SAN JUAN GENERATING STATION

About San Juan

Some 2 million customers throughout the Southwest and West rely on San Juan for a portion of their electricity.

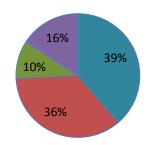
San Juan is operated by PNM and owned by nine companies, including PNM.

The plant has a net capacity of 1,683 megawatts:

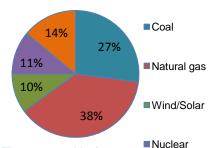
- Unit 1, 340 MW
- Unit 2, 340 MW
- Unit 3, 496 MW
- Unit 4, 507 MW

The oldest unit (Unit 2) went online in 1973, and the newest unit (Unit 4) went online in 1982.

2013 Capacity



Impact of Closure



The proposal before the EPA will result in a more diversified, balanced fuel mix for electricity generation.

Replacement Power

A FORWARD-LOOKING PLAN TO COMPLY WITH A FEDERAL VISIBILITY RULE

The San Juan plant must comply with a federal rule aimed at improving visibility in national parks and wilderness areas. Following an EPA directive to implement a federal plan that would cost nearly \$1 billion and have limited environmental benefits, N.M. Gov. Susana Martinez requested that all parties try to find a better solution.

PNM worked with the state and the EPA to craft an alternative that addresses the visibility rule *and* also provides significant additional environmental benefits at a lower cost than the federal plan. A formal agreement among all parties was announced Feb. 15, 2013. If approved by the EPA, it will allow PNM to reduce the burning of coal and increase the use of cleaner fuels, such as natural gas and solar energy. It will also dramatically cut other emissions, including greenhouse gases, and help protect PNM customers from the cost of complying with future federal environmental regulations. The plan also would result in an estimated 50 percent reduction in the plant's water usage.

The state plan includes the retirement of two of the plant's four units by the end of 2017, and the installation of nitrogen oxide-reducing technology on the remaining two units by early 2016. The federal directive that would take effect if this alternative is not approved would require the installation of more expensive technology on all four units at San Juan, but would only reduce nitrogen oxides and no other emissions, and leave coal as a dominant part of the PNM power portfolio.

The N.M. Environmental Improvement Board unanimously approved the plan in September 2013. It has been submitted to the EPA for the agency's final review, and the N.M. Public Regulation Commission also must approve parts of the plan.

Estimated Approval Timeline Q3 Q1 Q2 Q3 Q4 **'15** '16 '17 '18 114 EIB (Sept. 5 approved) EPA (Sept. 2014) PRC Dec. '13 request (9 months) PRC extension if needed (6 months) SNCR installed Jan. 2016 2-unit retirement Rates to pay for plan

Minimizing Economic Impact to the Four Corners Area

A goal was to minimize the economic impact to the Four Corners area. Commitments include:

- Agreement by PNM to construct a 150- to 200megawatt natural gas peaking plant at San Juan
- More than \$1 million for workforce training and economic development in the Four Corners area
- A commitment by PNM to have no layoffs as a result of the closure of units 2 and 3

The PNM Navajo Nation
Workforce Training program
was announced in August
2013 and includes
partnerships with San Juan
College School of Energy and
the Navajo Technical
University. More information is
available at
www.PNM.com/navajo.

The commitment from PNM is to provide \$200,000 of training support each year for five years, beginning in 2013. The cost is paid from shareholders and not customers.

Environmental Benefits

What makes this agreement significant isn't just its reduction of the cost impact for customers from the original federal plan, but its leadership in positioning the plant to comply with future environmental regulations. The federal plan only reduced nitrogen oxides to improve visibility, leaving customers exposed to even more compliance costs.

As a result of this agreement, PNM may be well positioned to not only achieve, but surpass, President Obama's pledge on reducing greenhouse gas emissions over the next several years. It also will potentially comply with new ozone standards scheduled to be released in 2014.

The state plan reduces nitrogen oxides along with sulfur dioxide and particulates (all related to visibility) and a number of other emissions, including a significant reduction in greenhouse gas and the amount of water needed for generation.

Reduction Comparison of San Juan Current Emissions, Water Use and Coal Residuals of State Plan vs. Federal Plan

	NOx	SO ₂	Par- ticulate Matter	СО	VOCs	CO ₂	Mercury	Water	Coal Resi- duals
State Plan	62%	67%	50%	44%	50%	50%	50%	53%	48%
Federal Plan	83%	0	0	0	0	0	0	0	0

Consumer Benefits

Consumers benefit from the overall lower cost of implementation and lower increases related to future environmental mandates associated with coal.

The federal plan in place prior to this agreement had a large price tag and would have required compliance by September 2016.

The new proposal will cost less and have a later implementation date, delaying the cost impact to customers.

Regional Haze Rule Background

The federal Clean Air Act sets the goal of returning national parks and wilderness areas to natural visibility levels by 2064. States are tasked with developing implementation plans to limit emissions from major contributors and other emitting sources to regional haze.









