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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 109

SHORT TITLE: Abandoned Utility Transition Cost Recovery

SPONSOR: Pope/Stefanics/O'Malley

LAST ORIGINAL
UPDATE: DATE: ANALYST: Rodriguez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal		Recurring	General Fund

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 & Natural Resources Department
Attorney General

SUMMARY

Synopsis of Senate Bill 109

Senate Bill 109 (SB109) amends the Energy Transition Act to prohibit utilities from recovering costs for abandoned generating facilities if the utility is investing in, constructing, acquiring, or operating new natural gas resources. 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

SB109 may increase the Public Regulation Commission's (PRC) workload, as the agency would likely have to revise rules related to the Energy Transition Act and would need to verify public utility companies are not investing in new natural gas resources when applying for cost recovery for abandoned facilities through the act.

SIGNIFICANT ISSUES

Recovering Energy Transition Costs. Section 4 of the Energy Transition Act (ETA) (Article 18 NMSA 1978) allows public utilities to obtain a financing order from PRC to recover costs related to its energy transition through bond financing when it abandons a generating facility. The section requires the utility to submit detailed information about the facility and expected consequences, such as costs associated with the abandonment of the facility and estimated customer charges to repay bonds. Public utilities may also request PRC approval for replacement of power resources because of the closure of the facility. The section also allows a public utility to recover costs through the Public Utility Act, as opposed to the bond-financing processed allowed in the ETA. The bond structure allows utilities to recover costs. The bonds are structured so that customers repay the bonds over time through an energy transition charge on customer bills.

The most prominent use of this provision of law was for the Public Service Company of New Mexico (PNM) closure of the San Juan Generation Station in Farmington, New Mexico.

Natural Gas Resources. The Energy Transition Act does not include a definition for natural gas resources. The bill would benefit from a definition of those sources, to clarify if resources include both facilities and plants that use natural gas resources and natural gas pipelines and storage. New Mexico investor-owned utilities typically include natural gas in their supply portfolio for generation resources, although many are many strides in reducing its use of natural gas resources. For example, according to PNM's 2023 integrated resource plan, 19 percent of the company's annual generation comes from natural gas facilities.

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