

GUEST EDITORIAL:

State Plan for San Juan Plant a Wise Investment in State's Energy Future

From the *Albuquerque Journal*, May 29, 2011

By Pat Themig, PNM vice president of generation

In the next several days, PNM will energize the Los Lunas Solar Energy Center, the second of five large-scale solar projects we will build to serve customers this year. But even as we grow our investment in renewable energy, plants that run on fossil fuels remain critical to providing affordable, reliable electricity.

The coal-fired San Juan Generating Station, near Farmington, N.M., provides more than half of the electricity generated for PNM customers. Contrary to some assertions, the per unit cost of producing energy at San Juan is significantly less than any other source that could be built today to serve customers 24 hours a day.

As the operator and part owner of San Juan, PNM's challenge is to reduce the plant's impact on the environment while keeping its electricity affordable for the 2 million customers it serves.

In 2005, we joined state officials, the Sierra Club and the Grand Canyon Trust to announce a landmark environmental project at San Juan. Six years and \$320 million later, the results are clear: dramatic reductions in four primary emissions, ranging between 44 percent and 72 percent.

Because of that environmental upgrade, San Juan today is an industry leader in mercury emissions control, with a mercury removal rate of 99 percent. In fact, San Juan is in a position to meet new, proposed federal limits on mercury emissions.

This week, the public will have a chance to weigh in on another proposal that would result in further emission reductions – but do so in a way that minimizes added, new costs for customers.

The New Mexico Environment Department has proposed that San Juan install selective non-catalytic reduction, an emissions control technology, to meet federal requirements for haze reduction in national parks and wilderness areas. This is a reasonable, thoughtful proposal that strikes an appropriate balance between reducing air emissions and protecting customers from undue costs.

The technology would reduce the plant's permitted nitrogen oxide (NOx) emissions by 23 percent, or 4,900 tons per year. Combined with reductions gained from the recent environmental upgrade, this would represent an annual NOx reduction of 51 percent, or nearly 20,000 tons per year, from 2005 levels. Permit levels for sulfur dioxide also would be reduced. This technology would cost \$76.5 million. PNM's portion of the project would increase customer rates by a modest 1.4 percent, or about \$11 more per year for the average residential customer.

If approved by the New Mexico Environmental Improvement Board after a public hearing that begins June 1, the plan would be presented to the U.S. Environmental Protection Agency as an alternative to the federal agency's own pending plan for San Juan.

Like the state plan, the federal plan also would reduce emissions – but the price tag of its recommended technology, selective catalytic reduction, is staggering. We estimate the cost at \$750 million to \$1 billion, or at least 10 times higher than the state proposal. PNM’s portion of this total would raise electric prices by 11.3 percent, or about \$85 more per year for the average residential customer.

And for what improvement in visibility? The latest modeling by a well-respected engineering firm concludes the EPA-favored technology would only provide a small, perceptible improvement in visibility in one of 16 parks and wilderness areas.

The federal *Clean Air Act* allows states to take a lead role in haze reduction, and the state of New Mexico should be commended for stepping forward with a plan that properly weighs cost effectiveness as part of the cost-benefit analysis of the various retrofit technologies available for San Juan.

As recent history shows, PNM is committed to reducing its impact on the environment. Investments in new, clean energy resources are one part of the solution; prudent, strategic investments in existing resources are the other part.

We urge the public to support the state’s technology plan for San Juan as a wise investment in the state’s energy future.

Themig is vice president of generation for PNM.