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Jay Copan

2007 Annual Membership Luncheon



Jim Ferland

Nuclear Energy and Natural Gas Utilities Discussed

NMUSA's Annual Membership Meeting held October 3, 2007 was a great success. There were 175 attendees and two great speakers: Mr. Jim Ferland, Senior Vice President of Energy Resources for PNM Resources and Mr. Jay Copan, Senior Vice President, Corporate Affairs and Corporate Secretary of the American Gas Association.

Mr. Ferland addressed "The Role of Nuclear Energy in the 21st Century" and discussed our nation's growing need for energy as well as potential sources for its supply. Before taking over responsibility of PNM Resources' generation facilities and wholesale power sales, Jim Ferland served as President and Chief Executive Officer of Louisiana Energy Services. While there, he led the successful licensing of the first major new nuclear

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NMUSA Files Amicus Brief in PNM's Gas Rate Appeal

On November 20, 2007, NMUSA filed an Amicus Brief (a-friend-of-the-court brief) with the New Mexico Supreme Court to support PNM's appeal of the 9.53% return on equity recently authorized by the New Mexico Public Regulation Commission for PNM's gas services.

NMUSA, representing thousands of PNM shareholders, has a straightforward interest in this case: PNM must receive a fair rate of return on equity (ROE) from its natural gas utility if the company is to continue to be a safe, reliable and viable one.

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Annual Membership Drive – January 2008

**Protect Your Utility Investment Interests
Join NMUSA – see page 11**

**Lenton Malry**

From the President . . .

It is an honor and privilege to serve as the President of the New Mexico Utility Shareholders Alliance (NMUSA). I have been a utility shareholder in New Mexico for many years and have seen the difference this organization makes on behalf of its members.

NMUSA members are shareholders, of course. But the vast majority of our members are ratepayers in New Mexico as well. So our job at the NMUSA is to represent the dual interests of our members.

Most of our members are retired and many rely on the dividend income or capital appreciation of their shares. They have an interest in the company doing well, but are also affected by rates. So, we're looking for balance and trying to educate the public on the importance of a healthy company.

Good regulatory treatment and sound management translates into the company's ability to borrow at competitive rates and invest in infrastructure to serve growing demand as well as maintain existing facilities. It's important for us to keep this in mind as we participate in utility rate cases that include requests for higher rates – a necessity to meet the utility needs of our state.

Lenton Malry

CURRENT NUCLEAR POWER INITIATIVES

At least three events in recent history have sparked renewed interest in nuclear power. First was the 2004 publication of *A Brighter Tomorrow*, by New Mexico senior Senator Pete V. Domenici. His eloquently outlined vision for the nation was, in time, manifested in *The Energy Policy Act of 2005*, the second major event. (A key provision of the Act offers a production tax credit for the first six new advanced nuclear power plants).

A third event was an article published in the April 2006 issue of *National Geographic*, promising a "nuclear renaissance". It recognized nuclear power as a clean, renewable and inexpensive source of power to meet the growing demand. The article notes that there are 103 nuclear power reactors currently operating in the United States, providing about 20 percent of the nation's electricity, with less cost to the consumer, when compared to coal or natural gas fired plants. The article points out that other nations are watching us, but not waiting. France gets 78 per cent of its electricity from nuclear power and is considering replacing its older plants with new ones. Westinghouse Electric has signed deals to build four nuclear plants in China, the world's second-largest power consumer. India has 15 nuclear reactors 'on line' and more under consideration.

According to "Insight", a publication of the Nuclear Regulatory Commission (NRC), the Commission has received 21 applications for new plant licenses for 33 nuclear reactors to be located in Alabama, Florida, Georgia, Idaho, Illinois, Maryland, Michigan, Missouri, Mississippi, N. Carolina, Pennsylvania, South Carolina, Texas and Virginia. And an article in the Sept 8, 2007 *Albuquerque Journal* agreed with the "revival", announcing that the NRC has hired 400 inspectors, engineers and examiners to handle the load.

Meanwhile, in the Southwest, development in this vein seems to be stalled. In New Mexico, the renewable energy activity is driven by the Public Regulatory Commission's actions approximately pertinent to SB 418, the *Renewable Energy Act*. The Act identifies wind, solar and biomass as renewable energy sources but omits nuclear.

While nuclear plants are initially expensive and require long-range planning, their power production is much more economical in the long run. But companies considering nuclear energy must have a predictable regulatory environment, including a reasonable return on investment. Neither Arizona nor New Mexico can anticipate the actions of their respective regulatory agencies, thus crippling the opportunity for the Southwest to participate in this nuclear renaissance.

GROWTH RATES OF EMISSION-FED ALGAE SHOW VIABILITY OF NEW BIOMASS CROP

Arizona Public Service Company (APS) and its partner, GreenFuel Technologies, will attempt to replicate their success of creating biofuels from algae grown using carbon dioxide (CO₂) emissions from a power plant. This time, however, instead of using CO₂ from a natural gas power plant, they will use emissions from a coal-burning power plant.

The move comes after the companies, this past summer, were able to grow algae at APS' Redhawk natural gas power plant at levels 37 times higher than corn and 140 times higher than soybeans—the two primary crops used for biofuel.

“The results provide evidence of the financial viability of using the emissions of a power plant to grow algae for the exclusive purpose of creating biofuels.”

“At this level of productivity, GreenFuel's system is ahead of other biomass production methods,” said Professor Otto Pulz, president of the European Society of Microalgal Biotechnology and head of the IGV Institute's Biotechnology Department in Germany.

The growth rate – an average productivity of 98 grams per square meter per day (ash free, dry weight basis) and reaching a high peak value of 174 grams per square meter per day - surpassed previous lab growth rates and exceeded all expectations going into the project. The results provide evidence of the financial viability of using the emissions of a power plant to grow algae for the exclusive purpose of creating biofuels.

The project is now moving to APS' Four Corners Generation station, a coal power plant located near Farmington, NM.

“It is now time to see if we can replicate

this success at Four Corners,” said Ray Hobbs, manager of the APS Future Fuels Program. “This project addresses two important issues in the U.S. today - reducing greenhouse gas emissions at power plants and producing more domestic sources of alternative fuels for automobiles and power plants.”

GreenFuel's Emissions-to-Biofuels™ technology uses safe, naturally occurring algae to recycle CO₂ from the stack gases of power plants and other commercial sources of continuous CO₂ emissions. At the Redhawk Power Plant, specially designed pipes captured and transported the CO₂ emissions from the stack to specialized containers holding algae. In the presence of sunlight, the algae consumed the CO₂.

Once enough algae is grown, it is harvested, and its starches are turned into ethanol, its lipids into biodiesel and its protein into high-grade food for livestock. While feeding CO₂ from a power plant to algae is not new, turning the algae grown at a power plant into biodiesel and ethanol was ground-breaking when first accomplished in the fall of 2006 by APS and GreenFuel. The project marked the first time ever that algae grown on-site by direct connection to a commercial power plant had been successfully converted to transportation-grade biofuels. Once this was accomplished, the companies set out to prove the process' financial viability by expanding the project. It was during this ramp-up that the companies achieved the high growth rates

Moving to a coal plant is the next progression in this evolving technology. The Department of Energy's National Energy Technology Laboratory (NETL) has been providing technical assistance throughout the process.

Dr. Malry Inducted into Grambling Hall of Fame



NMUSA's President, Dr. Lenton Malry was inducted into Grambling State University's Alumni Hall of Fame on October 26, 2007. Dr. Malry received several letters of recommendation for this award including letters from Governor Richardson and Lieutenant Governor Diane Denish.

This honor was given in recognition of Dr. Malry's many personal accomplishments as well as public service as a legislator, county commissioner and on numerous boards and advisory committees.

PNM'S ELECTRIC RATE CASE

The N.M. Public Regulation Commission will hold a two-week public hearing of PNM's electric rate case in Santa Fe beginning Dec. 5. The public can comment on the electric rate case that day, or during any of the open meetings that are held every Tuesday and Thursday. The PRC is expected to make a final ruling on the rate case by early May 2008.

If approved, the rate increase would be PNM's first in 20 years. In fact, the utility has actually decreased its rates four times since 1994. PNM rates are currently about 25 percent below regional and national averages. The company estimates the new rates would still be competitive with rates elsewhere in the country.

The base rate increase, which totals about \$77 million, is necessary to allow PNM to adequately recover the cost it incurs to serve electric customers as well as have the opportunity to earn a fair return. PNM's existing rates do not reflect the rapidly rising prices of fuel and the fundamental building blocks of the electric system, including steel, copper and aluminum.

Growing demand is also increasing PNM's costs. The utility expects that it will require an additional 825 megawatts of electric capacity by 2015 – enough to power about 575,000 homes. In order to meet this growth, PNM will need to invest \$1.7 billion in new electric infrastructure in the next five years, more than double what it spent in the last five years.

Three key proposals in PNM's rate case include:

- Establishing seasonal rates for all customers that are higher in the summer (June through August) and lower during non-summer months (September through May).
- Establishing a residential rate structure in which customers who use more energy pay more per kilowatt hour.
- Reinstating a monthly fuel and purchased power adjustment mechanism so the utility can pass through changes in fuel costs to customers. PNM is the only utility in the state that does not currently have this mechanism (*see related article in this issue*).

IN BRIEF . . .

Palo Verde Focuses on Safety and Efficiency

With three units capable of generating a total of approximately 4,000 Mw of electricity, the Palo Verde Nuclear Generating Station, 50 miles west of downtown Phoenix, Ariz., has been the largest power producer of any kind in the United States since 1992. Because of its desert location, Palo Verde is the only nuclear plant in the United States that is not located on a large body of water. Instead, the plant uses treated effluent from several area municipalities to meet its cooling water needs, recycling 20 billion gallons of wastewater each year. Palo Verde is owned by a consortium of seven utilities in the Southwest, including Phoenix-based APS, which is the majority owner and operator. El Paso Electric Company and PNM Resources are also owners in this plant.

Currently, Palo Verde is refueling Unit 3, replacing the unit's steam generator, installing new low-pressure turbine rotors and performing other planned work that will increase the plant's reliability and electrical output. The Unit 3 outage is scheduled for 75 days, ending in mid-December.

Palo Verde also is undergoing the Nuclear Regulatory Commission's (NRC) 95003 Inspection in the wake of receiving a Level 4 rating in the NRC Action Matrix. For more than a decade, Palo Verde has been one of the nation's highest performing nuclear energy operations, and the plant has placed significant focus on returning its overall performance to established levels. Palo Verde's Site Integrated Improvement Plan (SIIP) is in place and the staff is concluding its Improved Performance And Cultural Transformation, or ImPACT, project which identifies issues and corrective actions aimed at improving the plant's safety culture and overall performance for the long term.

Tucson Electric Power's Methane Landfill Project

Tucson Electric Power (TEP) takes methane gas from the Los Reales Landfill in Tucson, Ariz., and burns it in place of coal to produce electricity. Gas from the Los Reales Landfill is piped 3.5 miles to TEP's Sundt Generating Station to co-fire a boiler that supplies electricity to the utility's customers. Methane gas is a greenhouse gas produced through the process of decay in landfills.

The project allows TEP to replace more than 10,000 tons of coal per year, thereby achieving additional carbon dioxide emissions reductions. The Los Reales Landfill Gas to Energy Project was officially launched August 15, 1999. Completion of the project took four years, from the beginning of contract negotiations through permitting, engineering, procurement and construction.

The landfill gas TEP burned during the first 10 months of 2007 offset the use of 10,748 tons of coal, thus relieving the environment of 15,764 tons of CO₂ and 95 tons of SO₂. Since its inception, the project has averted the release of more than 183,000 tons of CO₂ and 1,100 tons of SO₂.

The program makes use of a hazardous by product of decay that otherwise would have to be captured and burned off without benefit.

NMUSA's Officers for 2007-2008



Dr. Lenton Malry
President

Lenton obtained his PhD from the University of New Mexico (UNM) and his BS from Grambling State University. He retired after 28 years from the Albuquerque Public School system, serving as a teacher, principal and administrator. He also taught at UNM, served on the County Commission for eight years and was a state representative for 10 years.

Lenton has been a member of the Western Interstate Commission for Higher Education, served on the New Mexico Institute of Mining and Technology's Board of Regents as well as served on advisory boards to the United Way, Albuquerque Heights Psychiatric Hospital and University of New Mexico Cancer Center. He is currently serving on the Board for the National Association of Counties.

Lenton served as Secretary of the NMUSA from 2004 to 2007.

Thoughts about NMUSA:

"NMUSA is a great organization for the representation of utility shareholders. I have seen the difference this organization makes through its involvement with the state legislature and Public Regulatory Commission as well as Congress. As a bipartisan group, NMUSA is effectively representing both our shareholder and ratepayer interests."

Vision for the Board: "To continue the expansion of shareholder representation and communication. We will continue to expand our outreach through our newsletter and website to keep our members informed and actively involved."

Bill Pope
Vice President



Bill completed his Bachelor of Business Administration (BBA) at Wayland Baptist University. After 44 years of service, he retired from Southwestern Public Service (SPS) as a Division Manager. Bill was responsible for SPS's entire service area in New Mexico from Tucumcari, NM to Roswell, NM. He was appointed to the State Corporation Commission in 1997 which was combined with the New Mexico

Public Regulation Commission (NMPRC) in 1999. Bill served for three years in the NMPRC and was the elected Chairman in 2000 and 2001. He is a New Mexico Amigo and serves on the board of First National Bank of Roswell.

Bill has served on the NMUSA Board of Directors since 2004.

Thoughts about NMUSA: "I think we have made some great progress in the last three years or so. Carla Sonntag and the Alliance are recognized by the legislature, the PRC and the AG's office as being knowledgeable in utility matters in which our

companies are engaged. I believe that we will continue to grow and strengthen our relationships as we strive to support better regulation and legislation for our companies."

Vision for the Board: "I think we, as a board, need to become more knowledgeable of the issues that face the companies we represent. We need to continue supporting legislation and regulation that strengthens and assists our companies in becoming more visionary in supplying the energy needs for the citizens of New Mexico, whom they have sworn to serve with adequate energy and good service at a reasonable cost."

The Power of a Leader

True leaders are not those who strive to be first but those who are first to strive and who give their all for the success of the team. True leaders are first to see the need, envision the plan, and empower the team for action. By the strength of the leader's commitment, the power of the team is unleashed.

- Author Unknown



Dan Lyon, J.D.
Treasurer

Dan earned his Juris Doctor (J.D.) degree from the University of New Mexico, School of Law, and his Bachelor of Science (B.S.) from Milton College. He has been a licensed Attorney since 1968.

Dan retired from both US West and the State of New Mexico. He served in the state legislature for four terms and has been appointed by several governors to various boards and commissions. Currently, he is the elected AMAFCA Director for District 2 and works as an independent Mediator/Arbitrator.

Dan has served as Treasurer of the NMUSA since 2006.

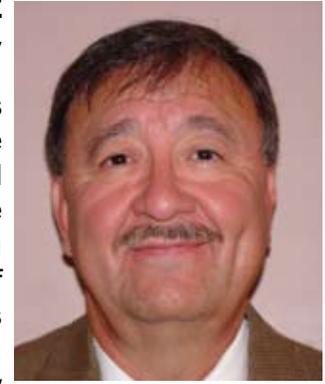
Thoughts about NMUSA: “NMUSA looks after and protects utility shareholder interests in an honest and ethical manner while being good citizens. Remember, many of our members are also consumers, residents and/or employees, i.e., we wear several hats while seeking fairness and justice for a utility we often utilize as a consumer.”

Vision for the Board: “The utility needs of New Mexican users and those that supply same must be accommodated in an environmentally safe atmosphere while being provided in a cost effective manner. Needs should be established via sound public and economic policy, rather than promulgated for political reasons. The size of our membership is important for several practical reasons, e.g., we need revenue to meet our objectives, plus, we deal with many elected officials and our scope of influence is a factor.”

Directors

- Al Adamsko, Albuquerque, since 1997.**
- Ed Borchardt, Albuquerque, since 1997.**
- Nelly Borchardt, Albuquerque, since 1997.**
- William Hagler, Farmington, since 2005.**
- Leo Pollak, Rio Rancho, since 1997.**
- Alan Schwartz, Albuquerque, since 1997.**

John Florez
Secretary



John completed his BSEET at Metropolitan State College in Denver, CO and has spent 30 Years in the Utility Sector; 21 years with Public Service Company of Colorado (Xcel Energy) as System Planning Engineer, four years with the New Mexico Public Regulation Commission (PRC) as Senior Utility Engineer, and is currently employed at the Los Alamos National Laboratory (LANL) as a Power System Analyst.

John has served on the NMUSA Board of Directors since 2006.

Thoughts about NMUSA: “NMUSA is a necessary organization. It provides New Mexico utility investors with a unified voice to provide a positive outcome to their investments in these utilities.”

Vision for the Board: “That NMUSA stays proactive in public policy matters that affect utility companies, its investors and its rate payers.”



Bob Reed
Past President

Bob attended Drake University in Des Moines, Iowa. He retired as a Project Engineer from Sandia Labs after 32 years of service. His work there included membership on the Nuclear Weapon Systems Safety Group and required nuclear weapon accident response. Later work in a Project Group involved development of a system for the safe and secure transport of nuclear weapons. From 1942 to 1945, he served as a Flight Radio Operator for 30 missions against Japanese targets.

Bob has served on the Board of Directors for NMUSA since its inception, including several terms as Vice President.

Thoughts about NMUSA: “The economic health of the utilities depends upon an informed and supportive shareholder population. The NMUSA serves a vital role in the dissemination of pertinent fact and opinion.”

Vision for the Board: “A continuing forum for the exchange of views and the formation of future policy.”

FUEL CLAUSES: Adjusting Electric Bills for the Price of Fuel

Imagine if gas station owners were required to predict the average cost of gasoline for the next five years, then charge that price regardless of what the actual cost of gasoline was from day to day. When oil prices went up, the owner – or investor -- would be at a disadvantage. And customers would never know the true cost of gasoline and have no incentive to be more fuel efficient.

But in the case of PNM, market fluctuations in the cost of fuels such as coal, natural gas and nuclear are embedded in the price customers pay for electricity, even though these fuels vary significantly in cost over time. That's why PNM has proposed a fuel and purchased power adjustment clause in its pending rate case. With such a mechanism, the company would be able to pass the changing cost of fuel along to customers. As fuel costs go up, customer bills would rise. When fuel costs go down, customer bills would drop accordingly.

PNM hasn't had a fuel adjustment clause since the mid 1990s. Until recently, it has been able to tolerate the risk of fuel cost fluctuations because it has had enough excess generating capacity to sell power on the wholesale market. Revenues from that activity allowed the company to absorb the risk of rising fuel costs, which produced benefits for customers and the company's investors.

But times have changed. With growing demand for electricity in New Mexico, there is less opportunity to sell power to other utilities, and the mutual benefit to investors and customers has diminished. In response, PNM is proposing a fuel cost adjustment to help mitigate the risk of fuel volatility. The company calculated what its known fuel costs were for a test year and embedded those in its proposed rates. Any changed cost, whether up or down, would be captured monthly through the fuel cost adjustment mechanism.

This is a standard practice throughout the industry. Fuel adjustments exist in 49 of the 50 states, including New Mexico, where PNM is the only electric utility regulated by the PRC without a fuel clause.

Investors provide the capital investment necessary to serve customers, and do so in expectation of a reasonable return on that investment. Customers pay their bills expecting the price to reflect the true cost of the service they are receiving. Such a mechanism would help protect the interests of investors and customers.

National Electric and Investment Issues Briefing

Edison Electric Institute (EEI), Gee Strategies Group, LLC and Morgan Stanley hosted the "New Mexico State Electric Utility Legislative Briefing" on October 25, 2007 in Santa Fe, NM.

In attendance were over 20 state legislators, personnel from New Mexico's gas and electric utility companies and several notable speakers:

Patricia Vincent, Utilities President, PNM Resources, said that PNM wants to focus on energy efficiency to avoid the need for additional generation and would like to partner with government agencies on this initiative.

Ershel Redd, President and CEO, El Paso Electric Company, stated that regulators are sheltering consumers from the reality of what rates should be to provide for a reasonable Return on Equity. He stated that rates should be decoupled and time of use billing should be instituted.

David Eves, President and CEO, Southwestern Public Service Company, an Xcel Energy operating company, spoke about the challenges facing the company and said he would like to see effective partnerships with the state legislature, PRC and utility companies to accomplish necessary initiatives.

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Southwestern Public Service Company - Rate Case Pending

Southwestern Public Service Company (SPS), Xcel Energy's operating company serving New Mexico and Texas, proposed in a July 2007 rate case filing to raise base rates for retail electric service in New Mexico. The increase is to help offset the higher cost of doing business and invest in the area's electrical infrastructure. The overall rate increase proposal, the first since 1986, would raise revenues by \$17.3 million a year, or 6.6 percent.

If approved, new rates would go into effect on or before Aug. 29, 2008.

"We continue to be one of New Mexico's lowest-cost providers of electrical power," said David Eves, SPS president and CEO. "The regional economy has boomed over the past few years, however, and it is critical that we build into our base rates enough capital to invest in our generation and delivery systems so we can sustain this phenomenal growth."

Electric usage in the SPS area has risen by more than 50 percent since 1986, Eves pointed out, and the company is taking steps to provide power more efficiently and with greater concern for the environment than ever before. One such investment is the 550 megawatt gas-fired power station being built near Hobbs, New Mexico. This plant will produce more power from less fuel than older generating stations, as well as use only 10 percent of the water needed by older plants.

The growth of wind power in the region also is driving the need for more investment in infrastructure, Eves said. Xcel Energy already is the nation's No. 1 wind power provider, and wind accounts for more than 10 percent of the generating capacity in New Mexico. That percentage is expected to grow. Xcel Energy currently buys power from three wind facilities in New Mexico, including the 80 megawatt Caprock Wind Ranch near Tucumcari, NM and the 120 megawatt San Juan Mesa wind project near Elida, NM.

System growth has been achieved without

base rate increases until now. Between 1986 and 2007, the only changes in pricing have been three decreases in the base rates, plus many changes both up and down in the cost of fuel and purchased power used to generate power in area generating facilities. Fuel costs are passed from the suppliers through to customers without any markup for the company. These costs are adjusted monthly based on current prices for coal and natural gas.

Consumer prices over the past 21 years have risen 84 percent, even as Xcel Energy lowered New Mexico base rates three times. Accounting for the increases in fuel prices, the total amount customers pay has risen only about 16 percent since 1986. Adjusted for inflation, today's total electric bill is about 37 percent lower than it was in 1986.

"We have worked hard to keep prices down, in spite of inflation, because our low costs are a chief economic driver in this region," Eves said. "But in order to fund capital improvements to our system, we must take a step toward offsetting increased costs and focus on the needs of a growing customer base."

"We have worked hard to keep prices down, . . . because our low costs are a chief economic driver in this region," Eves said. "But in order to fund capital improvements to our system, we must take a step toward offsetting increased costs and focus on the needs of a growing customer base."

To help customers manage costs, Xcel Energy is publicizing energy saving tips through a brochure called "60 Simple Ways" that details simple and mostly inexpensive steps customers can take to boost the efficiency of home appliances. The brochure can be downloaded at www.xcelenergy.com or customers may request copies by contacting customer service at 1-800-895-4999.

Membership Luncheon, continued from page 1

project in the United States in 20 years – the LES Uranium Enrichment Plant that is currently under construction in southern New Mexico.

Current US electricity production is 49 percent coal, 20 percent nuclear and 19 percent natural gas. With growing concern and media attention on global warming, there has been a shift in consideration of nuclear energy as a source of electricity production. There are currently 21 applications for nuclear plants under consideration in the United States, but it takes about 10 years from application to construction completion. While it is much less expensive to build natural gas plants, operation costs are greater. Nuclear plants will have tremendous upfront costs of \$2 to \$3 billion to construct, but the operational costs are much less expensive.

The greatest challenges in nuclear plant construction are obtaining the necessary Big Iron (for the containment vessel), controlling construction costs and staying on schedule. Of moderate concern are staffing the plant with skilled labor and dealing with political issues including waste storage or disposal. Mr. Ferland stated that nuclear fuel supply is a low level concern.

Mr. Copan addressed “Natural Gas Utilities: A Solid Investment Outlook” and spoke of the challenges facing the gas industry. Gas demand continues to grow while domestic supply is relatively stagnant. This problem is compounded by drilling restrictions in oil rich areas as well as not having a pipeline to bring gas to the lower states from Alaska.

At the federal legislative level, Mr. Copan said that AGA is focused on: 1. Climate change and energy efficiency. Gas prices have increased about 44 percent since 2000 and even though total gas demand is increasing, residential demand is decreasing. Natural gas companies throughout the US are adopting innovative rate strategies designed to address the residential demand reduction issue as well as creative cost recovery. (An example of this is revenue decoupling which was considered and denied by the NMPRC during the recent PNM gas rate case. See related story about Fuel Clauses on page 8.) 2. Supply access; 3. Low Income Home Energy Assistance (LIHEAP) program funding in which NMUSA's efforts played a part in achieving a record level of \$3.1 billion in federal funds. 4. The need to extend the 15 percent maximum tax on dividends beyond 2010. This measure has benefited all shareholders and had a positive impact on the share prices of gas distribution companies.

Other highlights of this year's Membership Meeting included the service recognition of Past Presidents, Ed Borchardt and Bob Reed, and introduction of officers and directors. PNM Resources and Xcel Energy hosted tables and provided attendees with information on their respective companies.

Special guests attending this year's event included: Commissioner Jason Marks, NMPRC Vice Chairman; State Representatives Tom Taylor and Tom Anderson; Dallas Rippey, Assistant Land Commissioner for Special Projects; Wes Reeves, Media Relations for Xcel Energy; Gina Jacobi, Director, and Francina Mares, Assistant, of Investor Relations, PNM Resources; and Jack King, Reporter for the Albuquerque Journal.

Electric Issues continued from page 8

David Owens, Executive Vice President of Edison Electric Institute (EEI) spoke of the need for infrastructure investments over the next 10 to 15 years of \$900 billion to \$1.2 trillion. Mr. Owens said that some of these needs will be met with renewable energy, but nuclear energy must be a part of our future energy mix.

Caren Byrd, Executive Director, Morgan Stanley, stated the most important issue going forward is the collaboration – not confrontation - with regulators in order to meet the challenges of the future. She said that every state needs clear, transparent leadership that allows utility companies to earn competitive returns and that energy policy should be a nonpartisan, long term coordinated effort at the state, regional and federal levels.

Ms. Byrd stated that New Mexico is being watched closely by Wall Street analysts and there is a fear that politics will play a part in upcoming regulatory decisions. These analysts are questioning if New Mexico will be fair and balance the needs of consumers and shareholders.

NMUSA Files Brief, continued from page 1

NMUSA fears that the 9.53% ROE will hurt the company’s chances of attracting capital from investors who can obtain higher rates in other jurisdictions, and, in turn, suppress PNM’s stock value for existing shareholders.

For its authorized ROE, the Commission picked the rate that resulted from its reformulation of PNM’s witness’s results, applying only one of three methods used by that witness, Dr. Samuel Hadaway. Testimony and evidence in the case record contradicts, rather than supports this ROE as Dr. Hadaway had recommended a result in the range of 10.4% to 11.0%.

Among the most important evidence rejected by the Commission was evidence of authorized rates of return for utilities in more than 50 other jurisdictions. For the period 2004 to 2006, average authorized returns ranged from 10.46% to 10.59%. The Commission’s chosen rate of 9.53% was well below these results.

Without considering important, credible evidence in the record demonstrating that investors require substantially more than 9.53% return on equity, the Commission simply could not assure that it had weighed investors’ interests, as it is required by law to do. Nor did the Commission assure that the authorized ROE will be sufficient to allow PNM to attract investment capital.

Briefing in the appeal will close in March, 2008. A decision of the Supreme Court would be expected after oral argument in the case.

For more information, you can read the full motion and brief on our website at www.nmusa.org on the Activities Page.

NMUSA filed a brief with the New Mexico Supreme Court in support of fairness. (Cover Story - PNM Appeal.) This action was taken in the interest of our members as well as for the good of all New Mexicans.

Join the cause - become a member of the NMUSA today!

Join the Alliance NOW!

If you aren’t a member or haven’t paid dues for 2007, 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.

Name

Spouse’s Name (if applicable)

Address

City State Zip

Telephone Email Address

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

_____ El Paso Electric _____ UniSource Energy

_____ Pinnacle West (Tucson Electric Power)

(Arizona Public Service) _____ Xcel Energy

_____ PNM Resources (Southwestern Public Service)

_____ Other _____

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 . . .

As you saw on the cover of *Shareholder News*, NMUSA has stepped up its participation in regulatory matters. Because of ongoing regulatory concerns, we hired an attorney to represent our interests in filing an Amicus Brief in the PNM gas rate case appeal to the Supreme Court. While we had many concerns over the recent decision, we narrowed our focus in the brief to the Return on Equity (ROE) decision only. There is no question that this ROE has been detrimental to the company and its shareholders. The rate case appeal has the potential to not only affect the results of that decision, but future rate case proceedings as well.

Thank you for your continued support of the NMUSA. We're working on your behalf as we stay involved in issues that affect your stock ownership in New Mexico's gas and electric utilities. Our motto is, "*Together, we have the power!*" and we appreciate your support. Please join us now, if you are not currently a member, by completing the form on page 11 and returning it with your dues. In early January, you will receive our annual membership renewal invitation. Your dues help fund our work as well as our website, quarterly newsletter and member meetings. *Let's keep the power going!*

We wish you health and happiness over the holiday season and in the coming year.



Carla J. Sonntag

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

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