FISCAL IMPACT REPORT

SPONSOR Townsend/Pettigrew **LAST UPDATED**
ORIGINAL DATE 1/19/23
SHORT TITLE Combined Cycle Natural Gas As Renewable **BILL NUMBER** House Bill 96
ANALYST Sanchez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			
Total						

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent version of this legislation.

Conflicts with SB74

Sources of Information

LFC Files

Responses Received From
Energy, Minerals and Natural Resources Department (EMNRD)
New Mexico Attorney General (NMAG)
Public Regulation Commission (PRC)
Renewable Energy Transition Authority (RETA)

SUMMARY

Synopsis of House Bill 96

House Bill 96 amends the definition of "renewable energy resources" in the Rural Electric Cooperative Act (Section 62-15-37 NMSA 1978) and the Renewable Energy Act (Section 62-16-3 NMSA 1978) to include natural gas generated from combined cycle technology.

The Rural Electric Cooperative Act and the Renewable Energy Act currently define "renewable energy resource" as electric or useful thermal energy generated by the use of solar, wind, geothermal, certain types of hydropower, and certain types of biomass. The act specifically excludes electricity generated through the use of fossil fuels or nuclear energy.

FISCAL IMPLICATIONS

EMNRD, NMAG, RETA, and PRC all indicated that there are no fiscal implications for their agencies. However, PRC noted HB96 would impact the generation capacity portfolios of electric utilities and may, as a consequence, impact the rates consumers pay for electricity.

SIGNIFICANT ISSUES

Because HB96 seems to conflict with the renewable portfolio standards found in the Renewable Energy Act (Section 62-16-4 NMSA 1978) and the Rural Electric Cooperative Act (Section 62-15-34 NMSA 1978), it is unclear if the bill would lead to additional legal costs related to the change in the renewable initiatives, including other state and federal programs, as cited in the PRC analysis.

In its analysis, NMAG included the following:

> HB96 conflicts with New Mexico's existing laws, including the Rural Electric Cooperative Act, Section 62-15-34; and the Renewable Energy Act, Section 62-16-4(A)(6).
>
> Natural gas is not a renewable resource, but a fossil fuel that releases Co2 when burned to generate electricity. Accordingly, amending the definition would conflict with the provisions of the Energy Transition Act, namely the renewable portfolio standards found in Section 62-16-4 of the Renewable Energy Act, and Section 62-15-34 of the Rural Electric Cooperative Act, which mandate 100 percent of electricity be generated by zero carbon resources by 2045 and 2050, respectively. Accordingly, because combined cycle gas turbines are not "zero carbon" resources, the proposed amendments to the definition of renewable energy would not exempt these electricity generating resources from the ETA's mandates.

The Renewable Energy Transition Authority and the Public Regulation Commission expressed similar concerns with the new "renewable energy resources" definition proposed in House Bill 96.

ADMINISTRATIVE IMPLICATIONS

In their analysis, PRC and NMAG explained HB96 would likely result in a change in utility load and resource projections which will also impact the renewable portfolio standards plan utilities submit annually in accordance with the Renewable Energy Act (Section 62-16-4 NMSA 1978) and the Rural Electric Cooperative Act (Section 62-15-34 NMSA 1978), which mandates 100 percent of electricity be generated by zero carbon resources by 2045 and 2050, respectively.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB96, if passed, would conflict with SB74.

TECHNICAL ISSUES

The use of the term "combined cycle technology" is undefined. EMNRD reports that the power generation industry commonly refers to combined cycle technology as:

> Technology that utilizes both the Brayton cycle of a natural gas-fired turbine engine while also utilizing the heat from the exhaust gases in a fired or unfired Rankine cycle waste heat boiler, thus recovering over 60 percent of the input energy to create electricity.

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