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## FISCAL IMPACT REPORT

SPONSOR Stell DATE TYPED 2/17/04 HB 61/aHBIC

SHORT TITLE Hot Water Delivery Plumbing Systems Standards SB \_\_\_\_\_

ANALYST Wilson

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			See Narrative		

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Energy, Minerals & Natural Resources (EMNRD)  
Regulation & Licensing (RLD)

### SUMMARY

#### Synopsis of HBIC Amendment

The House Business and Industries Committee Amendment to House Bill 61 clearly ties the provision to conservation purposes. The Amendment also replaces the immediacy (of delivery) requirement with a “latest technology” requirement.

#### Synopsis of Original Bill

House Bill 61 adds a provision to the Construction Industries Licensing Act (CILA) requiring new construction to have plumbing systems providing immediate hot water (i.e., “instantaneous” water heater) installed. The Mechanical Bureau of the New Mexico Construction Industries Division (CID) will recommend to the New Mexico Construction Industries Commission the minimum standards for this requirement.

#### Significant Issues

Instantaneous water heaters are considered in general to be more water conserving and energy efficient than storage water heaters, but have higher capital costs. Instantaneous flow heater sys-

tems are expensive and require electrical wiring as well as additional piping. Installation of electrical and additional plumbing will significantly increase both material and labor costs.

Installation of the proposed systems will increase the cost of construction significantly because that there is no longer a single source of hot water, but one will be required at every fixture. Circulating loops, which provide instantaneous hot water, are also expensive because of the magnitude of piping required. Traditional loops are less expensive but will not supply immediate hot water. There may be some measurable water savings, but there will be the added cost of electrical power usage for the electrical outlet and pump.

Both instantaneous and storage water heating system types are acceptable for compliance with the 2003 International Energy Conservation Code (IECC).

EMNRD notes that amending the CILA would conflict with the 2003 IECC, which offers both water heating system types and has been adopted by New Mexico. A technical system requirement is usually addressed through the applicable code amendment process. In this case, it would be plumbing code requirements under the CID Mechanical Bureau. It appears inappropriate to insert a specific system requirement, excluding a commonly used system type (storage water heaters) within the existing general language of the CILA.

RLD notes that when this legislation was considered by an interim committee, the recommendation, at that time, was to have Construction Industries Division (CID) consider water conservation options, in general – not just systems for water conservation that provide immediate hot water delivery.

## **FISCAL IMPLICATIONS**

There will be some added administrative cost to the CID.

RLD claims that inspectors will need to be trained in these systems and their installation.

In addition, RLD notes that the length of inspection times will increase because review of the piping installations is significantly more complicated. There may be an increase in the number of correction notices due to the complexity of installations. Subsequently, there will be an increase in repeat inspections.

## **ADMINISTRATIVE IMPLICATIONS**

See Fiscal Implications

## **TECHNICAL ISSUES**

RLD provided the following:

- The term “immediate” is undefined. If “immediate” is given its commonly understood meaning, there are only two ways to meet the requirement. The first is by installing instantaneous flow heaters at each fixture. This is an involved process that requires installation of not only the heater, but significantly more piping and an electrical outlet for the heater. Again, because this method requires a heater to be installed at each fixture, the

statute would need to define which fixtures this requirement applies to. The second way to meet the requirement would be to install a circulating loop for each fixture. This would, at a minimum, double the necessary hot water piping in a building. This additional piping significantly increases the complexity and opportunity for failure of the system.

- The proposed legislation is indefinite with respect to which point of use the requirement should apply to.
- It is unclear whether “new construction” means commercial as well as residential.
- The bill does not specify whether it applies to out buildings, additions to existing structures or to the remodeling of existing facilities.

**DW/lg**