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NEWS RELEASE

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New Mexico Environmental Improvement Board Approves Regional Haze Settlement Agreement Between State, PNM & EPA

Board Votes To Retire Two Major Coal Burning Units At San Juan Generating Station

(Farmington, NM) – The Environmental Improvement Board (EIB) voted 6-0 today to approve a settlement agreement between the state, PNM and the Environmental Protection Agency (EPA) over the regional haze dispute in the Four Corners area.

“I am pleased the Board concurs that this settlement agreement is the best solution to balance 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.”

As a result of the EIB-approved 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.

“I applaud the EIB for recognizing the effort that Governor Martinez, PNM & EPA put into this extensive settlement agreement,” said Ryan Flynn of the New Mexico Environment Department. “This is a signal that all parties are ready to move forward to 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.”

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).

PNM, EPA, the Navajo Nation have all praised Governor Martinez and the New Mexico Environment Department for taking the lead on negotiating the settlement agreement. New Mexico Senator Tom Udall and other members of the New Mexico Congressional delegation have previously voiced support of the settlement agreement.

The settlement agreement must now be approved by the EPA and the New Mexico Public Regulation Commission.

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