F I S C A L   I M P A C T   R E P O R T

ORIGINAL DATE 2/21/11
SPONSOR Payne **LAST UPDATED** **HB**

SHORT TITLE Renewable Energy Cost Thresholds **SB** 535

ANALYST Hoffmann

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Senate Bill 535 would amend the Renewable Energy Act (REA) (Chapter 62 Article 16 NMSA 1978) to establish a statutory reasonable cost threshold, above which utilities would not be required to procure additional renewable energy resources. The bill would establish that ceiling at two percent of customers' bills, exclusive of franchise fees, taxes and any rate adders or riders. The current statute vests the authority to set this threshold with the PRC.

The bill would provide that a utility need not file a procurement plan if it files a report showing that it has already exceeded the ceiling.

Finally, the bill would allow a utility to cover procurement costs that have been previously approved by the Commission or that are identified as the least cost resource.

FISCAL IMPLICATIONS

Senate Bill 535 does not make any appropriations.

SIGNIFICANT ISSUES

The PRC presented a number of concerns and potential adverse effects for consumers.

> The bill represents a significant change to the REA. Currently the commission establishes the reasonable cost threshold and the diversity requirements, pursuant to its rulemaking authority.
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> The bill entirely eliminates the requirement that a renewable portfolio be diversified as to resource type.
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> The bill eliminates consideration of incentives for utilities to procure renewable energy in excess of the annual portfolio standards.
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> The bill continues the calculation of energy price and cost in determining the threshold, but deletes customer impact, diversity considerations, and other factors, such as public benefits. Instead it adds: capital investment returns; costs of generation and purchased power required to balance intermittent renewable resources; incentive costs; and debt and fuel costs.
>
> The bill mandates that a procurement plan evaluate all options on a net present value basis.
> Renewable resources that are least cost or that have been granted a certificate of public convenience and necessity are not subject to the threshold.

PERFORMANCE IMPLICATIONS

The PRC states they would no longer promulgate rules pertaining to the reasonable cost threshold, with the result that changing circumstances in economic conditions or technology would not be accommodated.

OTHER SUBSTANTIVE ISSUES

The PRC notes the bill frequently iterates the right of utilities to recover costs associated with previously approved procurement plans, irrespective of the threshold.

ALTERNATIVES

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

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Not enacting this bill would maintain the status quo, according to the PRC. The Commission has enacted rules to implement the current statutes, and retains the flexibility to deal with changing conditions.

JCH/bym