

SAN JUAN COAL IS CLOSING.

HOW CAN WE PROTECT AGAINST A PNM BAILOUT?

A VICTORY

PNM is closing the San Juan Generating Station ("San Juan"), one of the dirtiest coal plants in the United States, in 2022. This is a celebrated milestone. Coal is the single greatest driver of climate change and PNM's San Juan coal plant is the largest source of climate-altering carbon emissions in our state and an environmental hazard (millions of lbs. of coal ash, tens of millions of dollars of externalized health care costs for asthma, heart disease and more, annually).

THE DANGER

PNM has indicated they want 100% of their undepreciated, or "stranded" assets. They had the plant on their books until 2053! And they want all the money they had planned to make \$320 million! They have also admitted that they have under-collected for the decommissioning and remediation of the site and that coal ash may be leaching into the San Juan River. The local community will lose jobs & revenue and needs economic recovery funds and investment for transition planning. Who will pay for all of this?

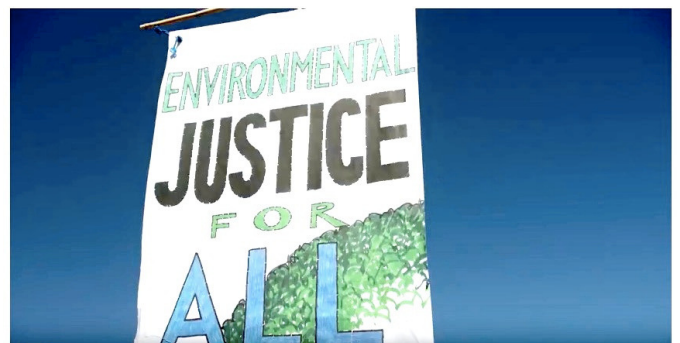
PNM WANTS US TO PAY FOR IT ALL.

WHAT IS SECURITIZATION?

Securitization is the process of taking undepreciated assets and other costs and through financial engineering, transforming them into a security which is paid out to shareholders via a surcharge on our utility bills. The Energy Transition Act includes securitization for 100% recovery of \$320 million in stranded assets and up to \$30 million in additional costs including a transition fund.

TOP ISSUES TO WATCH

- COST BURDEN FOR RATEPAYERS VS. PNM**
- OWNERSHIP OF REPLACEMENT POWER**
- PRC AUTHORITY TO ENFORCE RATEPAYER & ENVIRONMENTAL PROTECTIONS**
- CLEANUP**
- CORPORATE ACCOUNTABILITY**
- LEGAL PRECEDENT**



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**THE ENERGY TRANSITION ACT" (ETA) HAS BEEN DRAFTED FOR THE 2019 LEGISLATURE.
UNLESS SIGNIFICANTLY AMENDED, THE BILL COULD RESULT IN A PNM BAILOUT.
BELOW ARE OUR CONCERNS:**

COMPETITION

The bill must permit competition. Any foreclosure of competition prevents a robust clean energy economy by preventing independent power producers (IPP) access to NM's energy market. Granting PNM monopoly ownership of the 450 megawatts of replacement & other energy generation resources forces consumers to pay more for energy because PNM is guaranteed a higher rate of return than independent producers. Rather than saving on renewables & creating a hedge against future rate increases, PNM ownership favors shareholder interests over ratepayers'. It also sends a signal to producers that NM's renewable energy market is not open for business.

REGULATORY PROTECTIONS & PRC AUTHORITY

Consumer protection standards require PRC's approval to ensure that all costs charged to ratepayers are reasonable and fair. The Abandonment Case, scheduled for next year, will address closure issues through a rigorous evidentiary hearing. This legislation must not preempt those decisions. The PRC must be able to determine that all securitized costs are "prudent" and that replacement power selection comports with regulatory law.

SAN JUAN SITING

A San Juan County location preference for replacement power is needed to mitigate against the revenue loss & ensure the region's population is given opportunity to partake in the emerging renewables economy. Transmission also exists in San Juan. Yet the preferential siting cannot be for 100%. Wind, which is abundantly available in eastern NM, is the cheapest energy. Pueblos also want a chance to compete as energy producers.

NO OVERBUILD, NO STRANDED GAS!

PNM's plan of record is to replace SJGS with 3 gas plants, 456 MWs, and purchase it's leased nuclear. If PNM's current plan is accepted, and this bill moves forward with the requirement to build more solar & wind, it will require the development of resources beyond the capacity-needs of the utility's customers - leading to economic waste. The bill must explicitly address this issue in order to prevent PNM from building \$393M of new gas plants even though ratepayers don't need them. We must ensure that any revised bill does not encourage PNM to build gas plants and then abandon them in a few years, using the new law as precedent to award them 100% stranded assets from ratepayers in the future.

NO PRECEDENT

The law needs to be clear that it only applies to San Juan Generating Station and future closures will be handled independently of this law. It must not set precedent for full cost recovery for future coal and gas plant retirements.

PNM MUST PAY THEIR SHARE

The split for stranded assets and the costs to support a transition fund should be shared. PNM is closing San Juan Generating Station due to economic obsolescence - it can't meet its burden to prove that SJGS is cost effective as compared to cheaper renewables. PNM has made millions off of the plant, they testified that they would keep the plant open "indefinitely", invested millions of dollars in "improvements" despite opposition, and then announced a year later, that the plant was uneconomic. They must take responsibility for their failed investments & poor planning and must contribute toward comprehensive cleanup, transition funds, and share the burden of stranded assets.