

Board of Directors

- Bob Reed
President
- Ed Borchardt
Vice President
- Dan Lyon, J.D.
Treasurer
- Lenton Malry
Secretary
- Carla J. Sonntag
Executive Director

Directors

- Al Adamsko
Nelly Borchardt
John Florez
Bill Hagler
Leo Pollak
Bill Pope
Alan Schwartz

INSIDE

In Brief 2
Clean Energy 3
Utilities Future 4
Calendar 7
Membership 7

1003 Tomas Ct SW
Albuquerque, NM
87121

E-mail:
nmusa@rt66.com

www.nmusa.org

Legislative Roundup

There were over 45 pieces of legislation introduced that would impact the gas and electric utility companies operating in New Mexico. NMUSA represented its members interests in many of these bills with some considered much more critical than others. The first set of bills are ones that did not pass:

Eliminate Coal Surtax (SB 220 Altamirano) Coal, like other natural resources in New Mexico, is taxed upon extraction, or severance, from the ground. But through the years, coal also had a surtax levied, which went into the severance tax bonding fund to support state capital outlay projects. Several years ago, the Legislature exempted new and renegotiated coal contracts from the surtax on the premise that it would encourage greater coal production. As contracts expired and new ones were written, the final price of coal without the surtax fell, making power production a little more affordable for the consumer and the utilities using New Mexico coal.

However, the coal contract for the Four Corners Power Plant continues to be subject to the surtax because it was not legally and economically feasible to replace it with a new contract. Arizona Public Service, El Paso Electric, PNM and Tucson Electric own shares in this plant, and thus are still paying the surtax.

BHP, the coal supplier, lobbied the Legislature to have the surtax removed from this contract - to keep it in line with other power plant contracts. NMUSA supported this bill because it would benefit New Mexico utility companies and their customers and because it is inequitable to continue to apply the surtax to only one power plant coal contract in the state. The legislation passed both houses, but the governor pocket-vetoed the bill.

Transmission Line Cost Recovery (HB 47 Heaton) NMUSA supported this legislation and was disappointed to see it stopped so quickly. Transmission has been such an issue in this state because of its cost; this bill attempted to address

Continued on Page 5

Honorable Representative Jose Campos

Will speak on the Renewable Energy Transmission Authority

Clovis, NM - June 6, 2007

See page 7 for additional information.

From the President . . . on Compact Fluorescent Lamps



Bob Reed

The word is getting around that replacing the old light bulbs with the new Compact Fluorescent Lamps (CFLs) makes good economic sense. Why pay for 60 watts when you can get the same illumination with 13 watts? Test data and experience have shown that the CFL has a longer life.

And they are tougher. The two sockets in the average garage door opener normally take 60 watt incandescent bulbs, but the vibration of the lamps during door operation prompts the use of heavy duty bulbs with stabilized filaments. But the 13 watt CFLs installed in their place are doing just fine, thank you. But, one drawback is that the current models of CFLs do not work well in dimmer circuits.

A recent Albuquerque Journal article (April 25) raised the specter of CFL waste disposal. (The CFLs, like their big brother tubular fluorescents, contain small amounts of mercury.) But it is not a new problem, or one peculiar to the CFLs. And the folks at Rinchem (a hazardous disposal company in Albuquerque) will treat them no differently than the old familiar tubular bulbs.

So if you haven't already, try the CFLs for the good sense of coin and conservation.

Bob

In Brief

El Paso Electric (EE) has placed an order with San Antonio-based Nighthawk Systems Inc. for several hundred remote power-disconnect units as part of a growing automation program at the utility.

In addition to the additional units purchased, El Paso Electric has also tapped Nighthawk to develop a Web-enabled interface that can be used to manage the remote devices.

Nighthawk's CEO700 units give electric utilities the ability to remotely disconnect and reconnect power to residential electric meters, saving them significant time and money over the traditional manual methods requiring truck service and field personnel.

Pinnacle West (PNW) the holding company for Arizona Public Service (APS) Australian-based Babcock & Brown (BBX. AX) and investor-owned utility Arizona Public Service have dedicated a 90-megawatt wind farm in New Mexico, the two companies said.

Babcock & Brown built and will operate the turbine on an isolated mesa about 25 miles southwest of Santa Rosa, New Mexico and the power it makes will be sold to APS. The project was brought on line in December 2006 and consists of 90 wind turbines.

Transmission lines carry the power from the wind farm to Arizona. Power produced by the farm can serve about 23,000 homes in Arizona, the two companies said.

PNM Resources (PNMR) - EnergyCo Joint Venture The EnergyCo joint venture with ECJV is a new unregulated energy company that will serve expanding U.S. markets throughout the Southwest, Texas and the West. ECJV is a wholly owned subsidiary of Cascade, which is PNMR's second-largest shareholder.

PNMR's strategy for unregulated operations is focused on some of the nation's growing power markets. PNMR intends to capitalize on the growth opportunities in these markets through its participation and ownership in EnergyCo. In particular, it is anticipated that ECJV will commit capital for the acquisition of assets and that Cascade will make significant guarantees of certain EnergyCo debt obligations to increase EnergyCo's scale in its anticipated business lines: Competitive retail electricity sales; Development, operation and ownership of diverse generation assets; and Wholesale marketing and trading to optimize its assets.

Continued on page 6

Clean Energy in New Mexico

Increased climate change activity, the global energy situation, and renewable energy opportunities prompted Governor Richardson and New Mexico's leaders to initiate clean energy bills during the 2007 legislative session. Two bills represent landmark clean energy legislation: the New Mexico Renewable Energy Transmission Authority Act (NMRETA) and the increased Renewable Portfolio Standard (RPS). These bills, now signed into law, position our state to competitively develop our vast renewable solar and wind energy resources and export New Mexico's clean energy to other states. Through diversification of New Mexico's energy-based economy, we gain stability and these laws help us do that.

NMRETA is the nation's first Renewable Energy Transmission Authority created to develop electric transmission with an emphasis on renewable energy development for export to out-of-state markets. Under NMRETA, at least 30% of a transmission project's energy must be renewable-derived electricity; up to 70% may be from other sources. NMRETA focuses on electric system transmission infrastructure planning, financing, construction and operation. Revenue bonding authority allows NMRETA to finance projects, which could involve owning or leasing the facilities. Participating entities, such as a wind farm developer or a utility company building a natural gas plant are assessed fees to service the bond debt and recover administrative costs.

NMRETA is an innovative and bold move to stimulate clean energy production and create high paying jobs, capital investment and greater economic development in rural areas. The NMRETA can also fund energy storage projects, such as compressed air storage for wind power.

The New Mexico Public Regulation Commission will review projects affecting in-state retail electric rates or service reliability to protect in-state utility customers. NMRETA projects will be exempt from state gross receipt and compensating taxes.

NMRETA will have an eight member board consisting of: the New Mexico State Treasurer, the State Investment Officer, three members appointed by the Governor with the consent of the Senate, one member appointed by the Speaker of the House, and one member appointed by the



Joanna Prukop

President Pro Tem of the Senate. The Cabinet Secretary for the Energy, Minerals and Natural Resources Department (EMNRD), will be a non-voting member. The state is currently recruiting for an Executive Director for NMRETA. The job announcement is posted at: <http://www.emnrd.state.nm.us>

The RPS complements NMRETA by requiring our state's major utilities to produce 15% of their power from renewable sources by 2015 and 20% by 2020 – making it one of the most aggressive Renewable Portfolio Standards in the country. Increased use of renewable energy will not only help stimulate our economy, protect our health and reduce greenhouse gas emissions, it will also help protect New Mexico consumers from higher electrical rates caused by volatile natural gas prices.

New Mexico is a true national leader in all aspects of energy efficiency, conservation, clean energy development and the associated environmental and economic benefits. Leadership in clean energy is a true test of responsibility. New Mexico is taking the lead, embracing energy conservation and efficiency measures, and working to make clean energy available to New Mexico and neighboring states.

Joanna Prukop is the Cabinet Secretary for the New Mexico Energy Minerals and Natural Resources Department.

UTILITIES BRIGHT FUTURE

It's always encouraging to hear that somebody else thinks our utility investments make sound financial sense. Recently, in the Albuquerque Sunday Journal (March 25) the Wall Street Journal supplement cited strong performance by the Dow Jones Industrial Average, gaining 3.1% and the NASDAQ Composite Index rising 3.2%. Meanwhile, the Dow Jones Utility average gained 4.4% for the week, bringing the year-to-date gain to 9.4 %, even before counting dividends. Lowell Miller, President of Miller/Howard Investments and manager of the \$20 million Total Return Utilities Fund was quoted saying, "there is this great wave of a new constituency for dividend-producing stocks".

Market researcher Morning Star said utility stocks returned 1.52% over the month through Thursday, 3/22/07 compared with an average loss of 1.43% for all other sectors. There's more. Jon Kolb, a senior equity analyst for Zacks Investment Research, said "with those lower-risk, regulated companies, we're really looking at a return to traditional 'grannies and orphans utility stocks'". We may not want to put ourselves in that category, but if investment safety is our goal, utility stocks are clearly the place to be.

Closer to home, all five of the gas and/or electric utility companies doing business in New Mexico experienced strong double digit growth over a one year period from December 2005 through December 2006. That performance is not a predictor of the future, of course, since all utilities face tough challenges, but the demand for electricity will continue to increase. Conservation efforts may lessen the rate of increase, but increased demand is inevitable.

Speaking of challenge, New Mexico's Renewable Energy law was revisited during the past legislative session. You can get more specific information about that in this issue of Shareholder News, but the requirements have been significantly increased. Utility companies

operating in the state must now derive 15% of their total electric power output from renewable sources by the year by 2015 and 20% by 2020. That is to say, at the end of 2015, for example, 15% of the total number of kilowatt-hours sold that year must have been derived from renewable sources. The numbers are mind-boggling when you consider that the effort requires the development of new industries with uncertain electric production numbers. But the desire for cleaner skies and foreign oil independence adds additional emphasis to the development of renewable sources of power.

The other side of this coin is the fact that renewable energy currently costs more to produce and these costs must be reflected in increased rates. Some companies have been proactive in bringing renewable energy online and attempting to cover some of the costs in voluntary programs. These programs require a surcharge for the amount of renewable energy purchased. The most common source for renewable energy in New Mexico is wind. But as technology zeros in on this attractive market, costs could hopefully come down. These new requirements should stimulate technology as well as competition with new companies entering the field. Demand will not decrease and as the power industries forge ahead, the future for utility shareholders looks bright.

“. . . the future for utility shareholders looks bright.”

PNM Names New Director

PNM has named Gina Jacobi, Director of Investor Relations and Shareholder Services. Jacobi has served as director of Modeling and Forecasting for PNM Resources since 2005. She has more than 20 years of experience in financial planning and analysis, including serving as director of Finance and Forecasting for TNMP. Jacobi holds a bachelor's degree in management and Spanish from Rice University, and a master's degree in management from Northwestern's J.L. Kellogg Graduate School of Management.

Legislative Roundup

continued from Page 1

that concern. It provided for the PRC to adopt rules for full and timely cost recovery of an electric utility's investment in new transmission facilities that are certified and approved by the Commission. The rules would provide for a transmission rate adjustment clause that authorizes monthly rate adjustments outside of a general rate case. The adjustment would reflect investment and costs incurred by an electric utility to comply with a commission order pursuant to the Public Utility Act.

PRC Commissioners strongly opposed this bill, leading to its demise before it was ever heard.

Socialized Utility Rates (SB 480, SB 546 and SB 895) Reported in the First Quarter *Shareholder News*, these bills were, in fact, stopped. PRC workshops have not yet been scheduled, but we will update you as we receive more information.

Energy Efficiency Appliance Financing Rules (HB 1291 Heaton) This was a progressive bill that attempted to help customers finance energy-efficient appliances and heating and cooling system products through their utility bills. It provided for: 1) no up front payments; 2) disconnection of utility service for nonpayment of the "pay as you save" product payments; 3) assignment of the product repayment costs to the meter location; and 4) the PRC to ensure that the utility company recovers reasonable costs associated with the program in its rate base.

Unfortunately, the numbers did not work to make this bill something NMUSA could support. The estimated savings for qualified products, along with no up front costs, would not allow repayment in a timely manner. There were also many unanswered administrative questions that could leave utility companies vulnerable. NMUSA opposed the bill and it was stopped.

Bills signed by the Governor:

Renewable Energy Transmission Authority Act (HB 188 Campos) and the Renewable Energy Portfolio Standard (SB 418 M. Sanchez) You can read about these bills on page 3 in a special article by Joanna Prukop, Cabinet Secretary, New Mexico Energy Minerals and Natural Resources Department.

Low Income Home Energy Assistance Program (LIHEAP) funding. There were five bills to provide state LIHEAP funding, but because of the importance of the issue, the Legislature provided \$6 million in the budget bill, HB 2. Although some of the bills provided for reoccurring funding, this language was removed providing funding only for 2007.

Moratorium amendments to existing Utility Winter Disconnections (HB 538 Lujan and SB 1026 Ryan) Legislation passed a few years ago that prevented utility companies from disconnecting heating service between 11/15 and 3/15 brought with it some unintended circumstances. Many individuals, subject to protection during the heating season, stopped making utility payments altogether resulting in huge bills. This frequently led to disconnection outside of the moratorium period. The purpose of these bills was to provide cleanup language to the moratorium law. It clarifies that utility companies will make payment plan options available and customers not caught up on past due charges by the next heating season would not be eligible for protection from cut off. SB 1026 was signed by the Governor.

Power Plant Mercury Emission Controls (HB 318 Wirth) This amendment, to the existing statute, applies to all new plants built after 7/1/07. It requires the installation of mercury emissions control technology that removes the greater of what is achievable with best available control technology or ninety percent of the

Continued on Page 6

Legislative Roundup continued from Page 5

mercury from the input fuel for all coal-fired power plants.

This bill, like its predecessor, originally sought emission standards that could be more stringent than federal standards. NMUSA opposed the “more stringent than” language as it led to uncertainty for public utilities regarding the types of standards that could be enacted at the state level. The language we opposed was removed prior to the bill becoming law.

Solar Collector Construction Standards (HB 610 Stewart) Clarifying language that provides for rulemaking to establish standards for new construction of solar collectors.

Renewable Energy Production Tax Credits (SB 463 Cisneros) Provides tax incentives for wind, biomass and solar renewable energy production. Wind and biomass receive a tax credit of \$0.01 per kwh of the first 400,000 MW of electricity produced; certain solar production can receive a peak tax credit of \$0.04 for the first 200,000 MW in year six. Preceding and following year six of solar production, the tax credits are less which provides a ramp up and ramp down to the peak tax credit period.

Coal Electric Facility Gross Receipts (SB 994 Cisneros) Provides an advanced energy tax credit of up to \$60 million for qualifying electricity producing facilities. The credit can be carried forward for up to five years and be applied against Gross Receipts Tax (GRT), compensating tax and withholding tax liability. It also provides for cost recovery of clean energy utility projects.

NMUSA activated its grassroots e-mail notification system during the session. Members receiving alerts made phone calls and sent letters to legislative committee members in support or opposition of those bills identified as critical. Based on our lobbying efforts and visits with legislators, we estimate that our members made several hundred contacts with New Mexico legislators during the session.

The information in this article is meant to summarize bills considered important to our members. It does not contain the full content or analysis of any bill. You can read the final version of these bills at the New Mexico legislative website: <http://legis.state.nm.us/lcs/BillFinder.asp>. Just enter the bill number and look for the last entry on the page that says, “Final Version”.

In Brief continued from page 2

UniSource Energy Corp (UNS) was named National Corporate Advocate of the Year in 2006 by the Child Welfare League of America.

UniSource also took top honors from the Edison Electric Institute and was awarded the EEI Index Award for outstanding 5-year performance in the small market capitalization category achieving a total return of 172%.

Xcel Energy, Inc. (XEL) Wind to Hydrogen Demonstration Project

Xcel Energy is working in partnership with the U.S. Department of Energy's National Renewable Energy Laboratory (NREL) on a unique project that uses electricity from wind turbines to produce and store pure hydrogen, offering what

may become an important new template for future energy production. The project aims to overcome the intermittent aspect of wind energy by enabling energy storage for later use when the wind isn't blowing or the demand for electricity is high.

The hydrogen will be produced through electrolysis – the process of splitting water into hydrogen and oxygen using electricity. The hydrogen will then be compressed and stored for future use to produce electricity (through a fuel cell or a hydrogen internal combustion engine) for grid-connected peaking power applications, or, in the future, as a vehicle fuel.

Calendar of Events

May 30, 2007 Quarterly Board of Directors Meeting, Albuquerque, NM

**June 6, 2007 Shareholder Luncheon with State Representative Jose Campos
Speaking about the New Mexico Renewable Energy Transmission Authority Act
11:30 am - Clovis, NM**

This meeting is free to any person who owns stock in a gas or electric utility company doing business in New Mexico and their guest. Invitations were mailed to all NMUSA members.

Location: 500 Pile Street, Clovis, NM
(One block east of Main Street at the northwest corner of 5th and Pile)

RSVP required by 5/31/07. Please call (505) 836-4223 or e-mail at nmusa@rt66.com.

August 3, 2007 Shareholder Luncheon - Las Cruces, NM

September 12, 2007 Annual Board of Directors Meeting - Albuquerque, NM

October 3, 2007 Annual NMUSA Membership Luncheon - Albuquerque, NM

Want to stay informed on interim issues? Please make sure we have your e-mail address on file. If you didn't hear from us during this past 60-day legislative session, it's because we don't have a working e-mail address for you. Fill out the form below and we'll make sure to keep you informed.

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.

Mail to: **New Mexico Utility Shareholders Alliance, 1003 Tomas Ct. SW, Albuquerque, NM 87121-8065**

E-mail: nmusa@rt66.com

Telephone: (505) 836-4223

FAX: (505) 836-4522

From the Executive Director . . .

The article on the legislative session highlights the activity level and involvement of your NMUSA. One of the most rewarding aspects of our work in Santa Fe was the involvement of our members. As a grassroots operation, we were happy to see the way you enthusiastically embraced our request for assistance. And that's what makes this organization successful. As our motto states, "Together, we have the power" and you showed just how that works!

Legislative leaders and the governor's staff members are very open to NMUSA's thoughts and opinions. Obviously we won't agree on every issue, but we're pleased to have the opportunity to discuss our views. In fact, NMUSA was contacted on several occasions before, during and after the session by decision makers who wanted to hear our position on bills and initiatives.

As we plan our meetings around the state, I look forward to meeting many of you. The date is set for our Annual Membership Meeting which will be held October 3, 2007 in Albuquerque. We hope you can join us.

Until then, we encourage you to stay involved. Send us your current membership information if you haven't done so already and by all means, make sure we have your current e-mail address so that we can keep you informed on important issues between newsletters.

My best,



Carla J. Sonntag

A handwritten signature in black ink, appearing to be 'Carla' with a large, stylized initial 'C'.