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FISCAL IMPACT REPORT

SPONSOR: Beam DATE TYPED: 2/19/03 HB HJM 21/a HGUAC

SHORT TITLE: Request PRC to Adopt Net Metering Rules SB _____

ANALYST: Maloy

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
		(Indeterminate)	Recurring	General Fund

SOURCES OF INFORMATION

Responses Received From
Public Regulatory Commission (PRC)

SUMMARY

Synopsis of HGUAC Amendment

The House Government and Urban Affairs Committee has amended HJM 21 to change the amount of increase from a specific amount to a general amount. The specific amount of increase is struck (“~~ten kilowatts to 100 kilowatts~~”), and replaced by wording making the increase simply “significant”.

Synopsis of Original Bill

HJM 21 requests the Public Regulatory Commission amend the existing net-metering rule to increase the amount of energy that will be repurchased by a utility provider from a utility customer from ten kilowatts to one hundred kilowatts.

Significant Issues

1. The existing net-metering rule applies to only Qualifying Facilities (QF) of 10 kW or smaller. Is HJM21 intended to cover only QF s?
2. Typically, loads above 50kW are billed for both demand and energy by the utilities. All facilities 10 kW or smaller are billed only on energy basis. Therefore, increasing the size limit to 100kW increases the complexity and may require installation of additional metering equipment. That may increase cost to the producer.

3. Because of the increase in the size limit, the energy sold by the utility will be decreased. That will decrease both NM Gross Receipts Tax revenue and the PRC's Inspection and Supervision fee revenue.
4. If the customer displaces all of their consumption with their own generation, the implicit payment for that generation is the utility's retail rate, which contains recovery of and recovery on investment, operation and maintenance costs, administrative and general expenses, property taxes and other related costs. Other than fuel and variable O&M costs, none of the above costs are avoided by the utility when it purchases the output of the net-metered generating facility. Therefore, payment of retail rate for the output of the net-metered generation results in other ratepayers subsidizing the net-metered generation. When the size is increased, the subsidy increases and so does the burden on the other ratepayers.

FISCAL IMPLICATIONS

HJM 21 would result in a reduction in revenue to the general fund due to a reduction in Gross Receipts Tax revenue and in the PRC's Inspection and Supervision fee revenue. The PRC was not able to estimate the impact.

ALTERNATIVES

Reduction of the size limit to less than 50 kW.

SJM/njw:sb