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FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/16
 SPONSOR Larrañaga LAST UPDATED 2/9/16 HB 140/aHEENC/aHAFC
 SHORT TITLE Utility Infrastructure Expansion Act SB _____
 ANALYST Clark

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$5.0	\$30.0	\$30.0	\$65.0	Recurring	General Fund

Parenthesis () indicate expenditure decreases

Relates to SB 213

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Public Regulation Commission (PRC)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee Amendment strikes the HEENC Amendment and restricts cost-recovery methodologies to apply only to customers who receive direct benefits of the expansion and to customers who receive indirect benefits and are located in the same or adjacent counties as customers receiving direct benefits. This language differs from the HEENC Amendment language by use of the term “adjacent counties” instead of “an adjacent county” to clarify the cost recovery may apply to customers in more than one adjacent county.

Synopsis of HEENC Amendment

The House Energy, Environment and Natural Resources Committee Amendment changes some language for clarification, specifies that no person shall be unjustly enriched at customers’ expense, and restricts cost-recovery methodologies to apply only to customers who receive direct benefits of the expansion and to customers who receive indirect benefits and are located in the same or an adjacent county as customers receiving direct benefits.

Synopsis of Original Bill

House Bill 140 creates the Utility Infrastructure Expansion Act, which requires the Public Regulation Commission (PRC) to promulgate rules to promote natural gas infrastructure expansion. It provides for natural gas public utilities to recover the expansion costs, including revenue requirements, through the development of alternative cost-recovery methodologies that balance the interests of customers who receive direct benefits and customers who receive indirect benefits from the expansion activity.

The primary stated purpose of the bill is to promote economic development by providing natural gas service to unserved and underserved areas.

A natural gas utility would need to submit to PRC an infrastructure extension application. If the commission does not approve an application as submitted within 180 days, the application shall be deemed to have expired.

This bill contains an emergency clause and would become effective immediately upon signature by the governor. Within 180 days of the bill's effective date, PRC shall promulgate the required rules.

FISCAL IMPLICATIONS

The estimated operating budget impact includes \$5,000 in FY16 for PRC related to promulgating the necessary rules and creating any necessary forms. Each year thereafter, the estimated impact is \$30 thousand for staff time to analyze and process applications and hold any necessary hearings. This cost could increase substantially if an application submitted by a natural gas utility creates opposition and results in multiple interveners in the case, delaying the process and increasing the magnitude of paperwork and analysis. However, the cost could decrease if filings are unopposed and infrequent.

SIGNIFICANT ISSUES

Infrastructure, including natural gas infrastructure, is a key consideration for businesses when choosing where to start, expand, or relocate their operations. Improving existing infrastructure or expanding it to currently unserved areas could enhance an area's ability to retain and recruit companies.

PRC provided the following analysis.

The requirement that the commission promulgate implementing rules within 180 days of enactment may be difficult, given the lengthy process required for public notice and testimony and public comment, and the likely wide opinions that will be expressed about the "certainty" of cost recovery. While not stated in the bill, it is assumed that the commission will need to include standards in the implementing rules for determining whether an expansion application should be approved or not.

ADMINISTRATIVE IMPLICATIONS

As mentioned in Fiscal Implications, there would be an administrative impact to PRC that could range from very minimal to moderate depending on the number of filings and interveners.

CONFLICT, RELATIONSHIP

This bill as amended is very similar to SB 213 but includes a few differences in language that could conflict if both bills were enacted.

JC/jle/jo/jle