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## FISCAL IMPACT REPORT

**SPONSOR** Sanchez, B. **ORIGINAL DATE** 02/22/11  
**LAST UPDATED** 03/09/11 **HB** \_\_\_\_\_

**SHORT TITLE** Renewable Energy Utility & Customer Costs **SB** 549/aSCONC

**ANALYST** Lucero

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

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		NFI	NFI			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

Public Regulation Commission (PRC)

### SUMMARY

#### Synopsis of SCONC Amendment

Senate Conservation Committee amendment to Senate Bill 549 restores certain parts of Section 62-16-3 NMSA 1978 that were deleted in the original bill regarding specific procurement requirements and ceilings for large nongovernmental customers.

The amendment allows any customer that is a political subdivision of the state, with annual consumption exceeding 20 million kilowatt-hours and that has its own renewable generation, to be exempt from utility charges for renewable energy, provided that the customer notifies the state auditor, the commission and its serving utility, that it will expend 2.5% of its electricity charges on developing its own renewable energy generation. The amendment also requires the customer to retire all renewable energy certificates associated with the energy produced from that expenditure.

#### Synopsis of Original Bill

Senate Bill 549 amends Sections 62-16-3 NMSA 1978 of the Renewable Energy Act to clarify that the definition of "reasonable cost threshold" includes all costs reasonably associated with the procurement of renewable energy.

The bill also amends Section 62-16-4 to remove procurement language specified in the act that has expired and clarifies that compliance with the renewable portfolio standard (RPS) for each customer will not exceed two percent of the customer's annual electric charges or \$99,000.

## **FISCAL IMPLICATIONS**

Although there is no direct fiscal impact to the state, there may be an indirect cost associated with a possible overall rate increase. Allowing reasonable costs associated with the procurement of renewable energy to be included in the reasonable cost threshold could have an effect on public utility customer rates.

## **SIGNIFICANT ISSUES**

According to the Energy, Minerals and Natural Resources Department (EMNRD):

The bill would allow public investor-owned utilities (IOUs) to recover reasonable costs, including costs that are reasonably associated with procurement of renewable energy as part of their cost of service. IOUs are required to procure renewable generation at gradually increasing portions of the generation portfolio mix, with a cap effectively established by the PRC through the renewable cost threshold (RCT). The bill would change the focus of the renewable portfolio standard (RPS) from a policy-driven effort directed by an elected regulatory commission, to a cost-constrained effort that allows IOUs to control the rate of renewable energy development

## **RELATIONSHIP**

This bill relates to SB 535. The bills amend the Renewable Energy Act. SB 549 is more limited in the amendments to the Act but both provide for recovery of reasonable costs of procurement for renewable energy to be used to determine if IOUs would be required to add renewable energy to its electric energy supply.

SB 549 also relates to SB 415.

## **OTHER SUBSTANTIVE ISSUES**

In 2004, the Legislature passed the Renewable Energy Act, which requires a certain percentage of a utility's power to come from renewable energy sources. New Mexico's renewable portfolio standard (RPS) started in 2005 when public utilities were required to derive 5 percent of total retail sales from renewable energy. The target increases gradually to 20 percent by 2020.

Beginning in 2011, each public utility's renewable energy mix must be fully diversified. The mix includes at least 20 percent coming from wind resources, 20 percent from solar resources, 10 percent from other resources, and 1.5 percent from distributed generation resources (increasing to 3 percent by 2015).

The PRC has established a "reasonable cost threshold" (2 percent of customers aggregated electric charges for public utilities and 1 percent for rural cooperatives), above which public utilities are exempt from the annual requirements.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If this bill is not enacted, public utilities will not be allowed to consider the “reasonably associated” costs of procurement as part of the “reasonable costs” threshold above which a public utility shall not be required to add renewable energy to its electric energy supply portfolio.

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