

Energy Transition Act Explained

Senate Bill 489



TEXT QUESTIONS TO CAMILLA, SIERRA CLUB, 505.715.8388

Started as 3 different bills that got stronger together



**Renewable
Portfolio
Standard**

**Coal
Plant
Closure**

**Worker &
County
Recovery**

#1 - Nation-Leading Renewables

Requirements

Original Bill for Utilities

- 50% by 2030
- 80% by 2040

The new bill includes

- 100% carbon-free by 2045
 - Same as CA except NM's is a mandate. Theirs is a goal.



What about nuclear?

- The bill does not count nuclear as a renewable.
- Two NM utilities, El Paso Electric and PNM, currently use nuclear, which is provided by the Palo Verde Nuclear Plant in Arizona.
- The bill allows this nuclear power plant to close as scheduled by 2047.
- There are no proposals today to build new nuclear plants.
- Nuclear is very expensive and unpopular, making it unlikely to be a future resource.

So what is the last 20%?

- We don't totally know right now.
- 2045 is 26 years away.
- A lot will change.
- And we'll have a long time to make sure it's something good.
- Think about your cell phone and how much has changed in just a few years.

#2 - Closure of the San Juan Generating Station

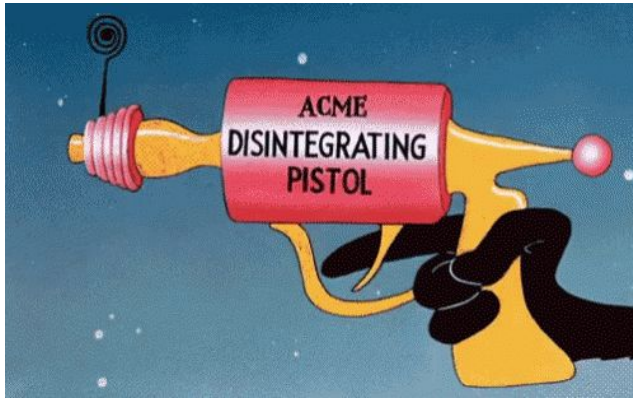


- Has four coal-fired stacks.
- The coal mines are next to the plant.
- Stacks 2 & 3 shut down in 2017 as a result of an EPA settlement, approved by the NMPRC, after a Sierra Club-DinéCare-SJCA coalition lawsuit.
- Currently about 200 plant workers and 150 mine workers.



How does the bill close the last 2 stacks?

- PNM will close the plant's remaining 2 stacks in 2022 because they are uneconomic.
- And the bill also requires that, to operate after 2022, the plant must meet a "performance standard" that would limit carbon-dioxide emissions.
- Meeting this standard would require hundreds of \$millions in upgrades.



Is Farmington going to take over the plant?

- Any of the 5 remaining owners can try to keep the plant open. Farmington has said it wants to, by developing CCS with “ACME”.
- Coal is uneconomic coming in at twice the price of wind and a third more than solar.
- There’s simply no market remaining for coal-powered electricity. Eg. Navajo GS.
- The non-binding letter of intent with ACME says there has to be a buyer for the energy to move forward.
- Carbon capture is extremely expensive (\$1 billion).
- ACME Equities barely has any capital and no experience in coal.

What happened when the first two stacks closed?

IN THE 2017 PRC CASE, PNM RETAINED:

- 50% of their investment
- 50% of their interest
- 50% of their profit
- Limited community benefits

- Because of the EPA Haze Rule and coalition lawsuit, PNM had to do something to reduce its air pollution.
- It could have put strong pollution controls on all 4 stacks.
- But it opted to shutter 2 stacks and put less-expensive pollution controls on the remaining two.
- PNM went to the PRC and in a negotiated “abandonment” case, even though its costs were already approved, agreed to recover **HALF** of 1. its investment 2. its interest and 3. **ITS PROFIT.**

So what am I (a PNM customer) paying for now?

The 2 closed stacks.

You are paying half of the remaining investment, interest on debt and profit on your bill.

And for the 2 stacks still running.

You are paying 100% of investment, interest and **profit**, to the tune of about \$13.22 per month on your bill.

First let's look at the math on the last 2 stacks.

- **\$320 million = “undepreciated investment” on the plant**
 - That's the cost of previous investments on the remaining 2 stacks that customers have not yet paid back to PNM.
- **\$240 million = Expected profits on plant (from 2022 - 2053)**
 - The PRC allows PNM to collect an average of \$8 million a year in profit over 30 years in addition to that debt from ratepayers, as long as the plant is running.

#3 - Gives the PRC a tool to speed coal-plant shutdown and save money.

- It's called **SECURITIZATION**.
- It takes the amount owed on the plant, which we are paying off at a 10% interest rate and puts it into bonds that have a 3-4% interest rate.
- If the utility can't show it can get the AAA-rated bond that come with the low interest, the PRC does not have to approve the application.
- If the utility uses this tool, it agrees to lose all the profits it would make by keeping the plant open.
- AGAIN, that's a loss of \$240 million after 2022, when PNM has said it plans to shut the plant down for a total of \$240 million.
- And the low interest financing will also be used to pay for workforce severance and retraining and county economic development.

But it must be a Just Transition

- Yes, humanity's greatest crisis demands action.
- But we have to make sure it's a just transition.
- 200 plant workers and 150 mine workers will lose their jobs (though some are retirement age and others will be hired for decommissioning and reclamation.)
- The community around the plant loses a big source of taxes, some of which pay for their schools.
- The PRC has a little authority to include plant, but not mine, workers in recovery plans.
- The commission has no authority to require PNM or anyone else to reinvest in the community.
- And over the life of the plant there have been impacts on the surrounding community.

Let's look at the math again

Amount securitized

- **\$20 million = worker severance and retraining**
- **\$20 million = county recovery funds**
- **\$30 million = decommissioning and reclamation**
- **\$320 million = “undepreciated investment” on the plant**

Amount PNM and shareholders lose

- **\$240 million = expected profits on the plant**
 - If the utility uses securitization, it loses this, its allowed profit.
 - It can only immediately pay off its investment.

Let's look at your bill

- When the plant closes
 - - about \$13/month - About what you pay each month for SJGS
- When the remaining investment is bonded
 - about \$6/month - AAA Rated Bonds
- When the replacement energy is built
 - about \$4/month - The estimated cost of replacement energy

\$13 - \$6 - \$4 = \$3/month savings on your bill.

But I've heard this is a bailout!

ETA SAYS: NO PROFITS FOR PNM.

The utility loses \$240 million in profits that you are paying now on your bill every month.

ETA TAKES THE PLANT OFF THE BOOKS.

The bonds allow PNM to take the plant off its books, recoup the investment and reinvest in replacement energy.

SHOULDN'T PNM TAKE A LOSS?

Taking a loss makes PNM's credit rating go down, making interest rates on future projects higher ... and guess who pays for that?

You.

COST COMPARISON

CLOSURE OF FIRST TWO STACKS (2017 PRC CASE) VS. CLOSURE OF LAST TWO STACKS (ENERGY TRANSITION ACT)

2017 PRC CASE

- 50% of their investment
- 50% of their interest
- 50% of their profit
- No community benefits

ENERGY TRANSITION ACT

- 100% of their investment
- 0% of their interest
- 0% of their profit
- Community reinvestment, workforce recovery, job training

But, wait, what about the PRC?

- The PRC has full authority to
 - approve or deny the plant closure
 - approve or deny the securitization tool
 - They have to approve if the utility can show they can get the AAA-rated bonds.
 - review the utility's books
 - approve or deny replacement
 - and has all kinds of authority not specifically defined in a bill that simply cannot say everything
- The PRC even with some good commissioners continues to make decisions we don't agree with and that are bad for the planet.
 - They approved all of this debt and profit.
 - They got us into this fix in the first place.
 - And even now they're making bad decisions for NM.

The question is **not**:

Does this bill protect the PRC?

The question **is**:

Does this bill protect our kids and the planet?

No cap on cleanup.



Provides \$30 million for cleanup
and remediation (in addition to
existing cleanup funds)

- PNM ratepayers have already paid \$100 million toward mining reclamation.
- The 7 other past and present owners have collected too.
- There's another roughly \$102 million in federal bonds for reclamation of the mine.
- ETA includes an added \$30 million toward cleanup.
- The PRC has capped PNM's collection of funds from ratepayers for reclamation at \$100 million. The remainder comes from shareholders.

#4 - The bill helps workers in 3 ways.

#1



Provides \$40M for economic development, severance packages, and job training

FOR PLANT AND MINE WORKERS PLUS THE COUNTY.

#2



Creates apprenticeship program for New Mexico workers in all new energy projects, prioritizing a diverse workforce

THIS IS KEY TO BUILDING A LOCAL RENEWABLES WORKFORCE THROUGHOUT THE STATE.

What about tribal and indigenous consultation?

- When the bills were combined there should have been more.
- Indigenous leaders did exactly what they should have and worked to amend the bill to better reflect their concerns.
- A key point was, how do you account for community impacts from coal that go beyond worker impacts?
- Sen. Shendo's amendments bring the Bureau of Indian Affairs in and expand consultation, along with \$2 million to fund that input

The latest

- PNM has said they'll be carbon-free by 2040!
- They have a June 1 renewables filing and have to add a lot more because the ETA closed renewables loopholes.
- They said they will propose four different replacement scenarios to the PRC (1) a least-cost scenario, (2) a scenario with 450MW of energy in the school district where San Juan is located, (3) a scenario with 450MW of renewables in the school district where San Juan is located, and (4) a scenario that includes no new gas. The idea is that all of the scenarios will be evaluated by the PRC and the public so that we can weigh costs and benefits.
- They still are updating their RFPs and have a battery RFP.
- The filing is expected July 1st.

New Mexico Building and Construction Trades Council
American Federation of State, County and Municipal Employees (AFSCME)
New Mexico Federation of Labor - AFL-CIO
San Juan Citizens Alliance
Somos un Pueblo Unido
NMCafe
Progress Now NM
Center for Civic Policy
Prosperity Works
Albuquerque Sustainable Business
Santa Fe Green Chamber of Commerce
Renewable Energy Industry Association - NM
New Mexico Interfaith Power and Light
Environment New Mexico
Conservation Voters of New Mexico
Western Resource Advocates
Natural Resources Defense Council
Union of Concerned Scientists
Nature Conservancy
Vote Solar
350NM
Sierra Club - Rio Grande Chapter, Beyond Coal Campaign, Ready for 100%
Campaign
Coalition for Clean and Affordable Energy
Interwest Energy Alliance
Southwest Native Cultures
Southwest Energy Efficiency Project
Great Old Broads for Wilderness
Amigos Bravos

Governor Michelle Lujan Grisham
Senator Mimi Stewart
Senator Jacob Candelaria
Senator Ortiz y Pino
Speaker Brian Egolf
Representative Nathan Small