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FISCAL IMPACT REPORT

ORIGINAL DATE 02/22/11
 LAST UPDATED 03/09/11 **HB** _____

SPONSOR Beffort

SHORT TITLE Utility Cost Limits **SB** 415/aSCONC

ANALYST Hanika-Ortiz

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

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

SUMMARY

Synopsis of SCONC Amendment

Senate Conservation Committee Amendment to Senate Bill 415 (SB 415) allows for an increasing ceiling on the limit that a public utility may spend when acquiring new renewable energy sources. The amendment increases the ceiling to 2.5% and then 3% in January of 2013 and 2015, respectively. The amendment clarifies that renewable energy resource costs to be considered are actual “net” costs not actual costs. Finally, the amendment will allow fuel and purchased power cost adjustment clause (FPPAC) revenues to be included when calculating the ceiling where the original bill did not allow it to be included.

Synopsis of Original Bill

Senate Bill 415 (SB 415) adds a new section to the Renewable Energy Act (REA) to limit the amount a public utility may spend when acquiring new renewable energy sources. The bill establishes a ceiling at two percent of revenues, less revenue received from rate riders, fuel and purchased power cost adjustment clauses, gross receipts taxes and franchise fees. The bill provides that a utility need not file a procurement plan if it shows that it has already exceeded the limit. Finally the bill allows a utility to recover costs incurred to acquire renewable energy

resources that have been previously identified as the least-cost resource needed to meet customer's needs.

FISCAL IMPLICATIONS

The bill may limit the amount of renewable energy sources constructed in New Mexico. 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.

SIGNIFICANT ISSUES

The bill represents a significant change to the REA, without expressly repealing provisions of the Act.

PRC notes that the commission will no longer promulgate rules pertaining to the reasonable cost threshold. Section 62-16-4 provides that the *...commission shall establish, after notice and hearing, the reasonable cost threshold above which level a public utility shall not be required to add renewable energy to its electric energy supply portfolio pursuant to the renewable portfolio standard. The commission may thereafter modify the reasonable cost threshold as changing circumstances warrant, after notice and hearing.*

Section 62-16-4 further provides renewable portfolio standards for public utilities that include:

- by 2011, renewable energy be no less than 10 percent of a utility's sales;
- by 2015, renewable energy be no less than fifteen percent of a utility's sales;
- by 2020, renewable energy be no less than twenty percent of a utility's sales; and
- if a public utility finds that the cost of renewable energy to comply with the renewable portfolio standard is greater than the reasonable cost threshold, the public utility shall not be required to incur that cost; provided that the existence of this condition does not delay the annual increases in the renewable portfolio standard in subsequent years. When a public utility can generate or procure renewable energy at or below the reasonable cost threshold, it shall be required to add renewable energy resources to meet the renewable portfolio standard applicable in the year when the renewable energy resources are being added...

PERFORMANCE IMPLICATIONS

Increased renewable energy production and energy efficiency programs may decrease the need for energy production from fossil fuels.

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

ADMINISTRATIVE IMPLICATIONS

New rules would need to be adopted to establish parameters for public utility reporting that the reasonable cost threshold has been exceeded.

OTHER SUBSTANTIVE ISSUES

NMED reminds us about the pollutants averted through renewable energy production in state implementation plans required pursuant to the Clean Air Act.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The procurement plans of public utilities and regulatory approval of those plans will not be subject to a 2% renewable energy maximum requirement.

AHO/mew:bym