



NEW MEXICO BUSINESS COALITION

How Important is San Juan Generating Station to New Mexico? By **Carla J. Sonntag**, President and Founder, New Mexico Business Coalition

How important is affordable electricity, 811 jobs and annual royalties and taxes of over \$40 million to New Mexico? Not a concern at all for radical environmental groups that would like to see the San Juan Generating Station (SJGS) completely shut down and for the power to be replaced with solar energy. Their plan is estimated to cost \$1.5 billion.

Let's hope our N.M. Public Regulation Commissioners (PRC) have a different view of what's important for our state. They will soon consider a settlement agreement that would approve the shutdown of two coal-fired units at SJGS and the retrofit of the two remaining units with pollution control equipment. This plan was an historic agreement between the U.S. Environmental Protection Agency (EPA), the N.M. Environmental Department (NMED) and PNM. It is also supported by N.M. Gov Susana Martinez and past Navajo Nation President Ben Shelly.

The original EPA mandate was for visibility only, but PNM had the foresight to consider future EPA requirements that were under consideration. The EPA's Clean Power Plan to reduce carbon emissions in the power sector was introduced in June 2014 and the final rules are expected this summer.

As a result of PNM's environmental stewardship, the agreement will reduce seven different emissions, including carbon. The company will also install a Balanced Draft System that will reduce fugitive particulate matter in the operation of the plant. The cost of this equipment is significant, but it will save customers money if the work is completed now. Waiting for the EPA to make this additional mandate would require another production outage as well as hiring a second round of contractors.

Here are other valuable points to the settlement agreement:

- 1) It will cut coal and water use at SJGS by 50 percent;
- 2) The 2015 American Lung Association air quality report stated Farmington, N.M. (the largest metropolitan area near SJGS), ranked second cleanest metropolitan area in the country for annual particle pollution. This agreement will make the air even cleaner;

3) It will save 811 jobs at SJGS and the coal mine with an annual payroll of \$104.1 million. In addition, it will provide for annual royalties of \$8,816,297 and State and County taxes of \$31,375,410;

4) Customers will save money on fuel charges through a new coal contract with Westmoreland Coal Company, the oldest independent coal company in the U.S.

With this agreement, PNM has an opportunity to provide more nuclear energy to N.M., which is a huge win for customers. This is a zero emission, economical form of electricity production. PNM was able to demonstrate that the nuclear plant has a market value of about \$2,500 MW. PNM has offered to bring it into rate base at a rate of \$1,650 MW.

Unfortunately, the Hearing Examiner wrongly rated the value of the nuclear plant at book value. Assets are rarely, if ever, transferred or sold at book value and it would be highly detrimental to the company to do that in this case. Creating regulatory harm to any company never bodes well for customers, employees or our state. It would be most prudent for the PRC to support the settlement agreement's fair nuclear value and override this recommendation.

New Mexicans should support the settlement agreement and urge PRC approval as submitted. That means leaving all aspects of the agreement including the Balanced Draft System and the Palo Verde value at \$1650 MW. You can find contact information for the PRC Commissioners at: <http://www.nmprc.state.nm.us>. Reference case #13-00390-UT.

This agreement is the most cost-effective way to comply with current and proposed federal environmental regulations. Its approval by the PRC is critical, if we hope to manage the continually escalating costs of regulation on our electric rates.

Producing affordable electricity while protecting the environment is possible, but it takes a common sense approach by PRC Commissioners willing to stand up against unjustifiable demands of radical environmentalists.

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The New Mexico Business Coalition is a statewide nonprofit organization that works to improve the business environment for companies and the quality of life for all New Mexicans. Its nonpartisan educational efforts focus on providing New Mexicans the facts about regulation, legislation and elected officials' decisions affecting them. More information is available at: www.nmbizcoalition.org