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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 254/aHGEIC

SHORT TITLE: Avoided Gasses in PRC Cost Test

SPONSOR: Ortez

LAST ORIGINAL
UPDATE: 2/13/2026 **DATE:** 2/01/2026 **ANALYST:** Rodriguez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Public Regulation Commission

Agency or Agencies That Were Asked for Analysis but did not Respond

Energy, Minerals and Natural Resources Department

SUMMARY

Synopsis of HGEIC Amendment to House Bill 254

The House Government, Elections and Indian Affairs Committee (HGEIC) amendment to House Bill 254 (HB254) clarifies that investor-owned electric utilities may calculate the benefit of avoided utility greenhouse gas emissions beyond the utility cost test to demonstrate added value and cost-effectiveness of energy efficiency resources. The amendment also allows the Public Regulation Commission (PRC) to incorporate the benefits into the determination of cost effectiveness for utilities that elect to calculate the benefit of avoided utility greenhouse gas emissions. Amendment clarifies the bill is only pertinent to investor-owned utilities.

Synopsis of Senate Bill 254

HB254 amends the Efficient Use of Energy Act (Chapter 62, Article 17 NMSA 1978) to allow investor-owned electric utilities to calculate the benefit of avoided greenhouse gas emissions, in addition to the utility cost test, to demonstrate added value and cost effectiveness. If the utility elects to do so, PRC can incorporate that benefit into the cost-effectiveness determination. HB254 also grammatically corrects “grid enhancing technology” to “grid-enhancing technology”.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

PRC does not indicate requiring additional staff due to projected workload and hearing time in energy efficiency proceedings. However, staff workload may increase to review and address any valuation disputes.

SIGNIFICANT ISSUES

HB254 allows PRC, at the request of the utility, to include the benefit of avoided greenhouse gas emissions when determining whether a utility's energy efficiency and load management programs are cost-effective, in addition to the usual avoided supply-side costs.

As noted by PRC, the amended version of the bill shifts discretion regarding inclusion of avoided greenhouse gas emission benefits from PRC to investor-owned utilities. While utilities may choose whether to calculate such benefits, PRC is required to incorporate those benefits into cost-effectiveness determinations, thereby eliminating PRC discretion to exclude them.

PRC notes HB254 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.

Varying Methods. As noted by PRC, HB254 doesn't require PRC to use any particular carbon price or methodology for calculating the value of avoided greenhouse gas emissions. PRC notes avoided greenhouse gas emissions can be valued in several ways such as using a social cost metric, a market-based emissions price, or compliance cost proxy. Different valuation methods could produce widely ranging results and may increase the likelihood of disputes in utility program approval cases.

As noted by PRC:

For illustration only, avoided greenhouse gas values used in screening can vary widely (e.g., \$20/metric ton CO₂e vs. \$200/metric ton CO₂e), which could produce different greenhouse gas adders across utilities.

Recent Changes to the Efficient Use of Energy Act. Laws 2025, Chapter 93 amended the Efficient Use of Energy Act by clarifying that public utilities are allowed to incorporate advanced grid technology projects in their applications for grid modernization projects. For PRC-approved grid modernization projects, statute enables investor-owned utilities to recover reasonable project costs through an approved tariff rider or change in base rates.

ADMINISTRATIVE IMPLICATIONS

PRC notes HB254 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.

ALTERNATIVES

PRC notes an alternative could be for the Legislature to direct PRC to establish greenhouse gas value through rulemaking.

AMENDMENTS

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

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