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AN ACT

RELATING TO ENERGY; DIRECTING THE ENERGY, MINERALS AND  
NATURAL RESOURCES DEPARTMENT TO DEVELOP A ROADMAP FOR GRID  
MODERNIZATION; ESTABLISHING A GRID MODERNIZATION GRANT  
PROGRAM; ENABLING A PUBLIC UTILITY TO SUBMIT AN APPLICATION  
TO THE PUBLIC REGULATION COMMISSION TO MODERNIZE GRID  
TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE; ALLOWING  
UTILITIES TO RECOVER CERTAIN COSTS FOR GRID MODERNIZATION  
PROJECTS; CREATING A FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of Chapter 71 NMSA 1978 is  
enacted to read:

"GRID MODERNIZATION ROADMAP AND GRANT PROGRAM.--

A. The energy, minerals and natural resources  
department shall develop a roadmap for grid modernization  
that shall detail priorities and strategies to modernize New  
Mexico's electric grid.

B. The department shall establish a grid  
modernization grant program to support implementation of a  
modern grid by providing grants to eligible projects proposed  
by:

- (1) municipalities and county governments;
- (2) state agencies;
- (3) state universities;

- 1 (4) public schools;  
2 (5) post-secondary educational institutions;  
3 and  
4 (6) Indian nations, tribes and pueblos.

5 C. The department shall adopt rules establishing  
6 the application procedure, the required qualifications for  
7 projects and the purposes for which the grant may be used.  
8 In approving grants, consideration shall be given to:

9 (1) the extent to which the project improves  
10 electrical system efficiency, reliability, resilience and  
11 security; lowers operations and maintenance costs; and meets  
12 energy demands through a flexible, diversified and  
13 distributed energy portfolio consistent with New Mexico's  
14 energy goals;

15 (2) the extent to which the project  
16 incorporates a new technology or a new or innovative  
17 application of an existing technology that will provide  
18 useful information to the state, utilities, electric  
19 cooperatives and the general public related to grid  
20 modernization;

21 (3) the degree to which the project fosters  
22 the general public's, students' or a specific government or  
23 industry sector's overall understanding and appreciation of  
24 the benefits of modernizing the electric grid;

25 (4) the extent to which the project

1 complements or coordinates with the resource planning of a  
2 public utility as required by the Public Utility Act; and

3 (5) the extent to which the project  
4 stimulates in-state economic development, including the  
5 creation of jobs and apprenticeships.

6 D. Grants shall be awarded on a competitive basis,  
7 and priority shall be given to proposals that use matching  
8 funds from non-state sources. The grant program shall seek  
9 to fund applicants in each of the following categories:

10 (1) an Indian nation, tribe or pueblo;

11 (2) a rural community served by a rural  
12 electric cooperative;

13 (3) a rural community served by an investor-  
14 owned public utility;

15 (4) an urban or semi-urban municipality or  
16 county; and

17 (5) an institution of higher education.

18 E. Projects receiving a grant from the grid  
19 modernization grant program shall be required to be  
20 coordinated with the electric service provider that serves  
21 the entity in order to ensure that the program does not  
22 adversely impact electrical system efficiency, reliability,  
23 resilience and security.

24 F. The department shall provide a report on the  
25 grid modernization grant program to the legislative finance

1 committee prior to each regular legislative session. The  
2 report shall include:

- 3 (1) a list of grant recipients;
- 4 (2) the amount and date of each grant;
- 5 (3) a description of each project funded;

6 and

7 (4) a description of how each project  
8 contributes to grid modernization and demonstrates increased  
9 electric grid reliability, resilience, security; creates  
10 economic benefits; or pilots or demonstrates new technologies  
11 or new implementations of existing technologies.

12 G. For the purposes of this section:

13 (1) "department" means the energy, minerals  
14 and natural resources department; and

15 (2) "grid modernization" means improvements  
16 to electric distribution or transmission infrastructure,  
17 including related data analytics equipment, that are designed  
18 to accommodate or facilitate the integration of renewable  
19 electric generation resources with the electric distribution  
20 grid or to otherwise enhance electric distribution or  
21 transmission grid reliability, grid security, demand response  
22 capability, customer service or energy efficiency or  
23 conservation and includes:

24 (a) advanced metering infrastructure  
25 that facilitates metering and providing related price signals

1 to users to incentivize shifting demand;

2 (b) intelligent grid devices for real  
3 time system and asset information at key substations and  
4 large industrial customers;

5 (c) automated control systems for  
6 electric distribution circuits and substations;

7 (d) communications networks for service  
8 meters;

9 (e) distribution system hardening  
10 projects for circuits and substations designed to reduce  
11 service outages or service restoration times;

12 (f) physical security measures at key  
13 distribution substations;

14 (g) cybersecurity measures;

15 (h) energy storage systems and  
16 microgrids that support circuit-level grid stability, power  
17 quality, reliability or resiliency or provide temporary  
18 backup energy supply;

19 (i) electrical facilities and  
20 infrastructure necessary to support electric vehicle charging  
21 systems;

22 (j) new customer information platforms  
23 designed to provide improved customer access, greater service  
24 options and expanded access to energy usage information; and

25 (k) other new technologies that may be

1 developed regarding the electric grid."

2 SECTION 2. A new section of Chapter 71 NMSA 1978 is  
3 enacted to read:

4 "GRID MODERNIZATION GRANT FUND--CREATED.--The "grid  
5 modernization grant fund" is created in the state treasury.  
6 The fund consists of appropriations, gifts, grants and  
7 donations. The energy, minerals and natural resources  
8 department shall administer the fund, and money in the fund  
9 is subject to appropriation by the legislature to the  
10 department for the purpose of administering the grid  
11 modernization grant program. Disbursements from the fund  
12 shall be made upon warrants drawn by the secretary of finance  
13 and administration pursuant to vouchers signed by the  
14 secretary of energy, minerals and natural resources or the  
15 secretary's designee. Any unexpended and unencumbered  
16 balance in the fund remaining at the end of any fiscal year  
17 shall not revert to the general fund."

18 SECTION 3. A new section of the Public Utility Act is  
19 enacted to read:

20 "APPLICATION FOR GRID MODERNIZATION PROJECTS.--

21 A. A public utility may file an application with  
22 the commission to approve grid modernization projects that  
23 are needed by the utility, or upon request of the commission.  
24 Applications may include requests for approval of investments  
25 or incentives to facilitate grid modernization, rate designs

1 or programs that incorporate the use of technologies,  
2 equipment or infrastructure associated with grid  
3 modernization and customer education and outreach programs  
4 that increase awareness of grid modernization programs and of  
5 the benefits of grid modernization. Applications shall  
6 include the utility's estimate of costs for grid  
7 modernization projects. Applications for grid modernization  
8 projects shall be filed pursuant to Sections 62-9-1 and  
9 62-9-3 NMSA 1978, as applicable.

10 B. When considering applications for approval, the  
11 commission shall review the reasonableness of a proposed grid  
12 modernization project and as part of that review shall  
13 consider whether the requested investments, incentives,  
14 programs and expenditures are:

15 (1) reasonably expected to improve the  
16 public utility's electrical system efficiency, reliability,  
17 resilience and security; maintain reasonable operations,  
18 maintenance and ratepayer costs; and meet energy demands  
19 through a flexible, diversified and distributed energy  
20 portfolio, including energy standards established in Section  
21 62-16-4 NMSA 1978;

22 (2) designed to support connection of New  
23 Mexico's electrical grid into regional energy markets and  
24 increase New Mexico's capability to supply regional energy  
25 needs through export of clean and renewable electricity;

1 (3) reasonably expected to increase access  
2 to and use of clean and renewable energy, with consideration  
3 given for increasing access to low-income users and users in  
4 underserved communities;

5 (4) designed to contribute to the reduction  
6 of air pollution, including greenhouse gases;

7 (5) reasonably expected to support increased  
8 product and program offerings by utilities to their  
9 customers; allow for private capital investments and skilled  
10 jobs in related services; and provide customer protection,  
11 information or education;

12 (6) transparent, incorporating public  
13 reporting requirements to inform project design and  
14 commission policy; and

15 (7) otherwise consistent with the state's  
16 grid modernization planning process and priorities.

17 C. Except as provided in Subsection D of this  
18 section, a public utility that undertakes grid modernization  
19 projects approved by the commission may recover its  
20 reasonable costs through an approved tariff rider or in base  
21 rates, or by a combination of the two. Costs that are no  
22 greater than the amount approved by the commission for a  
23 utility grid modernization project are presumed to be  
24 reasonable. A tariff rider proposed by a public utility to  
25 fund approved grid modernization projects shall go into

1 effect thirty days after filing, unless suspended by the  
2 commission for a period not to exceed one hundred eighty  
3 days. If the tariff rider is not approved or suspended  
4 within thirty days after filing, it shall be deemed approved  
5 as a matter of law. If the commission has not acted to  
6 approve or disapprove the tariff rider by the end of the  
7 suspension period, it shall be deemed approved as a matter of  
8 law.

9 D. Costs for a grid modernization project that  
10 only benefits customers of an electric distribution system  
11 shall not be recovered from customers served at a level of  
12 one hundred ten thousand volts or higher from an electric  
13 transmission system in New Mexico.

14 E. The provisions of this section do not apply to  
15 a distribution cooperative organized pursuant to the Rural  
16 Electric Cooperative Act.

17 F. As used in this section, "grid modernization"  
18 means improvements to electric distribution or transmission  
19 infrastructure through investments in assets, technologies or  
20 services that are designed to modernize the electrical system  
21 by enhancing electric distribution or transmission grid  
22 reliability, resilience, interconnection of distributed  
23 energy resources, distribution system efficiency, grid  
24 security against cyber and physical threats, customer service  
25 or energy efficiency and conservation and includes:

1 (1) advanced metering infrastructure and  
2 associated communications networks;

3 (2) intelligent grid devices for real time  
4 or near-real time system and asset information;

5 (3) automated control systems for electric  
6 transmission and distribution circuits and substations;

7 (4) high-speed, low-latency communications  
8 networks for grid device data exchange and remote and  
9 automated control of devices;

10 (5) distribution system hardening projects  
11 for circuits, not including the conversion of overhead tap  
12 lines to underground service and substations designed to  
13 reduce service outages or service restoration times;

14 (6) physical security measures at critical  
15 distribution substations;

16 (7) cybersecurity measures;

17 (8) systems or technologies that enhance or  
18 improve distribution system planning capabilities by the  
19 public utility;

20 (9) technologies to enable demand response;

21 (10) energy storage systems and microgrids  
22 that support circuit-level grid stability, power quality,  
23 reliability or resiliency or provide temporary backup energy  
24 supply;

25 (11) infrastructure and equipment necessary

1 to support electric vehicle charging or the electrification  
2 of community infrastructure or industrial production,  
3 processing, or transportation; and

4 (12) new customer information platforms  
5 designed to provide improved customer access, greater service  
6 options and expanded access to energy usage information."

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