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Chairman Sandy Jones
NMPRC District 5

New Mexico Public Regulation Commission Elects New Leadership

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Vice Chair David King
NMPRC District 2

In Touch With NMUSA Members State Legislation That Could Affect Utility Shareholders

We have heard from many NMUSA members indicating continued strong opposition to “socialized” utility rates (low income rates subsidized by other ratepayers). The NMUSA has fought against this initiative for four years because the Board of Directors agrees that this would be bad public policy for New Mexico.

With New Mexico being third in the nation for poverty, this type of rate structure would only exacerbate the situation. No matter where the line is drawn for rates to be subsidized, you will be putting more pressure on those just above that line who are paying the increased rates. While this

may work in other states, New Mexico’s high poverty level leaves fewer above the subsidy line, meaning a much higher per ratepayer charge to make a difference.

A nationwide study conducted by Ernst & Young for Edison Electric Institute (EEI) and the American Gas Association (AGA), showed that 42% of utility shareholders have incomes less than \$25,000 per year and 64% of utility shareholders are age 65 and older. We have shared these statistics and our concerns over socialized utility rates with state legislators for several years and know that we are being heard.

[See Legislation on page 3](#)

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Annual NMUSA Membership Drive in Process

Membership brochures were mailed in January 2009 and early returns have been strong. We appreciate your continued membership in the NMUSA. Your dues help us continue important work with the state legislature, the NMPRC, Congress and other elected officials.

If you would like to continue receiving this newsletter and supporting our efforts, please return your membership form or use the one provided on page 11.

“Together, we have the power!”

From the President



Lenton Malry

Considering the current stock market conditions, the overall Utilities Sector did fairly well in 2008. Some of our New Mexico utilities have experienced difficulties, but NMUSA will continue to support them by advocating for a business-friendly environment in New Mexico.

I want to thank Carla Sonntag, NMUSA Executive Director, for the hard work she is doing in the state Legislature. Having served in that body for ten years, I know what a difficult job it is. Carla is reviewing bills and has identified several that are of significant concern. She is also advocating for two bills that would be very beneficial for the utility industry. You can read about some of these bills on page 3. We want to wish her well and show our support by being unified in our membership and helping when asked to call or write our legislators.

I would like to encourage each of you to renew your membership for 2009. We need you now more than ever. It is our unity that makes a difference when we work with elected officials.

"Together, we have the power!"

Paul J. Bonavia Brings Experience, Leadership to UniSource Energy



Paul Bonavia

Paul Bonavia has brought decades of leadership experience and utility expertise to **UniSource Energy** after taking over as the company's Chairman, President and CEO on January 1, 2009.

Bonavia has served as President of the Utilities Group of Xcel Energy since 2005, overseeing four operating subsidiaries that provide gas and electric service to more than 5 million customers in eight states. He previously served as President of Xcel Energy's Commercial Enterprises business unit. In that role, he oversaw the company's core business growth strategy and managed its generating resources, wholesale energy sales, commercial energy operations and strategic transactions. He also had responsibility for public policy, regulation and government affairs.

Earlier, he was President of Xcel Energy's Energy Market business unit. Before that, he was Senior

Vice President and General Counsel for New Century Energies (NCE), a Denver electric and gas utility that merged with Northern States Power in 2000 to form Xcel Energy. He also served as president of NCE's International Business unit.

"I've come to know and respect Paul during our time together in the utility industry. He's a great choice to take over the reins of this company," said Jim Pignatelli, who retired as Chairman, President and CEO at the end of 2008.

Bonavia, 57, came to NCE from the international law firm of LeBoeuf, Lamb, Greene & MacRae, now Dewey & LeBoeuf. He earned a bachelor's degree from Drake University and a law degree from the University of Miami School of Law. He also completed the Harvard Business School's Advanced Management Program.

"Paul's breadth and depth of knowledge of both the electric and gas business makes him an outstanding choice to lead this company," said John Carter, lead director of UniSource Energy's Board of Directors."

Inquiries about purchasing UniSource Energy stock can be directed to BNY Mellon at (866) 537-8709 or by visiting www.melloninvestor.com/isd.

State Legislation continued from cover

NMUSA traveled around the state in 2008 and early 2009 meeting with New Mexico's low income advocates, utility companies and others. The purpose was to find an equitable means of helping low income households pay their utility bills without hurting others in the process. NMUSA's goal was to accomplish that mission without resorting to "socialized" utility rates.

We are happy to report that all parties reached an agreement with **HB 732 (B. Lujan) Low Income Energy Utility Fund Distributions**. This bill provides permanent funding for energy assistance as well as an aggressive initiative for weatherization of low income households.

Another bill that NMUSA strongly supports is **SB 477 (Payne) Public Utility Future Test Periods**. This bill allows a utility to file rates based on a future test period, a twelve month period beginning no later than the date a proposed rate change is expected to take effect. It also allows construction work in progress in the rate base, if the project's costs are determined to be reasonable. We believe this legislation will allow New Mexico to utilities develop rates that will help avoid "rate shock". It can also help solve the problem of regulatory lag that we have been experiencing in rate cases before the NMPRC.

There are over 40 bills involving a wide range of utility issues from regulatory matters to clean air initiatives that affect the gas and electric utility industries. We are actively working on several bills that could be detrimental to a utility company and its shareholders as well as supporting those discussed above.

We are happy to report that within the first three weeks, our efforts, combined with other opponents, stopped four bills we opposed:

SB 315 (Keller) Accelerated Target Dates for Renewable Portfolio Standards. New Mexico has some of the most aggressive target dates and highest percentage requirements in the nation for utility companies to produce renewable energy. Currently targeted to reach 10% by 2011, 15% by 2015 and 20% by 2020, this bill would have accelerated those targets to the years 2010, 2014 and 2018 respectively. We opposed this bill because it changes dates agreed to by all parties after lengthy discussions.

SB 319 (Fischmann) Utility Rate Design Energy Use and Sources. This bill required the use of blocked energy rates that increased with higher energy usage. We opposed this bill because the NMPRC already has the authority to establish such rates and we felt their use should not be mandated.

SB 320 (Fischmann) PRC Utility Cost Risk-Sharing Rule. This bill established a rule that requires fuel, gas or purchased power cost risk-sharing by a utility when it uses an adjustment clause. After discussion with the bill's sponsor, Senator Fischmann pulled the bill from consideration.

SB 322 (Fischmann) Periodic PRC Utility Rate Examination. This bill required the PRC to initiate a rate review of a utility, if the utility has not so requested within a five year period of time. The PRC already has this authority and NMUSA opposed this bill due to its mandate.

NMUSA greatly appreciates Senator Fischmann's openness to discussing legislation he is sponsoring. He believes in looking for creative solutions that are not harmful to utilities, their ratepayers or shareholders and understands that healthy companies benefit everyone. We look forward to working with him during the interim on other measures he may be considering.

We are pleased that the NMPRC is actively monitoring legislation and that Chairman Jones testified against the three bills that NMUSA also opposed.

Of growing concern are bills designed to address Global Warming. The federal government has made a commitment to address this issue, the use of renewable energy and other environmentally friendly measures. We feel these issues are best handled on a national level and not at the state level or by the Western Climate Initiative. NMUSA opposes **HB 653 (Rodefer) Environmental Board Greenhouse Gas Rules** for this reason.

We encourage you to call or write your state representatives and senators to: **support HB 732 and SB 477 as well as oppose HB 653**. You can reach the state legislature at **(505) 986-4300** or on the web at: <http://legis.state.nm.us/lcs/legislatorsearch.aspx>

NMPRC Leadership continued from cover

There is new leadership at the New Mexico Public Regulation Commission (NMPRC) and the plan is to make the Commission more user-friendly. Sworn in as a Commissioner for his first term on January 1, 2007, Commissioner Sandy Jones was selected by his peers to Chair the Commission two years later. In a vote of four to one, Chairman Jones has solid support to lead the NMPRC.

Jones, a former business owner of a statewide road construction business, has a no nonsense policy of serving the needs of New Mexicans – ALL New Mexicans. He wants affordable, reliable utility service and understands it takes healthy utility companies to provide it.

He believes that small business is the backbone of our state and plans to put his business experience to use in building our economy and assuring good jobs stay here. He reads the *Shareholder News* and understands the low nationwide ranking of the NMPRC is indicative of NMUSA's concerns about how business is conducted at our state's regulatory commission. Chairman Jones wants to streamline the regulatory process and assure the NMPRC is accessible to all parties. He said, "Things have already changed. You can see the difference."

Commissioner David W. King was selected by his peers to serve as Vice Chair of the NMPRC by a vote of four to one. King, a third-generation New Mexican farmer and rancher is a long time leader in our State, Federal and Municipal governments. During his twenty-plus years of government service, Commissioner King has served in the Planning, General Services and Finance Secretary agencies of three gubernatorial cabinets. He is currently in his second term as a Public Regulation Commissioner.

When asked how he feels the current leadership will be different in its management style than the past, he said, "Current leadership understands what it takes to make payroll. We've had that responsibility and it makes a huge difference when regulating companies to understand what that's like."

King also said there is a better sense of unity within the Commission and thinks this will help streamline the way business is conducted.

NMUSA supports these changes at the NMPRC. It is our sincere hope that we will see a business-friendly environment that provides equitable decisions for all concerned parties and that cases will receive much faster resolution.

Coming Soon

The Securities and Exchange Commission has adopted proxy rules that now require all public companies, including Pinnacle West Capital Corporation (Arizona Public Service), PNM Resources, UniSource Energy (Tucson Electric Power Company) and Xcel Energy Company to provide proxy materials to shareholders over the Internet. In the 2009 annual mailing, these companies will provide notices and information on how shareholders can access the company's proxy and annual report.

From Pat Vincent-Collawn, PNM Resources



Pat Vincent-Collawn

As many of you know, **PNM** in late January finalized the sale of its natural gas business to New Mexico Gas Company. The sale brings a new service provider and community partner to our state, but some of you may be wondering: what does this mean for the future of PNM?

The needs of our electric business and its customers are growing dramatically. Prices are rising, long-term demand is growing, and there is a clear need for cleaner, more renewable energy resources. Significant new capital investments will be required to meet the needs of our customers.

Given these pressing needs on the business, PNM launched a plan nearly two years ago to strengthen the core business and position the company to better serve customers and our owners in this changing environment. The plan had three parts:

- narrowing our focus to the electric business only,
- controlling spending and maximizing efficiency, and
- achieving appropriate rate relief for our regulated businesses.

The sale of the gas business completes the first part of that plan – and allows us to focus our time and resources on the other tasks before us. We will use the proceeds to pay down debt and strengthen our remaining businesses.

We have made great strides in controlling costs and improving our overall efficiency. Since late 2007, we have removed \$35 million in annual costs from our business, which represents about 15 percent of our controllable (non-fuel) operations and maintenance costs. Controlling costs and improving processes will be an ongoing part of our operational focus.

Achieving appropriate rate relief for PNM and our other regulated electric business, TNMP, is critical to the future health of our business and our ability to meet the changing needs of customers. Both utilities are earning well below their allowed rates of return, but

the need for an increase in rates is particularly urgent in New Mexico, where PNM has had only one base rate increase in more than 20 years. The international credit crisis, along with our credit downgrades in early 2008, makes borrowing more difficult and more expensive, which only heightens the financial challenges for our business.

PNM has a pending electric rate case that will be the subject of public meetings in March. Shareholders, customers and others will have the opportunity to make their views known at a public meeting to be held in Albuquerque on March 25, at 2 p.m. and 6 p.m., at the African American Performing Arts Center on Expo New Mexico grounds at 310 San Pedro, N.E. The formal public hearing on the case will begin March 30 in Santa Fe. I hope you will choose to be a part of this public process.

While our earnings for 2008 reflect a difficult year on many fronts, we made significant progress in many areas, including achieving some rate relief and a temporary fuel clause for PNM; significant strides on regulatory issues that will impact the PNM utility for years to come; the near-completion of major environmental upgrades at our San Juan Generating Station; and, finally, the sale of our gas business.

We see 2008 as the beginning of a transition period in which we launched a series of initiatives to restore long-term value for our shareholders and ensure a sustainable future for our company. We appreciate your continued support of PNM Resources.

Pat Vincent-Collawn
President and Chief Operating Officer
PNM Resources

PNM Resources (NYSE:PNM) offers a dividend reinvestment and direct stock purchase plan as a service to both new investors and current shareholders. In addition to full or partial reinvestment of dividends, the PNM Direct Plan gives shareholders the opportunity to make direct cash investments. The plan prospectus and enrollment forms are available through BNY Mellon Shareowner Services at (877)663-7775 or www.melloninvestor.com

From David Eves, Southwestern Public Services

New Mexico electric customers and utility shareholders have placed a tall order with Xcel Energy's Southwestern Public Service Company: Invest more dollars in infrastructure to support a growing economy, depend less on carbon-based generation, reduce costs and, at the same time, turn a healthy profit.

Challenging, perhaps. But Xcel Energy believes it can and should be done.

The company serves more than 100,000 customers in the eastern and southeastern counties of New Mexico, including customers of four rural cooperatives who purchase power through wholesale contracts with the company.

Several counties in this region have experienced phenomenal economic growth. Today, more power and more human resources are required to sustain the boom. But these additional resources are costly, and Xcel Energy's low base rates are not adequate to deliver the additional revenue required and return a healthy profit to shareholders.

As the economy grew over the past two years, the fuel portion of a customer's bill rose dramatically with the sharp rise in natural gas prices. Even while prices have fallen throughout the fall and winter, volatile gas prices are still a looming issue.

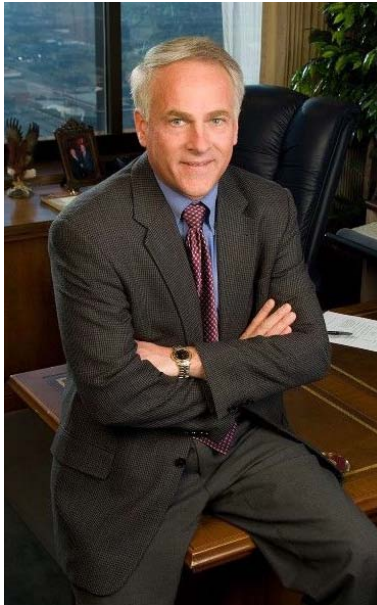
The company's solution is to raise base rates incrementally and invest in improved generation and transmission systems. The influence of natural gas prices would be reduced and greenhouse gas emissions would be lowered. Overall, higher base rates on an electric bill would be offset by lower fuel costs.

The strategy is already paying off with the addition of the new Hobbs Generating Station. The 600-megawatt facility west of Hobbs came online in September 2008 and is generating power 40 percent more efficiently than older gas-fired plants. It also uses 90 percent less water.

Lea Power Partners owns the plant and is selling the output to Xcel Energy through a long-term purchased power contract. Xcel Energy has requested an interim rate increase from the New Mexico Public Regulation Commission to recover the capacity charges for this plant, and is expecting a decision in March.

Though only a few months into operation, the Hobbs plant is clearly an answer to several of the challenges the company faces. The additional power is helping meet growing needs in the region, and its efficiency is delivering fuel cost savings and greenhouse-gas emission reductions. The plant complements the growing supply of wind power by providing backup when the wind is not blowing.

Yet, in order to deliver on the promise of building shareholder value, Xcel Energy must be able to recover the increased expense of the Hobbs plant and other system improvements.



David Eves

When the company files a base rate increase in New Mexico, the NMPRC has 30 days to act. Generally, the Commission doesn't have adequate time to review and respond, nearly always suspending the case for nine months. An additional three months is usually needed to bring the case to a conclusion – a total of 13 months in all. During this period of time, the utility does not recover any of its increased costs and, therefore, the costs are permanently lost to shareholders.

Compounding the situation is the fact that New Mexico requires an historic test year to determine costs. By the time a new rate is established, it's based on a cost structure as many as 18 months old. In the recent past, costs have risen dramatically within an 18-month period. Meanwhile, if the company has added a large expense, such as the new Hobbs plant, millions of dollars could be lost.

This very real scenario lowers the return on equity to shareholders, leading investors to move their dollars to companies who can deliver a higher return. Ultimately, New Mexico customers are affected when the company can't raise the capital to make improvements.

This phenomenon is known as regulatory lag. Xcel Energy believes it is critical to the economic health of New Mexico to improve this process. New Mexico has the longest regulatory lag of any of Xcel Energy's jurisdictions. Specifically, the company is seeking the ability to use interim rates in New Mexico to help recover the costs of identifiable improvements in a timelier manner.

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Utility Regulation By Robert L. Swartwout

This is the third article in a multipart series of articles that will review regulatory process development. The information has been excerpted from the original publication "Current Utility Regulatory Practice From a Historical Perspective" published in the "Natural Resources Journal of UNM Law School", Spring 1992.

Disallowance Theory

The ability of a commission to disallow proven imprudent or excessive expenses and costs of a utility in the determination of the utility's revenue requirement for the setting of rates is a critical element of the rate regulation process. One way to express the nature of this authority is to say that whereas a utility may spend its money any way it chooses, it is the regulator's duty to determine what expense burden the ratepayer must bear. This concept logically follows the market surrogation function in rate regulation.

A competitive market does not publish or otherwise transmit specific instructions to businesses setting out how they should run their operations in order to be efficient and profitable. A commission must not, if it is to perform as a surrogate for a competitive market, tell utility management how to run its operation before the fact of management decisions. Were commissions to do so, they would be substituting for management, not surrogating for the market. The commission's final orders in rate cases provide market-like incentives for utilities. A commission could not very well disallow an expense or cost as imprudent before the expense is incurred nor can a commission determine, before the fact of a transaction, which transaction will be the prudent one (unless commissions are somehow omniscient).



Robert L. Swartwout

To do so, a commission would be acting in real time as the utility's manager or as some sort of special second level board of directors. That is not and cannot be a function of government.

The U.S. Supreme Court in 1923 in *Missouri ex rel. Southwestern Bell Telephone Company v. the Missouri Public Service Commission* declared that: *The Commission is not the financial manager of the corporation and it is not empowered to substitute its judgment for that of the directors of the corporation; nor can it ignore items charged by the utility as operating expenses unless there is an abuse of discretion in that regard by the corporate officers.*

The Court also decided in 1935 in *West Ohio Gas Company v. the Public Utilities Commission of Ohio* that "[t]o disallow an expenditure, ... a commission must prove 'an abuse of discretion' on the part of management. Such an abuse, in turn, results from 'a showing of inefficiency or improvidence.'"

Robert L. Swartwout is a retired Professional Engineer with over 41 years in the utility business. During this time, Mr. Swartwout spent 15 years in state utility regulation and 15 years as president of investor owned utility companies. Mr. Swartwout has several published papers on the subject of utility regulation. The article from which this has been excerpted has been cited in state and federal Supreme Court cases.

From David Eves, Continued from page 6

While the Commission reviews the utility rate increase request, interim rates could go into effect, subject to refund. This gives the Commission plenty of time to review the application and conduct hearings. It also allows the utility to recover its increased costs without a permanent loss during the pendency of the case. Once the case is resolved, any over-collections are refunded to customers, with interest.

As the substantive benefits of the Xcel Energy strategy become clear, improvements to the regulatory process should be quick to follow.

David Eves
President and CEO
Southwestern Public Service Company

Xcel Energy (NYSE: XEL) operates in New Mexico as Southwestern Public Service. Inquiries about purchasing Xcel Energy stock can be directed to BNY Mellon at (877) 778-6786 or by visiting: www.melloninvestor.com/isd.

Grand Canyon Goes Solar

The Grand Canyon's Visitor Center, located near the Canyon's south rim will soon have a portion of its energy provided by the sun.

Eighty-four photovoltaic solar panels are scheduled for installation on and around the Visitor Center, providing the building with approximately 18 kilowatts of electricity. The panels, which should be operational in March 2009, will provide enough electricity to offset 30 percent of the Center's electricity use.

Located both on the Center's roof and on ground-mounted platforms adjacent to the building, the panels will not only provide needed electricity but will also serve as a unique educational opportunity for the more than 4.5 million people who visit the Canyon each year.

An exhibit inside the Center and signage next to the platform-mounted panels will inform visitors about the mechanics of solar energy, Arizona's abundant sunshine's ability to make the state the solar capital of the world, and how they, themselves can help increase the amount of electricity generated by the sun. As part of the exhibit, a live monitor will allow visitors to watch in real-time, how much electricity the sun is generating for the Center.

Funding of the panels and installation comes from **Arizona Public Service (APS)** customers through APS' Green Rates and the Arizona Corporation Commission's Renewable Energy Standard. APS selected the Grand Canyon for donation of this system because of the ability to educate so many people about solar energy.

"Visitors to Arizona's most recognizable feature, the Grand Canyon, will now have the opportunity to enjoy the states second most recognizable feature, sunshine," said Barbara Lockwood, APS' Manager of Renewable Energy. "The value of this system goes beyond the economic savings realized at the Center. It is an educational tool as well as a way to increase Arizona's visibility as a leader in solar energy."

The Visitor Center, which opened in 2000, is located at the Canyon View Information Plaza. As the first stop for many visitors to the Canyon's south rim, the Center is planning future renovations including new interpretive exhibits and a theater which will show a newly produced orientation film. The Centers parking is also being expanded to accommodate more private vehicles and tour buses.

"Grand Canyon National Park is very excited to partner with APS on this project as it echoes the park's commitment to protecting the environment through the use of renewable energy sources to power park facilities," said Judy Bryan, Grand Canyon's Chief of Interpretation.

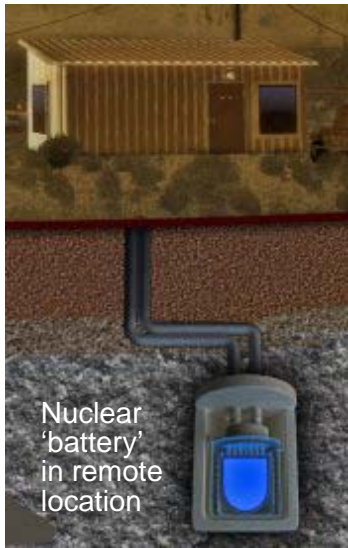
APS, Arizona's largest and longest-serving electricity utility, serves about 1.1 million customers in 11 of the state's 15 counties. APS is the operator and part owner of the Four Corners Power Plant, west of Farmington, N.M.

In 2008, APS won its second Edison Award in recognition of innovative leadership and operational excellence in the electric industry. Given annually by the Edison Electric Institute, the Edison Award is considered the industry's most prestigious honor. With headquarters in Phoenix, APS is the principal subsidiary of Pinnacle West Capital Corp (NYSE: PNW). Inquiries about purchasing the stock can be directed to BNY Mellon at 1-800-457-2983 or by visiting www.bnymellon.com/shareowner/isd.



Grand Canyon Visitor Center

US Firm Unveils Plans For Mini Nuclear Reactor



Nuclear
'battery'
in remote
location

Nuclear power is normally associated with gigawatt-scale facilities costing billions of dollars and run by armies of scientists and engineers. But some in the nuclear industry have long argued that much smaller, unmanned reactors could play a role too.

Now, however, **Hyperion Power Generation** — a US company based in

New Mexico — has brought the dream of tiny nuclear reactors one step closer with its Power Module. This nuclear reactor — or "battery" as the firm calls it — is not much larger than a hot-tub and could supply thermal energy at a rate of about 70 MW. That could be converted into about 27 MW of electricity, which would be enough to supply about 20,000 US households.

Unlike conventional nuclear power plants, Hyperion's reactor uses uranium hydride, which is essentially enriched uranium metal that has absorbed a large amount of hydrogen. As the uranium nuclei decay by fission, they release neutrons that are slowed down by the hydrogen, which acts as the moderator. The slow neutrons can then split further uranium nuclei and trigger a chain reaction.

No moving parts

The novel feature of the reactor is that the power output is kept steady without the need for any moving parts, flowing water, or human intervention. If the uranium hydride gets too hot, the hydrogen is driven out of the uranium metal and the chain reaction stops. But as the system is sealed, the hydrogen flows back into the uranium when it has cooled, allowing the reaction to restart. If the sealed core is breached for any reason, the hydrogen will escape and fission stops.

The technology was first developed by Otis Peterson and colleagues at Los Alamos National Laboratory in New Mexico and then licensed to Hyperion, which was set up in 2006 to commercialize the technology. Peterson retired from the lab in 2006 to join the company as its chief

scientist and in April 2008, the US-based venture-capital firm Altira Group invested several million dollars in Hyperion, which has 100 employees.

Eastern European launch in 2013

The firm says it will have a prototype of its reactor fully-designed next year and that it has already secured an order for six units from a group of investors in Eastern Europe. It also claims to have other commitments from various parties — mostly energy utilities that currently use diesel generators in remote. The company expects to deliver its first reactor in June 2013.

Will licensing be a problem?

The firm says that it started the process of getting the reactor — which is expected to cost about \$25 million — licensed for use in the US about two years ago. However, Paul Norman, a nuclear-reactor physicist at Birmingham University in the UK, warns that licensing could be a problem because regulatory agencies are not used to evaluating such small systems for commercial use. While he thinks that the concept of a mini-reactor is reasonable in principle, he believes that conventional power sources could still prove more cost-efficient. "There is a reason why we have not seen such reactors before", he said.

But Peterson says that licensing Hyperion's reactor will not be stumbling block because regulators already know how to evaluate research reactors, which can be very different to conventional power reactors. Moreover, he points out that the reactor is designed to run on uranium that is enriched to 10%, which is well below the 20% threshold for what is considered to be highly-enriched material.

Hyperion believes that its reactors are ideally suited for companies needing a source of power in remote areas, such as mining companies or those wishing to extract oil from, say, the Canadian oil sands — an application that Altira has long been interested in. This is an energy intensive process that is currently fuelled by natural gas. According to Peterson, the large quantities of greenhouse gases that are generated during extraction could be reduced greatly if a Hyperion reactor were used.

This article first appeared in physicsworld.com on November 20, 2008 and was reprinted with permission. The author, Hamish Johnston is editor of physicsworld.com

Tribute to Patricia Jennings

Patricia Jennings, the Executive Director of the New Mexico Medical Insurance Pool and the wife of state Senate President Pro Tem, Tim Jennings, died Saturday morning, February 14, 2009 at her Roswell home. She was 53. Jennings had battled breast cancer for several years.

A distinguished advocate for early intervention, special education and other services for children and families with special needs, Patricia Jennings was instrumental in the creation of the New Mexico Medical Insurance Pool, providing health care coverage for New Mexicans who could not obtain or afford health insurance. Mrs. Jennings was also instrumental in obtaining funding for inflammatory breast cancer research, and her work on behalf of the underserved earned her the respect of leaders of both political parties.

The current session was one of the first in many years that Mrs. Jennings did not accompany the senator to Santa Fe. A memorial service was held for Patricia on Wednesday, February 18, 2009 at 2:00 pm at the Roswell Convention Center. All of New Mexico will miss Patricia Jennings, and NMUSA sends our deepest condolences to Senate President Pro Tem Jennings and his family.

Carbon Advisory Group Estimates U.S. GHG Emissions Fell in 2008

According to Bloomberg, February 19, 2009, New Carbon Finance estimated that U.S. Green House Gas (GHG) emissions likely dropped last year, partly because “power utilities used more alternative energy,” Bloomberg wrote. The advisory firm expected the current recession to result in further reduced emissions. A researcher was quoted as saying: “Assuming U.S. carbon prices at \$10-15 a ton (under a proposed cap-and-trade program), gasoline would increase by 13 cents a gallon, or 6 percent, and electricity at least \$7 a megawatt hour, or 8 percent.”

In a report, New Carbon Finance said: “Reduction in overall economic output will result in lower emissions going forward and hence lower carbon prices, if a cap-and-trade program was to be put in place in the U.S.” New Carbon Finance did not release statistics to back up its report.

Customers Embrace Utilities’ Conservation Messages

Overall customer satisfaction with natural gas utility companies grew considerably in 2008, largely due to efforts by utilities to promote conservation strategies that help reduce customers’ natural gas bills and positively affect the environment, according to the J.D. Power and Associates “2008 Gas Utility Residential Customer Satisfaction Study.”

The research also suggests that decoupling is an important driver of the increased satisfaction since many decoupled utilities are more active in communicating rebate programs and conservation tips. Those utilities with the highest rates of satisfaction were found in states that use a decoupled rate mechanism.

The study, now in its seventh year, measures residential customer satisfaction with natural gas utilities across six factors: company image, communications, price and value, billing and payment, customer service and field service. Utilities are ranked in four geographical regions.

Although customer-reported natural gas bill amounts have increased by 6 percent since 2007, overall customer satisfaction with gas utilities averages 640 on a 1,000-point scale in 2008, up 12 points from the previous year. The improvement in satisfaction can be attributed in large part to utilities’ efforts to educate customers about energy conservation and environmental issues.

This article first appeared in American Gas Magazine, February 2009, and was reprinted with permission.

Upcoming Events

March 19, 2009: SOUTHWEST PUBLIC SERVICE COMPANY (SPS)

CASE No. 08-00354-UT, revision of its retail electric rates and request for expedited interim relief.
 NMPRC Hearing: PERA Building, 4th Floor Hearing Room, 1120 Paseo de Peralta, Santa Fe, NM.
 1:00 pm.

March 21, 2009: 60-day Legislative Session Ends

March 25, 2009: PUBLIC SERVICE COMPANY OF NEW MEXICO (PNM)

Case No. 08-00273-UT, revision of its retail electric rates.
 NMPRC Hearing: African American Performing Arts Center, 310 San Pedro NE, in Albuquerque, NM.
 2:00 pm and 6:00 pm.

March 30, 2009: PNM Rate Case – Formal Hearing begins at 9 am

Marian Hall , 224 E. Palace Avenue, Santa Fe, NM. 9:00 am.

Summer 2009: New Mexico Utility Shareholders Alliance (NMUSA)

Member Luncheon Meeting, Roswell, NM.

Fall 2009: NMUSA Annual Membership Luncheon

Member Luncheon Meeting, Albuquerque, NM.

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 FAX (505) 836-4522

From the Executive Director . . .

The session has been extremely busy with lots of legislation to be considered. I am at the capitol every day - including some Saturdays and Sundays - and some days can be up to 14 hours long. We're working on your behalf to make sure that shareholder interests are addressed.

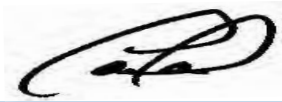
With over 2000 pieces of legislation - some of which will have a direct impact on shareholders - your membership in the NMUSA is very important. Membership brochures were sent out in January and February to help you join or renew. You can also use the form on the back of this page.

We are planning two membership luncheons this year. We will be in Roswell, NM this summer and have our annual membership luncheon in Albuquerque in the fall. These meetings include lunch and an informative speaker, and are free for dues-paying members. We hope that you will be able to join us.

Thank you for contacting your state representative or senator regarding those bills discussed on page 3. Your help on this legislation is very important to the gas and electric utility industries.

I hope to see you this year at one of our meetings. Remember, **"Together, we have the power!"**

My best,




Carla J. Sonntag

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