexico and has testified before Congress and a variety of state and local bodies.

**The forum and luncheon are free to all NMUSA dues paying members and one guest. All others will be charged per person the following: \$15 for the forum, \$25 for the luncheon or \$35 for both events.**

## Join the Alliance NOW!

If you aren't a member or haven't paid dues for 2010, 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](http://www.nmusa.org)) and membership meetings.

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

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

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## From the Executive Director . . .

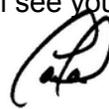
There is a lot of activity at the state and federal levels that can have a significant impact on shareholders as well as ratepayers. It is beneficial to have a united voice and critical that we use it frequently to speak up on these issues.

I would encourage you to read the articles on the Environmental Protection Agency's consideration of coal ash classification on page 8, the New Mexico Environment Department's proposed Cap and Trade rule on page 9, and the New Energy Environment's Cap petition on page 10. Each of these articles provides an update of NMUSA's position as well as action taken.

And, while we continue to work on these issues, we are in an election year with competitive races that could have a huge impact on shareholder issues. The Governor will set the agenda for state climate initiatives, the Attorney General, will impact utility legislation and regulation, the PRC, with three open seats, will determine regulation for our investor-owned utility companies, and the Congressional delegates will determine what happens at the federal level. These are critical races and it's important that our members make informed decisions at the polls.

To help you with at least part of that process, we will offer a PRC candidate forum prior to our Annual Membership Meeting on October 13, 2010. We have invited all PRC candidates to attend. In addition, there will be informational booths from several of the utility companies whose shareholders we represent. This is a great opportunity for you to meet company personnel and ask questions about their operations.

We hope you'll join us for the forum and luncheon and stay tuned to our newsletters and interim updates. And, speaking of updates, . . . , on rare occasions, we will send critical information to our members between newsletters. Because it is usually urgent, this information is sent by e-mail. We'll never provide your e-mail to any other party, but we urge you to provide it to us so that we can stay in touch, when necessary. You can complete the form on page 11 or e-mail us at: [nmusa@rt66.com](mailto:nmusa@rt66.com). Either way, we need your mailing address to correctly identify your membership record. Thanks and we'll see you in October!




**Carla J. Sonntag**

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