

City of Santa Fe, New Mexico

LEGISLATIVE SUMMARY

Resolution No. 2014-____

Replacement Power – Energy Plan

SPONSOR(S): Councilors Rivera, Dimas, Calvert, Dominguez, Trujillo and Bushee

SUMMARY: The proposed resolution relates to the Replacement Power/Energy Plan Proposed by PNM to replace 836 Megawatts at the San Juan Generating Station. Additionally, the resolution urges the New Mexico Public Regulation Commission to reject PNM's Replacement Plan and Claim for Cost Recovery of Stranded Assets and support an alternative renewable-energy based replacement plan.

Councilor Ives has proposed an amendment to the resolution, per the attached amendment sheet.

PREPARED BY: Rebecca Seligman, Legislative Liaison Assistant

FISCAL IMPACT: No

DATE: February 11, 2014

ATTACHMENTS: Action Sheet – Public Utilities
Amendment Sheet
Resolution
FIR

ACTION SHEET
PUBLIC UTILITES COMMITTEE MEETING OF 2/5/14

ISSUE NO. 15

Request for approval of Resolution No. 2014-_____. A resolution relating to the Replacement Power/Energy Plan proposed to replace 836 Megawatts at the San Juan Generating Station; urging the New Mexico Public Regulation Commission to reject PNM’s replacement plan and claim for cost recovery of stranded assets and support an alternative renewable-energy based replacement plan. (Councilor Rivera) (Nick Schiavo)

Public Utilities Committee – 2/5/14
 Finance Committee – 2/17/14
 City Council (scheduled) – 2/26/14

PUBLIC UTILITES COMMITTEE ACTION: Approved to forward to 2/17/14 Finance Committee.

SPECIAL CONDITIONS OR AMENDMENTS:

STAFF FOLLOW UP:

VOTE:	FOR	AGAINST	ABSTAIN
COUNCILOR CALVERT, CHAIR	x		
COUNCILOR TRUJILLO	x		
COUNCILOR DOMINGUEZ	x		
COUNCILOR DIMAS	x		
COUNCILOR RIVERA	x		

ACTION SHEET
PUBLIC UTILITIES COMMITTEE MEETING OF 2/5/14

ISSUE NO. 15

Request for approval of Resolution No. 2014-_____. A resolution relating to the Replacement Power/Energy Plan proposed to replace 836 Megawatts at the San Juan Generating Station; urging the New Mexico Public Regulation Commission to reject PNM's replacement plan and claim for cost recovery of stranded assets and support an alternative renewable-energy based replacement plan. (Councilor Rivera) (Nick Schiavo)

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SPECIAL CONDITIONS OR AMENDMENTS:

STAFF FOLLOW UP:

VOTE:	FOR	AGAINST	ABSTAIN
COUNCILOR CALVERT, CHAIR	x		
COUNCILOR TRUJILLO	x		
COUNCILOR DOMINGUEZ	x		
COUNCILOR DIMAS	x		
COUNCILOR RIVERA	x		

CITY OF SANTA FE, NEW MEXICO
PROPOSED AMENDMENT(S) TO RESOLUTION NO. 2014-__
Replacement Power – Energy Plan

Mayor and Members of the City Council:

I propose the following amendment(s) to Resolution No. 2014-__ :

1. On page 7, *delete* line 10 and *insert* the following, in lieu thereof:
 “urges the PRC to set a date certain for the closure of Unit 1, as soon as is practicable.”
2. On page 7, line 14, after NM, *delete* “PUC” and *insert* “PRC” in lieu thereof.
3. On page 7, line 18, after “case” *insert* #13-00390-UT pending”
4. On page 7, line 20, after “resolution to”, *delete* “the”.

Respectfully submitted,

Peter Ives, Councilor

ADOPTED: _____
NOT ADOPTED: _____
DATE: _____

Yolanda Y. Vigil, City Clerk

1 CITY OF SANTA FE, NEW MEXICO

2 RESOLUTION NO. 2014-__

3 INTRODUCED BY:

4		
5	Councilor Chris Rivera	Councilor Bill Dimas
6	Councilor Chris Calvert	Councilor Carmichael Dominguez
7	Councilor Ron Trujillo	Councilor Patti Bushee
8		
9		

10 A RESOLUTION

11 RELATING TO THE REPLACEMENT POWER/ENERGY PLAN PROPOSED TO
 12 REPLACE 836 MEGAWATTS AT THE SAN JUAN GENERATING STATION; URGING
 13 THE NEW MEXICO PUBLIC REGULATION COMMISSION TO REJECT PNM'S
 14 REPLACEMENT PLAN AND CLAIM FOR COST RECOVERY OF STRANDED ASSETS
 15 AND SUPPORT AN ALTERNATIVE RENEWABLE-ENERGY BASED REPLACEMENT
 16 PLAN.

17

18 WHEREAS, on February 15, 2013, Governor Susanna Martinez, the Public Service
 19 Company of New Mexico (PNM), and the Environmental Protection Agency (EPA) announced an
 20 agreement to close San Juan Generating Station (SJGS) Units 2 & 3 (836 megawatts), install
 21 pollution controls on Units 1 & 4, and reduce state permit levels for nitrogen oxides and sulfur
 22 dioxides; and

23 WHEREAS, the City of Santa Fe applauds the agreement between Governor Martinez, PNM
 24 and the EPA to close SJGS Units 2 and 3, to install pollution controls, and to reduce state permit
 25 levels for nitrogen oxides and sulfur dioxides as referenced in the Revised State Implementation Plan;

1 and

2 **WHEREAS**, PNM's replacement power plan submitted to the Public Regulation
3 Commission (PRC) on December 20, 2013, includes the following:

- 4 (1) PNM is owner of 50% of units 2 & 3, or 418 megawatts;
- 5 (2) The purchase of 78 megawatts more coal from SJGS Unit 4 for 52.5 million dollars;
- 6 (3) A certificate of public convenience and necessity to import nuclear generation (134
7 megawatts) from Palo Verde Nuclear Plant in Arizona for rate-base valuation of \$335
8 million dollars;
- 9 (4) The construction of a new natural gas plant (177 megawatts) cited in Farmington
10 despite the fact that Farmington does not have any PNM customers for \$189 million;
- 11 (5) Possibly construct 40 megawatts of utility scale solar power;
- 12 (6) Full recovery of the \$205 million dollars in un-depreciated asset for the closure of
13 SJGS Units (also known as "stranded assets"); and
- 14 (7) Pollution controls on SJGS Units 1 and 4 for 82 million dollars; and

15 **WHEREAS**, climate scientists worldwide are in near-unanimous agreement that the planet is
16 warming rapidly and to a degree that is perilous to human civilization, to numerous species and to the
17 global ecosystem and that the primary cause of that warming is human activity, especially through the
18 accelerating combustion of fossil fuels that create CO₂ as a byproduct; and

19 **WHEREAS**, according to the 2013 IPCC Report Atmospheric concentrations of CO₂,
20 methane and nitrous oxide have increased to levels unprecedented in the last 800,000 years, and CO₂
21 concentrations have increased by 40% since pre-industrial times and every additional release of
22 greenhouse gases diminishes our chances of avoiding catastrophic climate change; and

23 **WHEREAS**, further delay in responding to this crisis increases the risk of catastrophic
24 climate change, imminently threatens low-lying coastal areas and land and sea species, threatens
25 water supplies, increases the frequency of severe weather events, reduces the time available and

1 increases the cost of undertaking adequate responses, and increases risks to the global economy; and

2 **WHEREAS**, the burning of coal is the number one contributor to global CO₂ emissions
3 worldwide and in the state of New Mexico is responsible for more than 12 million tons of CO₂
4 emissions annually; and

5 **WHEREAS**, the burning of coal releases toxic pollutants including nitrogen oxides, sulfur
6 dioxides, and mercury that contaminate our soil and water and that are proven to cause serious health
7 conditions such as asthma, lung, and heart disease and cancer; and

8 **WHEREAS**, a 2012 analysis by a nationally recognized Environmental Medicine NYU
9 Professor, Dr. George Thurston, found that over the last five years PNM's failure to comply with the
10 necessary pollution reductions at the San Juan coal plant has cost \$240 million in public health care
11 costs (asthma, lung disease, heart disease, and hospitalizations); and

12 **WHEREAS**, according to the 2013 Community Health Profile Study commissioned by Santa
13 Fe County and CHRISTUS St. Vincent Regional Medical Center, 24% of Santa Fe County high
14 school students have been diagnosed with asthma; and

15 **WHEREAS**, the combustion of coal and nuclear energy are the most water intensive ways to
16 produce electricity; and

17 **WHEREAS**, the SJGS plant consumes 6 billion gallons of water annually, which is the
18 equivalent to 11,000 gallons a minute; and

19 **WHEREAS**, after the water is used, the toxic produced water is stored in large open air pits
20 to evaporate and contaminate our air, and has poisoned groundwater; and

21 **WHEREAS**, Governor Martinez has issued a formal drought declaration that encompasses
22 the entire state of New Mexico; and

23 **WHEREAS**, according to the U.S. Drought Monitor, one hundred percent of New Mexico
24 was in moderate drought at some point during 2012, with over ninety percent in severe status; and

25 **WHEREAS**, communities exist where drinking water supplies are threatened due to the

1 cumulative effects of drought; and

2 **WHEREAS**, the State of New Mexico has suffered through numerous natural disasters
3 associated with the drought, including crop production loss, severe wild fires, and flooding due to
4 severe wild fires; and

5 **WHEREAS**, “Drought conditions can create serious problems for many New Mexico
6 communities, farms, ranches, and open spaces. Fire danger is high, water reservoirs run low, and in
7 some cases, we’ve seen towns like Las Vegas take dramatic steps to reduce basic water consumption
8 in their residents’ homes and businesses,” said Governor Martinez; and

9 **WHEREAS**, individuals and businesses have begun to do their part, but the energy industry
10 has failed to transition to less water consumptive forms of energy generation; and

11 **WHEREAS**, the cost of coal is expected to continue to increase due to carbon emissions
12 regulation mandated as part of President Obama’s Climate Change Action Plan and Coal Ash
13 Regulation that the Environmental Protection Agency has been ordered to issue; and

14 **WHEREAS**, the environmental and human health costs of nuclear energy are well
15 documented; and

16 **WHEREAS**, according to the National Cancer Institute, the following diseases can be caused
17 by exposure to radon, uranium, and decay elements of uranium: bronchial and lung cancer, leukemia
18 and other blood diseases, cancer of the bone marrow, stomach, liver, intestine, gall bladder, and
19 kidney, failure of the kidney or liver, psychological disorders and birth defects; and

20 **WHEREAS**, nuclear waste requires safe storage for at least 1000 years and permanent
21 storage space is limited; and

22 **WHEREAS**, U.S. nuclear plants generate about 2,000 tons of spent fuel a year and since the
23 1950s, ratepayers have contributed \$27 billion to pay for permanent disposal; and

24 **WHEREAS**, improper disposal and risk of accidents pose serious environmental and public
25 health threats; and

1 **WHEREAS**, beyond these hidden costs, the price per kilowatt-hour of the nuclear energy
2 proposed for the Replacement Power Plan is significantly more expensive than both solar and wind
3 alternatives; and

4 **WHEREAS**, the City of Santa Fe Municipal Charter charges the governing body with the
5 responsibility "to secure for ourselves and our children the continuity of our cultural values, our
6 personal freedoms, and our well-being," declares that "[t]he natural beauty of Santa Fe" is "among the
7 city's most valued and important assets," and charges the governing body of Santa Fe to "protect,
8 preserve and enhance the city's natural endowments, plan for and regulate land use and development,
9 manage the city's growth, encourage source reduction," and take such actions as are necessary to do
10 so; and

11 **WHEREAS**, the City of Santa Fe has a record of accepting these responsibilities and
12 acknowledging the reality of climate change, probable effects of climate change on our City, and our
13 ability and responsibility to reduce our contribution to the causes of climate change - as evidenced by
14 the City's endorsement of the U. S. Conference of Mayors Climate Protection Agreement; the
15 adoption of the Sustainable Santa Fe Plan (Resolution 2008-93); the establishment of the Sustainable
16 Santa Fe Commission; and the passing of Resolutions addressing these concerns (e.g., Resolutions
17 2009-45,2011-17, 2012-12,2013-12, and 2013-12, among others); and

18 **WHEREAS**, the closure of San Juan Units 2 & 3 presents a critical opportunity to transition
19 away from New Mexico's investment in fossil fuels and nuclear energy and presents an opportunity
20 to rapidly deploy renewable energy technologies to meet New Mexico's energy demands; and

21 **WHEREAS**, New Mexico has some of the best solar potential in the country and areas with
22 very strong wind potential as well and the benefits of solar and wind energy production will include
23 CO₂ emissions reductions, better health and environmental outcomes than fossil-fuel or nuclear
24 energy, and can stimulate the creation of jobs in New Mexico; and

25 **WHEREAS**, solar and wind are both now cost-competitive energy sources and an alternative

1 replacement power plan has been modeled by New Energy Economy with 50% renewable energy and
2 without the purchase of any coal or nuclear generating capacity at a lower total cost than PNM's plan.

3 **NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE**
4 **CITY OF SANTA FE** that the Governing Body recognizes that:

- 5 (1) The pollution caused by humans burning fossil fuels is established by scientists as a
6 primary cause of climate change;
- 7 (2) The City of Santa Fe Municipal Charter charges the governing body with protection
8 of our city's residents and natural assets; and
- 9 (3) a necessary measure to address this problem is to replace fossil-fuel and nuclear
10 energy with renewables that are cost competitive whenever possible.

11 **BE IT FURTHER RESOLVED** that the Governing body opposes PNM's replacement
12 power plan on the basis that it:

- 13 (1) Will not help the City government meet its CO₂ reduction goals;
- 14 (2) Will not help the City meet its energy efficiency goals;
- 15 (3) Is not the lowest cost solution;
- 16 (4) Is not the best environmental outcome;
- 17 (5) It does not provide the best employment opportunities;
- 18 (6) Is not the healthiest option for the people of New Mexico and of Santa Fe;
- 19 (7) Does not take into account recognized external costs to human health and air quality;
- 20 (8) Is a continuation of risky investment practices in unsustainable and costly energy
21 sources that are not in the best interest of the public of New Mexico or the ratepayers
22 of New Mexico; and
- 23 (9) Unfairly places the burden of PNM's poor financial planning on the rate payers of
24 New Mexico.

25 **BE IT FURTHER RESOLVED** that the Governing Body strongly urges the Public

1 Regulation Commission to require that PNM's replacement power plan include AS MUCH renewable
2 energy as is technically and economically feasible.

3 **BE IT FURTHER RESOLVED** that the Governing Body urges the Public Regulation
4 Commission to require that PNM's replacement power include AS MUCH energy efficiency as is
5 technically and economically feasible.

6 **BE IT FURTHER RESOLVED** that the Governing Body urges the Public Regulation
7 Commission to deny or reduce PNM's claim for un-depreciated "stranded" assets.

8 **BE IT FURTHER RESOLVED** that the Governing Body urges the Public Regulation
9 Commission to deny PNM's request for money for pollution controls for Unit 1 at SJGS and instead
10 urges the PRC to order the closure of Unit 1 to a date certain, as soon as practicable.

11 **BE IT FURTHER RESOLVED** that the Governing Body urges the Public Regulation
12 Commission to set a date certain for the closure of Unit 4 at SJGS, and suggests that it be as soon as
13 practicable, but no later than 2023.

14 **BE IT FURTHER RESOLVED** that the Governing Body urges PNM and the NM PUC to
15 consider the real cost of coal produced energy as a matter of public health.

16 **BE IT FURTHER RESOLVED** that the City Clerk is directed to forward a copy of this
17 resolution to the Public Regulation Commissioners and General Council as official public testimony
18 on behalf of the City of Santa Fe in the case before the Public Regulation Commission.

19 **BE IT FURTHER RESOLVED** that the City Clerk is directed to forward a copy of this
20 resolution to the New Mexico's Congressional Delegation.

21 PASSED, APPROVED, and ADOPTED this ___ day of _____, 2014.

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DAVID COSS, MAYOR

1 ATTEST:

2 _____

3 YOLANDA Y. VIGIL, CITY CLERK

4 APPROVED AS TO FORM:

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6 KELLEY A. BRENNAN, INTERIM CITY ATTORNEY

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25 *M/Melissa/2014 Resolutions/Replacement Power – Energy Plan*

City of Santa Fe Fiscal Impact Report (FIR)

This Fiscal Impact Report (FIR) shall be completed for each proposed bill or resolution as to its direct impact upon the City's operating budget and is intended for use by any of the standing committees of and the Governing Body of the City of Santa Fe. Bills or resolutions with no fiscal impact still require a completed FIR. Bills or resolutions with a fiscal impact must be reviewed by the Finance Committee. Bills or resolutions without a fiscal impact generally do not require review by the Finance Committee unless the subject of the bill or resolution is financial in nature.

Section A. General Information

(Check) Bill: _____ Resolution: X


(A single FIR may be used for related bills and/or resolutions)

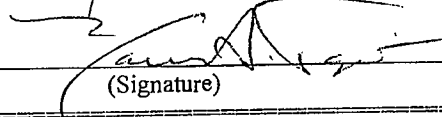
Short Title(s): **A RESOLUTION RELATING TO THE REPLACEMENT POWER/ENERGY PLAN PROPOSED TO REPLACE 836 MEGAWATTS AT THE SAN JUAN GENERATING STATION; URGING THE NEW MEXICO PUBLIC REGULATION COMMISSION TO REJECT PNM'S REPLACEMENT PLAN AND CLAIM FOR COST RECOVERY OF STRANDED ASSETS AND SUPPORT AN ALTERNATIVE RENEWABLE-ENERGY BASED REPLACEMENT PLAN.**

Sponsor(s): Councilor Rivera, Councilors Dimas, Calvert, Dominguez and Trujillo

Reviewing Department(s): City Attorney's Office

Persons Completing FIR: Rebecca Seligman Date: 01/27/13 Phone: 955-6501

Reviewed by City Attorney:  Date: 1/28/14
(Signature)

Reviewed by Finance Director:  Date: 2/6/14
(Signature)

Section B. Summary

Briefly explain the purpose and major provisions of the bill/resolution:

The purpose of the resolution is to urge the New Mexico Public Regulation Commission to reject PNM's Replacement Plan and claim for cost recovery of standard assets at the San Juan Generating Station and support an alternative renewable energy based replacement plan that would require PNM's replacement power plan include as much renewable energy as is technically and economically feasible.

Section C. Fiscal Impact

Note: Financial information on this FIR does not directly translate into a City of Santa Fe budget increase. For a budget increase, the following are required:

- a. The item must be on the agenda at the Finance Committee and City Council as a "Request for Approval of a City of Santa Fe Budget Increase" with a definitive funding source (could be same item and same time as bill/resolution)
- b. Detailed budget information must be attached as to fund, business units, and line item, amounts, and explanations (similar to annual requests for budget)
- c. Detailed personnel forms must be attached as to range, salary, and benefit allocation and signed by Human Resource Department for each new position(s) requested (prorated for period to be employed by fiscal year)*

1. Projected Expenditures:

- a. Indicate Fiscal Year(s) affected -- usually current fiscal year and following fiscal year (i.e., FY 03/04 and FY 04/05)
- b. Indicate: "A" if current budget and level of staffing will absorb the costs
"N" if new, additional, or increased budget or staffing will be required
- c. Indicate: "R" -- if recurring annual costs
"NR" if one-time, non-recurring costs, such as start-up, contract or equipment costs
- d. Attach additional projection schedules if two years does not adequately project revenue and cost patterns
- e. Costs may be netted or shown as an offset if some cost savings are projected (explain in Section 3 Narrative)

Finance Director: _____

X Check here if no fiscal impact

Column #:	1	2	3	4	5	6	7	8
	Expenditure Classification	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs Recurring or "NR" Non-recurring	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs - Recurring or "NR" Non-recurring	Fund Affected

Personnel*	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Fringe**	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Capital Outlay	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Land/ Building	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Professional Services	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
All Other Operating Costs	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Total:	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____

* Any indication that additional staffing would be required must be reviewed and approved in advance by the City Manager by attached memo before release of FIR to committees. **For fringe benefits contact the Finance Dept.

2. Revenue Sources:

- a. To indicate new revenues and/or
- b. Required for costs for which new expenditure budget is proposed above in item 1.

Column #:	1	2	3	4	5	6
	Type of Revenue	FY _____	"R" Costs Recurring or "NR" Non-recurring	FY _____	"R" Costs - Recurring or "NR" Non-recurring	Fund Affected

_____	\$ _____	_____	\$ _____	_____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____	_____
Total:	\$ _____	_____	\$ _____	_____	_____	_____

3. Expenditure/Revenue Narrative:

Explain revenue source(s). Include revenue calculations, grant(s) available, anticipated date of receipt of revenues/grants, etc. Explain expenditures, grant match(s), justify personnel increase(s), detail capital and operating uses, etc. (Attach supplemental page, if necessary.)

Not applicable

Section D. General Narrative

1. Conflicts: Does this proposed bill/resolution duplicate/conflict with/companion to/relate to any City code, approved ordinance or resolution, other adopted policies or proposed legislation? Include details of city adopted laws/ordinance/resolutions and dates. Summarize the relationships, conflicts or overlaps.

None that staff is aware of.

2. Consequences of Not Enacting This Bill/Resolution:

Are there consequences of not enacting this bill/resolution? If so, describe.

If the resolution is not enacted, the status quo would remain and we would continue to be subjected to environmental and human health risks.

3. Technical Issues:

Are there incorrect citations of law, drafting errors or other problems? Are there any amendments that should be considered? Are there any other alternatives which should be considered? If so, describe.

None that staff is aware of

4. Community Impact:

Briefly describe the major positive or negative effects the Bill/Resolution might have on the community including, but not limited to, businesses, neighborhoods, families, children and youth, social service providers and other institutions such as schools, churches, etc.

Supporting the resolution would demonstrate the Governing Body's concern for the citizens in our community regarding the environmental and health repercussions of producing electricity at the San Juan Generating Station by means of burning of coal which releases toxic pollutants into the environment.