



THE ENERGY TRANSITION ACT (SB489)

The Energy Transition Act will reduce electricity costs; help San Juan workers; diversify and strengthen our economy; protect our air, land, water and public health; and allow New Mexico to begin doing its part to address climate change.

The *Energy Transition Act* (ETA, SB489) is sponsored by Senators Jacob Candelaria and Mimi Stewart and Representative Nathan Small. It would put in place the forward-looking energy policies Governor Michelle Lujan Grisham pledged during her campaign. A year in the making with countless stakeholder and community meetings, the ETA is a bold and comprehensive bill that moves our public utilities and rural electric cooperatives away from coal and towards renewable and zero-carbon resources. Among the significant benefits of the ETA are:

1. New Mexico's electricity will be 50% renewable by 2030, with a goal of 80% by 2040. To combat climate change, our electricity will be 100% carbon-free by 2045. Current law requires renewable energy to supply 20% of New Mexico's electricity by 2020. Because of loopholes, price caps and exemptions, the actual renewable energy serving New Mexicans is much less – as low as 3% in some cases. The ETA would increase the requirement to 50% by 2030 and apply it to all utilities and cooperatives in the State – without exemptions and loopholes. In addition, the bill sets a goal of 80% for 2040, and requires 100% zero-carbon energy by 2045 for investor-owned utilities. These standards will be among the strongest in the country, making New Mexico a leader in addressing climate change.

2. New Mexico's economy will be bolstered by a large renewable energy build-out, with a local workforce trained to supply the needed labor. In addition to the air, land, water, and public health benefits for New Mexicans from new renewable energy standards, there are substantial economic benefits. Renewable energy is among the least expensive sources of energy, and New Mexico contains premier sites for its development. By moving utilities away from fossil fuels and requiring a robust renewable energy build-out, those low costs will be available to all of residents. In addition, the bill provides training for New Mexico workers so that the construction and development jobs of this renewable energy build-out are sustainable.

3. The ETA protects consumers and reduces electricity costs as New Mexico moves away from coal. New Mexico utilities have long relied on coal-fired generation to produce electricity. But with the declining price for renewables and the aging coal infrastructure, New Mexico can now transition away from coal. Some utilities, such as PNM, have substantial coal plant costs approved for recovery but still on their books. The bill uses a tool not currently available to the PRC to better protect customers, while requiring the utility to have shared responsibility: a low-cost financing to pay off coal plant costs and close the facilities, often referred to as "securitization." Securitization is a tool used in many states to advance coal-plant retirements and renewable development, and assist workers in affected areas. Securitization is like refinancing a mortgage at a lower rate. The lower interest, AAA-rated bonds will reduce the overall cost of closing coal plants by as much as 40%--in large part because the utility no longer earns a return on the now-paid-off plant balance. For PNM, while securitization allows the company to avoid a potential write-off, the Company also loses about \$16 million per year in current earnings once completed. Because the ETA would have market forces determine ownership of replacement resources, PNM has no assurance that it can restore those lost earnings. In many states, utilities have opposed securitization because of the lost earnings and uncertain ownership opportunities. For New Mexico, securitization is a fair way for utility customers and shareholders to move away from coal. The ETA shares the financial responsibility for closing San Juan Generating Station between utility shareholders and customers.

4. New Mexico communities impacted by coal plant closures will receive \$ millions in economic relief. The low-interest bonds of the ETA will also be used to finance crucial economic relief for communities impacted by coal plant closures. In the case of PNM's San Juan Generating Station, securitization will provide over \$40 million to assist plant employees, mineworkers and others with severance pay and job training. In addition, with public input from community stakeholders, the fund will assist the Four Corners' economy to transition away from its dependence on fossil fuel extraction. Finally, the bill directs hundreds of millions of dollars of replacement power, including renewables, to be developed in San Juan County, where infrastructure already exists. The development will restore the tax base for the community and its schools after SJGS closes, and will provide substantial economic activity for many years to come.