



SUSANA MARTINEZ, GOVERNOR

David Martin, *Cabinet Secretary*

Butch Tongate, *Deputy Secretary*

NEWS RELEASE

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Contact: Jim Winchester
Communications Director
New Mexico Environment Department
(505)231-8800 / jim.winchester@state.nm.us

Governor Martinez Brokers Settlement Agreement With PNM & EPA Over Regional Haze

*Two Major Coal Burning Units To Be Retired Without
Major Economic & Energy Losses For Four Corners Region*

(Santa Fe, NM) – Governor Susana Martinez announced today a tentative settlement between the state, PNM and the Environmental Protection Agency (EPA) over the regional haze dispute in the Four Corners area.

“All along, our goal has been to strike the right balance between the environmental and economic impacts of energy production in the Four Corners,” said Governor Susana Martinez. “We worked hard to craft a reasonable solution that would improve air quality, conserve New Mexico’s precious water resources, avoid an extremely burdensome rate hike on consumers, protect jobs in northwestern New Mexico, transition away from coal and toward New Mexico natural gas, and position the state to take full advantage of exciting new economic development opportunities in the Mancos Shale. This compromise is a reasonable step forward to achieving all of those goals.”

Governor Martinez led New Mexico’s efforts to block a burdensome federal rule that would have dramatically raised utility rates for New Mexico families. The EPA issued a regional haze rule on August 22, 2011, citing the Richardson Administration’s failure to submit a regional haze plan on behalf of the State of New Mexico by December 17, 2007, as the basis for its action. EPA’s rule would have required PNM to spend more than \$850 million in pollution control technology for the San Juan Generating Station (SJGS).

“Governor Martinez tasked the New Mexico Environment Department to bring all interested parties to the negotiating table and identify an alternative that is in the environmental and economic best interests of the citizens of New Mexico, the Navajo Nation, and other key stakeholders,” said New Mexico Environment Department Secretary F. David Martin. “After

months of public hearings and negotiations led by General Counsel Ryan Flynn, we were able to find common ground with PNM and EPA. Through this deal, we will significantly improve visibility in the Four Corners area; drastically reduce emissions of carbon, sulfur dioxide, mercury and particulates; cut water consumption in half; and, spare ratepayers a major increase in their energy bills.”

As a result of the new agreement:

- EPA requires PNM to retire units 2 and 3 of the SJGS by December 31, 2017;
- EPA requires PNM to install selective non-catalytic reduction (SNCR) emission control technology on units 1 and 4, and PNM continues operating these units without setting a retirement date;
- New Mexico agrees to submit a revised state implementation plan, including a Best Achievable Retrofit Technology (“BART”) determination for nitrogen oxides (“NOx”) for the SJGS, to EPA for approval after obtaining the necessary administrative approvals.

The state and PNM enter a separate agreement to address the economic impacts caused by the two unit retirement with the following general terms:

- PNM agrees to no layoffs as a result of the unit closures;
- PNM agrees to facilitate the creation of approximately 350 person years of construction jobs;
- PNM agrees to build a 150 to 200 MW peaking unit at San Juan along with a natural gas pipeline; and,
- PNM will provide over a million dollars for job re-training and economic development in the Four Corners area.

PNM praised Governor Martinez and the New Mexico Environment Department for taking the lead on negotiating the alternative proposal.

“We appreciate the leadership Gov. Susana Martinez has provided on this important issue, and her encouragement and support of the exploration of alternatives to provide broader benefits for consumers and for the environment,” said Pat Vincent-Collawn, PNM chairman, president and CEO. “With the Governor’s framework, the New Mexico Environment Department and the U.S. Environmental Protection Agency demonstrated cooperation and leadership throughout the process of exploring a new alternative.”

Navajo Nation President Ben Shelly has also pledged his support of the agreement.

“I support the most recent terms that the State of New Mexico has agreed to work on with EPA to address Best Achievable Retrofit Technology (BART) for the San Juan Generating Station. I have continued to support the multi-faceted efforts of New Mexico to acquire the most effective agreement with the EPA for meeting BART,” said Navajo Nation President Ben Shelly.

New Mexico Senator Tom Udall and other members of the New Mexico Congressional delegation have voiced support of the alternative plan moving forward.

In anticipation of questions on this agreement, the State of New Mexico, PNM and the EPA have scheduled a 3:30 PM joint conference call to take further questions from the media:

Toll-Free Dial-In Number: (877) 377-7098

San Juan Update

Conference ID: 12137501

Date of Call: 02/15/2013

Time of Call: 3:30 Mountain Time

(17:30 Eastern Time)

Expected Duration: 60 minutes

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