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Environment Department Agrees PNM Needs More Time

PNM's Claims Regarding Effects of Regional Haze Rule and Ratepayer Costs Questionable

(Santa Fe, N.M.) The state Environment Department does not object to Public Service Co. of New Mexico's recent request for more time to explain how it proposes to meet federal requirements to achieve air pollution reductions at the company's San Juan Generating Station. PNM – in a press release and legal filing this week – claimed that a rule proposed by the department to reduce nitrogen oxides emissions from the state's largest polluter will cost up to \$1 billion dollars and that it needs more time to review the state's proposal.

However, PNM's public comments to date leave questions regarding:

- The costs that PNM expects to pass on to rate payers;
- The basis for PNM's cost estimates being significantly higher than costs at similar power plants around the country;
- PNM's failure to define its preferred technologies to reduce pollution and meet federal air quality standards;
- The need for state action on federal Clean Air Act requirements regarding regional haze this year;
- PNM's lack of planning for costs associated with federally mandated air pollution reductions.

In contrast to PNM's public statements, the company told the department this month that the capital cost of the controls would be approximately \$703 million, \$330 million of which would be PNM's cost.

“We are disappointed in PNM's shortsightedness in failing to plan to reduce its emissions in accordance with longstanding federal requirements,” said New Mexico Environment Department Secretary Ron Curry. “Now because PNM neglected to plan for a rule that will protect air quality, the company threatens that its customers will have to pay for it.”

The department petitioned the Environmental Improvement Board in June 2010 to conduct a public hearing on the proposed state plan in October 2010. Among other things, the plan would require San Juan Generating Station to reduce its NOx emissions, which contribute to regional haze and ozone formation in the Four Corners region.

Congress set a national policy to clean up the air in national parks and wilderness areas in the 1977 Clean Air Act which was modified in 1990 to include more specific requirements. The Act specifically requires some of the oldest and dirtiest pollution sources, such as the San Juan Generating Station, to be retrofitted to reduce pollution.

Not only is the department's proposal based on information provided by PNM, the original federal requirement that the State begin reducing what are known as "regional haze" pollutants went into place in 1999 and the department and PNM have discussed the rule requirements for several years. PNM's recent upgrades fail to achieve the EPA regional haze guideline for nitrogen oxide emissions by a large margin.

PNM's claims of huge rate increases for residential customers are premature; PNM must first seek permission from the Public Regulatory Commission to impose costs of compliance with the regional haze rule on rate payers. PNM appears to propose putting the highest burden for any costs associated with the rule onto residential rate payers rather than spreading the costs across rate classes.

The department's decision to implement Selective Catalytic Reduction at the plant is in keeping with trends toward this technology across the country. Other Western and Midwestern states including Oregon, South Dakota, Wyoming, Kansas, Colorado and Minnesota have required or are considering SCR as the favored retrofit technology to reduce air pollution in parks and wilderness areas.

PNM incorrectly concludes that the control technology proposed by the Department would not have a "significant impact on improving visibility" in national parks and wilderness areas despite PNM's own modeling which indicates that visibility in eight regional parks and wilderness areas would improve dramatically enough that it would be perceptible to the human eye.

There are significant environmental and public health benefits to SCR. The technology will result in approximately a 77 percent reduction in NOx pollution from the San Juan Generating Station and substantial improvement in air quality in all nearby parks and wilderness areas including Grand Canyon, Mesa Verde, Canyonlands, Bandelier, Wheeler Peak and others.

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