F I S C A L I M P A C T R E P O R T

SPONSOR SCONC **ORIGINAL DATE** 3/2/15 **LAST UPDATED** **HB**

SHORT TITLE Renewable Energy Facility - Shared **SB** 697/SCONCS

ANALYST Clark

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		$100.0	$100.0	$200.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 111.

SOURCES OF INFORMATION
LFC Files

Responses Received From
Renewable Energy Transmission Authority (RETA)
Energy, Minerals and Natural Resources Department (EMNRD)
Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

The Senate Conservation Committee Substitute for Senate Bill 697 enables the development and deployment of shared renewable energy facilities by qualifying shared renewable energy facilities as distributed energy generation facilities. Current statute requires such a facility to be located at a single host's site and does not allow for shared energy production. The bill allows for customers to own an interest in the facilities and be able to transfer that interest if desired.

The bill allows such a facility to be owned by a customer of a public utility to which the project is interconnected or a third party owner. Projects are limited to no more than 10 megawatts (MW) and are viewed as net metered projects for purposes of the Public Utility Act. "Shared renewable energy subscribers" are defined by the bill to mean a purchaser of a subscription share or shares who is a customer of the public utility and receives net metering based on the energy generated by that customer's subscription shares at one or more physical locations to which the subscription is attributed. Subscriptions are limited to not supply more than 120 percent of the average annual consumption by the subscriber, mirroring the existing limitation for the host of a distributed energy generation facility.
The bill requires investor-owned public utilities to allow for the construction, connection, and

operation of these facilities within their operating territory if the facility is five megawatts or less. Utilities can limit the total production of shared renewable energy facilities in its territory to 10 percent of annual retail sales or 5 percent of annual peak demand after June 2015, 10 percent starting in fiscal year 2018, 15 percent starting in fiscal year 2021, and 20 percent starting in fiscal year 2024. The bill also allows the Public Regulation Commission (PRC) to increase those limits if it is demonstrated that the higher limits do not impose technical problems for the utility.

The bill requires an application for a facility to be submitted that includes the location and requires the utility to accept the proposed site unless the site is determined unsuitable by the utility. Suitability is determined solely by the utility's transmission lines being able to carry the output. If the site is unsuitable, the utility must propose another site as close as possible to the proposed site and similar in cost. Utilities are required to exercise good faith in selecting an alternative site and submit a document with a suitable location to the applicant and PRC within 60 days of an application for a facility.

Finally, the bill includes language allowing but not requiring rural electric cooperatives to allow for the construction, connection, and operation of shared renewable energy facilities within their operating territories.

FISCAL IMPLICATIONS

The Public Regulation Commission (PRC) analysis states the agency is likely to require additional staff resources and support to implement and follow the issues arising from the legislation. At present, the resources needed are difficult to determine, but the agency estimates it would require approximately one additional staff person full time per year to handle the resulting workload.

SIGNIFICANT ISSUES

This bill could result in the construction of additional renewable energy facilities, increasing the portion of the state's energy generated from renewable sources. Additionally, the bill allows access to shared renewable energy facilities by low- to moderate-income homeowners, renters, and residents without suitable sites for renewable energy systems. The bill provides a mechanism in which more New Mexicans could leverage the state's renewable resources and potentially reduce their monthly electricity costs.

However, as with resident-owned and –sited solar panels, allowing distributed energy generation facilities reduces the number of customers to which the utility may allocate fixed system costs. Over time, this results in the burden of payment for fixed system costs shifting to the utility and its shareholders if it is unable to increase rates to cover costs, shifting to the utility's other customers if it is able to raise rates, or remaining unfunded and reducing facility and transmission construction and maintenance.

The bill creates a form of competition not presently allowed by permitting utility scale generation outside of a utility's generation system but using that utility's transmission infrastructure. PRC notes three to five KW is a typical size for a consumer owned distributed generation addition. The 10 MW limit would allow approximately 2,000 retail customers to essentially leave the utility system with the construction of a single project that reaches this limit.

Additionally, the language allowing capacity limits increasing from 5 to 20 percent of a utility's annual peak demand puts the utility's revenues at risk.

The bill does not address who is responsible for the cost of selecting an alternative site if the proposed site is determined to be unsuitable, but it infers it is solely at the cost of the utility. Additionally, the bill requires the utility to select an alternative site similar in cost, and this could require discussions and potentially negotiations with real estate agents and land owners who might or might not be willing to enter into negotiations with the utility, because the utility would not be the purchaser of the property and, unless arranged with the applicant, would not legally represent the purchaser.

ADMINISTRATIVE IMPLICATIONS

The bill could increase filings and complaints to be reviewed by PRC Utility Division Staff, because investor-owned public utilities would be required to submit a document to the agency with a suitable location for a shared renewable energy facility within 60 days of the date of an application for a facility to the utility.

The rates at which a utility may acquire renewable energy credits from the owner of the shared renewable energy facility or from a third party would be subject to commission review and approval in annual renewable energy procurement plans.

RELATIONSHIP

This bill relates to HB 111, which includes an additional findings and purpose section; apart from that additional section, the bills are identical.

TECHNICAL ISSUES

Part B of Section 2 of the bill reads "B. An application for a shared renewable energy facility in an investor-owned public utility shall include…" Would this sentence be clearer if the words "the territory of" was inserted after "in" and before "an investor-owned"?

OTHER SUBSTANTIVE ISSUES

The Renewable Energy Transmission Authority (RETA) notes the shared renewable energy facilities would typically be viewed as a small generator and be required to follow established Federal Energy Regulatory Commission (FERC) interconnection procedures. The requirement for utilities to allow for the interconnection of these facilities may conflict with the FERC interconnection process for small generators.

The PRC analysis also notes this issue of interconnection requirements and limitations, and the agency also questions who would be responsible for the costs associated with any interconnection requirements. Additionally, it is possible that costly modifications to existing billing systems are needed to account for participation in shared renewable energy facilities allocations to individual utility customer accounts, and the bill does not address who would be responsible to pay for such billing system improvements.

The bill provides PRC with the authority to increase production limits of shared renewable

energy facilities, as specified above, if it is demonstrated either by the utility, PRC, or a third party that higher limits do not impose technical problems. However, PRC does not regulate third parties; therefore, any issues arising as a result of these enterprises would be beyond the scope of PRC's authority.

The Energy, Minerals and Natural Resources Department (EMNRD) reports the first shared renewable energy facility in New Mexico is emplaced at the Taos Charter School by Kit Carson Rural Electric Cooperative and is fully subscribed by coop members.

JC/bb