

RESEARCH & POLLING INC



PNM
SOUTHWEST NEW MEXICO COMMUNITY SURVEY
AUGUST 2015

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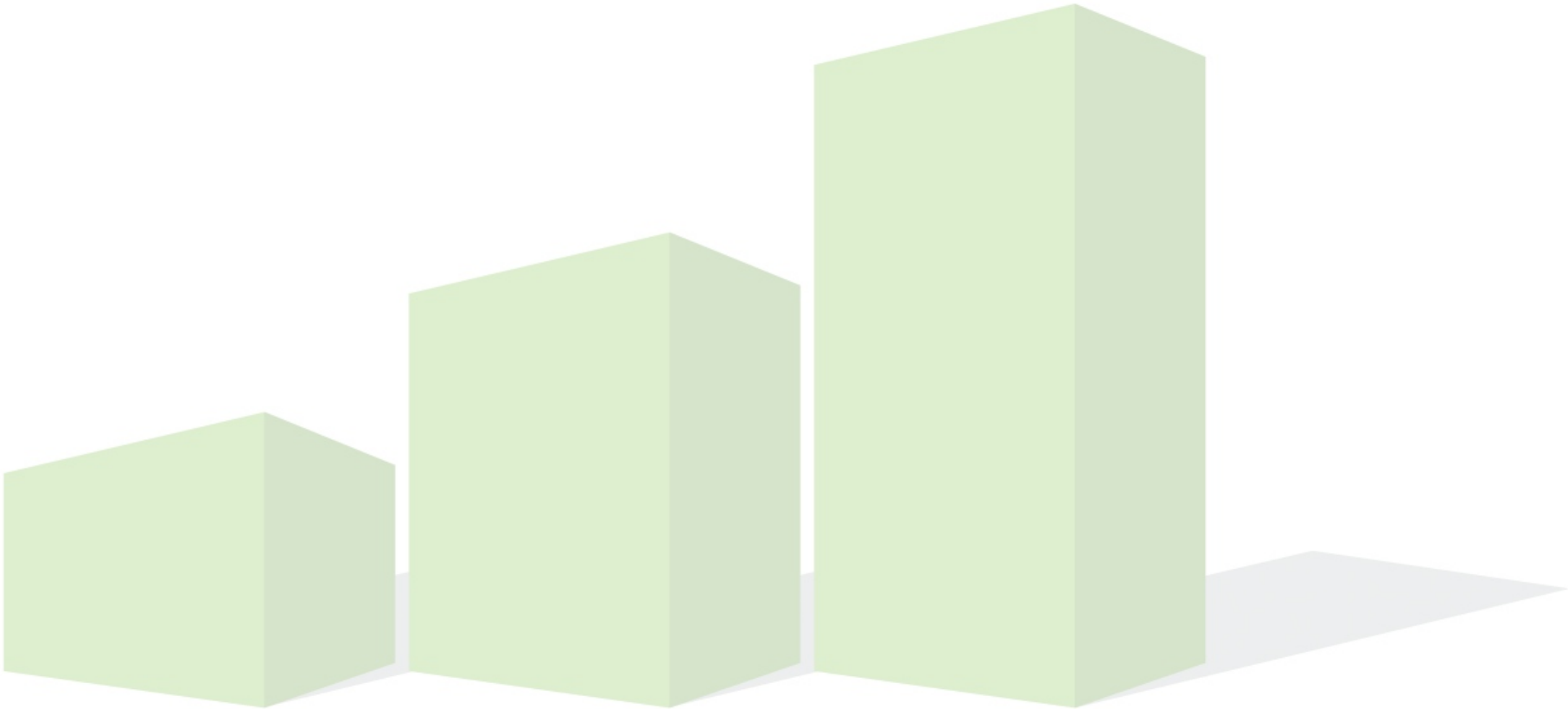
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I. INTRODUCTION



METHODOLOGY

This research study was commissioned by PNM in order to assess which electric utility attributes PNM customers believe are most important. This study also measured customers' awareness of PNM's plan to close a portion of the San Juan Generating Station, as well as customers' preferences as they relate to closing two of the four coal-fired units or closing the entire power plant.

THE INTERVIEW

A stratified random sample of PNM customers in New Mexico was interviewed by telephone. Customers were stratified by service area so that each region would have a sufficiently large cell size in order to review the results with a greater degree of accuracy. Cell phone and landline telephone numbers were generated from the PNM customer database. Customers were stratified by the following regions:

- **Southwestern New Mexico (n=306)**
- Albuquerque Metro Area (n=401)
- Santa Fe (n=406)
- Northern New Mexico (n=200)
- Southeastern New Mexico (n=205)

In order to not skew results, surveys were weighted to their true proportion of the regional population of residential PNM customers in New Mexico. This report is among PNM customers in the Southwestern New Mexico area. All interviews were conducted between July 22nd and August 6th, 2015.

The telephone interviewers are professionals who are brought together for a training session prior to each survey. This ensures their complete and consistent understanding of the survey instrument. A total of 306 PNM customers in the Southwestern area completed interviews. PNM's Southwest region service area includes Silver City, Bayard, Deming, Lordsburg, Santa Clara, Gila, Hurley, and Cliff.

MARGIN OF ERROR

A sample size of 306 at a 95% confidence level provides a maximum margin of error of approximately 5.6%. In theory, in 95 out of 100 cases, the results based on a sample of 306 will differ by no more than 5.6 percentage points in either direction from what would have been obtained by interviewing all PNM customers in the Southwest region service area.

SAMPLE BIAS

In any survey, there are some respondents who will refuse to speak to the professional interviewer. A lower response rate among certain types of individuals can result in a sample wherein certain types of individuals are over-represented or under-represented. The potential for sampling bias increases as the response rate decreases. Research & Polling, Inc. often sets quotas for various segments of the population who are historically undercounted. This has the effect of minimizing, but not necessarily eliminating, sampling bias.

THE REPORT

This report summarizes the results from each question in the survey and reports on any variances in attitude or perception, where significant, among demographic subgroups. The subgroups examined in this report include:

- Age
- Income
- Ethnicity
- Education attainment level
- Region

EXECUTIVE SUMMARY

PNM customers in the Southwest region service area were surveyed in order to assess which electric utility attributes they believe are most important, as well as to measure customers' awareness of PNM's plan to close a portion of the San Juan Generating Station. This study also assessed customers' preferences as they relate to closing two of the four coal-fired units or closing the entire power plant.

EXPECTATIONS FROM THEIR ELECTRIC UTILITY PROVIDER

When customers were asked to rate items that may or may not be important to them in what they expect from their electric utility company, all items tested are perceived as important (a score of 8, 9, or 10 on a zero to ten scale) by PNM customers. Having the most reliable electric service is rated as important by the vast majority (91%) of PNM customers, followed closely by providing the highest quality customer service (85%). Seventy-eight percent rate having the lowest electric rates as important, 68% say reducing pollution from power plants is important, and 66% say developing more renewables is important.

When customers were reminded of which items they gave the highest marks to and asked which they believe is the single most important expectation from their electric utility, providing the most reliable electric service (30%) was selected most often, followed by having the lowest rates in the West (27%), developing more renewables (16%), reducing pollution (13%), and providing the highest quality customer service (9%).

AWARENESS AND OPINIONS OF PNM'S PLAN FOR THE SAN JUAN GENERATING STATION

Two-thirds of PNM customers in the Southwest region service area (66%) are unaware of PNM's plan to close two of the four coal-fired units at the San Juan Generating Station. Those more likely to be aware of PNM's plan to close two of the four units include men, those age 50 and older, and those earning \$40,000 or more.

Customers were read two different viewpoints regarding the closure at the San Juan Generating Station. The majority (64%) of PNM customers agree with PNM's plan to close two of the four coal-fired units versus closing the entire plant, while 19% say PNM should close the entire plant.

When asked to give reasons for their opinions of whether PNM should close two units or close the entire plant, nearly one-fifth of customers who say that PNM should close the entire plant mention that PNM should be pursuing more renewables (18%), while 5% say natural gas is cleaner. Those who say PNM should close two of the four coal-fired units mention the need for more reliable electricity (11%), solar/wind are not as reliable (9%), will cut jobs (8%), to take electric generating unit closures one step at a time (6%), and 5% mention the need for reliable sources of power or that electric rates will go up. Seven percent say they need more information.

BIGGEST ISSUES OR PROBLEMS FACING THE COMMUNITY	
TOP 10 UNAIDED RESPONSES	
SOUTHWEST NEW MEXICO TOTAL SAMPLE (N=306)	
LACK OF GOOD JOBS	19%
CRIME	9%
ILLEGAL DRUG USE	7%
WEAK ECONOMY	5%
EDUCATIONAL SYSTEM IS POOR	3%
LOW WAGES	3%
GANGS	3%
POWER OUTAGES	3%
NOTHING IN PARTICULAR	24%
DON'T KNOW/WON'T SAY	15%

PNM customers in the Southwest region service area were asked, in an unaided, open-ended manner, what they believe are the **biggest issues or problems facing their community**. Nearly one-fifth (19%) of PNM customers say that a lack of good jobs is the biggest issue or problem, followed by 9% who mention crime, 7% who mention illegal drug use, and 5% say the weak economy. Three percent mention power outages, 2% say utilities too high, and 1% say high cost of electricity. Notably, 39% of PNM customers did not mention a particular problem or issue facing their community.

CUSTOMERS' EXPECTATIONS FROM THEIR ELECTRIC UTILITY COMPANY (SUMMARY TABLE) SOUTHWEST NEW MEXICO TOTAL SAMPLE (N=306) RANKED BY HIGHEST "EXTREMELY IMPORTANT"													
	EXTREMELY IMPORTANT 10	09	08	07	06	05	04	03	02	01	NOT IMPORTANT AT ALL 00	DK/ WS	MEAN†
PROVIDING THE MOST RELIABLE ELECTRIC SERVICE TO YOUR HOME	68%	12%	11%	3%	2%	2%	1%	-	-	-	-	1%	9.3
PROVIDING THE HIGHEST QUALITY CUSTOMER SERVICE	59%	9%	17%	5%	2%	5%	1%	1%	-	-	-	1%	8.9
HAVING THE LOWEST ELECTRIC RATES IN THE WEST	59%	8%	11%	8%	1%	8%	-	1%	-	1%	-	2%	8.8
REDUCING POLLUTION FROM POWER PLANTS	50%	6%	12%	6%	3%	11%	3%	1%	2%	1%	3%	3%	8.0
DEVELOPING MORE RENEWABLE ENERGY SOURCES, SUCH AS SOLAR AND WIND	47%	5%	14%	8%	1%	12%	1%	2%	2%	2%	2%	4%	8.0

† THE MEAN SCORE IS DERIVED BY TAKING THE AVERAGE SCORE BASED ON THE 10-POINT SCALE. THE EXTREMELY IMPORTANT RESPONSE IS ASSIGNED A VALUE OF 10; THE NOT IMPORTANT AT ALL RESPONSE IS ASSIGNED A VALUE OF 00. THE DON'T KNOW/WON'T SAY RESPONSES ARE EXCLUDED FROM THE CALCULATION OF THE MEAN.

PNM customers in the Southwest region service area were read a list of **items that may or may not be important to them in what they expect from their electric utility company**. For each item, customers were asked to rate how important each item is, using a zero to ten scale where zero means *not important at all* and ten means *extremely important*.

PROVIDING THE MOST RELIABLE ELECTRIC SERVICE TO YOUR HOME

Nine-in-ten (91%) PNM customers rate providing the most reliable electric service to their homes as important (a score of 8, 9, or 10), with the majority (68%) saying this is *extremely important*.

PROVIDING THE HIGHEST QUALITY CUSTOMER SERVICE

Eighty-five percent of PNM customers rate providing the highest quality customer service as important (a score of 8, 9, or 10), with nearly three-fifths (59%) saying this is *extremely important*.

HAVING THE LOWEST ELECTRIC RATES IN THE WEST

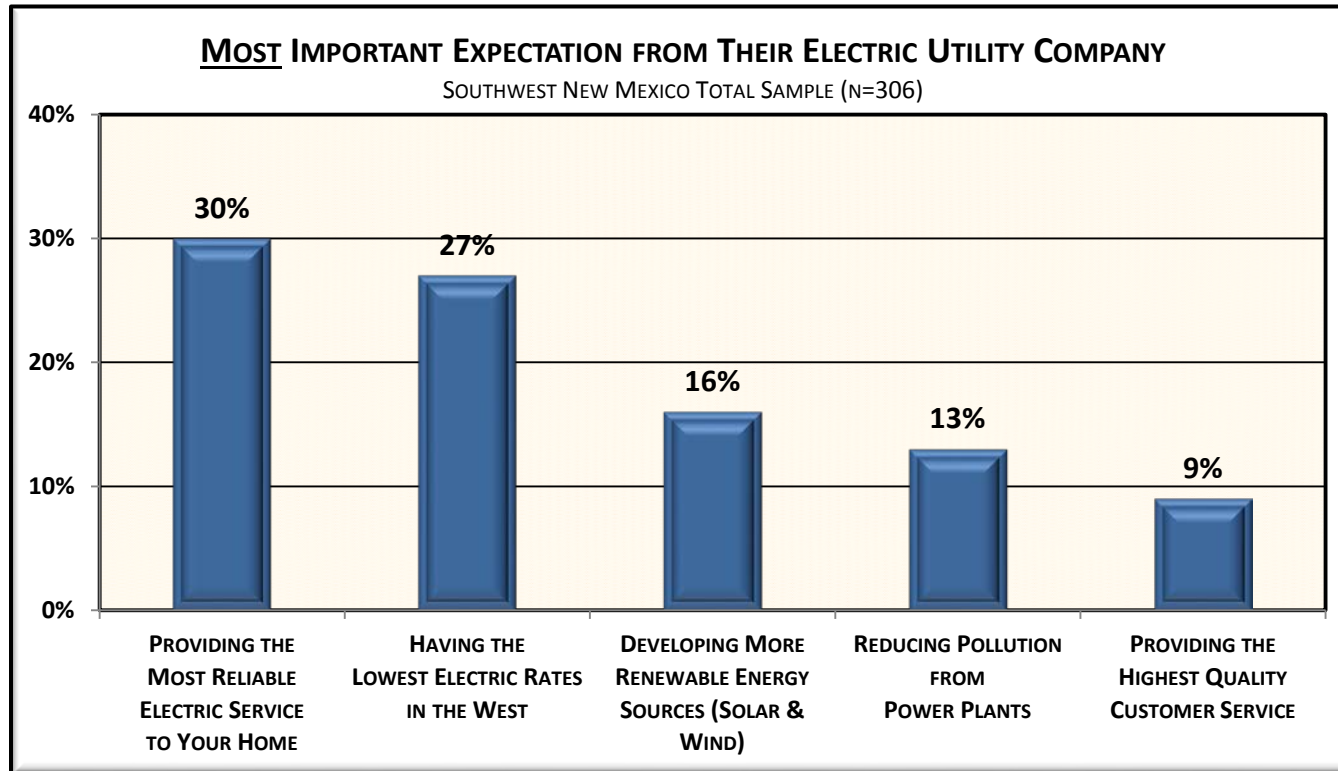
More than three-quarters (78%) of PNM customers say that having the lowest rates in the West is important with nearly three-fifths (59%) saying this is *extremely important*. Nearly one-fifth (17%) have a neutral opinion or felt this was slightly important (a score of 5, 6 or 7).

REDUCING POLLUTION FROM POWER PLANTS

More than two-thirds (68%) of PNM customers rate reducing pollution from power plants as important, with half saying this is *extremely important*. One-fifth have a neutral opinion or felt this was slightly important, while one-in-ten say this is unimportant.

DEVELOPING MORE RENEWABLE ENERGY SOURCES, SUCH AS SOLAR AND WIND

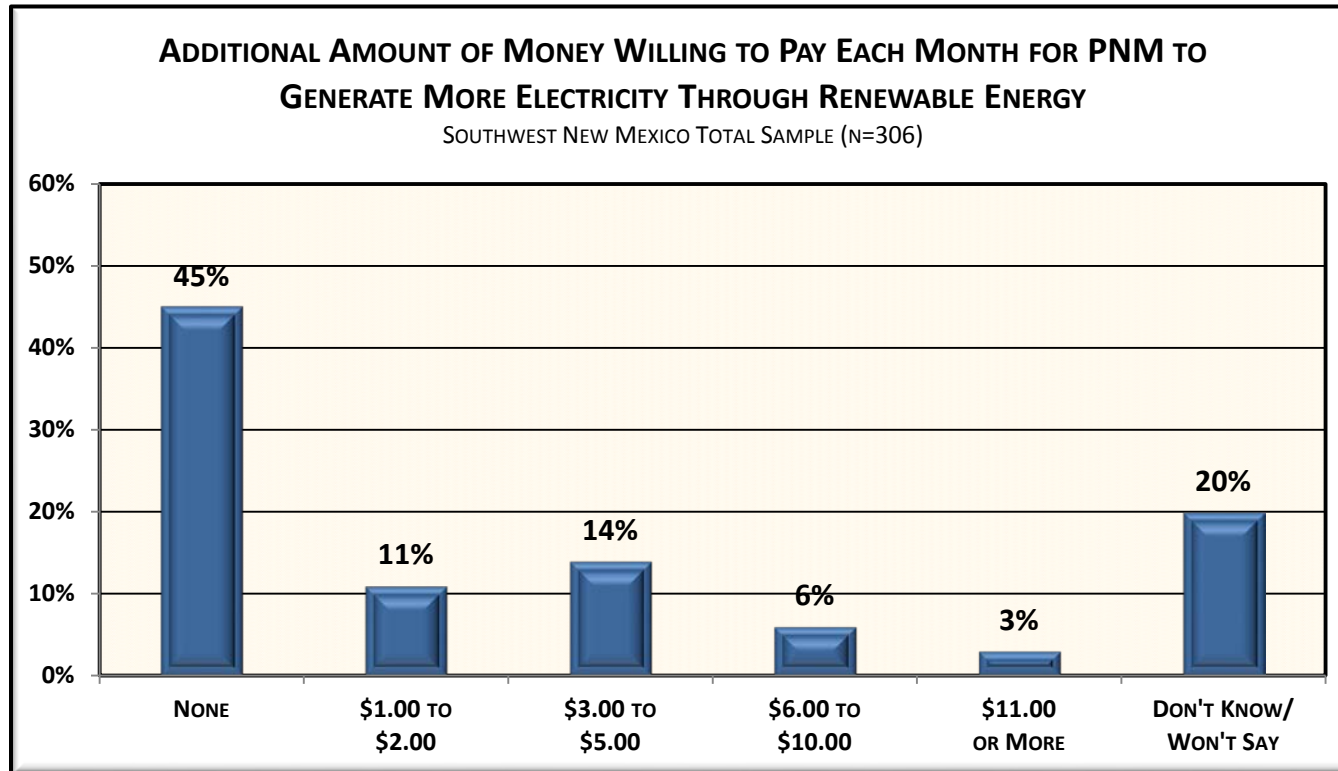
Approximately two-thirds (66%) of PNM customers rate developing more renewable energy sources as important, with just under half (47%) who say this is *extremely important*. One-fifth (21%) have a neutral opinion or felt this was slightly important, while one-in-ten (9%) say this is unimportant.



Customers were reread the five attributes from page seven and asked **which item is the most important to them** in what they expect from their electric utility. Overall, providing the most reliable electric utility service (30%) is the most important attribute, followed by 27% who say having the lowest electric rates in the West is the most important. The third most important attribute among PNM customers is developing more renewable energy sources (16%), followed by reducing pollution from power plants (13%), and providing the highest quality customer service (9%).

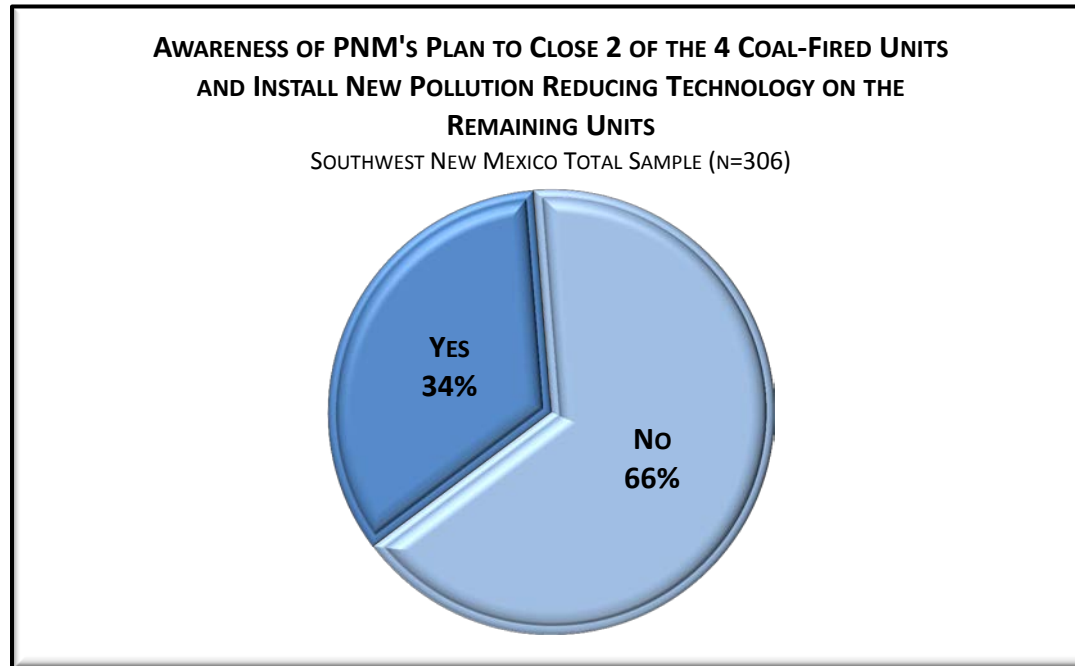
<u>MOST IMPORTANT EXPECTATION FROM THEIR ELECTRIC UTILITY COMPANY</u> SEGMENTED BY PNM SERVICE REGIONS						
	ABQ METRO	SANTA FE	NORTHERN NM	SOUTHWEST NM	SOUTHEAST NM	TRIBAL AREAS
PROVIDING THE MOST RELIABLE ELECTRIC SERVICE TO YOUR HOME	30%	25%	38%	30%	31%	27%
HAVING THE LOWEST ELECTRIC RATES IN THE WEST	27%	13%	24%	27%	25%	24%
DEVELOPING MORE RENEWABLE ENERGY SOURCES, SUCH AS SOLAR AND WIND	20%	35%	15%	16%	18%	18%
REDUCING POLLUTION FROM POWER PLANTS	14%	17%	12%	13%	12%	17%
PROVIDING THE HIGHEST QUALITY CUSTOMER SERVICE	7%	5%	9%	9%	10%	10%

Shown above are customers' most important expectations segmented by PNM service regions. The percentages in boxes highlight the most important expectation of each region. For example, providing the most reliable electric service is the most important among customers in every region except Santa Fe, whose customers say developing more renewables is the most important. The percentages in **bold** highlight each regions second most important expectation; in all regions except Santa Fe, PNM customers say having the lowest electric rates in the West is second most important. Among Santa Fe customers, providing the most reliable electric service is the second most important expectation.



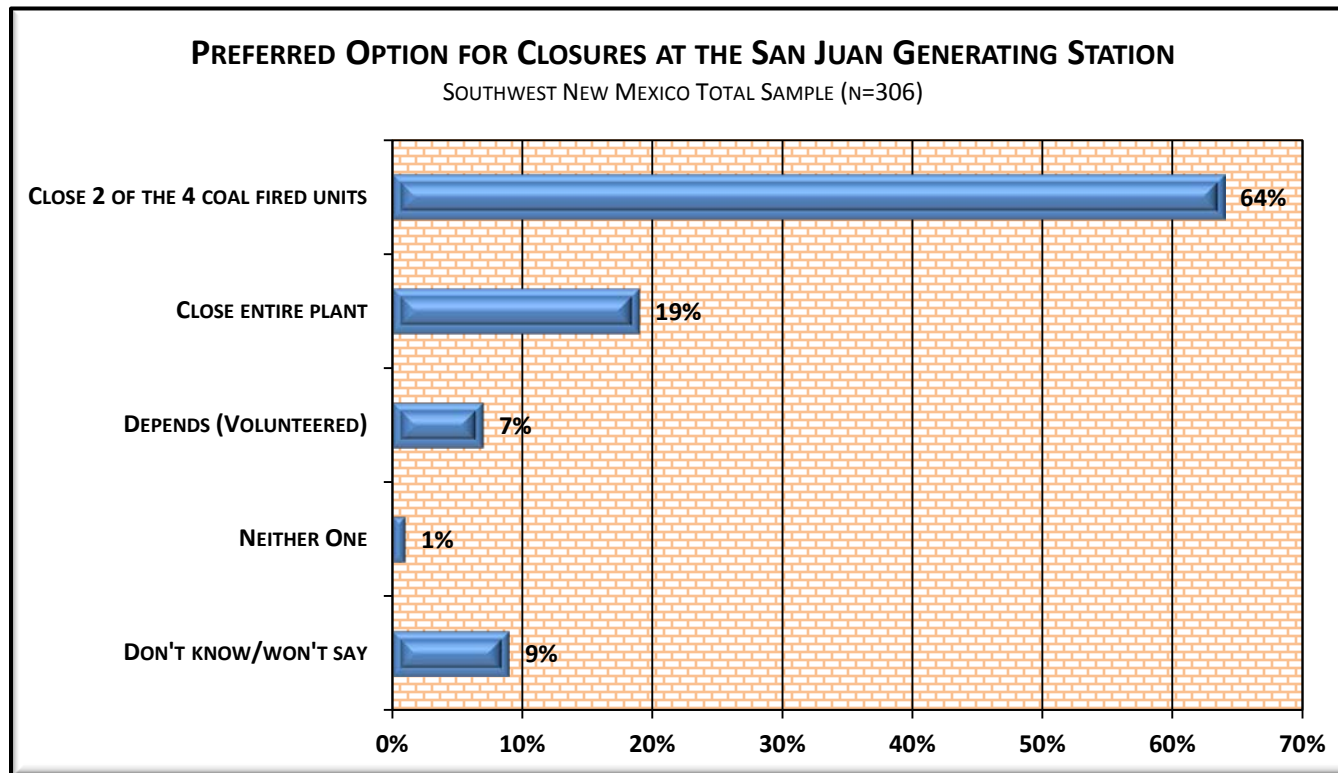
Customers were asked how much of a **dollar increase in their monthly electric bill** they would be willing to pay for PNM to generate more electricity through renewable energy sources, such as solar and wind. More than two-fifths (45%) of PNM customers in the Southwest region service area say they are unwilling to pay any additional amount on their monthly bill, while 11% mention they are willing to pay one to two dollars more a month. Fourteen percent are willing to pay three to five dollars more a month, while 9% are willing to pay six dollars or more.

Of note, those earning over \$80,000 and those with college degrees or graduate degrees are more likely than others to say they are willing to pay six dollars or more for PNM to generate more electricity through renewable energy sources.



Customers were informed that PNM has filed a plan to permanently close two of the four coal-fired generating units at the San Juan Generating Station near Farmington and install pollution-reducing technology on the remaining two units. Residents were also told that this plan would cut PNM's coal use at San Juan by 37% and that the new pollution controls would also reduce greenhouse gas emissions and water use at the generating station by 50%. They were then **asked if they had heard of this plan**.

Two-thirds of (66%) of PNM customers in the Southwest region service area say they have not heard of PNM's plan, while one-third (34%) say they have heard of it. Those more likely to be aware of PNM's plan to close two of the four units include men, those age 50 and older, and those earning \$40,000 or more.



“Some environmental groups oppose PNM’s plan because they believe it doesn’t go far enough in reducing pollution and water usage. They want PNM to close all 4 coal-fired generating units at the San Juan electric power plant and replace them with natural gas-fired power plants and more renewable energy sources like solar and wind. They feel that PNM should stop investing in old technologies such as coal-fired electric plants and develop more renewable energy options.”

“PNM’s plan would keep two of the four coal-fired generating units at the San Juan electric plant operating. The company feels it is important to use a mix of energy sources including coal, natural gas, nuclear from an existing plant (Palo Verde), and solar and wind. PNM believes this plan will ensure reliable electricity is available to its customers, since solar and wind power are not available 24 hours a day and cannot supply enough electricity during peak use periods.”

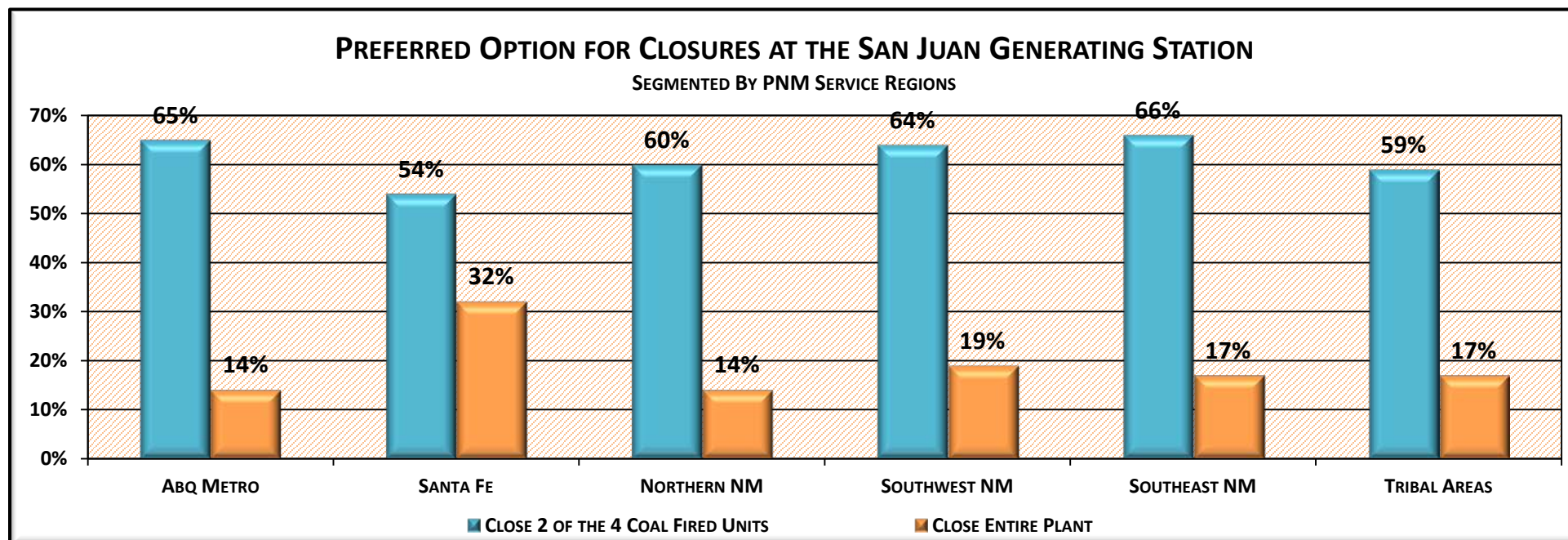
Customers were read **two different viewpoints (shown above, rotated when read to survey participants)** about the San Juan Generating Station operated by PNM and were asked, after being read both statements, if they support PNM’s plan to close two of the four coal-fired units at the San Juan plant, or if they prefer that PNM close the entire power plant. The majority (64%) of PNM customers in the Southwest region service area say they support PNM’s plan to close two of the four coal-fired units, while 19% say PNM should close the entire plant. Seven percent say “it depends” and one-in-ten (9%) did not offer an opinion.

NOTE ON SURVEY QUESTION

Issues revolving around the fate of the San Juan Generating Station are complex. PNM and interested parties to this regulatory matter disagree on many of the underlying assumptions and projections built into the various scenarios that have been proposed. It would be impossible to design a survey question for the general population that would take into account all of issues pertaining to PNM's: ownership restructuring agreements, coal supply contracts, stranded assets, absorption of excess capacity at the remaining two units and cost projections for future coal supply, construction of natural gas plants, and renewable energy costs.

Much of the recent debate about the future of the San Juan Generating Station revolves around whether to allow PNM to absorb excess coal capacity in one of the two units that would remain open, if and when the utility closes the other two units. The question that was asked of PNM customers in the survey was not intended to measure that issue.

Instead, the question posed to PNM customers addressed a bigger picture question as to whether customers support the general concept of keeping two of the four generating units open, while using a mix of energy sources including less coal, or whether they would prefer to close the entire plant down and completely replace coal with other energy sources. PNM wanted customer feedback on this larger issue. Also, the survey question did not address the issue of cost, since the different parties to this debate disagree as to which scenario is the most cost effective.



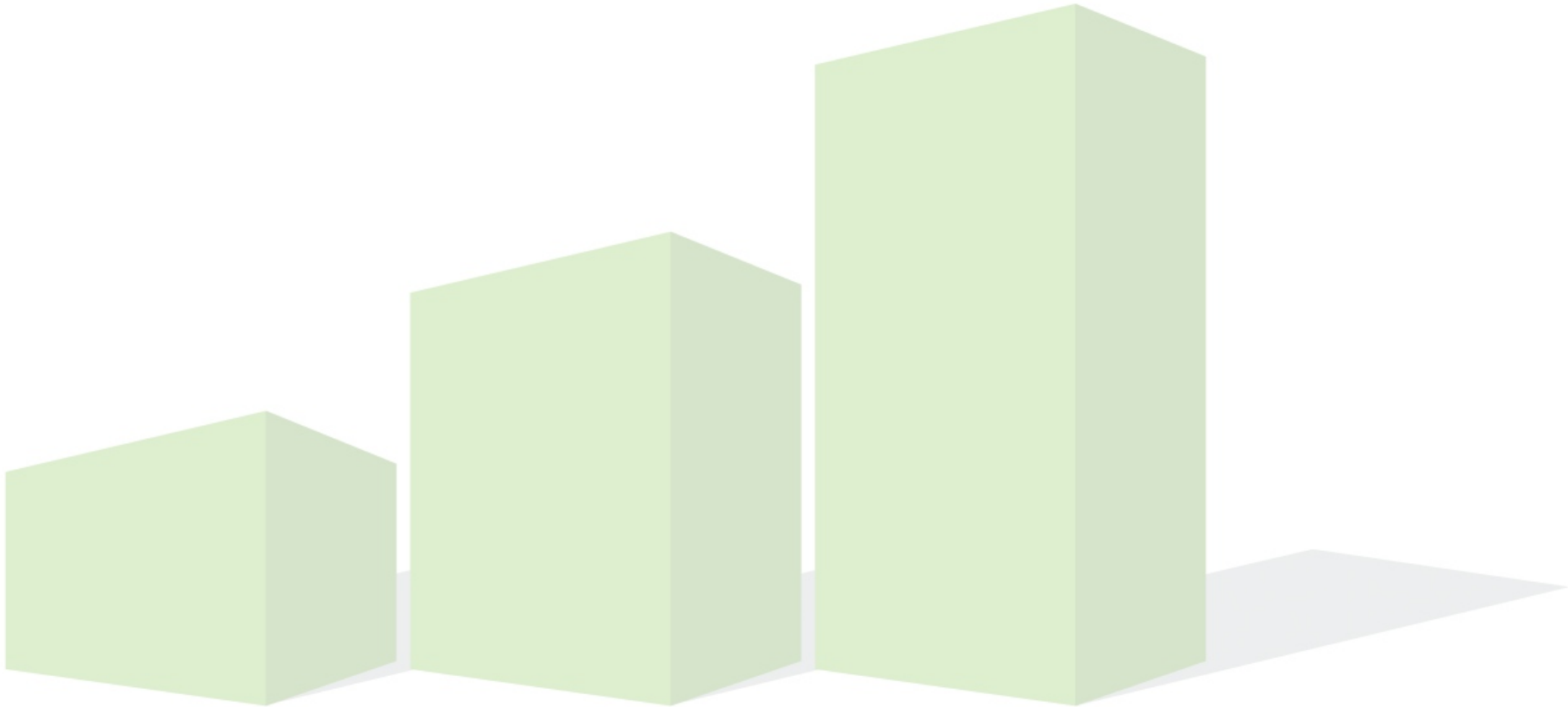
PREFERRED OPTION FOR ADDRESSING CLOSURES AT THE SAN JUAN GENERATING STATION						
SEGMENTED BY PNM SERVICE REGIONS						
	ABQ METRO	SANTA FE	NORTHERN NM	SOUTHWEST NM	SOUTHEAST NM	TRIBAL AREAS
CLOSE 2 OF THE 4 COAL-FIRED UNITS	65%	54%	60%	64%	66%	59%
CLOSE ENTIRE PLANT	14%	32%	14%	19%	17%	17%
DEPENDS (VOLUNTEERED)	8%	7%	6%	7%	4%	6%
NEITHER (VOLUNTEERED)	2%	1%	2%	1%	1%	-
DON'T KNOW/WON'T SAY	10%	6%	18%	9%	12%	19%

As shown above, the majority of PNM customers in each service region throughout the state are apt to support PNM's plan to close two of the four coal-fired units. Santa Fe customers are more likely than those in other regions to say that PNM should close the entire plant. However, the majority of Santa Fe customers (54%) still agree that PNM should close two of the four coal-fired units.

REASONS FOR CHOOSING PREFERRED OPTION FOR ADDRESSING CLOSURE AT THE SAN JUAN GENERATING STATION AMONG THOSE WHO CHOSE A CLOSURE OPTION SOUTHWEST NEW MEXICO RESPONSES TOP 9 UNAIDED RESPONSES	
PNM SHOULD CLOSE ENTIRE PLANT	
SHOULD BE PURSUING MORE RENEWABLES (SOLAR/WIND)	18%
NATURAL GAS IS CLEANER	5%
SHOULD CLOSE 2 OF THE 4 COAL FIRED UNITS	
NEED MORE RELIABLE ELECTRICITY	11%
SOLAR/WIND ARE NOT AS RELIABLE	9%
WILL CUT JOBS	8%
TAKE CLOSURES ONE STEP AT A TIME	6%
NEUTRAL	
NEED MORE INFORMATION	7%
NEED RELIABLE SOURCES OF POWER/SERVICE/SAFE	5%
ELECTRIC RATES WILL GO UP	5%

Customers were asked to give the **primary reasons for their opinion** on which option they believe is best in regards to addressing closures at the San Juan Generating Station. Nearly one-fifth of customers in the Southwest region who say that PNM should close the entire plant mention that PNM should be pursuing more renewables (18%), while 5% say natural gas is cleaner. Those who say PNM should close two of the four coal-fired units mention the need for reliable electricity (11%), solar/wind are not as reliable (9%), will cut jobs (8%), to take generating unit closures one step at a time (6%), and 5% mention the need for reliable sources of power or that electric rates will go up. Seven percent say they need more information.

II. DEMOGRAPHICS



DEMOGRAPHICS: RANDOM COMPONENT OF PNM SERVICE AREA

SOUTHWEST TOTAL SAMPLE (N=306)

GENDER

MALE	48%
FEMALE	52%

AGE

18 TO 34 YEARS	16%
35 TO 49 YEARS	19%
50 TO 64 YEARS	39%
65 YEARS OR OLDER	26%

EDUCATION

HIGH SCHOOL GRADUATE OR LESS	45%
SOME COLLEGE/ASSOCIATE DEGREE/VOCATIONAL CERTIFICATE	32%
COLLEGE GRADUATE (4 YEARS)	15%
GRADUATE DEGREE	7%
WON'T SAY	1%

ETHNICITY

HISPANIC	48%
ANGLO	46%
BLACK/AFRICAN-AMERICAN	2%
NATIVE AMERICAN INDIAN	2%
OTHER DESCENT	2%
WON'T SAY	1%

HOUSEHOLD INCOME

LESS THAN \$20,000	25%
\$20,000 TO \$39,999	31%
\$40,000 TO \$59,999	16%
\$60,000 TO \$79,999	1%
\$80,000 AND OVER	10%
WON'T SAY	7%