



PNM Appeals EPA Decision on San Juan Power Plant to Federal Court, Asks EPA for Stay While Matter is Decided

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Aggressive EPA Timeline Requires Plant Owners to Begin Investing Potentially Hundreds of Millions of Dollars During Appeal

(ALBUQUERQUE, N.M.) – PNM today appealed a recent mandate by the U.S. Environmental Protection Agency requiring the company's coal-fired San Juan Generating Station -- a major source of reliable, affordable power for 2 million electric customers in the U.S. Southwest – to be outfitted with unnecessarily expensive equipment within five years.

The EPA action addresses aesthetic provisions of the federal *Clean Air Act*, targeting haze visible to the human eye from certain federal parks and wilderness areas. Those provisions are not intended to address any of the act's public health objectives.

"I personally am committed to continuing to improve the plant's performance and reducing its impact on the environment," said Pat Vincent-Collawn, president and CEO of PNM parent company PNM Resources (NYSE: PNM). "We are willing to continue to make prudent investments that keep the plant reliable, safe and compliant with environmental laws. But with 25 percent of New Mexico children living in poverty, New Mexico electric customers cannot afford unnecessary costs associated with a new mandate."

PNM today also asked EPA Administrator Lisa Jackson for a stay, or hold, on its decision while the matter is decided in court. PNM believes the appeal could last up to two years. PNM's letter to Jackson is available online at <http://tiny.cc/hn2pe>.

"EPA's aggressive, five-year compliance timeframe means that without a stay, we will be forced to begin spending enormous sums of money without knowing if EPA's decision will stand. This places PNM and its customers in a difficult financial position," said Pat Themig, PNM vice president of generation.

EPA in August announced it will require the San Juan plant to install selective catalytic reduction on all four of the plant's units in order to address haze. Outside experts have confirmed the cost of the EPA mandate at \$741 million or more as of July. PNM officials expect that figure to increase as the company receives more detailed cost information from its engineering firm and project bids are received. PNM's share of this expense, about \$344.9 million, would represent a considerable increase to customer bills.

According to initial PNM estimates, if the appeal process were to last a year, plant owners would spend an estimated \$43.6 million on early design and construction during that time. If two years passed before the court's decision on the appeal, plant owners would spend about \$246.1 million toward the total project cost. These expenditures would be made without knowing if EPA's decision will stand or be overturned. If it were overturned, PNM and its customers would have no way to seek recovery from EPA of the wasted costs.

"With the stakes for us and our customers so high, we believe a request for stay is a reasonable request to make," Vincent-Collawn said.

PNM Urges EPA to Consider Less Expensive New Mexico Plan

The federal *Clean Air Act* requires EPA to consider a state plan approved by the N.M. Environmental Improvement Board in June. That plan would require a different and far less costly technology, selective non-catalytic reduction, that would produce virtually similar results as the EPA-required technology in terms of visibility improvement perceptible to the human eye. PNM estimates the state-approved technology would cost \$77 million, or about one-tenth of the EPA mandate.

"We continue to urge EPA to consider the reasonable, thoughtful plan recently adopted by the state. It would meet the federal law's visibility standards at a far lower cost to customers," Themig said.

Today's appeal was filed in the U.S. Court of Appeals for the 10th Circuit in Denver.

PNM is one of nine owners of the San Juan plant, which is located near Farmington, N.M.; additional owners serving New Mexico include the City of Farmington, N.M., Los Alamos County, N.M., and Tri-State Generation and Transmission. The plant also has owners serving customers in Arizona, Utah and California.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

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With headquarters in Albuquerque, PNM is the largest electricity provider in New Mexico, serving 500,000 customers in dozens of communities across the state. PNM is a subsidiary of PNM Resources, an energy holding company also headquartered in Albuquerque. For more information, visit PNM.com.