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New Energy Environment Petition to the Environmental Improvement Board

New Energy Environment (NEE) has petitioned the Environmental Improvement Board (EIB) to aggressively regulate Greenhouse Gas (GHG) emissions in EIB Case No 8-19(R). Following a well attended public hearing on 3/1/10, NEE significantly modified its petition. However, the New Mexico Utility Shareholders Alliance (NMUSA) remains opposed to the NEE initiative.

Modifications to the petition call for a reduction in GHG emissions by 3% per year from 2010 levels starting in 2012. It does not define the number of years this reduction would be in effect. The original petition called for a 25% reduction of GHG emissions below 1990 levels by the year 2020. (Federal legislation being considered would set a 17% reduction limit on GHG emissions from 2005 levels by 2020.)

Other changes to the NEE petition include: 1) Threshold for regulations would be sources emitting 25,000 metric tons per year. (Original: 10,000 metric tons per year); 2) Offsets within New Mexico among a source owner's facilities. (Original: None); 3) Initially applicable only to Electricity and Oil & Gas Sectors with ability to expand to other emitters in 2014. (Original: All emitters); 4) Cost Cap of \$50 times 3% of 2010 emissions with the \$50 limit increasing by \$1 each year after 2012 (Original: None); and 5) Sunset provision in the event New Mexico sources become subject to a regional or national GHG reduction program (Original: None).

If adopted, the NEE cap could have an extremely negative impact on New Mexico's economy. Estimates for the revised petition indicate that costs for some utilities could be over \$12 million annually. The costs for the cap compliance or the replacement of energy with other sources would either be passed on to ratepayers or absorbed by shareholders and NMUSA does not find either option acceptable.

If you were unable to attend the hearing, please consider providing written See NEE Petition on page 5.

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2010 Membership Drive

The 2010 Annual Membership Drive kicked off in January. You should have received a letter, renewal form, and return envelope. We greatly appreciate those that have already replied. *If you have not renewed your membership for 2010, please do so at your earliest opportunity because you are an important part of the NMUSA.* Remember, **"Together, we have the power!"**

Member Survey

NMUSA is conducting its first Member Survey. Forms were mailed with your membership renewal packet. Your responses will help us focus our efforts on those items most important to you. ***If you haven't responded, please tell us what you think!*** All information is strictly confidential.

**Bill Pope**

From the President . . .

I am writing on two separate subjects for this newsletter. One is the NMUSA member survey. I hope you have received this and have either filled it out or are in the process of completing it and returning it to the NMUSA office. This is a confidential survey. The information you provide is very important as we are working for you as members and need to know your views. So please complete and return the survey as soon as possible.

I would also like to encourage you to renew your membership in NMUSA. This is very important to the organization because your dues help fund our work at the legislature and the PRC. More importantly, your membership tells the elected officials the number of rate payers and voters we represent here in New Mexico.

Thank you for your survey information and your membership.

Warmest regards,

Bill



Natural Gas – A Great Fuel Choice

As the state's newest regulated utility and largest natural gas service provider, we've focused our efforts on delivering safe and reliable natural gas to our customers. You may have noticed recent TV and newspaper ads from natural gas associations about the benefits of our commodity. We are also striving to inform our customers and the general public regarding the many benefits of natural gas when compared to other energy sources. Here are a few examples we would like to share with you.

Natural gas currently provides about one-quarter of America's energy needs. Recent enhancements in shale gas production have given us access to significant natural gas reserves and some experts now project our country has a 100-year supply. This is great news for our nation's energy future. But what you may not know is that natural gas is also one of the most efficient forms of energy. The energy efficiency advantage of using natural gas stems from the fact that the natural gas delivery system from the point of production to the burner tip in your home is extremely efficient, with only about 10 percent of the usable energy lost in transport and combustion. In contrast, only about 30 percent of the energy produced for electricity is retained during the process of production, conversion, transmission and distribution.

Based on data from the DOE, natural gas can also be considerably more cost effective to use. The cost to run an electric water heater is about \$554 per year, for example, while a typical natural gas water heater costs about \$282. The efficiency of natural gas can enable homeowners to significantly reduce their energy bills. On average, energy bills for natural gas homes average 30 percent lower than those for all-electric homes and are about 45 percent lower than for propane homes.

Natural gas plays an especially valuable role for New Mexico. Our state ranks third in the nation in terms of proven natural gas reserves. We have two major oil producing areas: the Permian and San Juan Basins. The San Juan Basin contains the largest natural gas reserves in the U.S. Only 27% of the available resources in the Permian Basin are estimated to have been extracted. Natural gas is an important part of our state's economy – oil and gas taxes rank third in terms of New Mexico's general fund income sources.

At New Mexico Gas Company, we're not only proud to serve our customers; we're also proud of the benefits of using natural gas.

Arizona Public Service Brings More ‘Green’ to Arizona

With the famous red rocks of Sedona, the constantly changing hues of the Grand Canyon and sunny blue skies, Arizona, the setting for Arizona Public Service territory, is a colorful state. And at APS, we’re dedicated to adding more “green” to Arizona’s diverse landscape by bringing environmentally friendly energy to our customers through renewable, carbon-neutral power generation projects and energy efficiency programs.

With more than 300 days of sunshine each year, conditions for solar generation in Arizona are the best in the world. APS is capitalizing on this abundant natural resource through distributed and utility-scale solar generation. Since their inception in 2002, APS’s solar incentive programs have increased distributed solar energy dramatically. In the past year alone, the amount of solar energy generated by customer homes and businesses has increased by 147 percent. To date, more than 5,500 customers have gone solar, generating 21 megawatts (MW) of “green” electricity.

Solana, which will be built 70 miles southwest of Phoenix, will be the world’s largest solar plant, generating 280 MW of clean energy. The concentrating solar station will provide clean energy for 70,000 homes and, because the plant can store solar generated heat, will provide power for up to six hours after sunset. Solana should begin commercial generation in 2013.

APS also relies on a variety of other renewable resources for clean energy. We purchase 190 MW of wind-generated electricity from the Aragonne Mesa and High Lonesome Mesa wind projects in New Mexico. Biomass is another “green” energy source, and the Snowflake biomass plant in Arizona’s White Mountains uses forest waste to generate 15 MW of clean energy that flows into the APS system. The Salton Sea geothermal power plant in California’s Imperial Valley uses superheated water from deep below the earth’s surface to produce 10 MW of pollution-free electricity for APS customers.

Nuclear energy is another generation source that produces no carbon dioxide. U.S nuclear power plants avoid the release of nearly 700 million metric tons of CO₂ into the atmosphere each year – nearly as much as is produced by all the passenger cars in the U.S. Nearly one-third of APS’s electricity comes from the Palo Verde Nuclear Generating Station west of Phoenix, the largest power producer in the United States. APS owns 29 percent of Palo Verde and is the plant operator. APS is exploring the possibility of adding more nuclear capacity to meet our future base load needs.

Green energy isn’t the only way APS is improving the environment. Through energy efficiency programs and time-of-use rates we are helping our customers use less electricity and shift their energy use to off peak hours. From 2005 through 2009, APS invested nearly \$75 million in commercial and residential energy efficiency and weatherization programs and plans to spend \$43 million this year – double what we spent in 2009.

Nearly half of APS customers participate in our time-of-use rate program, making it the largest in the United States. Time of use rates help our customers save money on their electric bills and shift usage to off-peak hours.

Energy efficiency and time-of-use rate programs are projected to satisfy more than 3,100 gigawatt hours of the total increase in energy consumption by 2025, which will reduce air pollution and the cost of building new generation.

At APS, we are looking forward to helping make Arizona a cleaner, greener state by developing and distributing more renewable, carbon neutral energy. It is the right thing to do for the environment, for our customers and for our shareholders.

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 Robinson
President & COO

The 2010 Legislative Session

NMUSA was actively engaged in about 24 different bills during the legislative session that could significantly affect the utility companies in which you own stock. There were several bills that we supported and some that we strongly opposed.

Some of the most critical initiatives, outside of the state's budget deficit, were environmental measures that would have had a tremendous impact on gas and electric utility companies. This type of legislation was supported by various environmental groups that testified about current state and federal law not doing enough to address their concerns. The bills, if passed, would have significantly increased costs of power production and potential litigation because of more stringent regulation.

HB 78 (Madalena) Greenhouse Gas Emissions Rules. Sent by Executive Message, this bill was on the Governor's special agenda. If passed, it would have had a significant impact on the lawsuit currently pending in the New Mexico Supreme Court on a related subject (See the NEE Petition on the cover). This bill required the Environmental Improvement Board (EIB) to adopt rules to prepare industry for climate change policies that reduce greenhouse gas emission in New Mexico. It provided for early reduction and offset allowances and mandatory reporting requirements for entities that produce or whose use may cause the emission of ten thousand metric tons or more of carbon dioxide equivalent. This bill was of wide spread interest and there were private citizens as well as industry lobbyists opposed to this bill. This bill was tabled in its first committee, House Energy and Natural Resources.

"Some of the most critical initiatives . . . were environmental measures that would have had a tremendous impact on gas and electric utility companies."

HB 27 (Egolf) Recovery of Damages to Natural Resources amends the Natural Resources Trustee Act to authorize the Office of the Natural Resources Trustee to pursue claims for restoration of natural resources under state law. Currently, authority to pursue recovery is governed by federal law. The bill was designed to restore damaged resources at the expense of responsible parties and not taxpayers and provided a much more aggressive means of resolving these issues. It was so loosely worded that it could be interpreted to affect individuals who chose to use lawn chemicals or pesticides. And, to that end, there were many private citizens that showed up to committee hearings to oppose this legislation. This bill was tabled in its first committee, House Energy and Natural Resources.

HB 259 (B. Lujan) Private Action to Enforce Environmental Statutes. HB 259 would amend the Oil and Gas Act, the Environmental Improvement Act and the Water Quality Act to provide for a private right of action ("citizen suit") to enforce those Acts. The private right of action extends not only to enforcement against the individuals and companies subject to those Acts, but also to enforcement against the state of New Mexico and the relevant agencies, divisions, boards and commissions that administer those Acts. This bill failed on a House floor vote 34 - 32 with four members not voting.

NMUSA is pleased that identical bills SB 190 (Payne) and HB 181 (Campos) Public Utility Definitions and Cost Recovery passed and are awaiting the Governor's signature. These bills addressed the issue that first occurred in Santa Fe when the PRC ruled that solar companies installing equipment on facilities and selling power to the building's occupants are not utility companies and, therefore, will not be regulated. That created issues for regulated utility companies operating in the state and the decision was appealed to the New Mexico Supreme Court.

SB 190/HB 181 clarify the definition of a public utility and allow rate riders for investor-owned utilities to recover the costs of ancillary and standby services to those customers who receive power from distributed generation with some grandfathering provisions. If the Governor approves the legislation, he will sign one of the bills into law. We do not know how this will affect the utility companies' appeals as there is a third appeal of the decision which could affect the overall outcome.



PNM Moves Renewables Forward on Two Fronts

A recent agreement between PNM and various parties could pave the way for one of the largest-ever expansions of solar energy in New Mexico: the addition of nearly 80 megawatts of solar power to PNM's system, or enough electricity to power 26,000 average-sized New Mexico homes.

The agreement, which forms the basis of a revised 2010 renewable procurement plan filed with state regulators in late January, follows months of discussions with environmental, renewable energy and government organizations who raised concerns over an initial plan filed last summer.

The new plan is strong and deserves the support of the N.M. Public Regulation Commission. If approved, it would allow PNM to expand its renewable portfolio, ensure it complies with growing state renewable requirements and minimize the costs of doing so.

Under the plan, PNM would: 1) Expand incentives for customer-owned solar installations that could grow participation to 24 MW -- about 11 times more than is currently installed; 2) Add up to 10 MW of PNM-owned solar facilities sited at government and tax-exempt facilities that currently cannot take advantage of tax credits for solar construction; and 3) Allow PNM to add up to 45 MW of utility-scale, PNM-owned solar photovoltaic (PV) facilities at various sites throughout New Mexico.

Shortly after the filing, PNM identified land it owns next to its gas-fired Reeves Generating Station in Albuquerque as the first of several sites for utility-scale PV generation. More announcements will follow as PNM identifies other sites in the state.

On a related note, PNM recently came to consensus with a variety of parties on the controversial issue of whether a third-party developer can construct a renewable generation facility and sell that power directly to a PNM customer (as the City of Santa Fe has proposed).

PNM previously raised concerns that these agreements represent an unfair subsidy of participating customers by all other customers, as PNM must stand ready to provide power to these participating customers at all times even if they only need power from the grid part of the time.

The consensus agreement would allow such arrangements, limit their size, and enable utilities to charge participating customers a special fee to avoid unfair subsidization by other customers.

Together, PNM's revised renewable plan, if approved, and the third-party legislation, if signed into law, could be a boon to New Mexico's burgeoning renewable energy industry, benefit the environment and help ensure fair cost treatment for customers as well as utility company owners. (See additional information regarding SB 190/HB 181 on page 4.)

For more information about PNM and PNM Resources, visit: <http://www.pnmresources.com/>

NEE Petition continued from cover

comments to the EIB. Please reference case number EIB Case No. 8-19(R) and send them to the EIB administrator at the following address:

Board Administrator, New Mexico Environmental Improvement Board
1190 St. Francis Drive N2153, Santa Fe, NM 87502
FAX: (505) 827-2836/ email: joyce.medina@state.nm.us

Please note: If you did not receive notice of this issue by e-mail on or about February 22, 2010, that means we do not have a current e-mail address for you. Please send your current e-mail address to: nmusa@rt66.com. Please include your name and mailing address so that we can assure the information corresponds to the correct file.

NMUSA will never rent, sell or loan your e-mail address to any other party.



A UniSource Energy Company

Tucson Electric Power to Purchase Power from Parabolic Trough Plant with Thermal Storage

Tucson Electric Power (TEP) has agreed to begin buying power next year from new concentrating solar power (CSP) plant that will feature an innovative energy storage system.

Bell Independent Power Corp. (BIPC) will build the 5-megawatt (MW) plant at the University of Arizona Science and Technology Park in southeast Tucson. Construction will begin later this year, and the plant is expected to be operational by May 2011.

The facility will use rows of parabolic troughs and a heat-transfer and storage system to create steam that will be used to drive a turbine. BIPC's proprietary Bell Energy Storage Technology (BEST) system will be capable of storing the sun's heat for several hours, allowing the CSP plant to generate power after the sun ducks behind clouds or into the early evening.

The plant is expected to produce enough energy to power more than 1,500 typical Tucson homes while offsetting more than 16,000 tons of carbon dioxide (CO₂). A successful demonstration of the thermal storage component may lead to use of the BEST system on other CSP facilities across the southwest United States.

TEP has asked the Arizona Corporation Commission (ACC) to approve its plan to purchase power from the plant over a 20-year period. If the ACC approves the contract, the plant will provide TEP with a significant boost of locally generated green power.

"We're happy to support the development of this remarkable renewable energy resource right here in Tucson," said Paul Bonavia, Chairman, President and CEO of TEP and its parent company, UniSource Energy Corporation (NYSE: UNS). "The innovative storage technology built into this plant should provide us with clean, green renewable power in the late afternoon hours when our customers' energy usage typically reaches its peak."

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 www.uns.com.

Governor Richardson Would Pull Air Permits of Coal-Based Power Plants

In his State of the State address, New Mexico Gov. Bill Richardson said he wanted state legislation that would give regulators authority to deny new permits or pull existing permits of power plants that consistently violated air quality standards, the Associated Press reported (1/22/10). Richardson said he wanted legislation to prepare the way for a regional or federal cap-and-program. His statements were aimed at the state's coal-fired power plants.

Jim Norton, director of the New Mexico Environment Department's Environmental Protection Division, said what effect the measures would have on PNM's San Juan Generating Station and Arizona Public Service's Four Corners Power Plant would depend on what kind of permitting actions came up in the future. PNM spokesman Don Brown said that there was no alternative to generating most of New Mexico's power from coal at present. He was quoted as saying: "For better or for worse, coal is a key part of our energy mix and it is a major reason why our rates are so low compared to other states. We absolutely acknowledge that there are environmental impacts from coal and are seeking to reduce the impacts as much as possible."

Annual NMUSA Membership Luncheon - October 13, 2010

Albuquerque Grand Airport Hotel

We hope you will make plans now to attend this great event. NMUSA will update its members on what is happening in the state and at the nation's capitol that could affect utility company shareholders. We will have informative speakers and utility company booths as well as great food and door prizes.

Join us and meet utility company executives and elected officials from around the state.

This event is free to dues paying members and a guest. All others will be charged the cost of their meal. If you are not a member or have not paid dues for 2010, we encourage you to join the NMUSA now. You can complete the form below and mail with your dues contribution of \$15.

Other Meetings and Events

May 19, 2010	NMUSA Board of Directors Meeting.
October 13, 2010	Annual NMUSA Board of Directors Meeting and Election.
November 7 - 9, 2010	Annual Alliance of Utility Shareholder Associations (AUSA) Meeting.
December 1, 2010	NMUSA Board of Directors Meeting.

Join the Alliance NOW!

If you aren't a member or haven't paid dues for 2010, 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 E-mail Address

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

- | | |
|---|--|
| <input type="checkbox"/> El Paso Electric | <input type="checkbox"/> UniSource Energy |
| <input type="checkbox"/> Pinnacle West
<small>(Arizona Public Service)</small> | <input type="checkbox"/> Xcel Energy
<small>(Southwestern Public Service)</small> |
| <input type="checkbox"/> PNM Resources | |
| <input type="checkbox"/> NM Gas Company | |
| <input type="checkbox"/> 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 FAX (505) 836-4522

From the Executive Director . . .

There are many challenges in our state and nation regarding legislation and regulation of utility companies. All too frequently we meet those who seem to be on a mission to shut down our coal-fired plants. While there is none among us who doesn't appreciate a clean environment, the NMUSA tries to find balance and common sense to legislation and regulation that govern our plants.

We recognize the need for power - not just because we are the shareholders of the companies producing it, but because we are the consumers as well. We are fortunate to be in a state with abundant resources and regionally competitive energy rates. But we need to recognize that our competitive energy rates are due, at least in part, to the coal industry and coal-fired power plants.

Something that makes my job easier, though, is YOU! It is a pleasure to represent the interests of such a great group of people. I appreciate your support when we have an issue that needs your direct involvement. *Thank you for being such a faithful member of the NMUSA.*

I look forward to seeing you in October.

My best,



Carla J. Sonntag