

LFC Requester:

Julisa Rodriguez

**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto:billanalysis@dfa.nm.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}*Date Prepared: 2/13/2026

Check all that apply:

Bill Number: HB 254aOriginal  Correction Amendment  Substitute Sponsor: Rep. Kristina OrtezAgency Name  
and Code430 – Public Regulation  
CommissionShort AVOIDED GASSES IN

Number:

Title: PRC COST TEST

Person Writing

Ed RilkoffPhone: (505)490-2696Email jerri.mares@prc.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis ( ) indicate revenue decreases)

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

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act

## **SECTION III: NARRATIVE**

### **BILL SUMMARY**

#### **Synopsis:**

House Bill 254 amends the Efficient Use of Energy Act to allow the Public Regulation Commission to count avoided greenhouse gas emissions as a benefit when determining whether a utility's energy efficiency and load management programs are cost-effective.

More specifically, the bill updates the "utility cost test" so that, for investor-owned electric utilities, the comparison can include the value of emissions avoided (in addition to the usual avoided supply-side costs).

It also carries that same concept into the Commission's program-approval step: when the Commission decides whether a portfolio of efficiency and load management program is cost-effective, it may incorporate the value of avoided greenhouse gas emissions for investor-owned electric utilities.

The bill doesn't require the Commission to use any particular carbon price or methodology but gives the Commission clear authority to count avoided emissions as part of the cost-effectiveness calculation for investor-owned electric utilities.

#### **House Government, Elections and Indian Affairs Committee Amendment**

Under the amendment, the bill no longer "updates the utility cost test" to include an avoided GHG value. The utility cost test remains unchanged, and an investor-owned electric utility may calculate an avoided utility GHG emissions benefit in addition to the utility cost test. If the utility elects to do so, the Commission shall incorporate that benefit into the cost-effectiveness determination.

The amendment clarifies that the bill applies only to investor-owned electric utilities and refers to "avoided utility greenhouse gas emissions," which may focus the benefit calculation on utility-system emissions rather than broader economy-wide emissions, such as upstream fuel-cycle and lifecycle emissions outside the utility system.

### **FISCAL IMPLICATIONS**

N/A

### **SIGNIFICANT ISSUES**

The bill gives the Commission discretion to incorporate the value of avoided greenhouse gas emissions in the utility cost test for investor-owned utilities, but it does not specify a price or a valuation method. Avoided greenhouse gas emissions can be valued in several ways such as using a social cost metric, a market based emissions price, or a compliance cost proxy. Different valuation methods could produce widely ranging results and may increase the likelihood of disputes in utility program approval cases.

By allowing avoided greenhouse gas emissions to be included in the utility cost test, the bill could

change program cost-effectiveness rankings and influence portfolio selection. This could potentially prioritize programs with higher GHG benefits relative to programs that would otherwise pass the test based solely on traditional avoided-cost metrics.

### **House Government, Elections and Indian Affairs Committee Amendment**

As in the original bill, the amendment does not specify a GHG price or valuation method. If a utility elects to calculate a GHG benefit, the Commission must incorporate that benefit into the cost-effectiveness determination, which could lead to different GHG adders across utilities. The amendment makes the GHG adder utility-optional, but Commission-mandatory if elected.

For illustration only, avoided GHG values used in screening can vary widely (e.g., \$20/metric ton CO<sub>2</sub>e vs. \$200/metric ton CO<sub>2</sub>e), which could produce different GHG adders across utilities.

As amended, HB 254 shifts discretion regarding inclusion of avoided greenhouse gas emission benefits from the Commission to investor-owned utilities. While utilities may elect whether to calculate such benefits, the Commission is required to incorporate those benefits into cost-effectiveness determinations once elected, thereby eliminating Commission discretion to exclude them.

### **PERFORMANCE IMPLICATIONS**

None

### **ADMINISTRATIVE IMPLICATIONS**

The bill could increase PRC staff workload and hearing time in energy efficiency proceedings depending on the valuation approach used and to review and address any valuation disputes.

### **House Government, Elections and Indian Affairs Committee Amendment**

Staff workload and hearing time could increase slightly as the proceeding will still need a record on the GHG valuation method and, under the amendment, the scope of “avoided utility greenhouse gas emissions.”

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

None

### **TECHNICAL ISSUES**

Section 1, Subsection Q, and Section 2, Subsection C, limit the avoided GHG valuation option to investor-owned electric utilities, which appears to exclude investor-owned natural gas utilities. If the intent is to apply the avoided GHG valuation option to both investor-owned electric and natural gas utilities, deleting “electric” would accomplish that.

### **House Government, Elections and Indian Affairs Committee Amendment**

The amendment clarifies that the bill applies to electric utilities. The amendment’s reference to “avoided utility greenhouse gas emissions” may be interpreted to focus the calculation on utility-

system emissions rather than broader economy-wide emissions.

## **OTHER SUBSTANTIVE ISSUES**

None

## **ALTERNATIVES**

Direct the Commission to establish GHG value through rulemaking.

### **House Government, Elections and Indian Affairs Committee Amendment**

None

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

Status quo.

## **AMENDMENTS**

Consider revising the title to use “gases” instead of “gasses” to be consistent with usage in public utility statutes.

### **House Government, Elections and Indian Affairs Committee Amendment**

Consider switching “Commission shall incorporate this benefit into the determination of cost effectiveness” to “Commission may incorporate this benefit into the determination of cost effectiveness”.