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CITY OF SANTA FE, NEW MEXICO

RESOLUTION NO. 2011-63

INTRODUCED BY:

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A RESOLUTION

URGING THE NEW MEXICO PUBLIC REGULATION COMMISSION TO REJECT PNM'S RENEWABLE ENERGY PORTFOLIO PROCUREMENT PLAN FOR 2012 AS IT IS NOT IN COMPLIANCE WITH THE NEW MEXICO RENEWABLE ENERGY ACT AND RESULTS IN DIMINISHED RENEWABLE ENERGY CERTIFICATE INCENTIVES; AND URGING THE PRC TO REQUIRE THAT PNM MAINTAIN THE RENEWABLE ENERGY CERTIFICATE INCENTIVES FOR ALL SIZE CATEGORIES UP TO ONE MEGAWATT AT 6 CENTS PER KWH WITH A COMMENSURATE ONE CENT PER KWH DROP IN THE RENEWABLE ENERGY CREDIT INCENTIVE WITHIN A DEFINED PERIOD OF TIME.

WHEREAS, since the economic downturn of 2008, Santa Fe's economy, employment rate and residential and commercial construction industry have been and continue to be negatively affected; and

WHEREAS, the Governing Body recognizes that promoting energy efficiency and renewable energy renovations at existing commercial and residential buildings can serve to

1 | revitalize at least a portion of the economy that relates to the building industry; and

2 | **WHEREAS**, in 2008 the Governing Body adopted the *Sustainable Santa Fe Plan*, which
3 | among other clean energy objectives, established a policy to “Create a Viable Green Energy
4 | Economy”; and

5 | **WHEREAS**, in the past few years, Public Service Company of New Mexico (“PNM”)
6 | Renewable Energy Certificate (REC) incentive payments have proven to be an important
7 | motivation in stimulating customer-scale solar energy development in Santa Fe; and

8 | **WHEREAS**, any substantial reduction or temporary cessation of REC incentives will
9 | have a negative impact on the continued growth and vitality of the renewable energy-related
10 | economy in Santa Fe; and

11 | **WHEREAS**, PNM submitted its *Renewable Energy Portfolio Procurement Plan for*
12 | *2012* (the “*Plan*”) to the New Mexico Public Regulation Commission (“PRC”); and

13 | **WHEREAS**, the *Plan* drastically reduces the amount of renewable energy that will be
14 | developed and calls for providing more than 40% less renewable energy in the years 2012 and
15 | 2013 than is called for by the Renewable Energy Act (“REA”), NMSA 1978, §§ 62-16-1 *et seq*;
16 | and

17 | **WHEREAS**, New Mexico’s other two investor-owned utilities, El Paso Electric
18 | Company and Southwestern Public Service Company, intend to fully comply with the renewable
19 | energy requirements in the REA without encountering a “reasonable cost threshold” (RCT)
20 | constraint; and

21 | **WHEREAS**, the *Plan* proposes reductions to the Solar REC Incentive Program (SIP) for
22 | renewable energy credits for photovoltaic projects which is too great, and will only serve to
23 | hamper continued solar project developments; and

24 | **WHEREAS**, the *Plan* ignores the reality that the SIP tranches are likely to be fully-
25 | subscribed and therefore, at least temporarily eliminated, for the 0-10 kw and 10-100 kw system

1 sizes before the PRC is able to decide if and how they should be continued; and

2 **WHEREAS**, even a temporary cessation of the REC incentives would likely have an
3 adverse impact on the commercial and residential solar industry within the City of Santa Fe; and

4 **WHEREAS**, electric generation facilities that are developed by a utility, whether
5 traditional fossil fuel-powered or renewable energy-derived, are likely to be a part of a utility's
6 system for thirty years or even longer; and

7 **WHEREAS**, the PRC should consider and balance the interests between today's
8 ratepayers and tomorrow's ratepayers; and

9 **WHEREAS**, utility-scale solar or wind facilities often have higher capital costs per
10 megawatt of capacity than natural gas or coal facilities, and, therefore have a greater impact on
11 rates in the 20-year period in which the ratepayer is paying off the capital costs; and

12 **WHEREAS**, renewable energy facilities generally have much lower operating costs
13 because their fuel, wind and the sun, is free; and

14 **WHEREAS**, once a renewable energy facility has been paid for by the ratepayers, the
15 cost of continued operation is much lower than for a combined cycle natural gas plant; and

16 **WHEREAS**, fossil-fuel facilities are likely to have greater operating costs as the price of
17 fossil-fuel energy sources increases over time and as air quality emission requirements continue
18 to become more stringent; and

19 **WHEREAS**, utility-scale renewable energy projects may reduce the ratepayer's costs in
20 the longer term, acting as a hedge against fossil fuel energy price increases; and

21 **WHEREAS**, it is appropriate for the PRC to consider the longer range financial benefits
22 and costs when conducting cost-benefit comparisons between renewable and traditional
23 generation resources; and

24 **WHEREAS**, a New Mexico Green Chamber of Commerce document states that New
25 Mexico has 35,800 private sector green economy jobs, now constituting 5.9% of all private sector

1 employment of which 15% of those jobs are renewable energy jobs; and

2 **WHEREAS**, green occupations in New Mexico, on average, pay 15% higher wages than
3 other occupations; and

4 **WHEREAS**, the renewable energy sector alone could create 66,000 new jobs in the state
5 by developing New Mexico's 27,000 MWs of renewable energy potential; and

6 **WHEREAS**, renewable energy incentives and standards were primarily established in
7 New Mexico in 2002; and

8 **WHEREAS**, according to a report by the Pew Charitable Trust, between 1998 and 2007,
9 clean energy economy jobs grew by over 50% and the overall job growth rate was 1.9%; and

10 **WHEREAS**, PNM's proposal to offer an REC incentive of two cents per kwh is not
11 sufficient to continue to incentivize more solar projects in the 100 kw to 1 MW size range; and

12 **WHEREAS**, the 100 kw to 1 MW category size is the most relevant for governmental
13 and institutional entities that may be interested in photovoltaic projects in the hundreds of
14 kilowatts size range; and

15 **WHEREAS**, an abrupt termination of the REC payments could have a severe impact on
16 the roof-top solar businesses within the city of Santa Fe; and

17 **WHEREAS**, it is evident that PNM does recognize this type of economic disruption
18 concern because when discussing continued utilization of the remaining REC incentive tranches
19 for 100 kw to 1 MW-sized systems, PNM acknowledges that abrupt termination could harm
20 economic development of this sector of the economy in PNM's service area; and

21 **WHEREAS**, if the economic harm is true for the larger size categories, it is equally true
22 for the smaller size categories as well.

23 **NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE**
24 **CITY OF SANTA FE** that Governing Body urges the New Mexico Public Regulation
25 Commission to reject PNM's *Renewable Energy Portfolio Procurement Plan for 2012* as it is not

1 in compliance with the renewable energy standards in the REA and relies on a RCT methodology
2 and assumptions that are not reasonable or consistent with statutory intent.

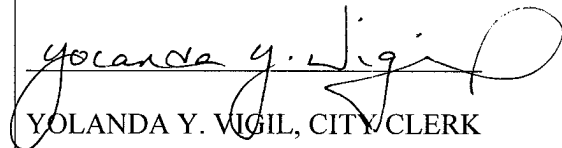
3 **BE IT FURTHER RESOLVE** that the PRC is urged to require PNM to utilize a RCT
4 methodology that is reasonable and leads to full compliance with the REA's ten percent
5 renewable energy standard.

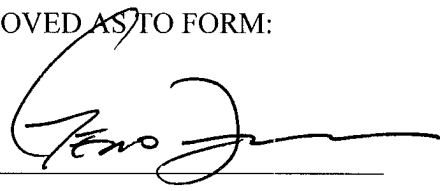
6 **BE IT FURTHER RESOLVED** that the Governing Body urges the PRC to require
7 PNM to maintain the REC incentive for all size categories up to one megawatt at 6 cents/kwh
8 with a commensurate one cent per kwh drop in the REC incentive within a defined period of time
9 or within certain amount of capacity deployment (1/2 to 1 MW).

10 **BE IT FURTHER RESOLVED** that staff is directed to forward a copy of this
11 resolution to the PRC and to Santa Fe County.

12 PASSED, APPROVED and ADOPTED this 9th day of November, 2011.

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15 ATTEST: DAVID COSS, MAYOR

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18 YOLANDA Y. VIGIL, CITY CLERK

19 APPROVED AS TO FORM:
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22 GENO ZAMORA, CITY ATTORNEY

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25 *m/Melissa/resolutions 2011/Renewable Energy*