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FISCAL IMPACT REPORT

SPONSOR: Garcia, MP DATE TYPED: 3/4/03 HB 172/aHAFC

SHORT TITLE: Fuel Cell Demonstration Project SB _____

ANALYST: Valenzuela

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$450.0	Non-recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Legislative Finance Committee files

Responses Received From
 Public Regulation Commission
 Commissioner of Public Lands
 Energy, Minerals and Natural Resources Department
 Department of Environment

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 172 deletes the \$80.0 appropriation from the general fund for the solar and fuel cell demonstration project. (Senate Bill 655 includes \$80.0 for this item from FY03 non-recurring funding.) See Fiscal Impact related to the need for \$450.0 to address the provisions of the project.

Synopsis of Original Bill

House Bill 172 appropriates \$80.0 from the general fund to the EMNRD for the purpose of conducting a solar and fuel cell demonstration project for alternative energy generation. EMNRD would be required to perform a detailed analysis of each system addressing appropriate applications, economic and environmental benefits, life-cycle cost, and potential for state-wide application. The bill establishes general conditions for which EMNRD must comply. The EMNRD Cabinet Secretary is required to submit a report to the 2nd session of the 47th Legislature (January

2006). The general fund appropriation, if unexpended, will revert at the end of fiscal year 2004 (June 30, 2004).

Significant Issues

Started in June 1997, Million Solar Roofs is an initiative to install solar energy systems on one million U.S. buildings by 2010. The U.S. DOE, through its Regional Offices, focuses its efforts on national, state and local partnerships, made up of the building industry, other federal agencies, local and state governments, utilities, energy service providers, the solar energy industry, financial institutions, and non-governmental organizations to remove market barriers to solar energy use and develop and strengthen local demand for solar energy products and applications.

FISCAL IMPLICATIONS

The appropriation of \$80.0 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2004 shall revert to the general fund.

EMNRD asserts that the appropriation is not sufficient to carry out the provisions of the bill. It requests an appropriation of \$450.0 over the three-year proposed timeline.

TECHNICAL ISSUES

EMNRD reports the following technical issues and suggested amendments. The first amendment would extend the general fund reversion date to match the bill's identified project timeline. EMNRD states ". . . the projects must be submitted to the 2nd Session of the 47th Legislature (January 2006), funding for the project must be expended by June 30, 2004 or the funds would revert." The second amendment simply clarifies the terminology for these technologies, where EMNRD states that ". . . 'ultra-high-efficiency co-generation' is not an accepted term within the fuel cell industry. . . The bill states the fuel cell system should be powered by natural gas, propane, methanol or hydrogen. In fact, fuel cells are powered by hydrogen, which is derived from natural gas, propane and methanol. In addition, there are other sources of hydrogen that should also be included, such as ammonia and biomass (soy diesel)."

1. Amend Page 2, Line 24-25, to change the reversion date for the appropriation to FY 2006.
2. Amend Page 1, Line 22-24, strike "ultra-high-efficiency co-generation" and after "powered by" insert "hydrogen derived from natural gas, propane, methanol, ammonia and biomass (soy diesel) to generate on-site electricity for government or public use."

POSSIBLE QUESTIONS

Are there federal grant programs where this general fund appropriation can be used to leverage additional funding for the proposed projects ?

Is there an opportunity to partner with regulated utilities operating or headquartered in New Mexico ?