

CO-PETITIONERS JOIN FORCES TO CHALLENGE PNM'S PLANS TO PURCHASE NUCLEAR

This Earth Day, 25 New Mexico organizations representing thousands of constituents statewide will file a petition with the New Mexico Public Regulation Commission to initiate a formal investigation into PNM's planned purchase of its expiring leases (114 megawatts) at Palo Verde Nuclear Generating Station ("Palo Verde") ahead of the company's deadline to give irrevocable notice to lessors of its intent to purchase by January 15, 2020.

AN INVESTIGATION WILL REQUIRE A FAIR & COMPREHENSIVE COMPARISON OF THE ALTERNATIVES



Solar and Wind v. Nuclear

- Creates Family Sustaining NM Jobs
- Prudent and responsible investment for our energy future
- Lowest Cost Energy among feasible alternatives
- Climate stabilizing and ecologically responsible
- Supported by 84% of New Mexicans
- Produced locally - with possibilities for distributed economic benefits and wealth creation

- ZERO New Mexico Job Creation
- Most expensive form of energy on the market
- Most water-intensive form of energy on the market (768 Gallons per MWh at Palo Verde)
- Radioactive waste with no permanent storage solution and enormous health & environmental risk
- Track record of environmental-racism and ecological and health devastation in NM & worldwide
- Billions in future decommissioning liabilities

THE PALO VERDE LEASE PURCHASES WOULD COST RATEPAYERS \$1.3 BILLION FOR THE ELECTRICITY ALONE OVER THE NEXT 22 YEARS (NOT INCLUDING DECOMMISSIONING). THE INVESTIGATION WILL SHOW, THAT MONEY IS BETTER SPENT ON RENEWABLES.



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TWENTY-FIVE ORGANIZATIONS TO FILE JOINT-PETITION REQUESTING PRC INVESTIGATION INTO PNM'S PLANNED PURCHASE OF EXPIRING NUCLEAR LEASES

PNM plans to purchase expiring leases for Palo Verde Generating Station despite high nuclear-generated electricity costs, precarious cost risk exposure: including radioactive waste build up (for which the "mature" nuclear industry still has no answer), extremely costly ongoing capital expenditures, the most consumptive water usage (in a time of severe drought), little to no social benefit (i.e., jobs), and significant decommissioning cost exposure.

The PRC investigation will help determine if PNM's purchase is a prudent and reasonable investment on behalf of New Mexico ratepayers and likely demonstrate that PNM's investment in the purchase will cause unjustified rate increases for expensive and risky energy. Through the lease purchase, PNM seeks to shift the cost and liability of their nuclear holdings from shareholder investors onto NM households.

Nuclear is the highest cost energy resource, costing NM ratepayers \$2.083 billion in lease payments for Palo Verde generated electricity as of 2016, with associated risks of hundreds of millions of dollars in decommissioning and capital improvement costs. Additional reasons why the PRC needs to investigate the purchase of nuclear assets for ratepayers include: **1)** The Arizona plant has not created jobs in New Mexico as a result of those payments. **2)** Purchasing the expiring nuclear leases (114 megawatts) will cost ratepayers \$1.3 Billion, for the electricity alone over the next 22 years. This does not include future decommissioning costs.) **3)** Serious health and environmental concerns around nuclear produced energy need to be assessed, including a violent legacy of environmental racism and injustice against Indigenous people and nuclear's ranking as the most water intensive energy source. **4)** 20% of New Mexicans live in poverty, 83% of whom are people of color. Higher nuclear generated electricity costs disproportionately hurt them. In some cases, people facing poverty spend between 20-50% of their household income on electricity.

BACKGROUND: In 1977 PNM sought and was granted authority by the PRC to invest 10% in each of the 3 units at Palo Verde Nuclear Generating Station in Arizona. Construction was completed in 1985, but capital costs for the plant turned out to be so high that PNM had to come up with an alternative financing mechanism to avoid "rate shock." For units 1 & 2, PNM agreed to sell its interests to Wall St. investors and then "lease" back the electricity for New Mexican customers whose utility bill payments covered the lease payments. This was called "sale/leaseback". **Importantly, under the sale/leaseback agreements, PNM is presently responsible for paying all decommissioning costs and capital improvement costs.** For unit 3, PNM was not allowed to include those megawatts in New Mexico rates and it sold that nuclear generated electricity the open market - at a loss - because nuclear electricity costs are no longer competitive. Unit 3 nuclear was brought back into rates as a supply resource to serve New Mexico retail customers effective January 1, 2018, over the objection of New Energy Economy and other rate case interveners. Nuclear is the most costly of all PNM's resources.

Despite opposition from consumer advocates, PNM has purchased back all of the leases from the Wall St. leaseholders, except the two leases at issue in the Joint Petition. **There are two main reasons PNM has purchased back Palo Verde leases: 1) Under regulatory law, PNM is able to recoup 100% of their capital costs from ratepayers, plus a guaranteed profit of 9.575% on the investment; and 2) if PNM uses the Palo Verde nuclear to serve NM customer's electric needs, then ratepayers will become responsible for decommissioning costs and capital improvement costs, plus their 9.575% rate of return.**

If PNM does not buy back the leases, then PNM shareholders, **NOT ratepayers**, are responsible for many hundreds of millions of dollars in decommissioning and capital improvement costs. Through the purchase, PNM is seeking to shield its investors from those costs. While the joint-petition will not shut down the Palo Verde Nuclear Plant - it challenges PNM's plan to further invest NM ratepayers' money in the plant, is a signal to the market that utilities cannot offload their nuclear costs and liabilities through "ratebasing", and serves to protect NM ratepayers from cost abuse and the risk of 100s of millions in decommissioning liabilities.