

TWENTY-FOURTH NEW MEXICO FIRST TOWN HALL
NEW MEXICO'S ENERGY FUTURE
Farmington, June 1-4, 2000
EXECUTIVE SUMMARY

Energy is an integral component of the lifeblood of New Mexico's job producing economy. New Mexico is rich in numerous natural resources and other assets that provide the basis of energy production within the state as well as the potential for future growth and expansion in energy industries. The challenge for New Mexico is how to best use from an economic, efficiency, and environmentally friendly perspective, New Mexico's abundant energy resources not only to meet the citizens' consumption needs, but also to generate increasing amounts of energy to grow more industry within the state and export more energy to other states and countries.

NEW MEXICO'S ENERGY ASSETS

New Mexico has the widest range of presently known energy resources of any state in the nation. The integrated infrastructure, human resource expertise and technical support to fully develop and utilize these resources complement the state's richness in natural resources. New Mexico's energy resources range in nature from those in the extractive industries and renewable energy resources, to an extensive gas pipeline and electrical grid system, to valuable human resources including an educated energy workforce and interested citizenry, to influential members of state and national government, to our universities and national laboratories. New Mexico's economic future is dependent on balancing the economic benefit against the social detriment of utilizing these assets. The following energy assets must be diligently considered in planning New Mexico's energy future: natural gas, oil, coal, carbon dioxide, geothermal, solar, wind, uranium, landfill gas, biomass, electric transmission system, gas pipeline system, knowledgeable and influential political leadership, experienced energy workers, the state's universities and national laboratories, and interested citizenry.

IMPORTANCE OF ENERGY ASSETS TO NEW MEXICO'S ECONOMIC FUTURE

New Mexico's energy assets stimulate and produce both primary and secondary employment opportunities and benefits for New Mexicans as well as extensive revenues to the state in the form of taxes and royalties. Revenues from these assets provide funding for schools, hospitals, state government's general fund, and many vital capital outlay projects across the state. New Mexico's energy assets provide a major economic base, keeping dollars in New Mexico benefiting all the citizenry. There is great potential for efficiency and innovation that should place New Mexico at the forefront of economic and energy development given its incredibly diverse energy resources and the technological expertise available to support and develop them. With an expanded focus on developing cost-effective reliable energy assets New Mexico can attract and retain good business and jobs for its citizens, leverage these assets in ways that will encourage new business, take a leadership role in energy research and development, and foster the potential for national and international export. The potential for developing New Mexico's renewable asset base and technological innovations for fossil fuels also provides the opportunity to mitigate environmental impacts, maintain our quality of life, and allow New Mexico to continue to be an energy leader.

RELIANCE ON EXTRACTIVE INDUSTRIES FOR TAX REVENUES AND EMPLOYMENT

Extractive resources are finite, so while New Mexico should continue to look to the extractive industries for tax revenues and employment, so should we focus on looking for ways to diversify our tax base. New Mexico should evaluate the quality of the tax structure for energy industries to ensure competitiveness among sectors and with other energy producing states. We should continually evaluate the tax (including dual taxation), royalty, and regulatory structures to ensure that the state can attract and maintain investment in the energy industry; encourage development, attraction, and retention of a diversified tax base industry; and protect the environment. New Mexico should provide incentives for energy industries, such as the recent use of severance tax incentives, to help keep the energy industry a viable economic engine in the state.

NUCLEAR POWER

Due to a number of factors, including public perception and the emotional political issues associated with nuclear power, its future expansion and future contribution are unknown. Because of our uranium resources, New Mexico should be prepared to respond to any changes in the political environment and marketplace in the future, and the U.S. Congress and the Executive Branch of the federal government should move forward on the Nuclear Waste Policy Act of 1982.

ELECTRICITY AND ALTERNATIVE ENERGY SOURCES

Concern for the effects of restructuring of the electric power industry on the residential consumer, rural communities and small business sectors are considerable. It is recognized that there are both potential opportunities and threats inherent in the restructuring of the electrical industry.

Preparation for a Competitive Electricity Market: Education to inform customers of the process and options available to them *prior* to the start of restructuring is vital. The information about choices and consequences needs to be explained in simple terms to customers and should not only precede the starting date, but increase closer to the time when their options become available. Additional funding for this education effort should be a priority for both the legislature and the New Mexico Public Regulation Commission. Comparing the results and effects of restructuring in New Mexico against the experiences of other states is critical. Legislative and regulatory bodies should ensure fair access to the electric grid and fair interconnection policies for new generation sources.

Alternative Sources of Energy: New Mexico should support and encourage the development of alternative sources of energy; however, future support should take the form of incentives and not mandates of specific sources or their use. Issues that should be considered include: cost benefits, potential environmental improvements and their impacts, economic and technical benefits, energy efficiency, and investments which create sustainable alternatives. Distributed resources as well as other alternative resources should be recognized and encouraged as a method of achieving conservation and improved energy efficiency.

Vehicular and Industrial Pollution: Affirmative steps must be taken to provide education and offer affordable solutions to issues such as expansion of mass transit and light rail; allowing high density, mixed-use development that reduces the need for transportation; incentives to utilize alternative forms of transportation such as alternative fuel vehicles; carpooling; and, local, governments should consider adopting emissions testing.

Industrial: Existing regulations in the Clean Air Act are sufficient when applied to most emitters and should be continued. Applying the Clean Air Act with a regional focus should be considered. Reconsideration should be given to the unintended consequence of the Act amendments which results in some facilities in the state, that could reduce emissions and increase efficiencies, not doing so because this triggers additional environmental compliance requirements under the Act.

STATE AND FEDERAL REGULATION OF OIL AND GAS PRODUCERS

Cumbersome regulatory and permitting processes together with a lack of adequate funding for appropriate regulatory agencies discourage exploration for new reserves development of existing resources on our state, federal, private and tribal lands. The working relationship between the industry and state regulatory agencies is good and should be continued in order to foster the economic benefits the state and its citizens receive from the industry. Nevertheless, in order to streamline the permitting process, state and federal requirements should be combined where possible. While the oil and gas industry's relationship with state regulatory agencies is positive and cooperative, working with the U.S. Bureau of Land Management is often more complicated. Consistent and coordinated regulation among regulatory agencies is the cornerstone of efficient and environmentally sound development, and the state's Congressional Delegation should be asked to encourage agencies to apply regulations with this spirit in mind. It is recommended that a summit be set up with representatives from the energy industries; the public; and state, federal, and tribal governments and their respective regulatory bodies to address the development of oil and gas and other energy resources on tribal lands and to promote the development and growth of the energy industries and other associated industries. Proper plugging of oil and gas wells, aging infrastructure, and mitigation of noise and dust resulting from oil and gas development should be addressed.

ENVIRONMENTAL CONSEQUENCES OF COAL-FIRED PLANTS

Given the significance and importance of coal-produced energy for the Four Corners area and New Mexico in general, the balancing of energy interests with environmental ones is a delicate proposition. A clean and healthy environment is a goal and must be achieved with the help and assistance of energy producers in a collective, cooperative effort. Fossil fuels will be the major fuels of the future. It is expected that their use will increase in the next 20 years. Electrical generating stations are currently utilizing the best available retrofit technologies to reduce emissions, and new technologies appear to be on the horizon. Facilities should be allowed to make incremental improvements in operating efficiency, performance, reliability and pollution reduction without triggering new source performance standards. The issue of mercury emissions from coal-fired plants is a serious one and deserves careful study and monitoring.

A DESIRABLE ENERGY FUTURE FOR NEW MEXICO

While New Mexico is rich in its energy resources there are a number of steps that can be taken to improve the energy industry. A desirable energy future for New Mexico provides reliable, affordable, and sustainable energy for all citizens of New Mexico and is also environmentally sound and culturally sensitive. Energy can propel the state's economic development, and, therefore, improve the quality of life for New Mexico and its residents. New Mexico should promote and invest in the research and development of new technologies that would improve how we produce and distribute energy and find ways to tap into sources of renewable energy. New Mexico should look to diversify its revenue-generating base and become less dependent on the extractive industry for revenue. State and federal tax policies should be reassessed and reviewed to eliminate inefficient and ineffective regulation and inconsistencies which hinder competitiveness of New Mexico energy producers and decrease benefits to New Mexico consumers. Open access to the electric distribution grid, incentives for energy research and development, exportation of New Mexico's energy products, and an informed, well-educated populace are all a part of a desired energy future for our state. New Mexico State government has the primary role in implementing these goals and recommendations to achieve this desired future.

CONCLUSION

To place itself at the forefront of energy development, production and distribution, New Mexico must:

- Add high paying jobs and diversify its industrial base through its human and natural resources and aggressively pursue research in energy efficiency and alternative and renewable sources and their potential applications through grants and other incentives.
- Assess the appropriateness of current taxation on coal production to ensure that New Mexico's involvement in this area does not hinder the competitiveness of its companies in these energy markets.
- Investigate, without compromising or challenging tribal sovereignty, the negative effect of dual or multiple taxation against energy resource developers, producers, and distributors in situations involving energy on tribal or federal land.
- Ensure that New Mexico's process for determining a company's access to its lands is both standardized and orderly.
- Develop policies to expand the use of its vast renewable resources to realize their economic and environmental benefits.
- Encourage the State Economic Development Department to take steps to attract new enterprises that would use New Mexico energy resources or leverage energy resources in new ways to benefit the state's economy.
- Request the legislature to appropriate, in the 2001 session, if not already provided in the year 2000, funds that will immediately be available to the NMPRC for consumer education.
- Request the legislature to appropriate, in the 2001 session, if not already provided in the year 2000, funds that will immediately be available to the NMPRC to hire experts to study technical problems and other restructuring issues.
- Request the executive and legislative branches of New Mexico State government adopt appropriate tax incentives to foster responsible energy production and consumption.
- Support state and federal procedures that ensure access to, development of and distribution of energy and natural resources. Processes and rules should be streamlined and standardized and prevent anti-competitive practices.
- Support legislation supporting the Petroleum Technology Transfer Council and the Petroleum Recovery Research Center in their efforts to develop treatment of water from oil and gas wells.
- Request that the New Mexico Congressional Delegation convene a summit with representatives from the energy industries; the public; state, federal, and tribal governments and their respective regulatory bodies, to discuss issues such as rights-of-way, procedures and regulations, and to promote the development and growth of the energy industry and other associated industries.
- Pursue cost-effective strategies to improve mass transit, especially in the central Rio Grande region, to minimize vehicular energy consumption and to reduce pollution from vehicular sources.

TWENTY-FOURTH NEW MEXICO FIRST TOWN HALL

NEW MEXICO'S ENERGY FUTURE

JUNE 1-4, 2000

The Twenty-Fourth New Mexico First Town Hall convened in Farmington, New Mexico on June 1-4, 2000. The Town Hall declares that energy is an integral component of the lifeblood of New Mexico's job producing economy. New Mexico is rich in numerous natural resources and other assets that provide the basis of energy production within the state as well as the potential for future growth and expansion in energy industries. New Mexico ranks fourth in natural gas production, sixth in crude oil production and thirteenth in coal production. New Mexico's environment provides it with the potential of an estimated 435 billion kilowatt-hours (kWh) in annual wind energy and 3,200 hours of sunshine per year, substantially more than most other states. The state's geothermal resource base has been estimated as containing the equivalent of more than 100 billion barrels of oil.

The challenge identified by the Twenty-Fourth Town Hall is how to best use, from an economic, efficiency, and environmentally friendly perspective, New Mexico's abundant energy resources not only to meet the annual 647 trillion British thermal units [Btu(s)] consumed by New Mexicans, but also generate increasing amounts of energy to grow more industry within New Mexico and export more energy to other states and countries.

WHAT ARE NEW MEXICO'S ENERGY ASSETS?

The Twenty-Fourth New Mexico First Town Hall declares that New Mexico has the widest range of presently known energy resources of any state in the nation. New Mexico's richness in natural resources is complemented by the integrated industry infrastructure, human resource expertise, and technical support to fully develop and utilize these resources. New Mexico's energy resources span a broad spectrum. These resources range in nature from those in the extractive industries and renewable energy resources, to an extensive gas pipeline and electrical grid system, to valuable human resources including an educated energy workforce and interested citizenry, to influential members of state and national government, to our universities and national laboratories.

Town Hall participants stressed that New Mexico's human resources, universities and national laboratories must continue to play a vital role in the research, development, innovation, and advancement of our energy sources. New Mexico's economic future is dependent on balancing the economic benefit against the social detriment of utilizing these assets. Town Hall participants identified the following energy assets that must be diligently considered in planning New Mexico's energy future.

Energy Assets

- Natural gas
- Oil
- Coal
- Carbon dioxide (CO₂)
- Geothermal

- Solar
- Wind
- Uranium
- Landfill gas
- Biomass
- Electric transmission system
- Gas pipeline system
- Knowledgeable and influential political leadership
- Experienced energy workers
- New Mexico's universities
- New Mexico's National Laboratories (LANL/SNL)
- Interested citizenry

HOW ARE NEW MEXICO'S ENERGY ASSETS IMPORTANT TO NEW MEXICO'S FUTURE AND SPECIFICALLY TO NEW MEXICO'S ECONOMIC FUTURE?

New Mexico energy assets' importance to New Mexico's future, generally, and economic future, in particular, can be summed up in three words: jobs, jobs, and jobs. Our energy assets stimulate and produce both primary and secondary employment opportunities and benefits for New Mexico's citizens. New Mexico's energy assets supply extensive revenues to the state in the form of taxes and royalties. Revenues from these assets provide funding for schools, hospitals, state government's general fund, and many vital capital outlay projects across the state. The extractive industry alone provided \$3 billion in 1997 dollars to the Gross State Product. The Town Hall proclaims that New Mexico's energy assets are a major economic base, keeping dollars in New Mexico benefiting all of our citizenry.

Given the incredibly diverse energy resources the State possesses and the technological expertise available to support and develop them, there is great potential for efficiency and innovation that should place New Mexico at the forefront of economic and energy development. Efficiency and technological improvement in all areas will extend the lifetime of the State's resources on both the supply and demand fronts. With an expanded focus on developing cost-effective reliable energy assets New Mexico can attract and retain good business and jobs for its citizens for many years to come. In addition, these energy assets should be leveraged in ways that will encourage new businesses.

New Mexico's energy assets also have the continuing potential for national and international export. This potential should be fostered to its fullest, as jobs in energy are vulnerable to the dynamics of the global market and the availability and accessibility of resources. New Mexico has an opportunity to create and maintain jobs and preserve energy as a vibrant industry through leadership in energy research and development. The Town Hall participants note that the potential for developing New Mexico's renewable asset base and technological innovations for fossil fuels also provides the opportunity to mitigate environmental impacts, maintain our quality of life, and allow New Mexico to be a continuing energy leader.

SHOULD THE STATE CONTINUE TO LOOK TO THE EXTRACTIVE INDUSTRIES FOR TAX REVENUES AND EMPLOYMENT? WHY? HOW? IF NOT, HOW WILL THESE TAX REVENUES AND JOBS BE REPLACED?

New Mexico should continue to look to the extractive industries for tax revenues and employment. However, extractive resources are finite, so there should be focus on looking for ways to diversify the tax base. New Mexico has been overdependent on the extractive industries in this regard. Taxes on industry can reduce its economic viability, which can have significant long-term effects on the continuation of a stable and needed tax base. Realistically, there is no viable, short-term choice. While New Mexico is too reliant on the extractive industries for tax revenues in general, there are some things that can be done to help.

New Mexico should evaluate the quality of the tax structure for energy industries to ensure competitiveness among sectors and with other energy producing states. For example, New Mexico has the highest tax rates on coal of all the western coal-producing states. In addition, coal production on Native American lands is subject to dual taxation. Oil and gas industries are subject to similar dual taxation issues. New Mexico should continually evaluate the tax, royalty and regulatory structure to ensure that the state can attract and maintain investment in the energy industry, encourage development, attraction, and retention of a diversified tax base industry, and protect the environment.

New Mexico tax policies should provide incentives for the energy industries. These policies should take into account goals for short-term and long-term viability of these industries based on issues such as depletion, potential, competitiveness, and effects on the environment. INTEL is a good example of restructuring taxes to help bring industry to the State. Another example is the recent use of severance tax incentives to help keep the energy industry a viable economic engine in the State. Development should be encouraged and adverse consequences limited in planning our energy future.

WHAT ROLE WILL NUCLEAR POWER HAVE IN THE FUTURE IN MEETING NEW MEXICO'S POWER NEEDS?

The Town Hall recognizes that nuclear power will continue to play a role in providing the electric energy requirements of New Mexicans. However, due to a number of factors including public perception and the emotional and political issues associated with nuclear power, its future expansion and future contribution are unknown. Because of New Mexico's uranium resources, the State should be prepared to respond to any changes in the political environment and marketplace in the future. Furthermore, the Town Hall urges the United States Congress and the Executive Branch of the federal government to move forward on the Nuclear Waste Policy Act of 1982. This Act called for the U.S. Government to take possession of and provide for permanent disposal of the wastes generated by nuclear power plants. The nuclear energy industry has been paying a surcharge for this purpose. There is now \$15 billion in the fund, but the U.S. Government is behind schedule in carrying out its responsibility.

ELECTRICITY AND ALTERNATIVE ENERGY SOURCES

WHAT ARE BOTH THE OPPORTUNITIES AND THREATS PRESENTED BY THE RESTRUCTURING OF THE ELECTRIC POWER INDUSTRY?

New Mexico is one of several states that have passed legislation to restructure the electric power industry. Under the New Mexico Electric Utility Industry Restructuring Act of 1999, (Sections 62-3A-1 to 62-3A-23 NMSA 1978) retail markets of investor-owned utilities are expected to be open to competition on a phased-in basis beginning in January 2002. The Town Hall recognizes that because this is a major shift, the results of the restructuring on both residents and business are unknown. The uncertainty leads us to a long list of both potential “opportunities” and “threats”.

The Town Hall expresses most concern for the effects of restructuring on the residential consumer, rural community and small business sectors. It recognizes that the potential abundance of new choices can be both an advantage and a disadvantage because consumers may be overwhelmed and confused by a potentially complicated process. There is also some concern about inadequate consumer protection.

The Town Hall recognizes there may be many new potential advantages to restructuring the electrical industry including the following “opportunities”:

Opportunities

- Lower costs
- Increase in consumer choice
- Development of new innovative technologies
- Market-based, transparent pricing
- More reliable service
- More opportunities for renewable energies
- More new business both within and outside of the energy sector
- Less regulation
- Tax revenues may be increased
- Economic benefits from sustainable, clean energy sources
- Opportunities for environmental improvement

The Town Hall identifies the following potential “threats” from restructuring:

Threats

- Higher costs for consumers
- Unreliable service in areas including transmission, distribution, and generation
- Complexity that will confuse or overwhelm consumers
- Creation of an unregulated monopoly
- Anti-competitive actions against innovative or inexpensive technologies
- Tax revenue (gross receipts) may be lost or decreased

- Unknown environmental impacts
- Air quality concerns may arise due to extending the life of older power plants
- Customers, in reality, may not have more choices

HOW SHOULD THE STATE AND CITIZENS PREPARE FOR A COMPETITIVE ELECTRICITY MARKET?

The Town Hall overwhelmingly agrees that education *prior* to the start of restructuring is vital to inform customers of the process and options available to them. Consumers need to know what restructuring is and how it works. Consumers will be understandably confused about the implications of restructuring and what their new choices will be. They need access to reliable information and service comparisons. The information provided to consumers needs to explain complicated issues simply. It must not only inform them about choices, but also about consequences. Emphasis should be placed on environmental and economic impacts, methods of generation and location of suppliers. Efforts to educate consumers should not only precede the starting date, but increase closer to the time when their options actually become available.

Additional funding for this education effort should be a priority for both the legislature and the New Mexico Public Regulation Commission (NMPRC). A comprehensive system should be established and maintained to compare the results and effects of restructuring in New Mexico against the experiences of other states. Funding for the New Mexico Public Regulation Commission should be made available as an emergency appropriation well before July 1, 2001, in order for the NMPRC to discharge its responsibilities on public education imposed by the Restructuring Act. The education effort should be directed to all consumers, with an emphasis on populations that may need targeted information.

The Town Hall believes that when implementing the restructuring, New Mexico has the opportunity to learn from other states engaged in the process. The appropriate state and federal legislative and regulatory bodies should ensure fair access to the electric grid and fair interconnection policies for new generation sources. The Town Hall recommends that the NMPRC or other appropriate state agencies should also consider standardization in areas such as tariffs, interconnections, disclosures and other common applications.

WHAT ALTERNATIVE SOURCES OF ENERGY, IF ANY, SUCH AS SOLAR, WIND, AND GEOTHERMAL, SHOULD BE ENCOURAGED BY STATE AND LOCAL POLICIES? ARE THE NICHE APPLICATIONS OF THESE ALTERNATIVE SOURCES OF ENERGY SUFFICIENT? SHOULD MORE EFFORTS BE DIRECTED AT CONSERVATION AND ENERGY EFFICENCY?

The State should support and encourage the development of alternative sources of energy. However, future support should take the form of incentives and not mandates of specific sources or their use. Incentives should be considered, studied and implemented, including, but not limited to, supporting long-term continuation of federal tax credits and funding for research, development and demonstration, without the need for subsidization from other competing industries. The Town Hall identified the following issues that should be considered in this regard:

- Cost benefits
- Potential environmental improvements and their impacts
- Economic and technical benefits
- Energy efficiency
- Investments which create sustainable alternatives

Niche applications of alternative sources of energy can fulfill some very special needs not otherwise easily served.

More efforts should be directed at conservation and energy efficiency. Distributed resources as well as other alternative resources should be recognized and encouraged as a method of achieving conservation and improved energy efficiency. This should be done as part of the educational process that will occur as a result of restructuring. This should be accomplished not through mandated subsidies, but through education and advances in technology. Energy efficiency efforts in all sectors should continue, including “performance contracting” whereby building efficiency improvements are paid for over time through the resultant utility cost savings. Public-private endeavors, such as, but not limited to, the New Mexico Green Zia Environmental Excellence Program, which recognize companies or other entities that are committed to or have achieved a high level of environmental excellence, should be supported and recognized publicly as well as broadened to formally include energy efficiency and conservation.

TO WHAT EXTENT SHOULD NEW MEXICO PLACE GREATER LIMITS ON VEHICULAR AND INDUSTRIAL POLLUTION? HOW CAN THIS BE DONE WITHOUT COMPROMISING THE STATE’S ECONOMIC GROWTH?

Vehicular

The Town Hall believes that a significant portion of the air pollution problems the State faces comes from motor vehicle pollution. People in New Mexico are tied to the personal freedom of their own vehicle. Improving transportation systems will be a difficult endeavor. Expansion of mass transit and light rail options might be too expensive, and it is doubtful many of the attitudes that exist toward using these forms of transportation can be easily overcome.

Solutions need to be affordable, but affirmative steps can be taken in the right direction. Planning and zoning authorities should be encouraged to allow high density, mixed-use development that reduces the need for transportation. In cities where some form of mass transit already exists, hours should be extended to be more user-friendly. Businesses, employers and individuals should be given incentives to utilize this method of transportation.

The Town hall believes that greater emphasis should be placed on programs that advocate and support the implementation of alternative fuel vehicles on our roads and highways. For example, state agencies must currently purchase alternative fuel vehicles. Half of them must use compressed gas, ethanol, or other fuels. These endeavors are commendable, but their implementation needs to be strengthened. Right now, it appears

there is no substantial consequence for noncompliance. The State should be providing incentives to New Mexicans to buy low-emission, high-efficiency vehicles.

The State should also pursue mechanisms and programs to make carpooling easier. Convenient park-and-ride lots, carpooling lanes, tax, and other incentives have been implemented elsewhere and have assisted in this endeavor.

A comprehensive education program should be considered to help New Mexicans understand the negative impacts of the widespread use of larger vehicles and the effects of their personal choices in making their energy use decisions. All of New Mexico's educational institutions should be utilized in this endeavor.

Finally, local governments should consider adopting the emissions testing currently undertaken in Albuquerque. The Town Hall stresses that it is important to have confidence in the data that determines the emissions limits that are imposed. In addition, incentives should be provided for retiring or retrofitting older, more polluting vehicles, as well as for producing efficient, low-emission fuels.

Industrial

Existing regulations in the Clean Air Act are sufficient when applied to most emitters and should be continued. Laws that already exist need to be enforced, not new ones created. An unintended consequence of the Clean Air Act amendments is that some facilities in New Mexico that could reduce emissions and increase efficiencies have not done so because doing so triggers additional environmental compliance requirements under the Act. We urge reconsideration of this provision and its impact on New Mexico. We recognize that continuing to "grandfather" power plants may not lead to environmental improvements.

One possible approach to improving air quality not only in New Mexico but throughout the country is to consider applying the Clean Air Act with a regional focus, rather than on a national basis. Stringent requirements necessary in the Northeast, for example, may not be beneficial in other regions. The benefit of this approach is that it could eliminate the disincentives for making improvements to older plants in New Mexico. It encourages improvements that will bring emitters closer to the highest standards, rather than having no improvements at all in older plants. Once again, it is important to have confidence in the data that determines the emissions limits that are imposed. Environmental impact data needs to be clearly defined and conveyed.

HOW APPROPRIATE IS THE CURRENT REGULATION OF OIL AND GAS PRODUCERS BY STATE AND FEDERAL AGENCIES? WHY?

Cumbersome regulatory and permitting processes together with a lack of adequate funding for appropriate regulatory agencies discourage exploration for new reserves and development of existing resources on our state, federal, private, and tribal lands. Well-run regulatory programs can efficiently and effectively provide benefits to the state and its citizens. Current surface water, groundwater and hazardous waste regulations on the oil and gas industry are generally adequate. The oil and gas industry is important to the State of New Mexico. The working relationship between the industry and state regulatory agencies is good and should be continued to foster the economic benefits the State and its citizens receive from the industry.

State regulatory agencies should be commended for their willingness to work cooperatively with both industry and the public. Nevertheless, in order to streamline the permitting process, state and federal requirements (e.g. public hearings and comment opportunities) should be combined where possible.

The Town Hall expresses its concern that while the oil and gas industry's relationship with state regulatory agencies is positive and cooperative, working with the U.S. Bureau of Land Management (BLM) is often more complicated. This agency and other federal agencies sometimes regulate without appreciation for circumstances unique to New Mexico's oil and gas industry. In addition, they are sometimes inconsistent in their interpretation of the law on certain issues.

Consistent and coordinated regulation among regulatory agencies is the cornerstone to efficient and environmentally sound development. This should include set time frames for application submission, comment, and ruling. Regulations should focus on safety, the environment, and waste prevention, rather than on market issues such as supply, demand, and royalty marketing. Our Congressional Delegation should be asked to encourage agencies to apply regulations with this spirit in mind.

Development of oil and gas and other energy resources on tribal lands is even more complicated. It requires the involvement of not only the tribes themselves, but potentially numerous federal and state agencies and their respective regulations and procedures. The number of parties, procedures, and regulations complicate and hinder the tribes' ability to develop their resources and industry's ability to access and/or cross Indian lands. In addition, the development of resources on adjacent state, federal and private lands is adversely impacted.

The Town Hall recommends that a summit be set up with representatives from the energy industries; the public; and state, federal and tribal governments and their respective regulatory bodies, to discuss these issues and to promote the development and growth of the energy industries and other associated industries.

The Town Hall stresses that the proper plugging of oil and gas wells is necessary and appropriate. Both the state and federal government need to ensure that funds are available for proper plugging. The State of New Mexico should review bonding requirements for operators as they pertain to the plugging and remediation of sites of wells to ensure that the State is not left with the liability. However, any additional necessary regulations in this area should be drafted with the goal of limiting their burden on the general industry.

The Town Hall is concerned about the aging infrastructure, particularly pipelines used by the oil and gas industry, and how that infrastructure, if not updated or replaced as necessary, could harm the environment. Industry should be encouraged to upgrade its infrastructure on a timely basis. Incentives may be appropriate.

Some impacts of oil and gas development, such as noise and dust, are not regulated at the federal or state level. We encourage industry to mitigate noise and dust proactively through technological improvements rather than relying solely on regulation.

TO WHAT EXTENT SHOULD NEW MEXICO BE CONCERNED WITH THE ENVIRONMENTAL CONSEQUENCES OF THE COAL-FIRED PLANTS IN THE FOUR CORNERS AREAS SUCH AS REGIONAL HAZE OR MERCURY CONTAMINATION?

Coal plants are large point sources of pollution in the Southwest. Eighty-seven percent (87%) of the in-state generation of power is from coal powered plants. The San Juan and Four Corners power plants generate 70% of the electricity in the State of New Mexico. Given the significance and importance of coal-produced energy for the Four Corners and New Mexico in general, the balancing of energy interests with environmental ones is a delicate proposition. Nevertheless, New Mexicans are and should be concerned with the environmental consequences of the coal-fired plants in the Four Corners area, including haze and the bioaccumulation of mercury. A clean and healthy environment is a goal. This goal must be achieved with the help and assistance of energy producers in a collective, cooperative effort.

Fossil fuels will be the major fuels of the future, and it is expected that their use will increase in the next 20 years. The owners of the Four Corners plants, as they were originally built, and since modified, have proven a willingness to install new technology as it becomes available, and we believe they will continue to do so. Current regulations and monitoring are sufficient and plants are legally compliant, but, where possible, we should foster technological advances addressing pollutants and their acceptable levels. Additional grants should be created for continued research to address coal-fired plant emissions. New Mexico universities and national laboratories should be integrally involved in this effort.

Electric generating stations are utilizing the best available retrofit technologies to reduce emissions, and new technologies appear to be on the horizon. In addition, federal regulations may hamper the decrease of emissions when the decrease is a byproduct of the implementation of improved efficiency technology within plants. Facilities should be allowed to make incremental improvements in operating efficiency, performance, reliability and pollution reduction without triggering new source performance standards.

There is currently no commercially available technology to remove all forms of mercury from plant emissions. The EPA is addressing the issue of mercury emissions from coal-fired plants. The Town Hall considers this a serious issue. Effects on the environment are typical of low-level, long-term airborne emissions and will, therefore, be difficult to evaluate without careful studies. The Town Hall encourages careful study and monitoring. If the studies can quantify harmful effects and reasonable technology is available then appropriate regulation should be implemented.

POLICIES, LAWS AND REGULATIONS

New Mexico is historically committed to free markets as the most efficient ordering mechanism of the State's economy (1851 Bill of Rights, Section 17, now codified as NMSA 1978 Section 47-1-2). When considering New Mexico's energy future the Town Hall urges the legislature and the administration to give maximum consideration to free market solutions and avoid, whenever possible, command and control solutions.

WHAT IS A DESIRABLE ENERGY FUTURE FOR NEW MEXICO AND IN ACHIEVING THIS DESIRABLE FUTURE WHAT SHOULD BE NEW MEXICO'S GOALS IN ITS POLICIES TOWARDS ENERGY ASSETS? LIST AND PRIORITIZE KEY STEPS NECESSARY TO ACHIEVE THE DESIRED GOALS.

The Town Hall concluded that New Mexico is rich in its energy resources, but acknowledges that there are a number of steps that can be taken to improve the energy industry. The Town Hall has identified as a desirable energy future one that provides reliable, affordable, and sustainable energy for all citizens of New Mexico and is also environmentally sound. The industry should also contribute to a robust economy by creating jobs in an open market. The Town Hall recognizes that energy can propel the State's economic development and therefore improve the quality of life for New Mexico and its residents.

The most direct impact a desirable energy future would have on residents is the supply of more reliable energy at a lower cost. New Mexico should pursue ways to ensure access to clean affordable energy while minimizing environmental impacts.

In order to increase the reliability of service while lowering costs to the consumer, New Mexico should work to improve the efficiency of its current process of producing energy. It should promote and invest in the research and development of new technologies that would improve how we produce and distribute energy.

The Town Hall recognizes that there are immense opportunities in renewable energy that should be pursued. It is important that New Mexico make the effort to break away from dependence on traditional energy sources and find ways to tap into sources of renewable energy. A future vision would have New Mexico taking a leadership role in development of its vast energy resources and distribution of those resources on a cost affordable and reliable basis to all New Mexico's citizens. A leadership role in renewable energy research and development could only reap benefits for New Mexico.

The Town Hall supports the implementation of the NMPRC rule that requires 5% of the energy for the standard offer service be derived from the renewable energy sources, which are reasonably competitive considering their economic and environmental benefits to New Mexico.

Energy policy must be environmentally and culturally sensitive. The industry, in partnership with state and federal government, should work to develop new technologies that provide safe development of energy resources, consistent with environmental laws and regulations that will minimize the spread of pollution.

It is agreed that a healthy energy industry goes hand in hand with an open market and one that does not hinder the creation of new business by overregulation. A healthy economy should also be less dependent on taxes from the energy industry. New Mexico has been too dependent on the extractive industry for revenue and should look to diversify its revenue-generating base.

A change in state and federal tax policies might offset the cost of energy to consumers. The policies should be reassessed and reviewed. There is a strong consensus that the energy industry is currently burdened by inefficient and ineffective regulations in some areas. In many instances the regulation by state and federal regulators is inconsistent with one another. Such regulatory practices hinder competitiveness of energy producers in our state and decrease benefits to New Mexico consumers.

For the industry to flourish it is imperative that business have access to the power grid that supplies much of the power to New Mexico. The New Mexico Public Regulation Commission is required to open access to the distribution grid. The NMPRC should undertake efforts to help assure non-discriminatory access to the electric transmission grid by working with the regional transmission organization which is under the Federal Energy Regulatory Commission's (FERC) regulation.

Better access to the grid should equal more business and therefore more jobs, encouraging economic development. Another way to spur economic growth would be to export New Mexico's energy products. New Mexico should be promoted as a leader in the energy industry, encouraging product export, as well as bringing in business prospects. Local incentives for energy research and development should be offered to attract business to New Mexico. Local economic bodies could become involved in how to nurture this process further.

Customer choice will be part of a desirable energy future, as long as it is accompanied by adequate education of New Mexico's consumers. Without education, the desired benefits from restructuring will not be realized. The industry should have an informed populace. The New Mexico Energy, Minerals and Natural Resources Department could be used as an educational outlet.

In our desired energy future, no one would be left out, especially rural communities, Indian tribes, and small business.

WHAT ROLE SHOULD EACH OF THE FOLLOWING PLAY IN IMPLEMENTING THESE GOALS: STATE AND FEDERAL ENERGY POLICIES; STATE AND FEDERAL TAX POLICIES; STATE AND FEDERAL ENVIRONMENTAL POLICIES; AND STATE AND FEDERAL WORKER SAFETY POLICIES; OTHER STATE LAWS AND REGULATIONS?

While the federal government plays a role in implementing the aforementioned goals and recommendations, New Mexico state government should be recognized as having the primary role.

CONCLUSION

New Mexico's energy assets place it in the unique position of being an energy leader well through the 21st Century. It has the natural resources and the means necessary for the practical, effective and efficient development of those resources. What then must New Mexico do to place itself at the forefront of energy development, production and distribution? This is the key question addressed by the Twenty-Fourth Town Hall. In the opinion of the participants the following must be done:

- New Mexico has the human and natural resources to become a world leader in this area and can add high paying jobs and diversify its industrial base through this mechanism. New Mexico should aggressively pursue research in energy efficiency and alternative and renewable sources and their potential applications through grants and other incentives.

- New Mexico should assess the appropriateness of current taxation on coal production to ensure that New Mexico's involvement in this area does not hinder the competitiveness of its companies in these energy markets.
- New Mexico should investigate, without compromising or challenging tribal sovereignty, the negative effect of dual or multiple taxation against energy resource developers, producers, and distributors in situations involving energy on tribal or federal land.
- New Mexico should ensure that its process for determining a company's access to its lands is both standardized and orderly.
- New Mexico should develop policies to expand the use of its vast renewable resources to realize their economic and environmental benefits.
- The New Mexico Economic Development Department should take steps to attract new enterprises that would use New Mexico energy resources or leverage energy resources in new ways to benefit the State's economy.
- The legislature should appropriate, in the 2001 session, if not already provided in the year 2000, funds that will immediately be available to the NMPRC for consumer education.
- The legislature should appropriate, in the 2001 session, if not already provided in the year 2000, funds that will immediately be available to the NMPRC to hire experts to study technical problems and other restructuring issues.
- The executive and legislative branches of New Mexico State government should adopt appropriate tax incentives to foster responsible energy production and consumption.
- State and federal procedures must ensure access to, development of, and distribution of energy and natural resources. Processes and rules should be streamlined and standardized and prevent anti-competitive practices.
- The New Mexico First Town Hall recommends legislation supporting the Petroleum Technology Transfer Council and the Petroleum Recovery Research Center in their efforts to develop treatment of water from oil and gas wells.
- The Town Hall recommends that the New Mexico Congressional Delegation convene a summit with representatives from the energy industries, the public, state, federal, and tribal governments and their respective regulatory bodies, to discuss issues such as rights-of-way (ROWs), procedures and regulations, and to promote the development and growth of the energy industry and other associated industries.
- New Mexico should pursue cost-effective strategies to improve mass transit, especially in the central Rio Grande region, to minimize vehicular energy consumption and to reduce pollution from vehicular sources.

THEREFORE the Twenty-Fourth New Mexico First Town Hall charges the Implementation Team to undertake all efforts necessary to accomplish the above-listed recommendations.