

P.O. Box 728
Albuquerque, N.M.
87103

e-mail:
nmusa@rt66.com
www.nmusa.org

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PRC Orders Renewable Energy

The PRC has issued the Renewable Energy Order and a separate order establishing the Reasonable Cost Threshold. Congratulations to the PRC Staff; the Hearing Officer, the utilities, the intervenors and finally the Commissioners, who got this done. The Renewable Energy Act passed by the Legislature in 2004 required the PRC to determine the Reasonable Cost Threshold by December 31, 2004 and the PRC met the deadline.

Now consumers will know how much renewable energy will cost them - - sort of. The order states the maximum cost of:

Wind \$0.049 per kWh
Biomass/geothermal
\$0.06254 per kWh,

Solar greater than 10kW
\$0.10 per kWh,
Solar less than 10 kW
\$0.15 per kWh.

The Reasonable Cost Threshold also has an added provision that no customer will have to pay more than 2% of what they would otherwise pay if renewable energy were not required. The order takes effect in 2005, but consumers will not be affected until 2006 when the increase will be limited to 1%. The limit will increase 0.2% each year until 2011 when the limit will reach 2%. The commission will revisit the order in 2007 when the increase will have been in effect for a full year and the impact can be assessed.

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Special Note to Shareholders Who Are Not Members of the NMUSA

In an effort to provide better service to our members, we are making changes to some of our policies. In the past we sent newsletters and other correspondence to all utility shareholders of record, however, due to rising costs we will now be mailing only to our members.

Do you want to continue hearing from us? That's easy! Become a member by replying to the 2005 Membership Drive inside this newsletter. Membership dues are optional but help to cover the costs of the services we provide. Through your membership, you will receive all NMUSA newsletters, invitations to membership meetings and other valuable information as we keep you informed on issues that could affect your utility stocks. We will also represent your utility stock interest in matters before the PRC and legislature.

We encourage you to join the more than 2,240 NMUSA members by completing the membership application today. Don't miss a single issue of Shareholder News or be left out of membership meetings.

From the President

Dear Fellow Shareholders,

Are you hearing voices? A New Year is upon us and a good time to attempt visualizing things in our future. What would you like to have happen in your New Year? We'd like to be one of those voices you might be hearing. And we'd like to have you join us in a chorus.

The New Mexico Utility Shareholder Alliance ends the past year with a membership of over 2,240. We would love to see that number increase with a crescendo during 2005. Why might that be of any interest to you? Check your voices. As I said, we want to be one of them. As fellow shareholders have split loyalties and interests, we want you to join with our little

voice to create one loud one that can be heard. We are also trying to achieve harmony. We want to blend and balance the sounds of utility shareholders with those of utility users and your membership dues can help us harmonize any discordant notes. More voices create the volume necessary to be heard.

Our all-volunteer Board of Directors will attempt to conduct our affairs to achieve these goals again in 2005. We want you to join in the chorus. Our soloist (only one paid member) will carry most of the tunes again. We try to assist her, but some of us aren't as gifted. We at least try to sing her praises as we play to our audience. Would

you please add your voice to ours again this year? We have legislators and regulators who need to hear us, and they need to be heard, too. And then there is feedback to monitor and adjust. We'll record and report on the best of the tunes heard and played in the Round House as well as the PRC.

Please join us as we engage another new year. We're open for your feedback. Help us become a grand choir instead of just a lowly quartet. More harmonious voices can be powerful as well as pleasant to listen to. Let's all be hearing more joyful voices and noises in the New Year. Welcome to 2005.

Sincerely,
Edward Borchardt

From Commissioner Jason Marks, PRC District 1

It is a great honor and a great responsibility to have been elected to the Public Regulation Commission. To prepare, I have been



Jason Marks

using my transition period to get acquainted with the staff of the different divisions and their roles in carrying out the broad mission of the agency. With around 270 employees, working in areas such as utilities, insurance, transportation, corporate registrations, pipeline safety, fire inspection and the Fire Academy, this is a formidable task. I have also been regularly attending hearings, work sessions, and open meetings. The

current Commissioners graciously allowed Commissioner Ben R. Lujan and me to fully participate in hearings on the Qwest AFOR that were held in mid-December. Unfortunately, December also saw the important regulatory work of the Commission overshadowed yet again by scandal.

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Ben R. Lujan and I were sworn in on January 1, 2005. With the legislative session due to start January 20th, one of the Commission's first priorities will be to decide what, if any, position to take on proposed legislation. In particular, I am concerned about a pending bill that would effectively deregulate Qwest. Though alternatives to wireline telephone service (e.g., wireless, VOIP) are viable options for many consumers in

New Mexico, wireline is still a necessity for many others, especially families and small businesses. Qwest should be allowed to offer competitive prices and services in segments where it has competition, but this bill goes beyond that to give the company unfettered power to increase its charges to captive customers. I welcome your comments on this and other PRC issues.

Membership Contest

Last year's membership was such a success that we've decided to repeat it!

A random drawing from all paid memberships received by March 31, 2005 will be held in April. The winner will have their dues paid for 2006.

Don't delay - register today!

Membership Drive 2005

Unless you personally visit the PRC or the legislature, how can you help assure that decisions made by these governing bodies will have a favorable impact on your stock's value - - or at least not be overly negative in their impact? We can do it for you! The New Mexico Utility Shareholders Alliance (NMUSA) is organized and experienced in not only visit-

ing with the decision-makers, but testifying before them on issues affecting our stock.

How can a single utility shareholder make a difference? Join the organization that represents over 2240 utility shareholders just like you. Your voice can be heard through representation in the NMUSA, but only if you become a member.

Dues are optional, but at only \$10. per year, your contribution makes a difference in the work we do. Contributions are used to fund our management, educational and lobbying efforts as well as correspondence like this newsletter and our website. In addition, we hope to fund additional membership meetings with informative keynote speakers.

Join the Alliance *NOW!*

Membership continues to grow and strengthen NMUSA. If you aren't a member or haven't joined for 2005, we strongly urge you to do so now. Dues are voluntary but help fund this newsletter, our website (www.numsa.org) and membership meetings. Your contribution also helps us to attend regulatory and legislative meetings to advocate the interests of utility shareholders.

Name

Spouse's Name (if applicable)

Address

City State Zip

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

- | | |
|---|--|
| <input type="checkbox"/> Duke Energy | <input type="checkbox"/> Uni Source Energy |
| <input type="checkbox"/> El Paso Electric | <input type="checkbox"/> (Tucson Electric Power) |
| <input type="checkbox"/> PNM | <input type="checkbox"/> Xcel Energy |
| <input type="checkbox"/> Pinnacle West | <input type="checkbox"/> (Southwestern Public Service) |
| <input type="checkbox"/> (Arizona Public Service) | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Member of an Electric Coop | |

Annual dues \$10.

Please make checks payable to NMUSA.

Mail to: **New Mexico Utility Shareholders Alliance,**
PO Box 728, Albuquerque, NM 87103

E-mail: nmusa@rt66.com

Your membership contribution or payment of dues is not deductible as a charitable contribution, but may be as a miscellaneous itemized deduction for federal income tax purposes

PRC Orders Renewable Energy

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The Commission also reviewed and approved, with conditions, each utility's renewable energy procurement plan, another requirement of the Renewable Energy Act. The plans are as follows:

PNM plans to use the wind energy from the New Mexico Wind Energy Center as its primary source. This source may fulfill the portfolio until 2010. In anticipation of the need for additional sources, and to meet the requirement of a diversified portfolio, PNM plans to spend up to \$850,000 in 2005 to conduct an assessment of biomass and to spend between \$500,000 and \$1million for a solar photovoltaics program. PNM will be allowed to recover the cost incurred beginning at their next general rate case in 2007.

Southwestern Public Service

plans to use wind energy from the Caprock Wind Farm in Quay County, NM as its sole source.

While this source may fulfill the portfolio until 2011, the plan does not fulfill the requirement of a diversified portfolio. The Commission, therefore, has ordered SPS to come back in 2005 with a more diversified plan. SPS may recover cost thru its Fuel and Purchased Power Cost Adjustment Clause (FPPCAC). However, SPS has stated that costs to customers will actually decrease slightly because the wind energy will replace some natural gas generated electricity that is more expensive.

El Paso Electric plans to use wind energy purchased from PNM, who has more energy available from the NMWEC than they need. EPE's plan also fails to

meet the requirement of a diversified portfolio and will have to come back in 2005 to correct that deficiency. The method of cost recovery for EPE has been deferred.

While the plans have been approved, there are obvious open issues that must still be resolved and that probably cannot be resolved until all parties get some experience with the plans. Thus consumers must rely on the Reasonable Cost Threshold that will limit any increase in electricity bills to 2%.

Shareholders meanwhile must pay close attention to cost recovery, which in the case of PNM and EPE is deferred. There is a tendency for these cost recoveries in future rate cases to get lost in the negotiations between "parties".

Additional details will be available from the individual utility web sites that are accessible via links from NMUSA.org.

Xcel Energy

On December 15, 2004, Xcel Energy declared a quarterly dividend on its common stock of 20.75 cents per share payable to shareholders of record on January 3, 2005, thereby maintaining the increased dividend set at the end of the second quarter of 2004. The stock price has wavered during this period creeping to \$18 a share before falling below \$16 and then rising again to finish the year above \$18.

Unofficial 2004 earnings per share were \$1.83 resulting in a Price Earnings Ratio for the year end of 9.95. These results for the year are improvements from 2003 primarily because the negative effects of the NRG subsidiary have been resolved.

El Paso Electric

Standard & Poor has raised its Corporate credit rating on El Paso Electric to "BBB" from "BBB-". This action probably is the result of the company's continued reduction in outstanding debt and repurchase of outstanding shares. While dividends have not been reinstated, the stock price has benefited with a continued rise during 2004 from less than \$14 a share at the beginning to nearly \$19 a share at year-end.

El Paso Electric reported net income for the third quarter ending September 30, 2004 of \$25.7 million or \$0.54 income per share. This is an improvement from the previous year in which net income was \$11.4 million or \$0.23 earnings per share.

PNM Earnings and Dividends

On December 7, the Board of Directors of PNM Resources, Inc. approved a 15.6 per cent increase in the common stock dividend annually to 74 cents per share. This is equivalent to a dividend of \$1.11 per share before the three for two stock split in 2003.

PNM Resources also issued earnings guidance for 2005. The company estimates that ongoing earnings, without any one-time gains or charges, or the results of the pending acquisition of TNP Enterprises, Inc. (TNP) will range between \$1.40 and \$1.55 per share in 2005. This compares to a 2004 earnings range of \$1.35 to \$1.45.

Meet the Directors . . .

Last month we introduced you to the officers of NMUSA with short summaries of their biographical information. This month, we'd like you to meet the Directors who will serve for 2004-2005.

Marie Eaves: Marie has been a Director of the Alliance since its inception. She has also been active in New Mexico politics and governmental affairs for the past 40 years.

Marie has worked for energy companies, and gas and electric utilities, including PNM, in the areas of public and governmental affairs. Marie is active in several community organizations, serving as President of PNM Forerunners in 2001.

Dale Johnson: Dale has been a Director since formation of the Alliance. Professionally, he worked for the Western Union Telegraph Company, starting as a telegrapher in 1923. The job also included equipment maintenance. He retired in 1975.

Lenton Malry: Elected for his first term with the Alliance, Lenton is retired from the Albuquerque Public School System with 28 years of service. He also served for ten years in the New Mexico State Legislature and as a Bernalillo County Commissioner for eight years. Lenton is currently employed by Bernalillo County.

Lee Pollack: Lee is a longtime Director, serving one term as President of the Alliance. He retired from the U.S. Army in 1965 as a Major and then worked for the Disabilities Determination Unit from 1969 through 1983. Lee worked for four years with the U.S. Post Office and currently volunteers at the Sandia base pharmacy and Presbyterian Hospital.

Bill Pope: Bill was elected to the Board for his first term this year. He served with the U. S. Army, retiring in 1952. Bill then joined Southwestern Public Service Company, becoming its New Mexico District Manager, a 45 year career. He was appointed to the New Mexico Public Regulation Commission and was twice elected, serving as Chairman in 2000.

His extensive community service has included membership in NMSU Public Utility Advisory Board and the Southwestern Regional Transmission Association Board.

Bill currently runs Bill Pope Consulting, headquartered in Roswell.

Alan Schwartz: Alan has been an Alliance Director since 1998. He retired from real estate development after fifteen years. Alan has served on the City of Albuquerque Environmental Planning Commission and the City/County Extraterritorial Land Use Commission since 2000.

Martha Sturm: Martha continues to be a faithful Director of the Alliance. She is also a member of the Albuquerque Press Club.

Joe Sury: Joe has been a Director of the Alliance since 1998, serving as its first President. Professionally, Joe has worked in the construction industries for the past forty years, concentrating on electric utility power generating equipment.

Utilities 'Stable' for 2005 in Fitch Ratings Outlook Report

In a 2005 outlook report, Fitch Ratings analysts said investor-owned utilities and affiliated generating companies will enjoy a stable near-term outlook in 2005, Intelligence Press reported. Diversified energy merchants will see a shift from stable to positive in their outlook, and public utilities

will stay stable.

The report said the improvement in the merchant sector "reflects successful refinancings in 2004 that enabled most of these companies to extend debt maturities and eliminate near-term liquidity concerns . . ."

The report also said invest-

ments in infrastructure, including transmission and distribution systems, natural gas storage, and LNG terminals, will produce capital expenses over the next five years exceeding industry forecasts. Stepped up environmental standards also will yield higher costs for utilities.

From The Executive Director . . .

NMUSA hosted its first membership meeting in Albuquerque, NM on October 27, 2004. With 115 in attendance, it was a great success. Special guests included then Public Regulation Commissioner Herb Hughes as well as officers and managers from PNM and Xcel Energy. The guest speaker, Greg Zanetti, Financial Advisor, gave us an entertaining update on the economy, stock markets and utility companies doing business in New Mexico. Mr. Zanetti also discussed myths surrounding investments and the stock market.

We plan to have other membership meetings this year. The key word here is membership! Only

members will be invited to these meetings. So if you have not joined for 2005, please take care of that now. You can reply by using the membership application in this newsletter along with the postage paid envelope. It is our hope to hold these meetings in cities throughout New Mexico. We hope that they will be convenient as well as informative.

We accomplished a great deal in 2004 including hosting a national convention, significantly increasing membership and streamlining our office. We're looking forward to even more in 2005 and your membership is important to our success. There is strength in numbers and



Carla J. Sonntag

every member counts. Make your voice heard by joining the NMUSA today! Remember, dues are optional but help significantly to defray the costs for the work we're doing on your behalf.



NM Utility Shareholders Alliance
 PO Box 728
 Albuquerque, NM 87103