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## FISCAL IMPACT REPORT

SPONSOR Louis ORIGINAL DATE 2/27/19  
LAST UPDATED \_\_\_\_\_ HB 637  
SHORT TITLE Presumed Life Of Electric Generating Plants SB \_\_\_\_\_  
ANALYST Edwards

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

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		See fiscal implications	See fiscal implications	See fiscal implications		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

### SUMMARY

#### Synopsis of Bill

This bill adds a new section to Section 62-9-1 of the Public Utility Act. Section 62-9-1 of the act provides the Public Regulations Commission (PRC) with the authority to issue a certificate of convenience and necessity (CCN) prior to the construction or operation by a public utility of plant or system or extension of plant or system.

The proposed new section in this bill addresses the construction or operation after July 1, 2019, of an electricity generation plant designed to emit at least 500 pounds of carbon dioxide (CO2) for every megawatt-hour of electricity. PRC shall deem the useful life of any such plant constructed or operated after July 1, 2019 to end no later than December 31, 2039. PRC shall not be prevented from determining, prior to December 31, 2039, that such a plant is no longer used and useful or that December 31, 2039, shall be the end of such plant's useful life for ratemaking purposes. In the context of this new section, "operation" shall include any contractual arrangement where the output of such a plant is committed to serve the public utility's customers for at least 10 years.

## FISCAL IMPLICATIONS

PRC did not provide a cost analysis for this bill. However, any restrictions on how PRC may consider a project may lead to projects with higher costs per megawatt-hour and higher rates to customers. These costs are very difficult to estimate.

## SIGNIFICANT ISSUES

The PRC explains:

This bill effectively directs the Commission to limit the useful life of a public utility's new electricity generation resource with an emissions rate that exceeds 500 pounds per megawatt-hour so that it ends no later than December 31, 2039. Based on existing technology, the emission limit effectively means that the limited useful life would apply to cost-effective fossil fuel based generation of electricity, including natural gas, but not to other types of electricity generation, such as nuclear, solar, or wind. The useful life of an electricity generating plant is a critical component of the ratemaking process as it establishes the period over which the utility depreciates the plant and over which such depreciation is recovered by utilities from customers through PRC approved rates.

A new natural gas based electricity generating plant is expected to have a useful life of 20 to 25 years. This bill limits the useful life of such new plants to 20 years and subsequent additions will be further limited as they approach December 31, 2039. By limiting the useful life of new natural gas electricity generating plants as proposed by the bill, the cost effectiveness of such new plant additions will be constrained in that investment would have to be recovered more swiftly by utilities thus increasing customer rates to more than they would be in the absence of the limitation on useful life. Further, the limitation on useful life effectively disfavors such new plants in the utility's development of the most cost-effective portfolio of generating resources necessary to serve the projected customer load and may be inconsistent with the statutory requirement in NMSA 1978 62-17-10 which requires utilities, in the resource planning process, to evaluate resources "on a consistent and comparable basis".

TE/gb