



Business Groups Back PNM's Cost Recovery in Rate Case

Other Business Investments Depend on Healthy Utility in Every Community

September 1, 2016

The Honorable Valerie Espinoza, Chair (District 3)
The Honorable Karen Montoya, Vice-Chair (District 1)
The Honorable Patrick Lyons (District 2)
The Honorable Lynda Lovejoy (District 4)
The Honorable Sandy Jones (District 5)
New Mexico Public Regulation Commission
1120 Paseo de Peralta
Santa Fe, New Mexico 87501

Dear Chair Espinoza, Vice-Chair Montoya, and Commissioners Lyons, Lovejoy and Jones:

We want to publicly express our collective disappointment in the recent recommendation of the PRC's Hearing Examiner regarding the rate case of Public Service Company of New Mexico (PNM). Together, we also support a speedy resolution to the rate case, the deliberation of which has taken more than a year.

PNM customers have not seen a general rate increase since 2011, and delaying a decision any longer challenges PNM's long-term financial health. A healthy utility translates into healthy communities. When a utility invests in its infrastructure and technology, both residents and businesses benefit. Residents understand where their electricity comes from, and they delight in knowing their household comforts, necessities and entertainment have less of a carbon footprint than a decade ago. Businesses fulfill promises every day to both their customers and employees because their operations are undergirded by dependable power, as well as cost-saving energy-efficiency programs.

What's more, the power utility is very often the foundation of a community's economic development projects, from manufacturing to data. When we weaken the foundation, the ambitious, skyward structure we try to build upon it cannot stand.

That is why we despair at the conclusion drawn by the recommended decision that PNM should only recover about one-third of the cost of its investments through its rates. Such a decision, we fear, will reverberate across not just the power industry, but across the private sector. What message do we send to highly regulated industries when we mandate that their massive investments cannot be recouped?

PNM has been aggressive in reducing carbon emissions from its power production. From President Barack Obama to Governor Susana Martinez, the best approach to ensure reliable, affordable and environmentally responsible energy is an all-of-the-above approach. In fact, the 2015 State Energy Plan reads, "New Mexico cannot afford to exclude any energy asset from our portfolio of development opportunities." This includes nuclear energy, which has become more widely accepted by environmental groups as a carbon-free power source that provides continuous, base-load electricity.

PNM will shut down two coal-burning units at the San Juan Generating Station, and to help replace lost capacity, PNM sought to secure a fossil-fuel alternative and purchased emission-free power from the Palo

Verde Nuclear Generating Station in Arizona. The recommended decision to eliminate the cost of nuclear energy appears to be the source of the disparity between PNM's rate request and the recommendation. What message do we send to businesses when we punish them for good behavior?

Rejecting nuclear energy from PNM's power sources could devastatingly alter New Mexico's collective "welcome" to nuclear-related firms looking at the state for startup, relocation and expansion. After being in a holding pattern for nearly 30 years, the nuclear industry imagined New Mexico as home to a renewed nuclear renaissance, upon the permitting and 2010 commencement of uranium enrichment in Eunice. New Mexico is the birthplace of atomic energy, and our state has the assets and attitudes to develop the entire nuclear fuel cycle, from mining to power production to spent-fuel storage and reprocessing. With huge advancements in reactor technology, nuclear power represents a high-growth industry that could bring economic opportunity to not just New Mexico, but to developing nations, whose prosperity could be fueled by small modular reactors manufactured in New Mexico.

Commissioners, advancing New Mexico's economy and general welfare rely on your endorsement of a responsible mix of all energy sources. As utilities like PNM work to increase capacity while reducing carbon emissions with proven technologies, we must reward them – or at least not harm them – for their innovative strides. If the PRC follows the recommendation for this rate case, then such a decision will discourage investment and slow innovation.

As advocates for New Mexico businesses statewide and in our communities, we all expect our elected and appointed officials to treat every business as if they want it to succeed. However, the recommended decision does not reflect this sentiment. We want to show that our state is open for business. We want to demonstrate in this case and in others that New Mexico's state regulatory bodies are fair and are fostering a business climate conducive to growth.

We urge you to consider PNM's upcoming request for exception and help push New Mexico forward as a solid choice for investment.

Sincerely,

Jason Espinoza, President & CEO, New Mexico Association of Commerce & Industry

Terri Cole, President & CEO, Greater Albuquerque Chamber of Commerce

Lynne Andersen, President, National Association of Industrial Office Parks – New Mexico

Roxanne Rivera-Wiest, President and CEO, Associated Builders and Contractors of New Mexico

Mike Puelle, CEO, Associated General Contractors of New Mexico

Simon Brackley, President & CEO, Santa Fe Chamber of Commerce

Mike Espiritu, President/CEO, Alamogordo Chamber of Commerce

Carla Sonntag, President, New Mexico Business Coalition

Bob Murphy, Executive Director, Albuquerque Economic Forum

Scott Terry, President & CEO, Silver City Grant County Chamber of Commerce



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