

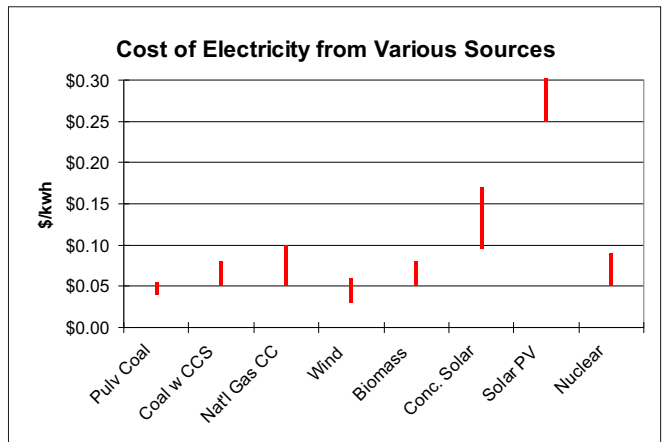
PRC Issue Update - Climate Change

Background:

The overwhelming consensus of scientists who study climate is that human activities are having an increasingly adverse impact on global climate patterns. Emissions of carbon dioxide and other greenhouse gases prevent a portion of the sun's heat from reflecting off the Earth and radiating back into space. Scientific data shows that because of greenhouse gas (GHG) emissions, our planet's overall average temperatures is increasing, and weather patterns are changing. The long-term economic impacts may be most severe for coastal cities facing flooding as ice-pack melts and sea levels rise, but regions like ours will also suffer from the loss of agricultural and outdoor recreation industries and through a diminution in our quality of life:

*"The western United States, in particular the southwestern United States from Southern California to Texas, will probably be one of the hardest-hit and soonest-hit parts of the United States"*¹

In order to avoid the most devastating effects of climate change, we have to immediately begin reducing the carbon dioxide emissions that come from burning fossil fuels in our transportation, manufacturing, and electricity production sectors. In the U.S., 39 % of carbon dioxide emissions come from the production of electricity, almost all of which comes from coal-fired power plants.² Coal is the cheapest fuel for electricity generation, but it emits twice as much CO₂ per kilowatt-hour of electricity as natural gas, the other major fossil-fuel used to generate electricity. Natural gas supplies are already tight in North America, making it impossible to simply shift over from coal to gas. The most promising medium and long-term technical solutions are advanced coal technology, with carbon capture and sequestration, and renewables such as solar, wind, and biomass. Renewables have zero GHG emissions, but solutions to cost and dispatch-ability issues still need to be proven in larger scale deployments.



1. Jonathan Overpeck, Univ. of Arizona Scientist and a lead author of the Intergovernmental Panel on Climate Change report, as quoted in the Albuquerque Journal, February 3, 2007. 2. U.S. Energy Information Agency, 2005.

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PRC Policy Initiatives:

The PRC is actively involved in developing solutions to the looming crises of climate change by promoting renewable energy and energy efficiency, and by requiring utilities to plan for a "carbon-constrained world."

Renewable Energy: The PRC administers the New Mexico Renewable Portfolio Standard (RPS) for electric generation and sales. As of 2007, 6% of all electricity sold by investor-owned utilities must come from renewable sources, increasing to 10% in 2011. Right now, the RPS is being met almost entirely by wind, which has proven cost-effective but is limited by being intermittent. The PRC reviews each utility's annual renewable procurement plan, and has been pushing the companies to diversify into large scale biomass and solar generation. When PNM reported that none of the biomass or solar proposals it solicited in its 2006 plan were "acceptable," Commissioner Marks held hearings that resulted in the company entering into further discussions with top bidders and ultimately a contract for a 30 MW biomass plan in Torrance County. Commissioner Marks sponsored an amendment to Southwest Public Service's 2007 renewable plan to say that the company cannot meet its diversification requirements without considering solar.

Commissioners Marks and Lujan have been actively involved in developing legislation to aggressively extend the RPS to force continued development of renewable technology over the next decade, and separate legislation to provide appropriate incentives for the deployment of coal with carbon sequestration.

Net-Metering: Commissioners Marks and Lujan organized rule making procedure that increased New Mexico's net-metering limit for customer owned renewable generation from 10 kilowatts to 82 megawatts (the highest in the nation). Commissioner Marks sponsored an amendment to PNM's small PV program that locked-in price certainty for program participants. The PRC also recently approved removing the annual cap on participation.

Energy Efficiency: The 2005 legislature passed a bill requiring electric and gas utilities to create demand-side management programs, funded in rates. Efficiency programs are the most cost-effective means of reducing GHG emissions. The PRC recently issued rules for utility-based electric and gas energy efficiency programs.

Carbon Pricing Docket: At Commissioner Marks' request, the PRC opened a docket to set prices for carbon dioxide emissions that utilities will be required to use in their long-range resource planning.