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**PNM has a plan to keep the lights on, provide severance and job training for coal miners, continue to invest in a modern cybersafe grid, and keep electric rates affordable.**

*PNM lays out immediate, short-term and long-term plans to deal with current challenges and seize new opportunities*

(Albuquerque, N.M.) – On Thursday, PNM filed a solution with the New Mexico Public Regulation Commission (the Commission) to keep the lights on this summer. In addition, PNM lays out a comprehensive plan to deal with immediate, short-term and long-term challenges and opportunities.

**The energy policy got it right, but the implementation was bumpy**

## Obstacles



The landmark Energy Transition Act (ETA) created by the Governor and the Legislature set New Mexico on a responsible path to transition our energy to cleaner sources and ensure that no one was left behind.

Not surprisingly, there have been bumps in the road because of the perfect storm of regulatory challenges, global supply chain problems, and lengthier periods of unseasonably-hot weather driven by climate change.

**Perfect storm caused delays**

**PNM made plans- not excuses.**

PNM recognized the ultimate authority the Commission has in selecting replacement resources. After the Commission rejected PNM's recommendations for replacing San Juan coal-fired generating station's resources, PNM worked with the developers of these projects to provide as good a plan as possible, even though this portfolio left PNM with a shortage of 120 megawatts (MW) out of the gate.

The assumptions used to develop the Commission's accepted replacement resources proved unworkable because it relies on electric regional market purchases and voluntary customer demand response programs which as PNM pointed out originally were not available.

We continue to watch California struggle with their approach to clean energy transition. PNM continues to learn from their struggles and is prepared to take on our challenges of managing electric resource scarcity in preparation for a long, hot summer intensified by climate change in a manner that provides reliable and low-cost energy.

As has been demonstrated, we know that depending on neighboring states for electricity and relying on customers to curb their electricity usage during the hottest months through voluntary programs will fail to support New Mexicans' energy needs. Add in a global supply chain problem and the threat of rolling blackouts increases this summer.

When all four non-utility developers, chosen by the Commission, for the solar energy centers began defaulting, PNM immediately made a public presentation to the Commission in July of 2021 that these non-utility projects would not be finished in time to meet customer needs for the 2022 summer peak. We also began developing plans to manage an otherwise inevitable energy shortage coinciding with mid-to-late-summer peaks in customer electric demand. PNM analyzed numerous options that could help fill the gap this summer, and spent months securing firm energy supplies from all available peer utilities in advance of customers' hot weather needs.

The comprehensive plan that PNM proposes today includes immediate, short-term and long-term objectives.

## **Immediate: Extend operations of a single unit of San Juan Generating Station until September 30, 2022**

# Balanced Solution



Following months of successful negotiations with the five other San Juan generating station owners and after securing coal from Westmoreland Mining, PNM proposes to shut down Unit 1 on June 30th as initially planned and extend the use of Unit 4 until September 30<sup>th</sup>. This approach allows us to provide our customers with the reliable electricity they depend on all summer long when electricity use peaks.

For this solution to succeed, the Commission needs to act quickly to analyze and issue a decision no later than March 25<sup>th</sup>, 2022, on the extension of Unit 4. This is because Westmoreland must cease mining by the 26<sup>th</sup> if an extension is not approved.

### **Extend usage of 1 unit**

This one-time temporary extension keeps the system reliable and helps control customer costs. Because we negotiated coal fuel prices in advance, we will avoid dependency on the volatile open market where scarce resources can fail to match demand, and can drive prices up for customers. Having predictable fuel costs helps keep our customers' bills affordable.

This solution balances reliability and affordability and ensures that we live up to our environmental commitments. We will close San Juan Generating Station's Unit 1 on June 30th. Unit 4 will remain in service only until September 30th when we pass our peak usage in the summer; and we will still have adequate generation resources to support customers' fall energy demand.

Keeping Unit 4 in service and available if we need it will take us from a **negative 3.4%** reserve margin to a **positive 9.8%** reserve margin. We would have another 2-3% if we need to draw on additional power from Unit 4, to bring us to a total 12.2% positive reserve margin. The historical reserve margin has been 13%.

This solution does not only benefit PNM, it also helps the City of Farmington, and the County of Los Alamos with their power needs for this summer. They both support this solution.

## Benefits of lower Fuel Costs on customer bills

Under this plan, customers would see a reduction on their total PNM bill from lower fuel costs when Unit 1 shuts down in June and again later when Unit 4 shuts down if the extension is granted. The estimated reduction to the average residential bill would be \$3.02 monthly. Customers would see that reduction reflected on their bill starting in January 2023 when the fuel clause automatically adjusts

## Lower Fuel Costs



Reflected in customer bills

## No one left behind

When the visionary Energy Transition Act (ETA) was signed into law in April 2019, it represented a crucial step forward in New Mexico's environmental journey. Furthermore, it also stood out because it provided a financially-backed Just Transition to ease the burden for workers and regions affected by the transition out of coal.

**PNM is making  
\$8.9 Million  
available immediately**



**Coal mine workers  
Job training and severance  
(Westmoreland)**

We are also announcing that today PNM is sending nearly \$9 million to the San Juan region to support local coal mine workers. PNM is voluntarily pre-funding \$8.9 million to provide local coal mine workers in the San Juan region with severance and job training. The New Mexico Energy Transition Act (ETA) allows for a financially-backed just transition for the local community and workers as we exit coal. The landmark ETA recognizes that the energy transition negatively impacts workers and their families in local communities that provide traditional coal resources. The nearly \$9 million from PNM will go toward Westmoreland employees at the San Juan coal mine who have already been laid off or are facing near-term job loss.

"We have been eager to pre-fund this \$8.9 million in severance and job training for Westmoreland's coal mine workers. I am grateful the New Mexico Supreme Court upheld the New Mexico Governor's and Legislature's groundbreaking work on the State's Energy Transition Act. And I appreciate that as we transition to clean carbon-free energy, we are doing it in a way that leaves no one behind," said Pat Vincent-Collawn, PNM President, CEO and Chairman. "It was a top priority for us at PNM to ensure our northern neighbors impacted by our exit from coal had access to Energy Transition Act funding as quickly as possible."

PNM had planned to provide this funding even earlier, but New Energy Economy's legal opposition to the ETA slowed this process. In January, the New Mexico Supreme Court confirmed the constitutionality of the ETA and the New Mexico Public Regulation Commission's order authorizing PNM to provide a just transition and make community funding available.

"Supporting employees and the San Juan community through the transition is the right thing to do. And providing an adequate transition period and funding is critical to the well-being of this hard-working community," stated Tom Fallgren, PNM Vice President of Generation.

We are keeping our commitment to pre-fund coal mine employee severances when we filed to close the coal plant. The San Juan region remains an important part of PNM's history and our company today.

## Short-term: Continue to invest in a modern cybersafe grid

Reliability is at the forefront of our efforts. We must continue to invest in a grid that can generate enough clean energy for the growing energy demand in our state. The time for additional replacement generation and grid security and modernization is now, and updates are needed to mitigate risks of future reliability issues.

## Need more Reserve Margins

Historically, the availability of electric generation resources has swung back and forth like a pendulum. Some years we had excess grid capacity; however, now we are faced with a shortage when regulators prefer only to replace lost generation resources.

Two problems result from this situation.

One is the scarcity of resources in the face of extreme weather from climate change and the inevitable acts of nature or mechanical breakdowns. The second is the handicapping of our state's ability to attract new businesses, if we only get approval to meet today's demands instead of tomorrow's possibilities. In these times, we need a modern grid that can withstand cyber security threats, transmit renewable clean energy, and provide not only a reserve for weather-related peaks but an additional reserve to seize economic development opportunities.

### **Need Utility Expertise in developing new generation resources**

As New Mexico's electric utility for more than a century, we know our customers trust us to deliver reliable and affordable electricity. Every time our customers flip a switch, they benefit from the expertise of PNM Resources' 1,800 employees. From analyzing generation resources to restoring power during storms, our local PNM employees remain committed to serving our families, friends, and neighbors and are excited about our journey towards a cleaner New Mexico.

Our employees are proud to use their expertise, education, and experience to thoughtfully transition New Mexico to a clean energy future. Our technical expertise, while not always adequately considered in the regulatory process, allows PNM to bring value to our customers and communities. As PNM continues to follow our state's energy transition path, we remain confident in the future.

As a public utility, we have an obligation to ensure customers' needs are met. That means utility-owned projects must be on-time. A developer, of a non-utility owned project, may present an on-line time that matches the customer energy needs. However, that developer does not have the same obligation to bring the project on-line timely. The obligation by a developer for missing the timeline would be to pay a late fee, which is not as substantial as the responsibility of the utility's obligation to serve. For a utility owned project, there is no excuse, the utility must get the project completed by the date the customer needs the energy.

This Commission's current strong preference for no utility-owned resources ignores this higher obligation to serve and ignores the century-long experience of the proper balance between third-party developers and utility owned projects.

### **Long Term: Balancing our transition investments into reasonable, affordable rates for customers**

PNM deferred a 2020 proposed rate increase because we knew customers were struggling financially with the effects of the pandemic. That didn't mean we stopped upgrading and improving our system. However, during that time, we continued upgrading and modernizing the grid to the tune of over a billion dollars.

As the company begins to cut costs from more expensive fossil fuel coal plants, we are reinvesting in a cybersafe modern grid.

Our long-term plan is to shift away from coal spending when we permanently close the San Juan coal plant, and instead fund modern infrastructure needed to deliver cleaner energy while minimizing the impact on customers' bills.

# **Reliable Power**



**Dependable,  
modern, and  
cybersafe**



# **Shared Future**

**Working toward a balanced transition.**

PNM expects to file for a fair and reasonable rate increase before the end of 2022. In approximately thirteen months, once new rates are approved, PNM plans to issue low-cost securitization bonds as part of the long-term move away from coal plants that couples with our increased investment in a cybersafe and modern grid. We will need to continue investing in cleaner replacement electric generation resources along with our other infrastructure as we strive towards carbon-free energy for our customers, for our environment, and for our shared future.

#### **About PNM**

*With headquarters in Albuquerque, PNM is the largest electricity provider in New Mexico, serving more than 530,000 customers in dozens of communities across the state. PNM is a subsidiary of PNM Resources, an energy holding company also headquartered in Albuquerque. For more information, visit [PNM.com](http://PNM.com)*