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- Carla J. Sonntag
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Chairman Sandy Jones
Public Regulation Commission



Carol Jones, Financial Advisor
New Mexico Investment Advisors

Annual NMUSA Membership Meeting

Public Regulation Commission Chairman Sandy Jones addressed a crowd of over 175 New Mexico Utility Shareholder Alliance (NMUSA) members and guests at the annual NMUSA Membership Luncheon. Chairman Jones discussed the regulatory process and the importance of shareholders' interests being represented. He was complimentary of the efforts by NMUSA's Executive Director in fairly representing shareholders' perspectives as the owners of the utility company in which they own stock but also as ratepayers in New Mexico.

The keynote speaker, Carol Jones, Financial Advisor with New Mexico Investment Advisors, provided excellent insight into the gas and electric utility companies operating in New Mexico. She discussed individual company operations as well as the general forces of the economy on these companies.

Ms. Jones also discussed the dividend tax issue. Currently the maximum tax rate is favorable at 15 percent, however, this rate will expire on 12/31/10 unless Congress takes action to extend the lower rate. If allowed to expire, the income tax rate on dividends could go almost as high as 39.6 percent.

Mr. Morry Markowitz, Group Director, External Affairs, Edison Electric Institute (EEI) gave a presentation on "Invest in America's Electric Future." He showed how

See Annual Meeting on page 3.

INSIDE

- Xcel Energy2
- AZ Public Service ...3
- Gas Company of NM.4
- Tucson Electric.....5
- PNM - EIB6
- NMUSA Board7

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Environmental Improvement Board Considering New Mexico Based Carbon Reduction - See Story on Page 6.



Bill Pope

From the President . . .

This year's annual membership meeting was a great success. We had four terrific speakers who were informative and entertaining to about 175 attendees.

PRC Chairman, Sandy Jones, did a great job of recognizing NMUSA's efforts on behalf of its shareholder members. He also stated that he is pleased to see NMUSA working with other stakeholders appearing before the Commission.

This should remind us that next year's elections will be held to fill the positions of PRC Commissioners who will not or cannot run for another term. NMUSA will provide information on the candidates as we did in the last election cycle. I hope each NMUSA member will make an informed decision at the polls. Commissioners have a tremendous amount of responsibility in their positions and will significantly affect how the Commission is run. The state needs the best PRC candidates we can find for this office.

Toni and I wish you the very best for this holiday season, and hope you have a wonderful Thanksgiving and Christmas.

Bill



Xcel Energy seeking customers for solar power partnership

Solar*Rewards program expands to include large-scale solar installations

Xcel Energy is boosting its New Mexico Solar*Rewards program – launched in March for customer-installed, small-scale solar generating facilities – by extending incentives to large-scale, customer-installed generating systems.

A request for proposals (RFP) went out in October seeking bids for at least five megawatts of energy generated by customer-owned distributed solar generating systems sized between 100 kilowatts (kW) and two megawatts (MW).

Solar*Rewards already purchases Renewable Energy Certificates (RECs) from small-scale, customer-operated systems by offering a credit of up to 20 cents per kilowatt-hour (kWh) for photovoltaic solar power. In addition, the company purchases excess energy monthly from these small-scale systems at the avoided cost rate.

A REC is a credit earned by the customer for generating one kilowatt-hour of electricity from a renewable source such as wind or solar energy. The price at which the company purchases RECs from the large-scale systems will be determined through the RFP process, and all RECs generated must be sold to Xcel Energy.

Customer proposals must include a contract term of 10 to 20 years, and the systems must be in operation by June 1, 2011. All solar generating technologies are eligible, and customers must work with Xcel Energy engineers on the interconnection for the project.

Customers can use the installer of their choice or self-install. Xcel Energy will not offer recommendations on installers, but customers can get information on installers in their area by consulting a New Mexico Solar Energy Association directory of solar professionals located at www.nmsea.org/Directory/2005/prodirectory05.htm.

A copy of the RFP can be obtained by going to www.xcelenergy.com/solar, and questions may be directed through e-mail at solarprogram@xcelenergy.com. Applications for small and medium-scale Solar*Rewards participants are accepted online at www.xcelenergysolarrewards.com

Xcel Energy (NYSE: XEL) is a major U.S. electricity and natural gas company with regulated operations in eight Western and Midwestern states. Xcel Energy provides a comprehensive portfolio of energy-related products and services to 3.3 million electricity customers and 1.8 million natural gas customers through its regulated operating companies. Company headquarters are located in Minneapolis. More information is available at www.xcelenergy.com.



THE POWER TO MAKE IT HAPPEN®

Solar Power Industry Names Brandt 'Utility CEO of the Year'

Arizona Public Service (APS) Chief Executive Officer Don Brandt today was named the Solar Electric Power Association's "Utility CEO of the Year" at the Solar Power International 2009 conference in Anaheim, Calif.

Brandt was recognized for his efforts in helping Arizona become the "solar capital of the world." Under his leadership, APS solar initiatives include: Solana, the world's largest solar plant, which will be built in the Arizona desert; a commitment to invest \$500 million to develop 100 megawatts of utility-owned solar generation; a pilot project to provide solar panels on customer homes with no up-front cost; and a partnership with the National Park Service to power the Grand Canyon Visitors Center with solar panels.

"Don Brandt has positioned APS to take full advantage of Arizona's most abundant natural resource, the sun. APS is creating viable business models around solar energy that not only push the envelope but also push our industry forward," said SEPA Executive Director Julia Hamm.

"We very much appreciate this award. It reinforces our vision: we want the Grand Canyon State to become the Solar State," said Brandt.

APS has seen its renewable energy portfolio grow from less than one megawatt in 2001 to more than 235 megawatts today, enough to power 59,000 Arizona homes. APS has also published a resource plan that proposes renewable and solar energy meet half of all new customer demand during that time frame.

In 2006 the Arizona Corporation Commission set a Renewable Energy Standard of 15 percent by 2025.

Don Brandt has more than 25 years experience in the electric power industry. He is also Chairman of the Board, President and Chief Executive Officer of APS parent Pinnacle West Capital Corp. Before joining Pinnacle West in December 2002, he served as Senior Vice President and Chief Financial Officer at Ameren Corporation, a St. Louis-based diversified energy services company.

Winners of SEPA's "2009 Solar Business Achievement Awards" were selected in five categories based upon their efforts to expand solar energy as an essential part of the solution to the growing global energy crisis. Nominees for the awards included utility executives, electric utilities and solar companies from SEPA's member companies around the world.

APS, Arizona's largest and longest-serving electric utility, serves about 1.1 million customers in 11 of the state's 15 counties. With headquarters in Phoenix, APS is the principal subsidiary of Pinnacle West Capital Corp. (NYSE: PNW).



Don Brandt, CEO
Arizona Public Service

Annual Meeting continued from cover.

electric use growth is linked to U.S. economic growth. As both continue to increase, it will be necessary to invest in generation and transmission to meet the growing needs.

Mr. Chris Hogan, Director of Communications with the American Gas Association (AGA) discussed the "Defend My Dividend" campaign. He discussed the history of dividend taxes and the effort to maintain the lower rate.

Editor's note: A 2008 study by Ernst and Young showed that 24.5 million tax returns from that year had dividends qualifying for the lower tax rate. Of those 59 percent were taxpayers 50 years or older and 30% were taxpayers 65 years or older. In addition, of those 2008 tax returns with qualifying dividends, 59 percent of the households had income of less than \$75,000 and 24% had incomes less than \$25,000.

You can see the presentations from Ms. Jones, EEI and AGA at the NMUSA website by visiting us at: www.nmusa.org and clicking on the "Meetings" tab.



Delivering Natural Gas to New Mexico

“New Mexico Gas Company is committed to bringing natural gas safely and reliably to New Mexicans,” said Annette Gardiner, President. “Natural gas is our business and our only business. Our experienced workforce continually looks for ways to improve the service we provide to our customers and we strive to be industry leaders.”

New Mexico Gas Company’s service territory is unique in that it sits between the San Juan and Permian basins, two of the largest natural gas basins in the country. In addition, major interstate pipelines crisscross the state with multiple interconnections to New Mexico Gas Company’s extensive network of approximately 1,600 miles of transmission pipelines. “The proximity of natural gas from multiple supply sources provides greater options for meeting the supply needs of our more than 500,000 customers,” said President Gardiner.

The price of natural gas purchased for our customers is passed directly through to our customers,” said President Gardiner. “We use every available means to get the lowest prices for natural gas we can, and at the same time ensuring the reliability of the supply for our customers.”

The most significant story in natural gas is that national supplies are up, demand is down and prices are low compared to recent times. “While prices going into this heating season are not unlike last winter, the contributing factors this year are unique,” said Gary Murray, Manager of Gas Supply & System Planning for New Mexico Gas Company. Preceding the 2008-2009 winter heating season, a collapse in the price of crude oil was tracked by natural gas prices. Moving through 2009, the effects of a credit market collapse and a national recession took hold, reducing the demand for natural gas. At the same time production from new shale formations exceeded expectations, increasing national supplies, he explained. With lower demand, natural gas in storage absorbed the over-supply in the market. Storage levels rose as much as 25 percent above five-year averages. The result of excess supply of natural gas in the marketplace and lower demand has drawn natural gas prices lower nationwide.

While gas supplies are currently exceeding demand, the situation is not expected to last long-term. The current glut has significantly reduced activities by exploration companies and drilling is off. “Already, from this time last year, rig counts have seen a 47 percent decline, which is expected to continue to the end of 2010,” said Tommy Sanders, Director of Gas Supply and Transmission Operations for New Mexico Gas Company. “As the recession eases and demand returns, supplies could once again become tight.”

While supply and demand are the basic factors that influence price, the natural gas market is fluid and volatile. “Gas supply and demand is a very tight balance and any number of factors could quickly change the current situation or projections,” said Mr. Murray. Cold weather could quickly create a big jump in demand for natural gas in certain locales that outpaces supply, for instance, or supply disruptions could cause shortages which would affect price. New Mexico Gas Company applies several approaches to optimize the procurement of natural gas, maintain reliable delivery and introduce a degree of price stability. “We are dedicated to dependably meeting the needs of our customers and that’s reflected in every decision we make,” said President Gardiner.

“We use every available means to get the lowest prices for natural gas we can, and at the same time ensuring the reliability of the supply for our customers.”



A UniSource Energy Company

Soaring Heights Communities to Become Largest Solar-Powered Community in the Continental U.S.

Housing developer Actus Lend Lease, SolarCity®, Tucson Electric Power (TEP), and financing parties National Bank of Arizona and U.S. Bancorp Community Development Corporation (USB CDC) are working to create one of the nation's largest distributed, community-wide solar power systems at Soaring Heights Communities at Davis-Monthan Air Force Base. Upon completion, the community is expected to be the largest solar-powered community in the continental U.S. The solar systems are expected to produce more than 10 million kilowatt hours of electricity annually—sufficient to provide an estimated 75 percent of the residents' energy use next year—and could eventually offset 100 percent of Soaring Heights Communities' electricity use.

Soaring Heights Communities at Davis-Monthan will also be Arizona's largest solar-powered community. The complete installation is expected to include six megawatts of total solar capacity in a combination of a ground-mounted photovoltaic (PV) system and rooftop solar systems that will be installed on approximately 900 residences. National Bank of Arizona will own the 45,000 panel ground-mounted system, which accounts for more than 3.3 megawatts of solar capacity. The balance of the system is expected to consist of 36,000 more panels in the rooftop arrays. The rooftop systems are being financed within an existing SolarCity fund, which was financed by USB CDC earlier this year.

The solar systems will be designed and installed by SolarCity and will be interconnected by TEP. The entire project is estimated to represent an increase of more than 15 percent over Arizona's current grid-tied solar capacity. Collectively, the installation is expected to offset more than 570 million pounds of carbon dioxide over its lifetime, the equivalent of taking approximately 50,000 cars off the road for a year, or planting more than 300,000 trees.

Starting earlier this month, SolarCity began installing 1,000 PV modules per day on previously vacant land near Soaring Heights Communities. Most of the homes selected for solar system installations are new dwellings built to the rigorous energy efficiency standards of TEP's Guarantee Home Program, while some are existing homes.

TEP will provide incentives through its customer-funded SunShare program to reduce the long-term cost of Soaring Heights Communities' photovoltaic installation. Both systems' output will help TEP work toward the renewable energy goals established by the Arizona Corporation Commission (ACC).

"Through the SunShare incentives that make this project possible, every TEP customer will be invested in the success of this remarkable new solar-powered community," said David Hutchens, vice president of energy efficiency and resource planning for TEP and its parent company, UniSource Energy Corporation (NYSE: UNS). "This project will help shrink the carbon footprint of Tucson's largest military base while setting a new standard for distributed solar power systems."

"Soaring Heights Communities is truly a solar city, and our largest installation to date," said SolarCity CEO Lyndon Rive. "We expect this project to be a springboard for additional clean power development in Arizona, one of the best locations for solar in the world."

Solar power will provide an estimated 75 percent of the total energy needed to power Davis-Monthan's Soaring Heights Communities.

Tucson Electric Power, a subsidiary of UniSource Energy, provides safe, reliable power and a variety of green energy options to more than 400,000 customers in the Tucson metropolitan area. For more information, visit tep.com. For more information about UniSource Energy, visit uns.com.



Environmental Improvement Board Considering New Mexico Based Carbon Reduction

By Jim Ferland, Senior Vice President, Utility Operations, PNM Resources

The public may have a chance to comment in early 2010 on a proposal that would have far-reaching impacts on New Mexico's economy.

The state's Environmental Improvement Board, a seven-member body appointed by the governor, is considering a petition by New Energy Economy, a Santa Fe-based non-profit organization, to require a state-based reduction in greenhouse gas (GHG) emissions. The proposal would require New Mexico to cut GHG emissions by 25 percent below 1990 levels by 2020 -- a goal more aggressive than anything being considered at the federal level or by any other state.

PNM supports sensible, federal legislation to reduce GHG emissions and mitigate the cost impact to businesses and customers. But regardless of what one thinks about the advisability or inevitability of federal GHG legislation or regulation, we believe a state-based cap -- applying only to New Mexico and not any other state -- would be bad public policy.

Why? Our concerns include the following:

- If approved, the petition would impose an arbitrary reduction on GHG emissions in New Mexico without considering the economic impact on the state and its citizens. In addition to raising energy prices, the petition would put New Mexico businesses at a competitive disadvantage, as the states with which we compete for jobs would have no such cap.
- There are no commercially viable technologies for PNM to reduce GHG emissions at this time. The petition seeks an emissions cut without considering the state of technology. We estimate the cap would force us to invest at least \$1 billion in new capital, significantly raising PNM electric rates.
- GHG emissions are a national and global issue. Because New Mexico is such a small contributor to global GHG emissions, an emissions cut only in New Mexico would have no measurable impact on GHG concentrations in the earth's atmosphere, nor would it improve the public health and welfare of New Mexico's citizens.
- The petition is arbitrary in nature, covering only select emitters that represent about 32 percent of the state's human-caused GHG emissions. For example, it would cover the PNM San Juan Generating Station but exclude the Four Corners power plant, located on Navajo Nation land and the single, largest emitter of GHG emissions in the state.

PNM is not alone in opposing the proposal. Several entities have been actively opposing the petition, including Dairy Producers of New Mexico, El Paso Electric, Grupo Cementos de Chihuahua, N.M. Farm and Livestock Bureau, N.M. Oil & Gas Association and Tri-State Generation & Transmission Association.

In order to make an informed decision, the Environmental Improvement Board needs to hear from a variety of voices. To make your views known, you can send a letter directly to the board at:

Gregory Green, Chairman (C/O EIB Administrator), New Mexico Environment Department
1190 St. Francis Dr., N2153, Santa Fe, NM 87502

If you do so, please specifically reference "New Energy Economy Petition, Case Number 8-19."

It's also important that opponents of the petition make their voices heard at a public comment session that will likely take place in early 2010 (exact date not yet known). To receive the latest information on the public comment session, or to have your questions answered, contact PNM's Jeff Buell at (505) 241-2784 or jeff.buell@pnmresources.com.

NMUSA Announces Election of the 2009 - 2010 Board of Directors

Bill Pope, President, completed his Bachelor of Business Administration (BBA) at Wayland Baptist University. After 44 years of service, he retired from Southwestern Public Service (SPS) as a Division Manager. Bill was responsible for SPS's entire service area in New Mexico from Tucumcari to Roswell. He was appointed to the State Corporation Commission in 1997 which was combined with the New Mexico Public Regulation Commission (NMPRC) in 1999. Bill served for three years in the NMPRC and was the elected Chairman in 2000 and 2001. Bill has served on the NMUSA Board of Directors since 2004.

William (Bill) Hagler, Vice President, received his Bachelor of Science in Industrial Engineering (BSIE) from North Carolina State University. He is the President of Red Hills Manufacturing Co., Inc. which manufactures wood products, and Hagler Oil and Gas Co., which is engaged in the production of natural gas. He has been involved in petroleum refining and marketing, petrochemical manufacturing and power generation.

Bill has served on the Board of Directors of two publicly traded oil and gas companies and served on the City of Farmington Public Utility Commission for over 25 years. He has served on the NMUSA Board since 2006.

Bob Reed, Secretary, attended Drake University in Des Moines, Iowa. He retired as a Project Engineer from Sandia Labs after 32 years of service. His work there included membership on the Nuclear Weapon Systems Safety group and required nuclear weapon accident response. Later work in a Project Group involved development of a system for the safe and secure transport of nuclear weapons. From 1942 – 1945, he served as a B-29 Radio Operator for 30 missions over the Japanese Empire. Bob has served on the Board of Directors for NMUSA since its inception in 1997, served several terms as Vice President and one term as President.

Dan Lyon, J.D., Treasurer, earned his Juris Doctor (J.D.) degree from the University of New Mexico, School of Law, and has been a licensed Attorney since 1968. Dan retired from both US West and the State of New Mexico. He served in the state legislature for eight years and has been appointed by several governors to various boards and commissions. Currently, he is the elected AMAFCA Director for District 2 and works as an independent Mediator/Arbitrator. Dan has served on the NMUSA Board of Directors since 2006.

Lenton Malry, Past President, obtained his PhD from the University of New Mexico (UNM) and his BS from Grambling State University. He retired from the Albuquerque Public School system after serving as a teacher, principal and administrator. Lenton also taught for UNM, served on the County Commission for eight years and was a state representative for 10 years. Lenton has served on the NMUSA Board of Directors since 2004 including two terms as President.

Directors: Al Adamsko, serving since 1997.

John Florez, serving since 2006 including one term as Secretary.

Ed Borhardt, serving since 1997 including several terms as President.

Join the Alliance NOW!

If you aren't a member or haven't paid dues for 2009, 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

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From the Executive Director . . .

It has been a terrific quarter for the New Mexico Utility Shareholders Alliance (NMUSA). The Annual Membership meeting was a success with over 175 members and distinguished guests in attendance. Xcel Energy and PNM Resources donated several very nice door prizes. They also had display booths along with the New Mexico Gas Company.



Carla J. Sonntag

NMUSA met with Congressmen Heinrich and Lujan to discuss issues that are important to shareholders. We discussed EPA regulation of coal-fired plants, storage of Coal Combustion Byproducts (CCBs) and dividend taxes. The NMUSA has always taken a moderate approach to regulation. While we consider it important to provide for clean air and safe storage of CCBs, we would like to see that accomplished in a prudent manner that is beneficial and not overly burdensome to shareholders or ratepayers.

NMUSA is very concerned about the New Mexico Environmental Improvement Board's (EIB) consideration of a petition that would require a state-based reduction in greenhouse gas (GHG) emissions. This proposal is more aggressive than anything being considered at the federal level and would create exorbitant costs for utilities operating in New Mexico. These costs will significantly increase the cost of our power and do nothing to control GHG emissions that are produced outside of our state. I urge you to take action as outlined in the article on page 6.

I wish each of you the very best in the upcoming holiday season. I hope your lives are filled with happiness and health and all that you desire.

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