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FISCAL IMPACT REPORT

SPONSOR Fajardo ORIGINAL DATE 2/22/17
 LAST UPDATED _____ HB 314

SHORT TITLE Limit Rate Increases by Small Water Utilities SB _____

ANALYST Armstrong

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total			None			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

Office of the Attorney General (OAG)

SUMMARY

Synopsis of Bill

House Bill 314 strikes most of current Section 62-8-7.1 NMSA and replaces it with a limitation of an annual rate increase by a small water or sewer utility to no more than the average cost of living increase over the previous five years and a cap of 2 percent. The bill changes the allowance of expedited treatment to one category of small water or sewer utilities to those with fewer than five thousand service connections, averaged over the previous three years, in any utility operating district or division in New Mexico. "Cost of Living Increase" is defined as the increase in the consumer price index, west region, published by the bureau of labor statistics of the United States department of labor.

FISCAL IMPLICATIONS

None to state entities. Future revenues for small water or sewer utilities could be reduced.

SIGNIFICANT ISSUES

HB314 eliminates a provision providing that small water and sewer utilities with a customer base equal to or fewer than an aggregate of 1,500 service connections in any utility operating district or division may increase rates without a hearing before the PRC on the reasonableness of the rate

increase provided the utility has not increased rates by more than 50 percent in the preceding 12 months. The statute currently requires the utility to provide written notice to ratepayers and a hearing on the proposed rate increase if a protest alleging good cause for a hearing is submitted by the lesser of 10 percent of all ratepayers or 25 individual ratepayers. The bill also eliminates language which provides that small water and sewer utilities with more than an aggregate of 1,500 service connections and fewer than 5,000 service connections in any utility operating district or division may increase rates without a hearing before the PRC on the reasonableness of the rate increase, provided the utility has not increased rates by more than 8 percent in the preceding 12 months. This repealed language requires the utility to provide written notice to ratepayers and further requires a hearing on the proposed rate increase if a hearing is requested by PRC staff or a protest alleging good cause for a hearing is submitted by 10 percent of all ratepayers.

Further, HB314 eliminates the provision of the Act allowing small water utilities the opportunity to file for a rate change pursuant to any other rule or procedure of the commission.

The Public Utility Act currently allows small water and sewer utilities regulated by the New Mexico Public Regulation Commission (PRC or “commission”) to increase rates without hearings under the circumstances identified above which expedite the rate increase process. HB314 restricts use of the expedited rate increase process by limiting the amount of the rate increase which could be requested to 2 percent in any calendar year and capping any increase to no more than the average cost of living increase for the preceding 5 year period. HB314 also removes the opportunity for ratepayer protests. HB314 removes the opportunity for small water utilities to seek a rate increase through a hearing before PRC and departs from the NMPRC rate review standard which requires rates to reflect the cost of providing service to customers. PRC notes this could result in a utility being unable to meet its revenue requirements.

ADMINISTRATIVE IMPLICATIONS

HB 314 would cause PRC regulations to be amended to incorporate the proposed changes.

JA/sb