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FISCAL IMPACT REPORT

SPONSOR: Lujan DATE TYPED: 3/10/03 HB HJM 97/aHFI#1
 SHORT TITLE: Study Renewable Energy Resources SB _____
 ANALYST: Maloy

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|---------------|----------------------|---------------|
| FY03 | FY04 | FY03 | FY04 | | |
| | | | See Narrative | | |

(Parenthesis () Indicate Expenditure Decreases)

Companion to SJM 051. Conflicts with SJM 079 and SB 836.

SOURCES OF INFORMATION

Responses Received From
 Environment Department
 Public Regulation Commission

SUMMARY

Synopsis of House Floor Amendment #1

House Joint Memorial 97 was amended on the House Floor to correct the session at which the findings of the study are to be presented. Rather than establishing the due date as the “first session of the forty-seventh legislature”, it now states the “second session of the forty-sixth legislature”.

Synopsis of HENRC Amendment

The House Energy and Natural Resources Committee has amended HJM 97 as follows:

1. Minor clean-up language that is non-substantive in nature; and
2. Strike the wording encouraging the PRC to suspend its recently adopted mandatory renewable resource portfolio standards, and includes language encouraging the PRC to incorporate the interim committee’s findings into the standards.

Synopsis of Original Bill

HJM 97 directs an appropriate joint legislative interim committee to study and evaluate the most

appropriate means for government to encourage and support the development and use of renewable energy resources, including the advisability and desirability of requiring renewable energy portfolio standards.

The memorial directs the interim committee to present its finding to the first session of the forty-seventh legislature.

The memorial further urges the Public Regulation Commission to suspend its recently adopted mandatory renewable resource portfolio standards rule pending the findings of the interim committee's deliberation.

Significant Issues

The PRC offers the following review of the significant issues in HJM 97:

1. The PRC spent nearly two years developing its Renewable Energy Rule. There was broad participation in the process by utilities, environmental advocates, economic development advocates, shareholder representatives, and consumer representatives. The public rulemaking process included 2 workshops, 3 hearings, and written and oral comments on numerous versions of the proposed rule as it developed. It is not clear that an interim committee will be able to bring to the table new information on renewable energy development.
2. Proponents of the PRC's Renewable Energy Rule are anticipating a July 1, 2003 effective date for the rule. These groups have differing reasons for supporting the Rule:
 - Environmental advocates support the substitution of clean energy resources for resources which cause pollution and dependence on non-renewable resources;
 - Farmers, ranchers, and other landowners will benefit by leasing land to renewable energy resources (especially wind farms) without taking the land out of production;
 - Economic development advocates support stimulating the growth of solar, wind, and geothermal businesses and suppliers in New Mexico, especially rural New Mexico, and
 - Parties interested in reducing the impact on our water supplies due to the infestation of phreatophytes, such as salt cedar.

The Environment Department offers the following review of significant issues in HJM 97:

3. The economies of New Mexico and the nation are highly dependent on the price and availability of energy, which currently depends on the supply of foreign oil. Development of renewable energy sources, such as solar radiation and wind, could reduce the economic impacts of reductions in the supply and price of foreign oil. The study resulting from HJM 97 could provide information and recommendations helpful in shaping a well-designed strategy for encouraging the development of renewable energy sources in New Mexico.
4. Utility companies have voiced concerns about the mandatory renewable resource

standards and have encouraged the Legislature to provide incentives to utilities through tax credits to offset initial costs of investing in renewable energy sources. Consideration of the environmental impacts of renewable energy development is not included in the bill's description of the scope of the study. The increased use of renewable energy sources could have a positive impact on air quality in the state.

FISCAL IMPLICATIONS

There are no direct costs to the state in the passage of HJM 97. However, there will be secondary costs associated with staffing the interim joint committee, agency staff time, and mileage and per diem.

TECHNICAL ISSUES

The PRC asserts the following technical matters for consideration:

- The PRC's Renewable Energy Rule, 17.9.573.10 NMAC, requires public utilities to develop an energy portfolio with a progressively greater percentage of service from diversified renewable resources, up to 10% by 2011. The rule requires each public utility to offer a voluntary renewable energy tariff for those customers who want the option to purchase additional renewable energy.
- The effective date of the PRC's renewable energy rule is July 1, 2003.
- The PRC's Renewable Energy Rule provides for an examination by the PRC by December 1, 2005 and every two years thereafter regarding the operation of its Renewable Energy Rule.
- The PRC was created by combining the Public Utility Commission and the State Corporation Commission. In the Public Regulation Commission Act the Legislature included, for the first time, renewable energy as one of the functions of the PRC's Utility Division: "The utility division staff shall serve as staff to the Commission in the regulation of electric, natural gas, renewable energy sources...as provided by law." NMSA 1978, § 8-8-12 (A). Renewable energy was not identified in the PUC's or SCC's statutory authority or direction. This authority is in addition to the Commission's general rulemaking authority under NMSA 1978 § 8-8-4 and its general and exclusive jurisdiction over public utilities. NMSA 1978 § 62-6-4 (A)

ALTERNATIVES

The Environment Department offers the following alternative:

"The legislature could request that appropriate agencies of the executive branch prepare a report on approaches to fostering use of renewable energy resources. The legislature could also commission a panel of independent experts to prepare and present such a study."

AMENDMENTS

The Environment Department offers the following amendment:

“The scope of the study of renewable energy could be amended to add consideration of impacts on the environment.”

SJM/yr/njw