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FISCAL IMPACT REPORT

SPONSOR Egolf **ORIGINAL DATE** 02/22/11
LAST UPDATED 03/07/11 **HB** 473/aHLC
SHORT TITLE Utility Service Quality Standards **SB** _____
ANALYST Lucero

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
		\$25.0 - \$50.0	\$25.0 - \$50.0	\$75.0 - \$150.0	Recurring	General Fund
		\$10.0 - \$50.0		\$10.0 - \$50.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public Regulation Commission (PRC)

SUMMARY

Synopsis of HLC Amendment

House Labor and Human Resources Committee amendment eliminates the reference to “liquefied petroleum” and “retail” to address the issue identified in the technical issues section below.

The amendment also clarifies that when the PRC is adopting rules regarding public utility service quality and reliability standards for the annual report, the rules shall include prevention efforts to address outages and shortages.

Synopsis of Bill

House Bill 473 enacts a new section of the Public Utility Act to require the Public Regulation Commission (PRC) to adopt rules that establish public utility standards regarding service quality and reliability for the delivery of natural gas, liquefied petroleum gas, and electricity. The provisions of the act to not apply to rural electric cooperatives or utilities owned and operated by municipalities or counties.

The act specifies that the rules shall incorporate existing national standards; include procedures

for major outage events, shortages, irregular events, cyclical weather impacts, and any other factors the PRC feels necessary; include benchmarks for service outages, customer satisfaction, system upgrades, repairs and maintenance, staffing levels, billing service, and public safety; and provide for separate reliability standards for each electric or gas utility.

The bill requires each public utility to submit a performance report by April 1st of each year, beginning in 2013 to the PRC that identifies reliability results; an assessment of the results and effectiveness of the reliability standards; planned actions, projects, programs and load studies to achieve the acceptable reliability level; and any other information the PRC deems necessary.

The PRC shall publish the performance reports on its web site and if warranted, may hold a public hearing regarding the report. The PRC shall determine if the public utility has met the service quality and reliability standards and take appropriate corrective action, including civil penalties for noncompliance.

The bill declares an emergency.

FISCAL IMPLICATIONS

There are no revenue impacts. However, the PRC reports there may be an additional administrative cost associated with hiring staff or paying for professional contractual services to establish the necessary rules and to develop the webpage to post the annual reports on the PRC website.

The PRC also suggests there will be an increased regulatory cost for public utilities to comply with the act.

SIGNIFICANT ISSUES

The PRC indicates:

The bill introduces complexities involving possible overlap or inconsistencies with federal and state regulation regarding reliability and safety. The Commission is already charged with ensuring that gas and electric utilities provide safe and reliable service, and the Public Utility Act is replete with provisions empowering the Commission to enact and enforce any necessary rules to that end

Some of the proposed benchmarks go to the area of utility management which represents an unprecedented intrusion by regulatory agencies.

ADMINISTRATIVE IMPLICATIONS

The act may require additional PRC compliance proceedings and commission hearings regarding the annual review of the performance standard reports. There may also be an additional administrative cost associated with implementing act and annual compliance review. The Public Utility Division of the Policy and Regulation Program of the PRC is supported with revenue from the general fund.

TECHNICAL ISSUES

HLC amendment address references to liquefied petroleum {LP} gas in the original bill. Liquefied petroleum gas is currently regulated by the Construction Industries Division of Regulation & Licensing.

The PRC reports that the bill is somewhat divergent from many portions of the Public Utility Act, particularly Article 62-6.

The bill provides that a different standard should apply to each utility, which runs counter to the general regulatory practice that rules should apply equally to classes of utilities. In practice this would mean the establishment of at least six separate standards, with concomitant reporting, review and enforcement proceedings possible.

OTHER SUBSTANTIVE ISSUES

The Public Utility Commission of Texas requires each electric utility to submit an annual service quality report and publishes the report on its website [PUCT - Electric - Reports - Annual Service Quality Report](#) . However, the posted reports are not necessarily conducive for the general public to review and interpret.

According to The World Bank Group – Private Sector and Infrastructure Network:

In some countries regulators routinely publish indicators of utility service performance through the local media. Exposing the “worst in class” has proven to be a powerful way of pressuring utilities to provide better services to consumers. By focusing political attention on service quality, benchmarking can also help to shield regulators from political interference.

<http://rru.worldbank.org/documents/publicpolicyjournal/229Kingd-327.pdf>

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