New Mexico's Energy Transition Act

Update on Implementation of New Mexico's Landmark ETA

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NEW MEXICO
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Energy, Minerals and Natural Resources Department

2019 Energy Transition Act

- Securitization
- Replacement power
- Renewable energy and zero-carbon standards
- Apprenticeships
- Community assistance funding from bond proceeds
- Public Regulation Commission is venue for considering many next steps like coal plant abandonment, securitization, replacement power

Energy Transition Act – Portfolio Standards

- **40% renewable energy by 2025**
- **50% renewable energy by 2030**
- **Public Regulation Commission oversees compliance**

FOR UTILITIES:

- 80% renewable energy by 2040
- 100% zero carbon resources by 2045 as long as safety, reliability and impacts to customer bills are considered.
- PNM has stated publicly that it will meet the zero-carbon requirement by 2040.

FOR RURAL ELECTRIC COOPERATIVES:

- 100% zero-carbon resources by 2050
- Resources composed of at least 80% renewable energy, as long as it is technically feasible, the system is reliable, and is not unaffordable.
- Tri-State's *Responsible Energy Plan* eliminates coal emissions in NM & CO and transitions to renewables

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Implementing the ETA

PRC: On July 29, 2020 the PRC unanimously approved a plan that would replace the electricity that Public Service Company of New Mexico currently receives from the San Juan Generating Station with 100% renewable energy.

Community benefits funding: Indian Affairs, Economic Development, and Workforce Solutions Departments

- One community meeting was held. Another was scheduled for April 2020 but postponed due to pandemic.
- COVID relief is a priority, Navajo Nation government has been closed except for essential services, and in-person community meetings have not been prudent.
- A Request For Information (RFI) is the likely next step to gather ideas on economic development.

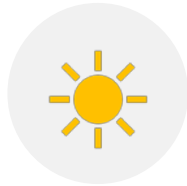
Implementing the ETA – New Utility Commitments

The La Joya New Mexico wind turbine facility in Torrance County, with a capacity of 306 MW, comes online in late 2020. La Joya's power has been bought by PNM, which should help bring PNM closer to its ETA goals.

166 MW of the La Joya electricity will go to Facebook's data center in Los Lunas, while an additional 140 MW will increase the percentage of renewables on PNM's grid, allowing PNM to derive at least 20% of its generation from renewables this year.

The Public Regulation Commission approved construction of two new solar projects, including one with battery storage, to provide El Paso Electric Company with another 250 MW of renewable electricity, bringing it closer to ETA goals.

The new solar projects will come online in 2022.



Kit Carson Electric Cooperative in Taos brought a new 3 MW solar array online on May 14, providing enough electricity to power between 1,500 and 1,600 households.

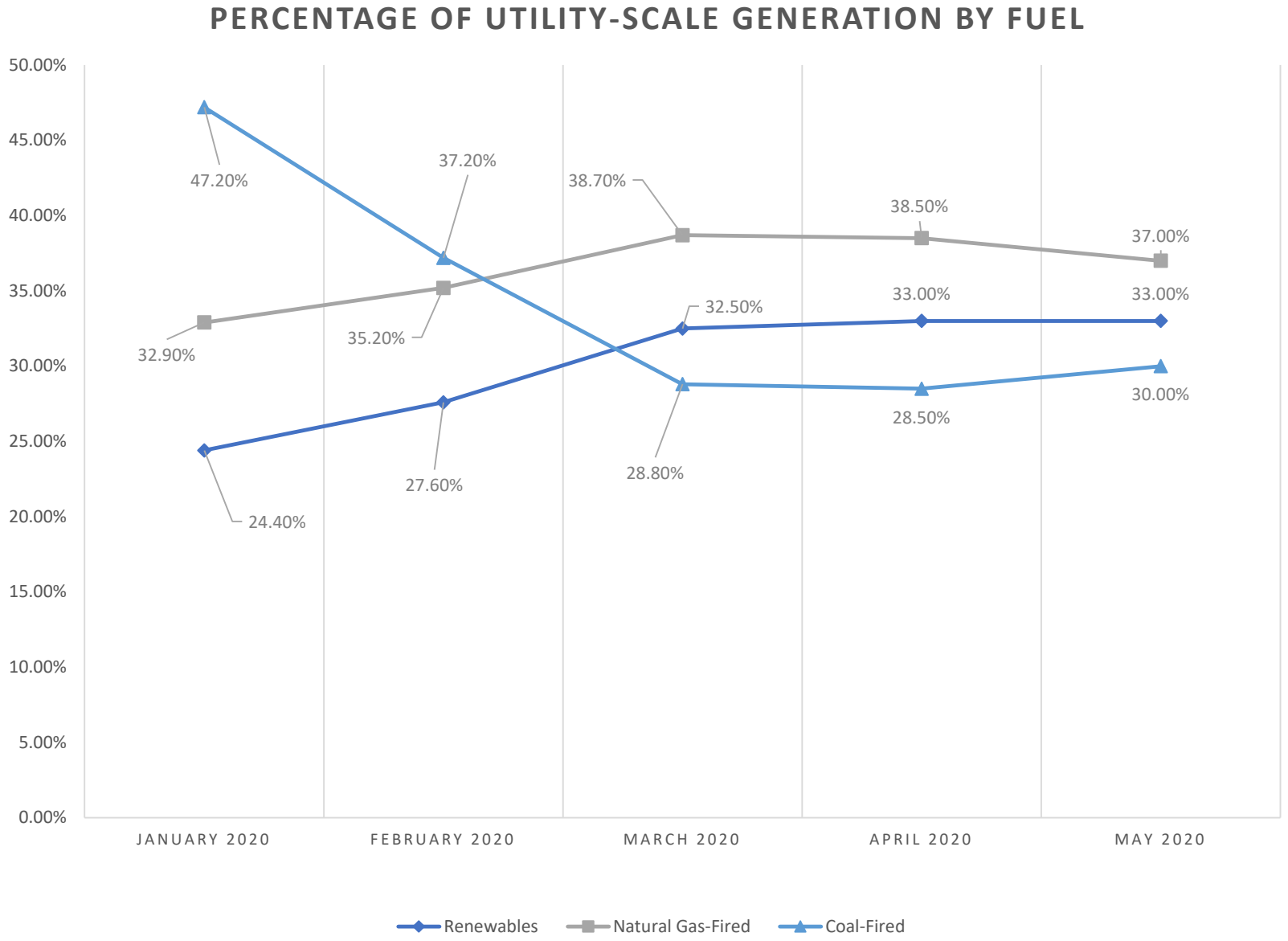
The new facility, located near the Taos Water Treatment Plant, is the 17th solar array to go live on the cooperative grid, providing a total of nearly 20 MW of solar power to co-op customers.

2020 UTILITY-SCALE GENERATION IN NEW MEXICO

In March 2020, for the first time since early 2018, New Mexico's utility-scale electricity generation from renewable sources surpassed coal-fueled generation.

In fact, March 2020 saw renewable energy as a whole (including both utility-scale and small-scale solar) be responsible for more than one third of the state's electricity generation. Over 850 megawatt-hours (Mwh) of electricity was generated from renewable sources in March. This is the highest level of generation from renewables ever recorded in the state.

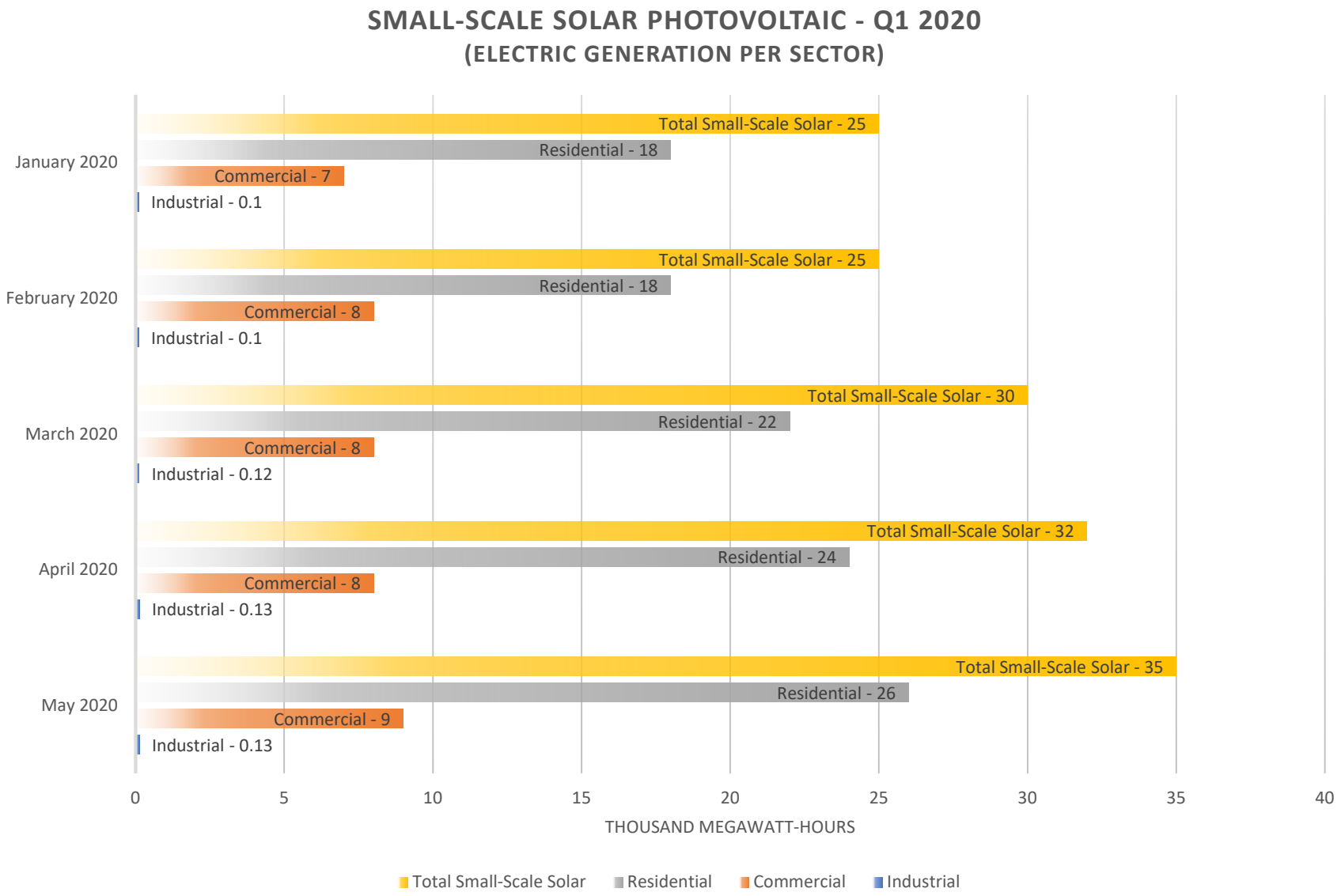
[Source: U.S. Energy Information Administration, Electric Power Monthly: https://www.eia.gov/electricity/monthly/]



2020 SMALL-SCALE SOLAR INSTALLATIONS

Between January and May 2020, New Mexico added ten thousand megawatt-hours of small-scale solar generation, mostly in the residential sector. While the pace of construction has slowed down considerably during the pandemic, the state is still experiencing growth in small-scale solar installations.

[Source: Source: U.S. Energy Information Administration, Electric Power Monthly: https://www.eia.gov/electricity/monthly/]



SOLAR MARKET DEVELOPMENT TAX CREDIT – SB 29 (2020)

In the 2020 legislative session, the New Mexico legislature passed SB 29, establishing a new solar market development tax credit. A similar credit expired in 2016. The new bill creates a personal income tax credit for solar installations on residential and small commercial properties.

THE NEW SOLAR MARKET DEVELOPMENT TAX CREDIT IN DETAIL

- Provides a personal income tax credit of up to $6,000, or 10% of installation cost, for installing solar photovoltaic systems on residential and small commercial properties.
- The tax credit has an annual cap of $8 million/year, beginning in 2021 and ending in 2028.
- $8 million in tax incentives could result in up to $80 million in investment in solar systems and up to 20 MW of distributed solar installed each year.
- EMNRD began receiving online and mail-in applications for the credit immediately after its rule was finalized on August 25th, 2020.
- As of August 31st, there have been 340 total applications.

Implementing the ETA – Grid Modernization

In order to achieve the ETA's clean energy goals, New Mexico will need to modernize our electric grid. In recognition of this need, the state legislature passed **HB 233 – "Energy Grid Modernization Roadmap"** in the 2020 legislative session.

HB 233:

- Provides regulations which will allow utilities to see cost recovery with the PRC for grid modernization efforts
- Creates a fund and a grant program for innovative grid modernization pilot projects
- Charges EMNRD with creating a grid modernization plan for New Mexico

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