

**Meeting with Utilities and Rural Electric Cooperatives
November 13, 2015**

Utilities Represented:

Xcel Energy
PNM
Tri-State
Tucson Electric Power
Farmers' Electric Cooperative
El Paso Electric
Roosevelt County Electric Cooperative
New Mexico Electric Cooperative Association
Springer Electric Cooperative
Lea County Electric Cooperative
Western Farmers Electric Cooperative
Farmington Electric Utility
Interwest Energy Alliance

CPP Team Members:

Rita Bates
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Cindy Hollenberg
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Questions asked by utilities:

1. What is the regulatory process?

NMED develops a plan to meet the requirements before requesting a hearing from the EIB. This needs to happen at least 4 months before a hearing date in the best of circumstances. (The CPP process will likely require more time.) Formal public comment period ensues once public notice has been completed. Anyone may submit a notice of intent to present technical testimony. The hearing allows both technical and non-technical testimony. (No notice of intent is required for non-technical testimony.) The EIB may either make a decision or issue a continuance. Once a plan is approved, NMED submits the approved plan to EPA.

2. Will there be a meeting in Gallup (since there is a vulnerable population there)?

It may be a good idea.

3. What authority does the (EIB) Board have? Can the Board mess around with it?

The EIB may approve or disapprove of NMED's proposed plan. If the Board tries to mess around with it, NMED may withdraw the request or strongly advise the Board not to do it as it may make the plan disapprovable.

4. Will there be an informational briefing for the EIB and the PRC before entering into the hearing phase of the process?

Likely.

5. Why is the City of Albuquerque included?

The Air Quality Control Act considers Albuquerque/Bernalillo County as a separate entity. Albuquerque has one affected facility for which they are the permitting authority. EPA wants one set of rules for the State and Albuquerque EHD.

6. Is New Mexico leaning toward mass or rate?

We are not sure. What do stakeholders feel? (answered later)

7. Will the CPP affect Title V renewals?

We will have to look into this. We're not sure right now.

8. What is New Mexico's timing?

At the latest, we need a final proposed plan by May 2018 in order to go through the approval process, but this is cutting it close. We may want to have it done by December 2017.

9. Will New Mexico coordinate with other states (and tribes)?

We can work in some way with (almost) any other state in the nation, since we all share transmission lines. Most states are in the same position we are, however, in that they haven't decided on a plan approach yet; they are still in their stakeholder processes. We need to know what makes sense for New Mexico and why. (The "why" is very important.)

10. Will New Mexico coordinate with Texas (who may not submit a plan at all)?

We haven't reached out specifically but participate with regional and national organizations that TX also participates in: ECOS, CNEE, WIEB, NACAA and others. TX has a lot of renewable energy but much goes to other states.

11. How will New Mexico handle the issues that may arise from being in 2 interconnections?

We have to be concerned about reliability. We also understand that there are 2 markets, but the Clean Power Plan is not about electricity markets. It's about individual electric generators.

Round Robin – Ideas and Concerns

1. Tucson Electric Power

TEP has 3 jurisdictions: AZ, NM & Navajo Nation (NN). They hope for consistency among jurisdictions. The ability to trade across jurisdictions is key. They own 340 MW at San Juan and 200 MW at Luna. If mass-based is chosen by the State, they would request allowances at least

through the life of the facility. Regarding the NN, it would be tough for the tribe to do anything but mass-based due to how retirements are handled under rate-based plans. AZ DEQ is working to try to eliminate some options before a large modeling effort is begun.

2. PNM

The retirements at San Juan are a huge step for the State toward compliance. NM needs to give PNM credit in an allowance allocation, preferably in perpetuity for the shutdown units. They are doing preliminary modeling to narrow the focus. This will eventually be shared with others. The CEIP takes a bite out of future allowances, but they realize there may be some set-asides for CEIP, RE, and gas shifting. They will continue to comply with the Renewable Portfolio Standards (RPS), and the Energy Efficiency Resource Standards (EERS). Will NM use any part of the Federal Plan? PNM plans to file comments and can provide NM with analysis for support of NMED comments. A mass system would work better, but need to work out the details (i.e., how allowances would be allocated or auctioned).

3. Tri-State

We own a small portion of San Juan unit 3 – scheduled to retire in 2017. NM needs to respect the remaining useful life and avoid stranding assets. Affordability and reliability are key. Customers shouldn't pay twice. The company is not committed to either rate or mass at this point. If mass-based approach is chosen, retired units should get allowances in perpetuity. We support NMED taking time and requesting an extension. Continuing outreach is very important, as is modeling. For modeling, make it transparent and take into account economic impacts. The CEIP has potential promise, but it's currently too ill-defined. They don't know yet whether it will be useful to NM.

4. El Paso Electric

EPE represents 3% of NM emissions. They are proud of their low carbon footprint. Their territory is at the eastern end of WECC. EPE prioritizes reliability. There are good reasons why their units are not at optimum heat rate, but this may need to change. Rio Grande unit 6 was put on active reserve but may be retired within 2 years. Unit 7 will be retired in 2020 and unit 8 in 2027. Rio Grande unit 9 is new, but simple cycle, so it is not affected and should not be pulled in to the CPP. In the most recent IRP, EPE has 100 MW of wind and 60 MW of solar. It also calls for 2 new NGCC in 2022 and 2024, but decisions have not yet been made on where to site it. Would it benefit New Mexico? They are comfortable with the mass-based approach, but not set on it. Load demand for EPE is all over the place, and don't believe that their older units could meet the rate based limits. They are not sure about trading and how all of that would work, and are not in favor of auctioning allowances. They want to keep allocations to retired units as long as possible.

5. Xcel Energy

They operate in 8 states and have no coal in NM. They agree with EPE on most points, including favoring a mass-based approach. They are interested in trading. Their renewable energy in NM serves both NM and TX. They are concerned about the possibility of TX not filing a plan. In CO, the AG is suing and the governor is supportive, a strange scenario.

6. Western Farmers Electric Cooperative

They are slowly leaning towards mass-based approaches. Most of their obligation is in OK, but NM obligation is growing (referring to load). Everything comes down to allocations. How will load growth be handled? They have RE and 1 affected unit (not identified). Growth will require new generation. All load is in the Southwest Power Pool (SPP). How will the CPP function in that market? They have concerns about the treatment of existing renewables as well as new. OK is softening, and will likely develop at least an initial submittal. They are starting to see that the parallel path is smarter.

(NMED question to WFEC: How do we “consider” SPP issues?)

WFEC advisory committee includes Commissioner Lance so he is able to provide input. Trading makes sense, if we go mass-based.

Does load have anything to do with CPP? What about new NGCC? The east side of NM is switching to NM generation. This is in the oil & gas-producing part of the state. The New Source Complement may not account enough for growth. It's unclear whether EPA will be a proponent of natural gas. PNM modeling shows that load can be met with renewables, but they have to have spinning reserve (online generation that can be ramped up quickly to meet load). They're currently testing the feasibility of storage, but most people underestimate the intermittency of solar.

7. Interwest Energy Alliance

They are currently working with utilities to test storage options. EMNRD has a work group specifically on storage. Can the State incentivize storage? They currently have conservation programs for both residential and commercial sectors, lighting project programs and geothermal HVAC programs. They are willing to help out with other issues, as well. Electrification of the transportation sector would help ozone issues as well.

They echo the comments regarding consistency and ability to trade across state lines, and have no official stance on mass vs rate. They like the idea of the CEIP, but the design is problematic as it creates an artificial incentive to wait. If the state chooses mass-based, it needs to have a predictable, transparent process for allocations. One issue is that energy contractors typically buy/sell “all environmental attributes” so this may also include ERCs. OK is holding stakeholder meetings but not yet public meetings.

NMED comment: EPA needs to put all flexibility claims in writing.

8. Farmington Electric Utility

We are leaning mass-based and want to collaborate with the State. Leakage is confusing.

General Discussion

Is NM anticipating new legislation?

Our statutes already allow agreements between states. We already have an SO2 trading program, although it is a backstop.)

Does NM have the authority outside of the model rules (referring to stringency)? What about the New Source Complement?

The New Source Complement may cause stringency issues; we need to look into it. Would the model rules set the baseline for stringency? The CPP is not under 110. Does stringency even apply?

What about modeling?

Energy Strategies model (Excel-based) includes NM as one of 5 states, but it does not look at economics. NMED needs help from utilities on costs & reliability.

EPRI has a very good model, but it is expensive. It can focus on a utility by itself or on states. AZ is employing Pace Global to see how the state fares under rate and mass-based approaches. They have funding through their utilities. Their initial results will be available in early December. It is currently at the state level, but will eventually look at the utility level.

Is there going to be an uprate at Palo Verde?

We think 10 MW in 2021.

Is there a way to credit existing renewables or nuclear under a mass-based program?

(no real answer)

Under the CEIP, what is "low income?"

AZ is defining it for EPA. PNM already has examples in the NM EERS. The EPA call wasn't clear.

NMED: A lot of NN is off-grid and burning coal. Is there a way to demonstrate load growth beyond what EPA used to determine a new cap?

Do we need changes to the permitting rules?

Maybe, but we're not far enough down the road to determine that.

NMRECA: Will there be an external working group?

NMED would rather have informal meetings and conversations.

NMRECA: We will need to have input into new rules and the NM plan. Does NMED have the authority? Will we join in litigation? NM needs a workable plan. We need to include a safety valve for reliability

What is the process over the next 8 months? What hurdles are there?

NMED: We're starting with stakeholder meetings & conversations, followed by public meetings. We plan to come together after collecting comments and come up with a draft. We'll then have another round of comments. We need to have modeling which includes economic growth.

Tri-State: Allowance allocations are not sufficient for NM. They shouldn't be allocated in perpetuity. CO is currently in about the same place as NM.

PNM: We shouldn't have to carry the "whole tab" (for modeling). AZ "charges" pro-rata on generation.

NMED: We might be able to chip in by using some fee money we collect.

PNM: Could NM endorse the modeling or take the lead? It may be more acceptable to some if it's done that way.

Will NMED be asking for more money in the next legislative session? (Rita will check.)

Both WECC and SPP do modeling. There is a technical presentation available. (Maude will send information.)

Will we allow international trading? Mexico wants to build a lot of solar and may be interested. (NMED: Not sure how that would work.)