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## FISCAL IMPACT REPORT

SPONSOR Cervantes DATE TYPED 2/8/05 HB 292/aHGUAC

SHORT TITLE Public Utility Rate Adjustment Hearings SB \_\_\_\_\_

ANALYST Wilson

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See Narrative		

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Public Regulation Commission (PRC)  
Attorney General's Office (AGO)

### SUMMARY

#### Synopsis of HGUAC Amendment

The House government and Urban Affairs Committee amendment does not allow a utility to raise its rates without a hearing if they have changed its rates in the prior twelve months. The rest of the amendment is clean-up.

#### Synopsis of Bill

House Bill 292 amends the provisions of Section 62-8-7.1 NMSA to provide a more simplified approach to small water and sewer utility rate change procedures. At present, the simplified procedure under Section 62-8-7.1 is available only to utilities with less than \$500 thousand annual operating revenues over any consecutive three-year period. The amendment changes this dollar threshold to a threshold based on the number of customers.

Subsection A of the amendment provides for rate relief for utilities with 1500 or fewer service connections, without a hearing, if such rate relief is less than a 50% increase over a twelve-month period, unless a protest signed by 10% or more of customers, or 25 customers, whichever is more, seek a review by the PRC, and if the PRC finds there is just cause for the requested review. A rate increase of more than 50% requires a PRC review and hearing.

Subsection B of the amendment provides for rate relief for utilities with more than 1500, but fewer than 5000 service connections, without a hearing, provided that the PRC shall enter upon a hearing if the rate increase exceeds 8% over a twelve-month period; or upon the motion of the PRC staff; or upon the filing of a protest signed by 10% or more of the customers receiving service from the utility, if the PRC determines there is just cause for reviewing the proposed rates.

Subsection C is entirely new and provides that any water or sewer utility with fewer than 5000 service connections, and in good standing with all applicable requirements of the PRC, may adjust its rates by up to 2% without a hearing, provided that the utility provides the required notice to its customers. This new provision does not provide for protest by customers and does not allow the PRC any authority to review the rate increase under the just and reasonable cost standard. The intent is to allow an automatic 2% increase in any calendar year in order to simplify the process and minimize the cost of regulation to smaller utilities, thereby benefiting ratepayers through lower costs and reducing the administrative burden on such utilities. The 2% is a proxy for the Consumer Price Index.

### Significant Issues

The PRC states that the novel issue in this bill is Subsection C and its removal of PRC and ratepayer ability to seek remedies. The bill assumes that a 2% increase per year is a reasonable proxy for regulation. The language in Subsection C should be modified to clearly reflect the understanding that the 2% increase can be implemented only once in any calendar year, and that Subsection C is not in addition to the other rate remedies available to utilities under Subsections A and B, or 62-8-7 generally.

### **FISCAL IMPLICATIONS**

The AGO states this bill will likely reduce the time required to review water or sewer utility rate increases for those utilities with less than 5000 ratepayers and there is likely to be an attendant cost-savings..

### **ADMINISTRATIVE IMPLICATIONS**

This bill will reduce the administrative burden on the PRC by reducing the number of hearings required.

### **TECHNICAL ISSUES**

The PRC proposes the following changes to the bill:

Page 3, lines 6, 11, and 12      “section” should be changed to “Subsection”.

**House Bill 29/aHGUAC -- Page 3**

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|------------------------------|--|
| Page 4, line 6               | “the previous” should be changed to “a” to be consistent with page 2, line 13. |
| Page 4, lines 19, 23, and 24 | “section” should be changed to “Subsection”.                                   |
| Page 5, line 9               | “percent without” should be changed to “percent in any calendar year without”. |
| Page 5, lines 20 and 24      | “section” should be changed to “Subsection”.                                   |
| Page 5, line 25              | “the section” should be changed to “this Subsection”.                          |

**OTHER SUBSTANTIVE ISSUES**

The PRC suggests adding on page 6, line 2 the following:

“Notwithstanding any other provisions to the contrary in this Section, the provisions of this Subsection are not available in any calendar year to a utility that has changed its rates in that same calendar year pursuant to Subsections A or B of this Section, or to any other Subsection of Section 62-8-7.

**DW/lg/njw**