FISCAL IMPACT REPORT

ORIGINAL DATE 2/12/19
SPONSOR Sedillo Lopez **LAST UPDATED** **HB**

SHORT TITLE Electricity Distribution for Certain Vehicles **SB** 336

ANALYST Martinez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

SB336 introduces a new section of the Public Utility Act (PUA) and amends Section 62-3-4 of the PUA.

The new section of the PUA provides for public utilities to each file an application with the Public Regulation Commission (PRC) not later than January 1, 2021 and subsequently, upon request by the Commission, at least every two years, for approval of a plan to expand transportation electrification. Each utility's plan may address investments, incentives, programs, rate designs, and expenditures in support of the electrification of transportation. Such support would include the deployment of charging infrastructure and associated electrical equipment, customer education and outreach. The Commission is to consider a number of factors in its review of the plan, including: (1) the potential improvement of the public utility's electrical system efficiency, the integration of variable resources, operational flexibility and system utilization during off-peak hours, (2) increased access to use of electricity as a transportation fuel generally and by low-income users in underserved communities specifically, (3) the impact on specific 2030 and 2050 air quality standards, (4) expected innovation, competition, and increased consumer transportation choices as well as customer protections and high skilled job training, (5) reasonableness and prudency, and (6) transparency including public reporting requirements. This section of the bill also provides for public utilities with approved plans to expand transportation electrification to seek recovery of the plan's reasonable costs through a tariff rider or through base rates or both.

The amendment of Section 62-3-4 of the PUA expands the exceptions to what is considered a "public utility" by adding that any person engaged in the retail distribution of electricity specifically for vehicular fuel would not be a public utility as used in the PUA.

FISCAL IMPLICATIONS

SB 336 carries no appropriation and will not impact PRC's operating budget.

SIGNIFICANT ISSUES

The Public Regulation Commission submitted the following:

Public utilities are regulated monopolies which have been granted the exclusive right to serve the customers in their respective service territories with their electricity needs and they are obligated to serve their customers' needs. In return, public utilities are subject to the regulatory oversight of the PRC. Public utilities are continuously adapting their resources to evolving customer needs and the Commission has the authority to approve rates that give the utilities the opportunity to recover the costs incurred to serve its evolving customer base and to earn a reasonable return on its investment for these purposes. This bill requires public utilities to develop a plan to meet a specifically identified need, that of transportation electrification. The Commission's review of the plan developed by the utilities would include elements that are generally beyond the Commission's existing authority, such as increasing the use of electricity generally, and by low-income users specifically, along with meeting air quality standards and reducing emissions of greenhouse gases. Public utilities are already incentivized to meet growing electricity needs with reasonable shareholder returns on the prudent capital investments necessary to meet such growing electricity demand. The mandate in this bill to support a specific segment of the electricity market differs markedly from other existing statutory mandates such as renewable portfolio standards or energy efficiency in that the existing mandates do not seek to favor or support certain customers or market segments. Longstanding regulatory practice in New Mexico provides for the utility's overall cost of service to be allocated among customer classes so that each class pays for the cost it causes the utility to incur for serving that class. This bill could be reasonably interpreted to mean that the electrified transportation class, to the extent it will exist, would be entitled to additional considerations such as promotion of increase usage, access by low-income users, support of innovation and high skilled job training, thus possibly shifting those costs to other customer classes.

Another issue is that "public utilities" as used in the PUA refers to electric, gas or water utilities. In this bill which address electrification, it would be helpful to specifically refer to electric public utilities.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Public Utilities will continue to have the opportunity and the obligation to provide electric service to the electrified transportation market and to seek recovery of the prudent and reasonable costs of providing such service pursuant to the PUA. With respect to the promotion of increased use of electricity for transportation, New Mexico's Energy, Minerals, and Natural Resources Department acts as the State's Energy Office and it appears to be promoting cleaner modes of transportation.

JM/gb