

LFC Requester: _____

AGENCY BILL ANALYSIS

SECTION I: GENERAL INFORMATION

Check all that apply:
Original X **Amendment** _____
Correction _____ **Substitute** _____

Date 2/4/2026
Bill No: HB 254

Sponsor: Rep. Kristina Ortez
Short Avoided Gases in PRC Cost
 Test

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
FY26	FY27		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or	Fund Affected
FY26	FY27	FY28		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act:

SECTION III: NARRATIVE

Synopsis: HB254 amends the Efficient Use of Energy Act (EUEA) to allow investor-owned utilities to include the value of avoided greenhouse gases (GHG) in their calculation of avoided monetary costs in the utility cost test (UCT) the Public Regulation Commission (PRC or Commission) uses to determine the cost-effectiveness of utility energy efficiency and load management programs.

FISCAL IMPLICATIONS

None for EMNRD.

SIGNIFICANT ISSUES

New Mexico's electricity grids are experiencing considerable load growth in response to the electrification of industry, transportation, and other sectors. As peak electricity demand grows, utilities often rely more on generating resources with large emissions footprints (such as natural gas peaker plants). This can undermine our state's progress towards the emission goals in the Energy Transition Act.

To reduce peak demand and avoid dispatching such carbon-intensive power plants, utilities¹ in other jurisdictions have identified load management alternatives that utilize distributed storage, smart thermostats and other demand flexibility technologies.

Although the EUEA directs New Mexico's utilities to include all cost-effective load management programs in their energy efficiency resource portfolios, some demand flexibility resources may be excluded from PRC-approved energy efficiency/load management portfolios because the existing statute does not allow avoided GHG benefits to be included in the UCT cost-benefit analysis. In other words, the benefit of lower emissions is not allowed to be included in the utilities' request to the PRC.

HB254's changes to the UCT's allowable methodology support the growing importance of demand flexibility in the modern grid. By accounting for avoided emissions benefits in the commission's cost-effectiveness evaluation, utilities will be able to consider a wider array of load management resources in New Mexico.

PERFORMANCE IMPLICATIONS

None for EMNRD.

ADMINISTRATIVE IMPLICATIONS

None for EMNRD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

¹ See Green Mountain Power's distributed battery storage program, Rocky Mountain Power's distributed battery storage program, Arizona Public Service's smart thermostat program, among others.

TECHNICAL ISSUES

The proposed bill uses language that is different from the extant bill language and definitions by introducing the term “investor-owned electric utility,” instead of using the term “public utility” that is already in use in the statute.

OTHER SUBSTANTIVE ISSUES

EMNRD notes that existing language in this bill does not explicitly direct that PRC to initiate a rulemaking regarding *how* to implement this change to the UCT, including how to measure the amount of avoided GHG emissions, quantify their value etc. The bill may benefit from further clarification.

The bill also narrowly focuses on GHG emissions for inclusion in the UCT, but could benefit from further broadening, allowing the PRC to consider other environmental or social benefits as well as lower emissions. Also, the proposed language requires the value of GHG emissions to be formulated in purely monetary cost terms.

The current statute directs the PRC to quantify or assign values to five factors when determining life-cycle costs and benefits for energy efficiency and load management programs directed to low-income customers. The proposed legislation could potentially benefit from providing the PRC with a similar set of guideposts for determining values for GHG emissions (and, potentially, social/environmental costs such as the avoided cost of carbon).

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

When assessing the cost-effectiveness of utility energy efficiency and load management programs in New Mexico, the PRC will not be permitted to consider the full value stack of certain resources that avoid GHG emissions.

AMENDMENTS