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FISCAL IMPACT REPORT

ORIGINAL DATE 01/29/10

SPONSOR Arnold-Jones LAST UPDATED _____ HJM 35

SHORT TITLE Electrical Transmission Costs Group SB _____

ANALYST Escudero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 85

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)
 Department of Information Technology (DoIT)
 Indian Affairs Department (IAD)

No Response Received From

Economic Development Department (EDD)
 Energy Minerals & Natural Resources (EMNRD)

SUMMARY

Synopsis of Bill

House Joint Memorial 35 directs the Public Regulation Commission (PRC) to collaborate with the New Mexico Renewable Energy Transmission Authority (RETA) to convene a stakeholder group to perform a cost-benefit analysis on the construction of electrical transmission and the effects of allocating a portion of the costs to New Mexico ratepayers.

The stakeholder group should include: the Energy, Minerals and Natural Resources Department; the Department of Information Technology; the Economic Development Department; Sandia National Laboratories; Los Alamos national laboratory; electric utilities; electric cooperatives; and tribal and pueblo governments;

The memorial directs that the Public Regulation Commission and the New Mexico Renewable Energy Transmission Authority report their joint findings and recommendations to the appropriate interim committee of the legislature by October 1, 2010.

FISCAL IMPLICATIONS

HJM contains no appropriation, however, Public Regulation Commission may require additional staffing, but difficult to estimate.

Regulation and Licensing Department indicated if stakeholders meet in Santa Fe, no additional travel is anticipated.

SIGNIFICANT ISSUES

Regulation and Licensing Department indicated as follows:

Traditionally, utility costs are recovered from those who cause them. This approach would raise the possibility of assigning some of those costs to ratepayers who receive no direct benefit from them. The resolution declares that this principle represents a barrier to economic development through the exportation of renewable energy.

Indian Affairs Department indicated as follows:

HJM 35 asks the PRC, the NM RETA, and a stakeholder group to evaluate the cost-benefit of developing electrical transmission in New Mexico and the impact it may have on New Mexico ratepayers. Electrical transmission is the bulk transfer of electrical energy from generating plants to substations located near population centers. From there, electricity is delivered to customers through electrical wiring. Electrical transmission has historically supported the transfer of hydroelectric, nuclear and coal-fired energy, but now may include wind, solar, geothermal and other forms of renewable energy.

New Mexico is anticipating greater investment in renewable energy and transmission development in the near future. Governor Richardson announced in October 2009 that New Mexico will become the location for the Tres Amigas Super Station, which will connect America's three main power grids and allow for the efficient transmission and exchange of conventional and renewable energy from in and outside New Mexico.¹ There have also been several recently announced projects to produce solar energy in New Mexico, including the construction of a photovoltaic solar project in Guadalupe County and the possible expansion of residential solar power production through PNM's recent proposal to the PRC.²

New Mexico's tribes are also investing in the development of solar and other renewable power sources, with the Pueblo of Jemez recently announcing that they will invest in a utility-scale solar plant on tribal land that will generate both jobs and needed revenue for

¹ State of New Mexico Office of the Governor. "Governor Bill Richardson Announces Major Energy Project," Press Release, October 12, 2009. Retrieved January 28, 2010, http://www.governor.state.nm.us/press/2009/oct/101209_01.pdf.

² Bryan, Susan M. "New Mexico Utility Outlines Renewable Energy Plan," *BusinessWeek*, January 26, 2010. Retrieved January 28, 2010, <http://www.businessweek.com/ap/financialnews/D9DFHGPG0.htm>.

the tribe.³ It is important to note that HJM 35 includes the tribes, pueblos, and nations of New Mexico in the stakeholder group to evaluate the impact of electrical transmission development in New Mexico.

PERFORMANCE IMPLICATIONS

Regulation and Licensing Department indicated as follows:

Current staffing levels and meeting facilities may be sufficient for initial organization; some research would be required to determine benefits to ratepayers from economic development in other regions of the state. No specifics are provided as to what portion of additional costs would be appropriate to charge to which jurisdictional ratepayers

ADMINISTRATIVE IMPLICATIONS

As stated by Department of Information Technology, HJM 35 requires membership from the Department of Information Technology (DoIT).

RELATIONSHIP

Indian Affairs Department indicates as follows:

HJM 35 is related to HB 85 Electricity Transmission Cost Recovery. HB 85 directs the PRC to adopt rules which allow an electric utility, on an annual basis, to recover from ratepayers costs associated with federally-approved changes in wholesale transmission charges, the reasonable and necessary improvements to New Mexico's transmission infrastructure that promote economic development and the development of renewable energy projects in New Mexico.

TECHNICAL ISSUES

As stated by Regulation and Licensing Department, under traditional principles of utility regulation, economic development outside of the jurisdictional territory is a matter left to other branches of government, not attributed to retail ratepayers.

OTHER SUBSTANTIVE ISSUES

As stated by Regulation and Licensing, other governmental entities and research operations are not typically included in utility ratemaking proceedings.

ALTERNATIVES

As stated by Regulation and Licensing, the statutory scheme authorizing RETA allows for other funding mechanisms for the construction of interstate transmission facilities.

PME/mew

³ Bryan, Susan M. "New Mexico tribes plans solar power project," *The Durango Herald*, January 17, 2010. Retrieved January 28, 2010, www.durangoherald.com.