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FISCAL IMPACT REPORT

SPONSOR Rehm ORIGINAL DATE 03/01/09
LAST UPDATED _____ HB 724
SHORT TITLE Utility Disconnection Requirements SB _____
ANALYST Lucero

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Minimal			Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

House Bill 724 amends Section 27-6-17 NMSA 1978, Low Income Utility Assistance Act, to prohibit a gas or electric utility from disconnecting service to a residential customer for nonpayment unless the customer is 60 days or more in arrears or requests the disconnection.

The bill further requires that the utility must mail or hand-deliver a notice to all addresses on file for the customer at least fifteen days prior to the date scheduled for service to be discontinued.

HB724 removes a provision of Section 27-6-17(B) that requires a utility to follow certain procedures between November 15 and March 15 before disconnecting residential service. In consequence, a utility must follow the procedures at all times.

FISCAL IMPLICATIONS

The Public Regulation Commission (PRC) may experience minimal additional administrative costs associated with implementing the bill. Refer to administrative implications.

SIGNIFICANT ISSUES

The bill removes a provision requiring a utility to follow certain procedures between November 15 and March 15 before disconnecting residential service. Currently, a public regulated utility company shall not disconnect service to a residential customer for any billing cycle from November 15 through March 15 for nonpayment if the customer meets the qualifications for the low-income home energy assistance program (LIHEAP) and are current on their bills or if they have entered into a payment agreement with their provider and are current on payments under that agreement by Nov. 15. The utility company shall report the customer's need for assistance to the Human Services Department (HSD) and HSD shall take immediate action to mitigate the problem.

PRC rules, 17.5.410 NMAC, apply to electric, rural electric cooperative and gas utilities. The purpose of this rule is to establish uniform standards to be followed by electric, gas, and rural electric cooperative utilities when dealing with residential customers, to aid residential customers in obtaining and maintaining essential utility services, to promote safe and adequate service to residential customers, and to establish a basis for determining the reasonableness of such demands as may be made upon utilities by residential customers.

Currently under PRC rule 17.5.410.13 NMAC, a residential customer is given at least twenty (20) calendar days from the billing date before a bill is deemed delinquent. A residential customer is then given at least fifteen (15) calendar days from the date the bill is deemed delinquent before a utility may disconnect utility service. Disconnections are already prohibited during the winter heating season for residential customers who qualify under Sec. 27-6-18.1.

A customer could easily receive 110 days of service (the original 30 days covered by the original bill, plus 20 days before its due date, plus 60 days for the arrearage grace period) before being disconnected for nonpayment. If the arrears must exceed sixty days then a utility would be required to carry this receivable an additional forty-five day over the current thirty-five days prior to disconnect. This additional time could result in an increased net working capital requirement for utility. Additional costs may be recoverable from all ratepayers through increased rates.

ADMINISTRATIVE IMPLICATIONS

To accommodate a statutory change, a rulemaking hearing by the PRC would be needed to amend existing rules relating to the gas and electric utilities service discontinuance procedures for nonpayment

RELATIONSHIP

Related to SB71 - Expands the definition of utility under 27-6-13 to include municipal owned utilities.

Related to SB561 - Further clarify the definition of utilities as it is applied within the Low Income Utility Assistance Act (LIUA) to include municipal owned utilities and rural Electric cooperatives. With this clarification, municipal and cooperatively owned gas or electric utilities would be required to adhere to service disconnection procedures for customers eligible for public assistance during the heating season.

TECHNICAL ISSUES

The practice of retaining addresses will vary among utilities and will be dependent on the customer providing those addresses to the utility which may make the provision of requiring the utility to mail the fifteen-day disconnect notice “to all addresses for the customer on file” difficult. If the billing address differs from the service address there is no assurance that a disconnect notice is deliverable to the service address.

Allowing for an electronic notice should also be considered.

DL/svb