

Statement
Of
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Albuquerque, NM
Before the
House Energy and Commerce Committee
Hearing on The US Climate Action Partnership

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Summary

As CEO of PNM Resources I must balance two compelling and potentially competing interests: climate change and the consumers' need for affordable electricity. Affordable electricity fueled our nation's economy in the last century. With the right policies, clean and affordable energy can fuel the US economy in this century. Companies and states cannot achieve this balance alone. We need a federal mandate for addressing climate change that will create national and international markets, a price for carbon, and incentives for low cost and clean technologies. Without federal, economy-wide legislation with cap-and-trade as its cornerstone, and allowance allocations to protect consumers and ease technology costs, I am gravely concerned that there will be inadequate incentives to drive new, clean technologies and that costs to consumers could be prohibitive. The US Climate Action Partnership's *Blueprint for Legislative Action* is a detailed framework for climate legislation that achieves this goal.

Introduction

Thank you for the opportunity to submit a statement before the House Energy and Commerce Committee hearing on the US Climate Action Partnership. I am Jeff Sterba, Chairman and CEO of PNM Resources, the parent company of PNM, Texas-New Mexico Power, and First Choice Power.

Headquartered in Albuquerque, New Mexico, PNM Resources is an energy holding company with 2007 consolidated operating revenues of \$2.4 billion. Through its utilities: Public Service Company of New Mexico (PNM) and TNMP, and First Choice Power, a retail energy subsidiary, PNM Resources serves electricity to 859,000 homes and businesses in New Mexico and Texas. Our generation resources of 2,713 megawatts reflect a balanced mix of coal, natural gas, nuclear and wind generation. In 2008, our capacity was 37% coal, 32% natural gas, 15% nuclear, 8% renewables, and 8% long-term contracts, although historically our coal generation percentage is closer to 50%. PNM Resources and its subsidiaries market power throughout the Southwest, Texas and the West. In addition, through a joint venture with Cascade Investment, the company has a 50-percent ownership of EnergyCo which owns approximately 920 megawatts of coal and natural gas generation in Texas.

Climate Change

I first joined PNM in 1977 as an intern. Excluding a year as Executive Vice President of USEC, a global energy company headquartered in Maryland, I am a lifelong employee of PNM Resources and resident of New Mexico. New Mexico is a resource rich state but the Per Capital income in 2007 for New Mexico was \$31,474, ranking 44 out of the 50 states.¹ I work hard to balance New Mexico's environmental heritage and growth opportunities with the economic reality of many of our customers. Although I have been honored to serve in national leadership roles (I served as Chair of the Edison Electric Institute from 2007-2008 and Chair of the Electric Power Research Institute from 2006-2008 and am currently on the Board of the Keystone Center), I am ever mindful of our electricity consumers and their interests.

My objective and challenge as CEO of PNM Resources has been to bring affordable, clean energy to New Mexico and, since 2005, Texas. PNM Resources is not a big company. Outside joint projects through EPRI, we do not have the ability – financial or otherwise – to test technologies at the demonstration level. At the same time, we can and do take advantage of affordable clean technology as soon as it does become available. In 2003, we were the sole investor in the New Mexico Wind Center, then the third largest wind farm in the world and still one of the largest wind farms in the US today. We have long advocated extension of the Renewable Energy Production Tax Credit and we have endorsed federal and state Renewable Portfolio Standards.

In November 2005, I was one of a few US CEOs to attend the United Nations Framework on Climate Change Conference in Montreal, Canada. I was already persuaded by the findings of the Intergovernmental Panel on Climate Change and wanted to develop a better understanding of international efforts to address climate change. In April 2006, I testified in favor of mandatory climate legislation before the Senate Energy and Natural Resources Committee. In March 2007, I testified before this Committee's Subcommittee on Energy and Air Quality, again urging rapid enactment of comprehensive climate legislation. I appear before you today together with my USCAP colleagues, urging you to take action now – this year -- to address climate change in a way that brings affordable clean energy to New Mexico, Texas, and all consumers in the US.

USCAP Membership

On April 4, 2006, the Senate Committee on Energy and Natural Resources held a conference to discuss critical issues involved in the design of a mandatory greenhouse gas (GHG) program. More than 300 people attended the event and over 160 organizations and individuals submitted detailed written comments. After participating in this workshop, several things became clear to me. First, that climate change legislation was a far more complex and far-reaching initiative than many of us realized. Second, two key impediments to moving legislation

¹ Bureau of Business & Economic Research, University of New Mexico (www.unm.edu/~bber/economy.htm).

forward were a need for technical recommendations and a broad consensus among stakeholders. PNM Resources became a founding member of USCAP to advance climate legislation by addressing these two major impediments.

Our commitment to USCAP involved far more man-hours than we anticipated but the result has also been extremely worthwhile. The *Blueprint for Legislative Action* is the capstone of these efforts. We believe the Blueprint is a useful in-depth, consensus tool for policymakers in their efforts to advance climate legislation. In particular, the *Blueprint* affirms and expands on the *Call for Action's* clear linkages between targets and timetables, cost containment, allowance allocation, and technology development and deployment. As this Committee moves forward, I would urge you to rely on the *Blueprint* to address climate change in an affordable and meaningful way.

USCAP

USCAP launched its landmark report, titled *A Call for Action*², in January 2007, which lays out a framework for climate protection legislation. Today USCAP includes 31 businesses and leading environmental organizations.³ USCAP recognizes that the United States faces an urgent need to reinvigorate our nation's economy, make the country more energy secure, and take meaningful action to slow, stop and reverse GHG emissions to address climate change. Thoughtful and comprehensive national energy and climate policy will help secure our economic prosperity and provide American businesses and the nation's workforce with the opportunity to innovate and succeed.

USCAP supports enactment of an economy-wide, market-driven approach which includes a well-crafted cap-and-trade program that places specified limits on GHG emissions, robust cost-containment measures, complementary policies and measures to supplement the cap-and-trade program, and a fully funded federal technology research, development, demonstration, and deployment program for climate-friendly technologies. Properly designed legislation will encourage innovation, enhance America's energy security, foster economic growth, improve our balance of trade, and provide critically needed U.S. leadership on this vital global challenge.

USCAP recognizes the challenge facing this Committee in crafting comprehensive climate change legislation and we very much hope that the Committee will call upon our unique partnership to help sort through these

² *A Call for Action* available at: <http://us-cap.org/USCAPCallforAction.pdf>.

³ The current members of USCAP are: Alcoa; American International Group, Inc.; Boston Scientific Corporation; BP America, Inc.; Caterpillar Inc.; Chrysler LLC; ConocoPhillips; Deere & Co.; Dow Chemical Company; Duke Energy; DuPont; Environmental Defense Fund; Exelon Corporation; Ford Motor Company; FPL Group; General Electric; General Motors Corporation; Johnson & Johnson; Marsh, Inc.; Natural Resources Defense Council; NRG Energy; PepsiCo North America; Pew Center on Global Climate Change; PG&E Corporation; PNM Resources; Rio Tinto; Shell Oil Company; Siemens Corporation; The Nature Conservancy; World Resources Institute; and Xerox Corporation.

complexities. The need to begin the transformation of our economy to a sustainable, secure, low-carbon future is compelling and timely; indeed, this will only become more difficult, and more costly, if Congress delays action.

Recent debate surrounding the crafting of an economic stimulus package early in the 111th Congress has included discussion of such an energy investment. We agree that such efforts can and should be taken as early as possible. Additionally, a central tenet of our *Call for Action* is that in order to effect the change needed throughout the economy, an economy-wide cap-and-trade system is essential. When combined with complementary measures, the resulting new vision and policy direction will spur the innovation through which America has always excelled. When given the proper tools, incentives and market signals, the American entrepreneurial spirit will lead to sustainable solutions required to meet our many economic, energy, environmental and national security challenges.

USCAP has attempted to help inform congressional deliberations over the past two years. Following the *Call for Action*, USCAP has provided Congress with international principles and more detailed information on the topics of cost containment, energy efficiency, geologic carbon storage technologies and a greenhouse gas registry. Further, USCAP's diverse and broad-based coalition has and will continue to serve as a sounding board for policy-makers as they contemplate legislative options.

Over the past six months, USCAP members have worked diligently to refine our policy objectives in order to better advise Congress and the incoming Administration on workable solutions. We have agreed upon a framework for a balanced and integrated approach to key linked issues that must be addressed in any national climate legislation.

USCAP is committed to helping Congress find workable, cost-effective approaches to climate change. We believe that path forward exists and that we must embark on the journey with deliberate speed. Representing many sectors of the economy, we believe we are in the unique position to work with the President-elect, Congress and all other stakeholders to enact an environmentally effective, economically sustainable and fair climate change program. Together with the rest of USCAP, we look forward to working with the Committee in the 111th Congress to ensure prompt enactment of national climate protection legislation.

Conclusion

Thank you for the opportunity to submit this statement. I am optimistic about prospects for climate legislation this year and I look forward to working with this Committee, the entire Congress, and the Administration. For more information, please contact Jeanette Pablo, Director of Federal Affairs & Senior Climate Advisor at 202-468-9688 or Jeanette.Pablo@PNMResources.com.