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## Four Corners Air Quality Task Force

The New Mexico Utility Shareholders Alliance is active on the Four Corners Air Quality Task Force as a member of the Power Plants Work Group. Convened to look at air quality in the Four Corners region, the Task Force plans to propose control strategies for future developments. There are currently two proposed coal-fired power plants: 1) a 1,500 MW power plant, the Desert Rock Power Plant proposed on Navajo Nation lands to be built by Sithe Global Power LLC and 2) a 300 MW plant proposed north of Grants, New Mexico, called the Mustang Plant.

The Policy Oversight Group (POG) is an interagency group working cooperatively to improve air quality in the Four Corners region. The POG was established by the states of New Mexico and Colorado to study and identify strategies to address air quality issues associated with present day and future anticipated air pollutant emissions in the area. The POG supported the states in establishing the Four Corners Air Quality Task Force, which will allow for a broad and inclusive collaborative process in providing information. The Task Force is working under a Memorandum of Understanding (MOU) to share information, resources and planning efforts in reporting to the POG at the completion of the project next year.

Participants in the Task Force include the states of New Mexico, Colorado, Utah, Arizona, the Southern Ute Tribe Department of Energy and Air Quality Program, the Navajo Nation EPA, Dine' Power Authority, Dine' CARE as well as many state and federal agencies such as the EPA and National Park Services. Other

interested parties include Public Service Company of New Mexico (San Juan Generating Plant) and Arizona Public Service (Four Corners Plant), the NMUSA as well as participants outside the Four Corners area including: California, Illinois, Indiana, Oklahoma, Texas, Wyoming, Virginia and Washington D.C.

There are five work groups: 1. Oil & Gas; 2. Power Plants; 3. Other Sources; 4. Cumulative Effects; and 5. Monitoring. Each group is studying issues and creating lists of options to present to the Task Force. The Task Force will review the work group's recommendations and adopt those believed to provide the best possible solutions. The Task Force, however, has no actual authority. Implementing its recommendations will be up to lawmakers and those officials in a position to make policy changes. Given the nature of the subject being reviewed, it will involve Washington as only the federal government can legislate or regulate across state lines. And, there remains the question of how this will occur on reservations.

As we hold our quarterly meetings in the Four Corners area, it is obvious that there is an issue with air quality. However, NMUSA hopes to add balance to this process as well as emphasize the cost of compliance with new regulatory or legislative requirements is everyone's responsibility and should not be borne entirely by shareholders.

To find out more about the work completed and upcoming meetings and conference calls, you can view the website at [www.nmenv.state.nm.us/aqb/4C/index.html](http://www.nmenv.state.nm.us/aqb/4C/index.html)



**Ed Borchardt**

## From the President . . .

### About the Public Regulation Commission

So, what is a Public Regulation Commission anyway.

As investors in public utility companies doing business in New Mexico, most of you may already be familiar with the New Mexico Public Regulation Commission (NMPRC). But it may be helpful to review some aspects of this state body and its relevance to you, our fellow shareholders.

The PRC mission found at their web site, [www.nmprc.state.nm.us](http://www.nmprc.state.nm.us), states it “regulates the utilities, telecommunications, motor carriers and insurance industries to ensure fair and reasonable rates, and to assure reasonable and adequate services to the public as provided by law.” Therefore, the relevance of the NMPRC can be pretty significant on the fortunes of your New Mexico based investments.

Not just coincidentally, this relates well to the New Mexico Utility Shareholders Alliance’s mission which can be found at [www.nmusa.org](http://www.nmusa.org). We believe we can “champion the best public policy interests for shareholders” with your support. I urge you to check out both web sites for more details.

The general election is on November 7, 2006 and there are three PRC commission seats on the ballots. You will find responses to our candidate survey from many of the candidates inside this issue. Please vote for those who share your philosophies.

All of your association board members own shares in New Mexico public utilities. We have vested interests in how these Commissioners address issues affecting our investments. We attempt to present balanced views as ratepayers as well as investors. We welcome views from you, our members. We may be able to assist by fairly representing these views for you before the PRC, the state and national legislatures and to the companies doing business in New Mexico.

Now that you know what the NMPRC is, please accept my invitation to join us in dealing with this entity in a way that might help impact your investment in a favorable manner. In other words, become a member of the NMUSA. Then you can explain to others who ask, “What is the NMUSA?”

We are pleased to announce and enthusiastically welcome a new board member, Daniel S. Lyon, JD. Dan comes to us with a broad and impressive background of knowledge and experience. Many of you may know him already. If not, you’ll enjoy meeting him when you do. Welcome, Dan.

*Ed*

## Public Regulation Commission Candidate Survey

To help you make an informed choice when voting in the general election on November 7, NMUSA conducted a Public Regulation Commission candidate survey. Surveys were mailed to all candidates in mid June. Candidates who did not reply, were called twice to follow up on our request. In addition to general information about each candidate, the following questions were posed:

1. How will you make it easier for interested parties not intervening in a case to participate in that case?
2. Will you assure that free and easy access to case filing information is provided by the PRC to interested parties via the internet?
3. What steps will you take to address the excessive staff turnover with the PRC?
4. The statutes currently require that investment owned utilities must have renewable energy in their production portfolio mix and can recover these costs. The current requirements is 5% in 2006 increasing to 10% in 2011. Please tell us:
  - a. What percentage of a utility company’s power production do you think should come from renewable sources?
  - b. Who do you think should pay for the higher cost of renewables: ratepayers or shareholders?

## PRC District 2



**Incumbent:** David W. King

**Party:** Republican

**Education:** BS Agriculture Business; Minor in Business and Economics  
MS Agriculture Economics; Emphasis in Government Finance

**Political/Government Experience:** PRC Commissioner District 2 (2002-present); New Mexico State Treasurer (1991-1995); Deputy State Treasurer (1986-1990); Cabinet Secretary General Services Department (1983-1986); Cabinet Secretary DFA (1979-1981); State Farm Home Director (1977-1978); Director of State Planning (1971-1975); Administrator Village of Angel Fire (1997-1999).

**Priorities:** Stabilize staff and commission; look at all energy sources as well as renewables; professional staffing and fair wages.

1. Open public meetings;
2. Yes, this is a must;
3. Stabilize the commission;
4. a. 10%
  - b. Ratepayers have to pay so it must be cost effective to work.



**Candidate:** Stephanie L. DuBois

**Party:** Democrat

**Residence:** Tularosa

**Education:** Graduated from Newfield High School on Long Island NY; some college courses.

**Political/Government Experience:** Democratic party chair twice; precinct chair; has run for public office before and has lobbied the legislature, county commission and Village Trustees.

**Priorities:** I think everything the PRC oversees is important. I think my first priority is my commitment to the people of the district. To treat every entity with respect, fairness and to be sure that whatever their interest, they have access to all information. If I had to choose specific issues, I think seeking alternative, affordable energy sources. And I would like to see more funding for Volunteer fire departments and EMTs.

1. I think as much publicity as possible. My understanding is the hearings are open to the public. Internet access will give particulars on a certain case coming up. I think also, my opinion, each commissioner should make sure that all interested parties have access to information.
2. Yes, as I said, I think all interested parties should have access. Be sure that when someone uses the internet that they have the proper programs to access info such as PDF or Adobe. They can call the toll free number 1-800-947-4722 and connect with their Commissioner or the Chair. I think if there is a problem accessing info that should come to the attention of the commission and have them address those concerns.
3. At the present time I do not think there is an excessive staff turnover. Should that become the case, perhaps a more definitive job description. A review process not only for the commission but for the employee as well. I believe there is something like that in place already. Maybe a grievance process for the employee. I think it is a two way street for the Commission and the staff.
4. a) I would say somewhere between 19% to about 25%.
  - b) I think the higher costs for renewables should be paid by both the ratepayer and the shareholders. The initial investment for equipment will most likely be a sizable amount. But over time those costs will decrease and expenses will be for maintenance and upgrade on a periodic basis.

## PRC District: 4



**Candidate:** David Bacon  
**Party:** Green  
**Residence:** Santa Fe  
**Education:** Five years college, no degree.

**Political/Government Experience:** In 1997, I was part of a coalition that intervened in a 5 MW solar project at the PUC. Subsequently we helped formulate the first net metering ruling in New Mexico. In 1999, I was part of a coalition that opposed the deregulation of the electric industry. After deregulation passed in New Mexico, I attended the (pre) rule makings at the PRC which dealt with corporate structure in a deregulated environment, fuel mix, customer choice and default service. I lobbied at the PRC and the State Legislature for clean energy

regulations. I was a founding member of the State Sustainable Energy coalition that was run out of the Department of Energy and Minerals. In 2002, I ran for Governor and was appointed to a six year term as the conservation interests' representative on the State Land Trust Advisory Board. I helped found two energy related not for profit groups – Southwest Energy Institute and Local Energy.

**Priorities:** To reduce rates for citizens and businesses in the areas of electricity, insurance, telecommunication and natural gas delivery. This can be done through a thorough examination of current regulatory structures with an eye toward modernization and corporate cost cutting. In all deliberations, the ratepayer must come first.

1. I will propose four new legal entities that will represent ratepayers in the areas of electricity, telecom, insurance and natural gas delivery. These attorneys and their staff will be paid for out of a minor rate hike (12 cents/month) on current bills. They will then represent a ratepayers' coalition in each area. Mailings will be sent out to ratepayers informing them of pending rate hearings, etc. on a regular basis.
2. I would upgrade the existing system to allow interested parties to register and receive full notification of hearings, search for filings and hearings by subject and be able to issue comments on line. I would back up all filings with publicly accessible hard copies and electronic filings.
3. I would encourage monthly staff meetings for check ins, suggestions and grievance airings. I would coordinate more closely with the Chief of Staff and labor representative on personnel matters.
4. a. and b. I would look closely at the application of renewables to be privately encouraged within the system to relieve peak power demands ( i.e. Albuquerque's air conditioning load) and obviate the need for transmission/distribution line upgrades. The payment mechanism would be some form of "feed in rate" as used in Europe, China and Ottawa whereby private citizens and businesses would be paid for their power contribution to the grid through rates. This would require an overall system analysis, but would in the not too long run, make renewables very cost effective while improving the grid.

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NMUSA tried to provide information on the Public Regulation Commission candidates that would be useful to you in selecting our next Commissioners. The questions posed are based on NMUSA's experience in working with the NMPRC; they reflect what we have found to be important in our work and to the utility companies in which we own stock. Except for minor grammatical editing, the answers are printed as provided by the responders.

We regret that no response to our survey was received from:

Carol K. Sloan, Democrat, PRC District 4; or  
 Sandy R. Jones, Democrat, PRC District 5.

**Please vote on November 7, 2006. You will make a difference!**

## PRC District: 5



**Name:** C. Earl Greer

**Party:** Republican

**Residence:** Truth or Consequences, NM 87901

**Education:** Attended NMSU, studied Agricultural Extension and Education; Multiple classes on real estate law and real estate practice and principles for required continuing education.

**Political/Government Experience:** Appointed New Mexico Livestock Board, 1985; Appointed New Mexico Border Advisory Committee, 1991; President, Sierra County Economic Development Committee, 2005/2006; Past registered Lobbyist; Worked on numerous campaigns, local/regional/district and state wide; Have held numerous positions within the REALTORS Association of New

Mexico; Judge on the Commission on the Status of Women, 1998; President, UNM Cancer Research and Treatment Center Advisory Board 1989 and 1990;

**Priorities:** Vision and Leadership; in my opinion the PRC has been void of each. I will work hard to ensure that rates stay as low as possible for all consumers while working with the providers that must know a profit is in order. It is my desire to have all the leaders of the providers sit down and project out, as much as 20 years, New Mexico's needs and direction. Only in this manner can we guarantee our citizens complete confidence that they will have the utilities they need and desire, all while working to show the providers that their investment in our state will bring an adequate return. The providers must be able to achieve an adequate return to foster private investment into their company. This I completely understand!

1) As I understand, currently there is one meeting a week that is open for individuals to come with issues; I will work to ensure that continues. How can we represent our citizens if the only manner to address concerns is blocked? I also think it would be wise to have "work sessions". Not sure of the schedule, but a time when citizens can bring the issue to the commission and each side work on point.

2) Yes. I will strive to have the PRC work through the legislature to allocate funding sufficient to establish a web site where all PRC information (except confidential data that by law is not allowed) is available to the public. I would like to see an interactive web site where things such as creating a corporation/Limited Liability Company can be done via the web site and payment made by credit card.

3) Obviously the first step is to ensure the staff salaries are competitive in the market place. Of course, there are other things that might equal or enhance (i.e. benefits such as insurance coverage, retirement, etc). I think the second step is to evaluate management of staff and flow chart of duties vs. management. I am sure this will be a very unpopular evaluation, but one that may be necessary. If management is providing adequate leadership, the last step should not be necessary.

4) It is my opinion that all power production should be "put on the table". What is best for New Mexico? Is it wind? Is it solar? Is it biomass? Is it hydrocarbons? Is it nuclear? What is the cost of renewables to both the provider and the consumer? What programs are the providers submitting (i.e. individual solar systems excess purchase)?

While we all want to protect our environment, I think it is wrong to do so on the backs of a select few. We have the mandate to increase to 10% in 2011, we also must evaluate costs. Personally, I really would like to see the providers take a leadership role in this. (I am not necessarily suggesting they take upon themselves all the cost.) The providers have access to research and development that others are exempt from. From a business stand point, I know that providers are investing in the future. Shouldn't some of this investment include research into alternative production methods? Isn't this already happening? What are the results? If all is brought to the table, I feel we can plot a course that would benefit both the providers and the consumers.

## In Brief

**Arizona Public Service Company (APS)** Palo Verde Unit 1 has been returned to full power as of July 16.

The reactor had been kept at reduced power since last fall because of a vibration in an emergency cooling line. APS, operator of the plant and 29 percent owner, shut the reactor in March to install a new valve designed to fix the problem. Work finished in July and the reactor was ramped up to full power by July 16.

The plants other two reactors are running at 100 percent capacity.

**El Paso Electric (EE)** The El Paso Electric Board of Directors has appointed Hector Gutierrez, Jr. to serve as Executive Vice President of External Affairs. Gutierrez assumed his responsibilities on July 3 and will oversee El Paso Electric's regulatory, public affairs and governmental affairs.

**PNM Resources (PNM)** In May, PNM filed a gas rate case. The case included a new rate structure designed to better capture costs for the maintenance and expansion of the natural gas transmission and distribution system, even during times of reduced consumption. The proposed new rates would increase annual revenues by \$20.7 million and impact only delivery fees. This would help both the company and the consumer pursue gas efficiency measures without the company being hurt financially by decreased use.

In other news, PNM and Western Water and Power Production have signed a 20-year agreement to deliver renewable energy from a new 35 MW biomass power plant utilizing waste woody materials removed from forests and rangelands. The plant will go into service in early 2009 and will be located in Torrance County, near Estancia, NM and sited on 50 acres adjacent to Tagawa Greenhouses. Tagawa will utilize waste heat from the facility to heat the greenhouse and potentially increase production.

The plant will be owned and operated by Western. PNM will purchase the power to serve its customers in New Mexico.

A 35 MW plant produces enough energy to meet the needs of about 25,000 average New Mexico homes.

**Tucson Electric Power (TEP)** TEP reached a new peak July 21 with a net hourly load of 2,550 megawatts (MW), a 6 percent increase over last summer's peak load due to high summer temperatures.

The company has tapped new energy resources to meet this rising demand. The Luna Energy Facility began commercial operation in April, providing TEP with 190 MW of capacity. This highly efficient gas-fired combined cycle plant near Deming, N.M., has reduced the need for wholesale power purchases and limited the use of less-efficient generating plants over the summer.

**UniSource Energy (UES)** On July 13, UNS Gas filed a request with the Arizona Corporation Commission for new, higher rates for natural gas service. The proposed changes, which would not take effect until at least August 2007, would recover increased costs and capital expenditures since rates were last changed in August 2003.

**Xcel Energy, Inc. (XEL)** the parent company of **Southwestern Public Service (SPS)** Gary Gibson, president and CEO of Southwestern Public Service Company, an Xcel Energy company, today announced his plans to retire on Nov. 30, 2006. The SPS board of directors has elected David L. Eves CEO of the company, effective immediately. Gibson will continue as president of SPS until his retirement.

"Gary has a long and distinguished career with Xcel Energy and its predecessor companies," said Dick Kelly, chairman, president and CEO of Xcel Energy. "Both the company and the Amarillo community have benefited significantly from his leadership over the past years. We greatly appreciate Gary's many accomplishments and his contributions to the company's long-term success."

Eves, vice president of resource planning and acquisition, has been with Xcel Energy and predecessor companies in Denver since 1981. He has held various positions of responsibility for purchased power, wholesale marketing, resource planning and energy trading for Public Service Company of Colorado, New Century Energies and Xcel Energy.

### Annual Membership Meeting - October 4, 2006

You won't want to miss this year's event featuring two great speakers from Washington, DC representing the American Gas Association and the Edison Electric Institute. Lunch will be served.

*Dues paying members and their guests are free of charge. Watch for an invitation in the mail.*



David King

## Discovering Greener Pastures

By

Commissioner David King, PRC District 2

The New Mexico Public Regulation Commission is developing a comprehensive energy policy that will serve New Mexico for years to come. The development process has been a cooperative effort

between consumers and environmental groups as well as all sectors of the utility industry.

This is a green energy policy which brings environmental benefits and growth potential for renewable energy suppliers, especially in hard-pressed rural areas. It provides economic incentives to encourage utilities to seek out and acquire new and diverse sources of renewable energy such as geothermal, biomass and solar energy resources and there are incentives to offer energy efficiency programs that help their customers as well as their own bottom line.

The new Renewable Portfolio Standard (RPS) is a significant step towards increasing our energy independence as well as stabilizing energy prices. Our investor-owned utilities will acquire 5% of their energy for sale in New Mexico from renewable resources by the end of the year increasing one percent each year until we reach 10% in 2011.

Legislation signed into law last year directs investor-owned utilities to develop Energy Efficiency programs and charges the Commission with identifying and eliminating barriers to the participation of utilities in those programs. The economics of the utility business traditionally set utilities in opposition to energy conservation. Like other businesses, more sales equal more profits and vice versa. New Mexicans will be best served by their utility if the utility is just as interested in conserving a kWh of electricity as they are in selling a kWh of electricity. Leveling the playing field for energy efficiency programs allows utilities to become "energy efficiency providers". We have implemented a program for PNM Gas Services and are working on a rule for electric companies that will include a public process.

This same legislation allows the Commission to deploy Integrated Resource Planning (IRP). IRP is a comprehensive process of evaluating

all utility supply options (including energy efficiency) along with the customers' demand response. IRP will promote the utilization of the most efficient resource mix for our utilities and their customers.

In the past, utilities were charged with developing resources they believed would be best suited to meet their customers' needs well into the future. If they guessed wrong, their shareholders were left holding the bag for investment mistakes. With IRP, we're trying to coordinate expected customer needs with all available resource options on both sides of the meter. We'll also be leveling the playing field between building new power plants and more efficiently using energy. Consumers and the Commission will be involved in the process up front, not years down the road when irreversible decisions have been made. The end result will be a more certain environment with reduced risk for utilities as well as their shareholders and consumers.

Utilities aren't our only source of electricity; sometimes customers are able to get into the act as well. Net metering is a means of allowing consumers who generate their own electricity to sell any excess back to the utility. In New Mexico, we've been doing this for years. Recently, however, we've approved a simplified interconnection rule for small, less than 10 kW, photovoltaic systems. The solar option was further sweetened for PNM customers by allowing PNM to pay 13 cents per kWh for the Renewable Energy Credits associated with the operation of these units. Combined with tax credits approved by the legislature, it is now economically feasible for consumers to install their own solar systems. While net metering has been available since the 1980s, the Commission has just opened up a Notice of Inquiry to look into means of improving our net metering rules. We will conclude this process by the end of the year.

As you can see, the State and the Commission have been busy encouraging the greening of our energy options in New Mexico. It has been very exciting to see the progress we are making through such a cooperative process. We are making sure we take advantage of all of our resources in providing a better, more secure future for our citizens.

## Second Quarter Financial Results

Utility stocks, energy stocks and consumer staples were among the best performing on Wall Street for the second quarter of 2006, the Associated Press reported. The utility stocks, described as "stereotypically staid," were said to now be "full of excitement," in part due to the consolidation boom that "has filtered from the biggest players to smaller- and medium-sized utilities."

**El Paso Electric (EE)** For the second quarter 2006, EE reported net income of \$15.2 million, or \$0.32 and \$0.31 basic and diluted earnings per share, respectively compared to a net loss of \$4.0 million or \$0.08 loss per share in the second quarter of 2005. For the six months ended June 30, 2006, EE reported net income of \$24.6 million, or \$0.51 and \$0.50 basic and diluted earnings per share, respectively compared to net income of \$0.8 million, or \$0.02 basic and diluted earnings per share for the same period last year.

Earnings were positively affected by: 1) A reduction in income tax expense; 2) Decreased depreciation expense; 3) Higher retail base revenues from growth in customers and hot summer weather; 4) Increased transmission wheeling revenues; and 5) Decreased interest on long-term debt.

Earnings were negatively affected by: 1) Increased Palo Verde non-fuel operations and maintenance expenses; 2) Higher maintenance costs at EE's gas-fired generating plants; 3) Increased taxes other than income taxes; 4) Decreased retained margins from off-system sales.

**PNM Resources (PNM)** PNMR reported consolidated quarterly GAAP earnings of \$16.3 million, compared with \$1.5 million in 2005. GAAP reported net earnings for the first six months of 2006 totaled \$42.6 million, or \$0.61 per diluted share compared to 2005 GAAP reported net earnings of \$32.1 million, or \$0.50 per diluted share.

Earnings were positively affected by: 1) Load growth of 5.5 percent in PNM's electric service territory; 2) Unregulated wholesale operations increased operating revenues by 8.6 percent to \$154.5 million mainly due to the Twin Oaks Power facility; 3) improved plant performance at San Juan and Four Corners; and 4) Contributions of First Choice Power and Texas-New Mexico Power for an entire quarter, compared with 24 days during the second quarter of 2005.

Earnings were negatively affected by: 1) Palo Verde Unit 1 was off line for the entire second quarter and, combined with other Palo Verde operations, impacted consolidated margin by \$6.8 million – \$3.2 million for PNM Electric and \$3.6 million for Wholesale – compared with the same period in 2005; 2) Warmer weather and lower usage reduced gas margin by 7.9 percent and 3) Rate reductions for TNMP in Texas and New Mexico decreased margins.

**Pinnacle West Capital Corporation (PNW)** the holding company for **Arizona Public Service Company (APS)** reported consolidated net income for the quarter ended June 30, 2006, of \$112.2 million, or \$1.13 per diluted share of common stock compared to net income of \$26.7 million, or \$0.28 per diluted share, for the same quarter last year.

On-going consolidated earnings in the 2006 second quarter were \$102 million, or \$1.03 per share, compared with \$86 million, or \$0.89 per share in the comparable 2005 quarter.

Results for the quarter were positively impacted by: 1) higher retail sales at Arizona Public Service (APS) due to customer growth of 4.6 percent; 2) fuel and purchased power cost deferrals; and 3) warmer weather. These positive items were partially offset by: 1) higher fuel and purchased power costs; and 2) an increase in operating costs primarily

related to higher generation maintenance and customer service costs.

APS reported net income of \$93.8 million for the second quarter of 2006, compared with net income of \$64.0 million for the same period a year ago. In addition, SunCor Development Co., Pinnacle West's real estate subsidiary, reported net income of \$9.6 million, compared with \$11.3 million in the 2005 second quarter.

**UniSource Energy Corp (UNS)** the holding company for **Tucson Electric Power Company (TEP)** reported consolidated year-to-date earnings through June 30, 2006 of \$27 million, or \$0.76 per basic share of common stock compared to earnings of \$6 million, or \$0.16 per basic share for the same period last year.

UNS Gas reported a net loss of \$1 million in the second quarter of 2006, compared with earnings of less than \$1 million during the same period last year. The decline is due primarily to lower retail sales stemming from mild weather and reduced customer usage. The utility's retail customer base expanded to more than 142,000 by the end of the second quarter, a 4.7 percent increase from the same period last year.

UNS Electric reported earnings for the second quarter of 2006 of \$1 million, compared with earnings of \$1 million for the second quarter of 2005. UNS Electric's customer base grew to approximately 92,000 customers by the end of the second quarter, a 5-percent increase over the same period last year.

TEP reported earnings for the second quarter of 2006 of \$11 million, or \$0.32 per basic UniSource Energy share, compared with \$12 million, or \$0.35 per basic share, during the same period last year.

Factors affecting TEP's second quarter 2006 results include: 1) A decrease of \$3 million, or 2.1 percent, in TEP's utility gross margin; 2) A \$3 million increase in operating and maintenance expenses due primarily to coal plant outages; 3) A \$3 million increase in expenses related to amortization of the Transition Recovery Asset; and 4) A \$7 million reduction in interest expense due primarily to costs incurred in the second quarter of 2005 related to various financing activities.

**Xcel Energy, Inc. (XEL)** the parent company of **Southwestern Public Service (SPS)** announced income from continuing operations of \$98 million, or 24 cents per share on a diluted basis, for the second quarter of 2006, compared with \$78 million, or 19 cents per share, in the second quarter of 2005.

Net income for the quarter, was \$98 million, or 24 cents per share, in 2006, compared with \$83 million, or 20 cents per share, in 2005.

Increased earnings for the second quarter of 2006 were primarily due to stronger base electric and natural gas utility margins. The stronger utility margins reflect a natural gas rate increase in Colorado, an electric and natural gas rate increase in Wisconsin, an interim electric rate increase in Minnesota and revenue associated with the Metro Emissions Reduction Project.

Earnings were negatively impacted by: 1) Holding company loss from continuing operations of \$1 million compared with a loss of \$14 million, or 3 cents per share in 2005; and 2) lower short-term wholesale margins; 3) Income from discontinued operations of \$0.3 million, or less than 1 cent per share, compared with income of \$6 million, or 1 cent per share, in 2005.

## General Update

Membership continues to grow at a significant rate. We've added over 250 new members so far this year! We still have some nice gifts for those who pay 2006 annual dues. This is a special offer with gifts from NMUSA as well as Xcel Energy and PNM. *Don't miss out! Mail the form below with your dues today.* (Only one gift package per dues paying household, please.)

### NMPRC

We've experienced great frustration over the past several months in trying to stay informed about cases before the NMPRC. After being arbitrarily dropped from multiple service lists, we started making inquiries of the Commissioners

and staff. Through perseverance and patience, we are happy to report that the issues seem to be working towards resolution.

In the past, the Commissioners have encouraged our involvement because we represent the interests of thousands of utility company shareholders, most of which are also ratepayers and voters in the state of New Mexico. But, we are dependent on the free flow of information to stay informed and get involved.

In looking for a resolution, the NMPRC has redeveloped their website to include new information. While still under construction, it is a significant improvement over the past. You can view the website at [www.nmprc.state.nm.us](http://www.nmprc.state.nm.us)

## Upcoming Events

- August 29 Santa Fe Luncheon - Investment professionals, PNM and NMUSA. Invitations are delivered.
- September 13 Albuquerque - Annual Board of Directors Meeting and election of officers.
- September 20 Farmington Luncheon - Investment professionals, PNM and NMUSA. Invitations coming soon.
- October 4 Albuquerque - Annual Membership Meeting.

We will have two excellent speakers at this year's Annual Membership Meeting: Charlie Fritts from the American Gas Association (AGA) and David Luken from the Edison Electric Institute (EEI). These gentlemen work in Washington, DC on topics that are near and dear to the hearts of utility shareholders. Please don't miss this opportunity to hear what they are doing and how our grassroots efforts has made a difference in the success of past initiatives.

*This event is free to dues-paying members and their guests. All others will be charged \$20.*  
Another good reason to send in your dues, if you have not done so already for 2006.

## Join the Alliance NOW!

If you aren't a member or haven't paid dues for 2006, 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.

Name \_\_\_\_\_

Spouse's Name (if applicable) \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

**I own shares of stock in:** (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**

E-mail: [nmusa@rt66.com](mailto:nmusa@rt66.com)

Telephone: (505) 836-4223

## From the Executive Director . . .

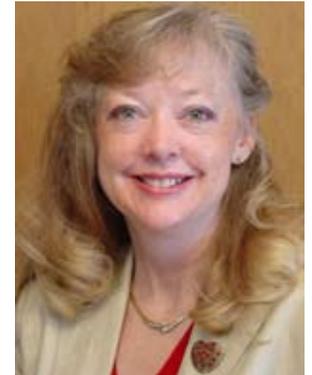
The Alliance of Utility Shareholder Associations (AUSA) is an organization for the executives of utility shareholder groups throughout the U.S. We met August 3 - 5, 2006 in New Glarus, WI to share information about our organizations' management and lobbying efforts. We also heard from representatives in the coal industry as well as the American Gas Association (AGA) and Edison Electric Institute (EEI). Always informative and beneficial, we plan to meet again in Chicago in October.

NMUSA has updated our database to handle mass e-mails of importance to utility company shareholders. This capability will save precious time and resources when we need to take fast, collective action. Our e-mails will be infrequent, so we hope you will read and act on each one you receive. You can participate in this information highway by providing your e-mail address via e-mail at [nmusa@rt66.com](mailto:nmusa@rt66.com) or include it on the membership form on page 9 and mail it to us. Your e-mail and mailing addresses will never be

shared; it is strictly for our use in keeping you informed.

Thank you to all that so faithfully paid your dues; you help keep this operation moving forward. We also want to increase membership and would appreciate your help. If you know anyone who owns stock in a utility doing business in New Mexico (see the list on our membership form), please encourage them to join. There is no minimum ownership requirement.

We look forward to seeing you at our Annual Membership Meeting on October 4, 2006. This meeting should be bigger and better than ever.



Carla J. Sonntag

*Carla*

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