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FISCAL IMPACT REPORT

	ORIGINAL DATE 02/22/11	
SPONSOR <u>Fischmann</u>	LAST UPDATED _____	HB _____
SHORT TITLE <u>Utility Legal & Admin Cost Recovery</u>		SB <u>50</u>
	ANALYST <u>Lucero</u>	

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		NFI	NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General’s Office (AGO)

Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Senate Bill 50 places a cap on the amounts that a utility may recover for administrative and legal costs at no more than \$500,000 in a single rate case or \$200,000 in a single renewable portfolio case, energy efficiency case, or integrated resource plan; unless the PRC makes a finding that a larger amount is “fair, reasonable, and justified”.

SIGNIFICANT ISSUES

According to the Attorney General’s Office (AGO), this bill probably intends to limit the recovery of rate case expenses, but doesn’t specifically say so. Thus, the implication is that a utility’s administrative and legal costs exceeding the stated amounts cannot be collected. Since such legal costs may amount to many millions, or tens of millions of dollars a year, it is probably not legal to prohibit the recovery of such costs if necessary to provide utility service.

The bill does not address other regulatory filings, such as Certificate of Convenience and Necessity, Financing, Holding Company, etc. Currently regulatory expenses are only recovered in rate cases, aggregated within a particular test year, but not specified by individual proceedings. The burden is on the utility to prove that all such expenses are reasonable. An argument could be raised that utility expenses could be aggravated by Staff and intervenors,

beyond the control of the utility.

ADMINISTRATIVE IMPLICATIONS

An additional proceeding may be necessary to determine whether the amounts requested are reasonable.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 488 PUBLIC UTILITY HEARING INTERVENOR LEGAL COSTS

SB 276 UTILITY COST TEST COST EFFECTIVENESS

SB 415 UTILITY COST LIMITS

SB 543 LIMIT PUBLIC UTILITY RATE INCREASES

TECHNICAL ISSUES

If the bill is intended to limit the recovery of only rate case expenses, it should be more specific. As written, it appears to prohibit the collection of any administrative or legal expense.

The spending limits imposed in the bill may be challenged as being arbitrary. An unintended consequence could be that utilities view the dollar amounts as targets rather than ceilings.

AMENDMENTS

To have the effect of limiting rate case expense, the bill should be amended by removing the words “legal and administrative costs” and substituting “rate case expenses”

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