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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/21/07

SPONSOR McSorely LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Affordable Energy Rates SB 895

ANALYST Earnest

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>	0.0	\$195.0	\$188.5	\$380.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Human Services Department (HSD)

Energy, Minerals, and Natural Resources Department (EMNRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 895 (SB 895) would enact the Affordable Energy Rates Act to create electricity and natural gas programs for low-income utility customers. The Public Regulation Commission (PRC) would be charged with ensuring that low-income utility customers are not overburdened by monthly energy expenditures. Different rates and energy efficiency programs would be provided by utilities to their low-income customers. Eligibility criteria for receiving assistance as a low-income utility customer would be established.

### FISCAL IMPLICATIONS

The bill carries no appropriation, but the PRC estimates a significant administrative impact, including the need for 3 FTE and recurring funding of about \$188.5 thousand. See the administrative implications section for more detail.

### SIGNIFICANT ISSUES

The bill delegates new powers to the PRC. Notably, the PRC would have the authority to

approve different rates for low-income ratepayers or other rate assistance so that qualified ratepayers are able to afford gas and electric services.

PRC finds that:

The bills requirement that PRC “shall ensure that low-income ratepayers are not overburdened by monthly energy expenditures” creates a significant oversight function which may be un-obtainable. No guidelines, parameters, or definitions are provided for overburdened. The commission does not have oversight over ratepayer’s expenditures or revenues, so this mandate is not an achievable task.

The proposed statute changes will require the commission to “establish a program of assistance by public utilities.” Data is not currently available to the commission for identification and verification on an ongoing basis of which customers would be eligible for reduced rates. Because of the additional responsibility, additional FTEs would be required by the commission to establish, track, and implement programs required under this proposed bill.

The bill (page 2, lines 22 – 23) would allow for the shifting of utility costs to other residential customers and other classes of customers. Great effort is taken to prevent, or to minimize in certain situations, rate shock and cross subsidies within and across utility customer classes. At the same time, the utilities’ “duty to serve” is recognized through laws and rules that limit their ability to discontinue service because service is unprofitable or because a particular customer has not paid his or her bill.

EMNRD indicates that the total monthly utility bill is affected by rates and consumption (kilowatt-hours for electricity, therms for natural gas). Consumption, in turn, is affected by several variable factors, including equipment efficiency, equipment operating time, and occupant knowledge. Low-income utility customers have control over consumption, but not rates.

According to HSD, some natural gas and electric utilities are not regulated by the Public Regulation Commission. SB 895 does not state if all such utilities operating in the state would be included in the program of assistance.

Moreover, HSD finds that it is unclear how “customers who satisfy eligibility criteria for assistance” will be identified for this new program. “Eligibility criteria” is not defined. It is unclear whether utility companies would be making the determination of eligibility under SB 895 so that they may apply the different levels of rate assistance or whether there would be some HSD involvement.

## **ADMINISTRATIVE IMPLICATIONS**

Two additional FTEs (2 utility economists) are estimated to be needed to implement the establishment of the low-income program and to track the utilities’ compliance with that program. One additional FTE (1 Utility Compliance Officer) is estimated to be necessary to coordinate the programs established with the department designated to pursuant to the provisions of § 27-6-13 NMSA 1978.

The annual recurring salary and benefits cost for each economist – advanced position (range 80)

is a total of \$71,000 [salary and benefits], plus \$1,500 annual recurring operating costs for office supplies, telecommunications and training. Two utility economist FTE = \$145,000.

The annual recurring for a compliance officer – advanced position (range 65) is \$42,000 [salary and benefits], plus \$1,500 annual recurring operating costs for office supplies, telecommunications and training. Subtotal for compliance officer FTE = \$43,500.

Three computers with peripheral equipment and office furniture will need to be purchased for the first year of operation as a one time start up cost of \$2,150 per FTE. Subtotal for one-time start up cost for all three FTE = \$6,450.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

This bill relates to SB480 and SB546 which would amend the Public Utility Act to allow the PRC to approve different rates for low-income ratepayers from other residential ratepayers.

### **TECHNICAL ISSUES**

According to PRC, an amendment to *NMSA 1978, § 62-8-6* establishing an explicit exception for low-income ratepayers would be needed. SB 480 and SB 546 would amend the PUA to this effect and are currently pending.

### **OTHER SUBSTANTIVE ISSUES**

PRC indicates that the commission considered low-income programs as a part of its energy efficiency rule, 17.7.2 NMAC. This Rule reflects the importance of making energy efficiency programs widely available to all members of the residential rate class, regardless of income. It does not preclude the utility from designing and proposing low-income programs.

### **ALTERNATIVES**

EMNRD suggests a more aggressive approach to energy conservation and efficiency in low-income housing, statewide, could be implemented to reduce utility bills. A comprehensive retrofit and education campaign could be mounted to address the same issue. This would have a more permanent effect on reducing utility bills than reducing rates. It would also create economic development opportunities throughout New Mexico and foster community involvement.

BE/mt