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## FISCAL IMPACT REPORT

SPONSOR HJC ORIGINAL DATE 2/14/18  
LAST UPDATED \_\_\_\_\_ HB 325/HJCS  
SHORT TITLE Public Utility Facility Abandonment SB \_\_\_\_\_  
ANALYST Martinez

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

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	See Fiscal Impact	See Fiscal Impact				

(Parenthesis ( ) Indicate Expenditure Decreases)

**Relates to:** HB73 & SB9

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Public Regulation Commission (NMPRC) for original HB325.

### SUMMARY

#### Synopsis of Bill

The House Judiciary Committee Substitute for House Bill 325 requires a public utility to procure replacement resources if the public utility abandons a facility in certain circumstances.

### FISCAL IMPLICATIONS

HB325/HJCS includes no appropriation. However, there would likely be additional resources expended by the NMPRC and its staff in analyzing utility abandonment applications, and in reviewing the CCN application for a replacement facility. Note that such applications are not made annually or on a regular basis, but are instead made on an ad hoc basis, and so any impact on NMPRC expenditures resulting from the bill would be quite speculative.

### SIGNIFICANT ISSUES

Section 1: New Construction, Replacement Resources, Ratemaking Principles:

The requirements for replacement resources located in a school district in which a facility is being abandoned, shall not preclude a public utility from being granted a certificate of public

convenience and necessity, provided that the requirements of Section 6-9-3 NMSA 1978 are met. The commission may approve the application for the certificate without a formal hearing if no protest is filed within sixty days of the date that notice is given. The commission shall issue its order granting or denying the application within nine months from the date the application is filed with the commission. Failure to issue its order within nine months is deemed to be approval and final disposition of the application. Section one also inserts a definition for “replacement resource.”

**Section 2: Abandonment of Service- Location of Replacement Resources:**

Section two states that is a facility being abandoned is a coal-fired generation facility located in New Mexico and the abandonment will cause a reduction in annual property tax revenue paid to local governments of \$2,500,000 or more that is attributable to the facility being abandoned then the utility abandoning the facility shall procure replacement resources within the school district in which the facility is being abandoned. Section two also states that the cost to customers to procure the replacement resources shall be no more than one hundred ten percent of the estimated cost to customers to procure the same resource type capacity in a different location in the state.

A replace resource is a supply-side resource owned by a utility or a non-utility provider that the utility needs sue to abandonment of a coal-fired generation facility located in New Mexico, to provide reliable service to the utility’s customers that minimizes environmental impacts and is the utility’s most cost-effective option.

**The Public Regulation Commission submitted the following significant issues for HB73, which relates to HB325:**

This bill appears to expand the NMPRC's authority into areas outside of its traditional supervision to the extent that an abandonment application or replacement facility may involve a fossil-fueled facility, the bill may require the NMPRC to harmonize the bill with the findings and purposes of the Renewable Energy Act, NMSA 1978, §62-16-1 et seq.

The bill also appears to limit or eliminate the discretion of the NMPRC in reviewing a CCN application for a replacement facility in a school district of an abandoned facility. Such a replacement facility would still be subject to location control requirements, but does not appear to be subject to the requirement, set forth in NMSA 1978, §62-9-1(A), that the public convenience and necessity requires or will require such construction.

**ADMINISTRATIVE IMPLICATIONS**

The bill would add an additional set of issues presented to the NMPRC for consideration in adjudicating abandonment cases. It also appears to limit or eliminate issues that the NMPRC may consider in a CCN application for a replacement facility in a school district of an abandoned facility.

**RELATIONSHIP**

HB325/HJCS relates to HB73 & SB9

**TECHNICAL ISSUES**

The Public Regulation Commission states that there exists potential conflict with the Renewable Energy Act, NMSA 1978, §62-16-1 et seq.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Status quo, which in this instance means that any utility abandoning an electric generation, transmission or distribution facility need not construct a replacement facility within the same school district as the abandoned facility.

JM/jle/al