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FISCAL IMPACT REPORT

ORIGINAL DATE 01/21/14
LAST UPDATED 01/27/14 **HB** _____

SPONSOR Payne

SHORT TITLE Utility Charges for Certain Schools **SB** 81

ANALYST Clark

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
NFI	NFI	NFI		

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)
 New Mexico State University (NMSU)
 Renewable Energy Transmission Authority (RETA)
 University of New Mexico (UNM)

SUMMARY

Synopsis of Bill

Senate Bill 81 amends the Renewable Energy Act, Section 62-16-4 NMSA 1978, to exempt state educational institutions designated in Article 12, Section 11 of the New Mexico Constitution from paying renewable energy charges to utility providers to help the public utility to meet renewable portfolio standard requirements if any of the designated institutions:

- 1) has enrollment of 24,000 students in the fall semester at its main campus;
- 2) consumes greater than 20 million kilowatt-hours (kWh) per year at a single location or facility;
- 3) owns renewable energy generation; and
- 4) certifies to the state auditor and notifies the Public Regulation Commission (PRC) and its serving utility that it will expend 2.5 percent of that year's annual electricity charges to continue to develop within 24 months customer-owned renewable energy generation.

Additionally, the bill makes minor grammatical corrections, replacing two instances of "criteria" with "criterion."

FISCAL IMPLICATIONS

There are no significant fiscal implications for the state.

SIGNIFICANT ISSUES

Currently, only political subdivisions of the state are granted the exemption proposed by this bill for certain educational institutions.

Analysis from the Energy, Minerals and Natural Resources Department (EMNRD) during the 2013 legislative session shows that the exemption offered in this bill would only apply to the University of New Mexico (UNM); it is the only institution that meets the criteria. UNM uses over 20 million kWh per year at its main campus in Albuquerque, and it has a handful of solar panels atop the mechanical engineering building. If UNM can meet the requirements under existing language in the Renewable Energy Act, coupled with the proposed language under SB 81, UNM would no longer be required to pay renewable energy charges to its utility provider, the Public Service Company of New Mexico (PNM).

The UNM analysis shows that, assuming the university's current electric bills are in the general region of \$11 million per year, 2.5 percent of this amount (\$275 thousand per year) can be used to buy and install renewable energy generating facilities on its campuses instead of paying that amount to the utility for renewable energy charges.

SB 81 will not have a fiscal impact on the electric bills of a utility's other customers, according to the UNM analysis. A 2013 revision of PRC Rule 17.9.572.7(L) states that in calculating cost recovery for its renewable energy portfolio, a utility can seek to recover 10 percent of its plan year total retail energy sales but excludes energy sales to customers exempted pursuant to Section 62-16-4A (3) NMSA 1978. If SB 81 is enacted, this statute would include UNM if the university builds its own renewable energy projects. This resolves previous concerns noted regarding potential rate increases for other customers for a similar bill passed, but pocket vetoed, in the 2013 legislative session.

ADMINISTRATIVE IMPLICATIONS

There are no significant administrative implications. UNM reports it has successfully installed and now operates a number of renewable energy facilities. No new employees will be needed to continue this program to provide more renewable energy to its campuses.

JC/jl:svb