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Farmington and Enchant Provide Response to IEEFA Analysis of San Juan Generating Station Carbon Capture Project

Farmington, New Mexico, February 28, 2020 - The City of Farmington (Farmington) and Enchant Energy Corporation (Enchant Energy) have posted a response to the recent Institute for Energy Economics and Financial Analysis (IEEFA) report and presentation regarding the San Juan Generating Station carbon capture project that responds to the report's conclusions and key assumptions. The response document is available on Enchant Energy's website at <https://www.enchantenergy.com/response-to-ieefa-report>.

The IEEFA report and accompanying presentation slides questioned key engineering analysis being used by Enchant Energy regarding the project to add carbon capture to the San Juan Generating Station. The overarching problem with the IEEFA analysis is that it was based solely on generic and publicly available data on other projects, not the specific engineering studies and confidential information possessed by Enchant Energy and its consultants, engineers and technology providers.

"IEEFA's report implies that those currently involved with the project including the City of Farmington as well as potential investors are somehow blind to the factors that are important to success," said Farmington Mayor, Nate Duckett. "Rest assured we are well aware of what factors are important and are working daily to successfully address them."

"The data used by IEEFA is of regrettably questionable value in evaluating this project," said Peter Mandelstam, Enchant Energy COO. "Our project plan is based on operational, engineering

and financial data specific to this project. We have posted such data on our website for months and to date no one has quantifiably refuted a single number of ours. While the IEEFA report correctly identifies some of the key factors for the success of the project, as our response document shows, their assumptions and conclusions are incorrect and not supported by any engineering work or access to confidential operational power plant data, as they admit in their report.”

The IEEFA report lists three main assumptions that the authors claim to be problematic:

That the retrofitted units will operate at an average capacity factor of at least 85% for the first 12 years of the project’s operation;

That the retrofitted plant will capture 90% of the CO₂ produced at San Juan, and will do so for at least 85% of the hours every year for 12 years; and

That the plant will be able, as a result, to sell six million metric tons of CO₂ every year for use in enhanced oil recovery (EOR) activities in the Permian Basin in order to pay for the project.

The summary response to these points raised by IEEFA are as follows:

Based on detailed operational and engineering studies including the Sargent & Lundy pre-feasibility study, San Juan Generating Station can achieve an 85% capacity factor operating as a merchant plant. Enchant Energy’s project plan includes a robust program of capital improvements and ongoing maintenance well beyond what has been done recently as the plant operates on a “glide path” to closure in 2022 by the current owners. Most importantly, private capital is being used to achieve this high level of productivity. All carbon dioxide (CO₂) and electricity sold is done so on a merchant basis, with zero risk to New Mexico ratepayers.

“Given Sargent & Lundy’s knowledge of San Juan Generating Station, there’s no reason why it can’t achieve 85% capacity,” said Sean McHone, Sr. Vice President and Project Director at Sargent & Lundy. “In our experience, it’s very achievable and has been done for plants of this type and vintage.”

Based on the experience of earlier carbon capture projects, the technology and operating plans calling for 90% carbon capture are also achievable in the San Juan Generating Station carbon capture project. The other carbon capture projects cited by IEEFA actually support this engineering estimate. These plant’s actual carbon capture percentages in some cases have been below 90% due to the financial incentives and other factors in those projects, but their detailed experience when applied to San Juan Generating Station supports a 90% recovery percentage.

The market for carbon dioxide in southeast New Mexico is robust, based on current and planned enhanced oil recovery (EOR) projects. These projects are among the most environmentally friendly and cost-effective methods to capture oil from existing wells. In addition, Enchant Energy has already commenced negotiations with buyers for carbon dioxide operating in the Permian Basin. Moreover, Enchant Energy has partnered with the New Mexico Institute of Mining and Technology to apply for U.S. Department of Energy funds, with Enchant Energy cost share, to explore direct sequestration of CO₂ in New Mexico wells.

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About City of Farmington:

Farmington is a city located in the northwest corner of New Mexico. It is a subset of the overall MSA: Aztec, Kirtland, Bloomfield, Shiprock, unincorporated areas of San Juan County and parts of the Navajo Nation. The MSA is named after Farmington as it has the largest population of the MSA territory - nearly 46,000 people. Farmington is structured under the council-manager form of government consisting of a city manager, mayor and four city councilors who represent each district in the city. The City of Farmington has been a minority owner of San Juan Generating Station for over 37 years. Learn more at <http://www.fmtn.org/>

About Enchant Energy:

Enchant Energy is a New Mexico company that seeks to capture CO₂ for sequestration purposes and de-carbonize electricity production by investing in state-of-the-art environmental technology at San Juan Generating Station. These activities are intentionally designed to further New Mexico's dual goals of substantially reducing its statewide CO₂ output, and supporting New Mexico's economy by employing hundreds of people in San Juan County and on the Navajo Nation by providing reliable, low-cost wholesale electricity. Learn more at: <https://www.enchantenergy.com/>