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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 254

SHORT TITLE: Avoided Gasses in PRC Cost Test

SPONSOR: Ortez

LAST ORIGINAL
UPDATE: 2/04/2026 **DATE:** 2/01/2026 **ANALYST:** Rodriguez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Public Regulation Commission

Agency or Agencies That Were Asked for Analysis but did not Respond

Energy, Minerals and Natural Resources Department

SUMMARY

Synopsis of Senate Bill 254

Senate Bill 254 (SB254) amends the Efficient Use of Energy Act (Chapter 62, Article 17 NMSA 1978) to allow investor-owned electric utilities to include the value of avoided greenhouse gas emissions in utility cost tests for energy efficiency and load management programs or resources. A utility cost test is met when a utility's life-cycle cost for energy efficiency or load management programs or resources is lower than the avoided costs of building and operating new supply-side resources. SB254 also grammatically corrects "grid enhancing technology" to "grid-enhancing technology".

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

PRC does not indicate requiring additional staff due to projected workload and hearing time in

energy efficiency proceedings. However, staff workload may increase to review and address any valuation disputes.

SIGNIFICANT ISSUES

HB254 allows PRC to include avoided greenhouse gas emissions as a benefit when determining whether a utility's energy efficiency and load management programs are cost-effective, in addition to the usual avoided supply-side costs.

Varying Methods. As noted by PRC, HB254 doesn't require PRC to use any particular carbon price or methodology for calculating the value of avoided greenhouse gas emissions. PRC notes avoided greenhouse gas emissions can be valued in several ways such as using a social cost metric, a market-based emissions price, or compliance cost proxy. Different valuation methods could produce widely ranging results and may increase the likelihood of disputes in utility program approval cases.

PRC elaborates that the bill could change program cost-effectiveness rankings and influence portfolio selection. The change in HB254 could potentially prioritize programs with higher greenhouse gas emission benefits relative to programs that would otherwise pass the test based solely on traditional avoided-cost metrics.

Recent Changes to the Efficient Use of Energy Act. Laws 2025, Chapter 93 amended the Efficient Use of Energy Act by clarifying that public utilities are allowed to incorporate advanced grid technology projects in their applications for grid modernization projects. For PRC-approved grid modernization projects, statute enables investor-owned utilities to recover reasonable project costs through an approved tariff rider or change in base rates.

ADMINISTRATIVE IMPLICATIONS

PRC notes HB254 could increase PRC staff workload and hearing time in energy efficiency proceedings depending on the valuation approach used and to review and address any valuation disputes.

TECHNICAL ISSUES

PRC notes that Section 1, Subsection Q, and Section 2, Subsection C, limit the avoided greenhouse gas valuation option to investor-owned electric utilities, which appears to exclude investor-owned natural gas utilities. If the intent is to apply the avoided greenhouse gas valuation option to both investor-owned electric and natural gas utilities, deleting "electric" would accomplish that.

ALTERNATIVES

PRC notes an alternative could be for the Legislature to direct PRC to establish greenhouse gas value through rulemaking.