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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/26/11

SPONSOR Strickler LAST UPDATED \_\_\_\_\_ HB 546

SHORT TITLE Amend Renewable Energy Portfolio Standards SB \_\_\_\_\_

ANALYST Lucero

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		NFI	NFI			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Environment Department (NMED)  
 Energy, Minerals and Natural Resources Department (EMNRD)  
 Public Regulation Commission (PRC)

### SUMMARY

#### Synopsis of Bill

House Bill 546 amends section 62-16-4 NMSA, the Renewable Portfolio Standard (RPS) section of the Renewable Energy Act to reduce the RPS requirements for public utilities.

The bill reduces the statutory required 2011 RPS from 10 percent to 5 percent, the 2015 requirement from 15 percent to 7 percent and the 2020 requirement from 20 percent to 10 percent.

### FISCAL IMPLICATIONS

No fiscal impact to state agencies.

### SIGNIFICANT ISSUES

The bill rolls back RPS requirements for investor-owned utilities (IOUs) to 10 percent by 2020 from the current rate of 20 percent. The bill places IOUs on par with RPS requirements for rural electric cooperatives (co-ops) instead of ahead of them. In current statute rural electric cooperatives are required to meet the 5 percent RPS standard by 2015 and 10 percent by 2020.

According to Energy, Minerals and Natural Resources Department (EMNRD), in actual performance to date, all of the investor owned utilities (IOUs) have met the RPS requirement through 2010 and are projecting compliance in 2011 at the 10 percent level. This bill would require that the IOU develop only enough renewable energy sources to accommodate 10 percent of the increased demand by 2020 instead of an increasing percentage of the total load.

### **PERFORMANCE IMPLICATIONS**

The New Mexico Environment Department (NMED) can take credit for pollutants averted through renewable energy production in state implementation plans required pursuant to the Clean Air Act. Increased renewable energy production and energy efficiency programs decrease the need for energy production from fossil fuels, resulting in reduced greenhouse gas and ozone precursor (nitrogen oxide and volatile organic compound) emissions. This could result in fewer requirements for other sources of these emissions in potential nonattainment areas.

The bill may impact NMED Air Quality Bureau performance measures to reduce annual statewide greenhouse gas emissions to a targeted level.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Relates to They are SB 415, SB 535 and SB 549.

### **OTHER SUBSTANTIVE ISSUES**

In 2004, the Legislature passed the Renewable Energy Act, which requires a certain percentage of a utility's power to come from renewable energy sources. New Mexico's renewable portfolio standard (RPS) started in 2005 when public utilities were required to derive 5 percent of total retail sales from renewable energy. The target increases gradually to 20 percent by 2020.

In addition to RPS targets, beginning in 2011, each public utility's renewable energy mix must be fully diversified. At the RPS targeted level, utilities must diversify the portfolio so that at least 20 percent comes from wind resources, 20 percent comes from solar resources, 10 percent comes from other resources, and 1.5 percent from distributed generation resources (increasing to 3 percent by 2015).

The bill may reduce the amount of renewable energy sources constructed in New Mexico and in the U.S. The U.S. Department of Energy reports that renewable energy accounted for 11.14 percent of the domestically produced electricity in the U.S. in the first six months of 2010. In 2009, the U.S. was the world's largest producer of electricity from geothermal, solar and wind power and trailed only China in the total production of renewable energy.

### **ALTERNATIVES**

The PRC recommends assembling all affected parties including utilities, consumers, the Attorney General and PRC staff to evaluate the performance results under the current statute, and suggest improvements or alternatives to an interim committee.