

<b>LFC Requester:</b>	<b>Laird Graeser</b>
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**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

**Analysis.nmlegis.gov**

*{Analysis must be uploaded as a PDF}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Check all that apply:  
**Original**     **Amendment**    \_\_\_\_\_  
**Correction**    \_\_\_\_\_ **Substitute**    \_\_\_\_\_

**Date** January 18, 2024  
**Bill No:** SB 2

**Sponsor:** Sen. Hamblen  
**Short Title:** Low Income Solar Act

**Agency Name and Code**    EMNRD 521  
**Number:** \_\_\_\_\_  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: Relates to 2023 SB 432/a  
Duplicates/Relates to Appropriation in the General Appropriation Act: N/A

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis: SB 2, the Low-Income Solar Act, would modify the Public Utility Act by adding definitions and conditions for how and when on-site renewable generation credits can be shared among tenants in a “qualifying low-income multifamily residential building” – i.e. it requires utilities to provide virtual net metering for qualifying low-income multifamily residential properties and outlines how that requirement should be met.

SB 2 describes how virtual net metering bill credits would be generated for qualified buildings and establishes the fees and rates a utility may charge to customers or users of a low-income housing shared distributed generation system. SB 2 would require a utility to provide monthly virtual net metering bill credits equal to the full retail value of the power generated by the distributed generation system that is not used by residents. For the purposes of this bill, “utility” is defined as investor-owned utilities (IOUs). Other types of utilities, such as rural co-ops, are explicitly excluded.

The Low-Income Solar Act also directs the PRC to adopt rules, by July 1, 2025, prescribing the form and substance for a low-income housing shared distributed generation system virtual net metering tariff or tariffs. Per SB 2, the PRC would also need to develop a standard contract between the utility and the system owner for low-income housing shared distributed generation.

Additionally, as written the Low-Income Solar Act would amend Chapter 7 (Article 36 Valuation of Property) NMSA 1978 by stipulating that solar energy systems subject to valuation for property taxation purposes shall be valued at zero dollars (\$0.00). This applies to all solar systems, not just those which are governed by the other sections of the Low-Income Solar Act.

**FISCAL IMPLICATIONS**

There are no fiscal implications for EMNRD.

**SIGNIFICANT ISSUES**

Facilitating the development of solar on multifamily affordable housing is a necessary (albeit difficult) part of achieving equitable access to renewable energy. SB 2 would require IOUs to provide “virtual net metering” bill credits to the residents of low-income multifamily buildings with grid connected solar systems. In a net metering system, customers would only be charged

for the “net” energy they consume: the energy the customer *pulls* from the grid minus the excess energy the customer’s behind-the-meter distributed generation system (such as a solar panel array) *contributes* to the grid. SB 2 would create a net metering system that distributes the calculated credit amongst all the residents of a multifamily building, with the goal of lowering all their utility bills proportionately. This policy would allow low-income renters to materially benefit, alongside their landlords, from distributed generation installed on the building within which they live.

SB 2 is effectively community solar on a smaller scale – the scale of a single qualifying low-income multifamily residential building. However, SB 2 is a narrow policy lever, in that it only applies to investor-owned utilities (IOUs) and not rural electric coops. This means that only those multifamily buildings in the service areas of the IOUs will have access to the benefits of SB 2, leaving most of rural New Mexico out.

EMNRD also notes that SB 2 may lack sufficient incentives for a property owner of a low-income multifamily residential property to install a solar energy system in the first place. . Under a net-metering scheme as described in SB 2, the direct financial benefit of reduced energy bills will go to the tenants, bypassing the owner entirely. This leaves the property owner with the financial burden of the purchase and installation of the system without the reward, making such an investment less appealing. One way a landlord might choose to offset the costs associated with installing a distributed energy system could be through raising rents or evicting tenants to replace them with those paying higher rents, neither of which is disallowed in SB 2 and could negate any financial benefit for residents.

In other parts of the nation (California, Washington D.C., Massachusetts) where similar regulatory regimes to SB 2 already exist, the property owner can receive direct incentives for making an investment in a solar energy system. For example, Massachusetts’s SREC II program awards higher prices for renewable energy credits generated by projects that serve affordable housing.

#### **PERFORMANCE IMPLICATIONS**

None.

#### **ADMINISTRATIVE IMPLICATIONS**

None.

#### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

N/A

#### **TECHNICAL ISSUES**

None.

#### **OTHER SUBSTANTIVE ISSUES**

Property owners who install a solar system on an eligible low-income housing building would also be eligible to claim the state’s Solar Market Development Tax Credit.

#### **ALTERNATIVES**

None.

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

A virtual net-metering regulatory regime will not be created for solar energy systems on low-income multifamily residential properties. Solar energy systems will continue to have impacts on property tax assessments.

**AMENDMENTS**

N/A