RESOLUTION NO. 2018-1690

CONCERNING SUPPORT FOR RESPONSIBLE & AFFORDABLE ENERGY TRANSITION POLICIES

WHEREAS, PNM has stated on its website and in the public hearing for its 2017 Integrated Resource Plan (IRP) that PNM’s plans to shut-down the two remaining units of the San Juan Generating Station will create a loss of jobs and will increase electric rates paid by its customers; and

WHEREAS, PNM specified in a 2005 letter to the Public Regulation Commission (PRC) that the useable life of SJGS could continue through 2053; and

WHEREAS, in 2015 PNM enlisted the support of the San Juan County region to shut-down two units of SJGS and install state-of-the-art pollution control equipment and other improvements in the remaining 2 units with the understanding that the remaining two units would remain open; and

WHEREAS, in January 2017, however, PNM’s lobbying team informed the San Juan Legislative Delegation that PNM was no longer going to keep the remaining SJGS units open and instead was going to close the units by 2022; and

WHEREAS, because SJGS is the sole customer of the San Juan Mine, a shut-down of SJGS in 2022 leaves the San Juan Mine without a customer, leading to a shut-down of the Mine; and

WHEREAS, due to representations made by PNM that the plant would continue to operate, educational bonds valued at over $40 million were issued twenty years into the future based on property tax revenues generated by SJGS and the San Juan Mine; and

WHEREAS, based on independent third-party review, the closure of SJGS and the Mine is anticipated to result in a loss of over 1500 jobs and $53 million annually in state and local tax revenues; and

WHEREAS, last legislative session PNM introduced SB 49. If enacted, this bill would provide PNM with the opportunity to obtain full cost recovery from ratepayers on the premature closure of these assets, would increase the amount of renewable energy in PNM’s generation portfolio to 50% by 2030 and would limit emissions from future operation of SJGS such that the use of coal would essentially be banned. A new version of this bill will likely be introduced in the upcoming session; and

WHEREAS, during the public hearing on PNM’s IRP, a representative of PNM admitted that even at 50% concentration, renewables can’t meet approximately 70% of customer daily demand. In order to meet demand, PNM will have to build additional natural gas and renewable facilities to replace the electric load currently generated at SJGS by coal resources; and

WHEREAS, during the Interim Committee on Water and Natural Resources in July, 2018, a representative of PNM testified that the cost of solar is $.03/kW, the cost of natural gas is $.09/kW and the cost of coal is $.05/kW. Using this statement, since PNM plans to eliminate the cheaper source of coal, the cost of electricity will necessarily increase; and

WHEREAS, during the public hearing on PNM’s IRP, a representative of PNM admitted that at 50% renewable concentration, in order to keep the transmission grid stable (and in order to avoid blackouts), a significant amount of the renewable energy produced would have to be curtailed – meaning a portion of these resources built and paid for by customers
would not be used. PNM also admitted that electric costs to customers rise due to the curtailment of resources; and

WHEREAS, during the public hearing on PNM’s IRP, a representative of PNM admitted that if SJGS remained open beyond 2022, costs of stranded assets (which customers pay) would decrease and impact to the San Juan County region would be minimized; and

WHEREAS, PNM’s assertion with respect to increased costs are consistent with examples seen in other states. Most notably, California ratepayers have experienced between 60% to 80% rate increases; and

WHEREAS, as recognized by the New Mexico Partnership, New Mexico’s low electric rates gives New Mexico a competitive edge in attracting business to the state; and

WHEREAS, electricity is one of the highest costs of extractive, energy, manufacturing industries and other industries; and

WHEREAS, an increase in electric rates will likely reduce the ability of New Mexico to attract business and could ultimately cause an exodus of business from our state, especially businesses, like extractive, energy, manufacturing and other industries that use large quantities of electricity; and

WHEREAS, revenues generated from taxes imposed on extractive, energy, manufacturing and other industries comprise more than half of the state’s budget; and

WHEREAS, the extractive, energy, manufacturing and other industries contribute hundreds of thousands of permanent high-wage jobs in our state; and

WHEREAS, to-date renewables have not added to state revenues. Instead, renewables have actually cost New Mexico taxpayers $3-5 million annually from the general fund in subsidies. Renewable resources also are not a source of significant permanent jobs; and

WHEREAS, as stated by PNM, since the cost of renewables is $.03/kW they are cost-competitive and there is no need to mandate increases to the renewable portfolio standard; and

WHEREAS, if electric rates increase and businesses are impacted or leave the state, not only will the state’s budget be severely impacted, the portion of gross receipts tax (GRT) revenues received by municipalities will also decrease significantly; and

WHEREAS, the percentage municipalities spend on their own electricity costs, aside from labor, is one of the largest expenses borne by municipalities.

NOW, THEREFORE, BE IT RESOLVED, in order to develop responsible and affordable energy transition policies, any legislative proposal including securitization provisions, legislatively mandated increases to the renewable portfolio standard, or any additional limitations of emissions of coal-fired electric generation plants in San Juan County, or any other provision that effectuates permanent closure by statute of coal-fired electric generation plants in San Juan County shall not be supported until potential impacts of such provisions to state and local government budgets have been thoroughly studied and resolved.

NOW, THEREFORE, BE IT FURTHER RESOLVED, that the Farmington City Council supports efforts of the San Juan delegation in negotiating potential securitization legislation, as may need to be modified during the legislative process, as long as such legislation does not include the three above-stated provisions and includes the following conditions: (1) Closure by PNM of the San Juan Generating Station must include a glide-path for our local community such that closure would not occur until 2027 or later; (2) Securitization occurs such that a transition
funds of $50 million would be made available to the San Juan Region prior to PNM’s abandonment of San Juan Generating Station by January, 2020 – with no limitations (other than what already exists in law) on how the community spends those funds; (3) Any generation resource needed to replace energy production lost as a result of closure of the San Juan Generating Station must be located within the taxable area of Central Consolidated School District in San Juan County. Such generation resources include any and all new sources of energy, or the expanded use of any generation produced out-of-state that is not currently included in PNM’s rate base.

PASSED, SIGNED, APPROVED AND ADOPTED this 27th day of November, 2018.

Nate Duckett, Mayor

SEAL

ATTEST:

Dianne Smylie, City Clerk