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

SPONSOR Montoya, RD/Strickler/ Lane/Hernandez/ Rehm

ORIGINAL DATE 02/03/21
LAST UPDATED

HB 176

SHORT TITLE Renewable Energy Standards and Rate Increases

SB

ANALYST Martinez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI			

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Public Regulation Commission (PRC)
Energy Minerals and Natural Resources (EMNRD)

SUMMARY

Synopsis of Bill

House Bill 176 amends the Renewable Energy Act ("REA") by (1) removing renewable portfolio standard requirements until January 1, 2025, (2) increasing the frequency of a required report to the Legislature, and (3) limiting the rate impact on residential and commercial customers that results from compliance with the renewable portfolio standard ("RPS"). The bill also removes certain elements of the REA which no longer apply.

Section 1.A of the bill removes the RPS which applies since January 1, 2015 as well the subsequent RPS requirement which applies starting on January 1, 2020. Section 1.A also renumbers references accordingly.

Section 1.B of the bill changes the frequency of a report to the Legislature required from the Public Regulation Commission ("PRC" or "Commission") from every four years to annually by July 1 of each year. Section 1.B also renumbers references to be consistent with the amendments in Section 1.A.

Section 1.C updates the effective date for certain financial benefits for certified customers that are a political subdivision of the state or an educational institution with an enrollment of 20,000 students or more, to June 14, 2019.

Section 1.F removes a previous requirement of the REA that public utilities report annually about renewable energy procurement and generation to the Commission between 2007 and 2019. Section 1.F replaces this old requirement with a limitation that compliance with the RPS is to not result in any rate increase to residential and commercial customers exceeding 2 percent in any one year or 5 percent in any 3-year period.

Section 1.G removes the starting date of the annual requirement for public utilities to report to the Commission about renewable energy procurement and generation.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

HB 176 does not contain an appropriation.

There are no fiscal impacts for the Energy, Minerals and Natural Resources Department or for the Public Regulation Commission.

SIGNIFICANT ISSUES

The Public Regulation Commission provided the following:

> HB176 adds a constraint to the impact on utility rates for residential and commercial customers that results from the utility's compliance with the RPS requirements. This amendment to the REA proposed in the bill would cap any increase on utility rates for residential or commercial customers as a result of compliance with the RPS to 2 percent in any single year or 5 percent over a 3-year period. As the bill does not appear to allow for non-compliance with the RPS due to the proposed constraint, this would require the Commission to isolate the cost impact of compliance with the RPS and make a determination about the overall impact on utility rates.
>
> To the extent the overall impact on a utility and its rates exceeds the limitations in the bill, the utility will likely seek Commission approval to recover such excess costs from utility customers other than residential or commercial customers. Alternatively, the utility could seek commission approval to record such unrecovered costs in a regulatory asset for future recovery from residential and commercial customers. In either case, it will likely be necessary to address this limitation in a rulemaking proceeding that may be controversial given the potential cost shifts.
>
> In the alternatives section of this FIR, a differing positioning of this amendment is offered that may allow for some adjustment to RPS compliance in order to meet the proposed rate impact constraint proposed by this bill.
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> HB176 eliminates the existing RPS between now and January 1, 2025. This appears to be inconsistent with the other elements of the REA which address related RPS requirements

and compliance. In the Technical Issues section of this FIR, an adjustment to the amendment to the REA proposed by this bill is offered to maintain the current RPS.

Energy Minerals and Natural Resources provided the following:

PRC's role, pursuant to the Public Utility Act, is to oversee and approve electricity rates. HB176 may undermine PRC's rate oversight function.

PRC has approved cost recovery for compliance with the Renewable Portfolio Standard mandated by 65-16-4 NMSA 1978 in the form of rate riders. Rate riders are utility costs that are passed to consumers as a monthly tariff. Periodically, riders are adjusted to meet utility compliance-related expenditures. In 2020, PNM's RPS rate rider (Rider 36) was \$0.0076413 per kWh. This will be increased to \$0.0082600 per kWh for 2021.[1] The following table illustrates the change in a customer's expenditure on electricity for *one month*.

Residential Usage	Price per kWh (non-peak month)	RPS Rate Rider	Total
400 kWh	400 x \$0.0779432[2] = \$31.18	400 x \$0.0076413 (2020) = \$3.06	\$34.24
400 kWh	400 x \$0.0779432 = \$31.18	400 x \$0.0082600 (2021) = \$3.30	\$34.48
		Difference (\$)	\$0.24
		Difference (%)	+0.7

A customer's monthly electricity bill is a function of several things, including total kilowatts used, time of year, local taxes, rate riders and any other charges pursuant to the customer's class (e.g., demand charges for commercial customers). The rate rider itself may have a small impact on a customer's bill, all things being equal.

ADMINISTRATIVE IMPLICATIONS

The Public Regulation Commission provided the following:

This FIR reflects PRC's technical staff's analysis consistent with Commission policy, rules, and precedent, but does not reflect a position ratified by a vote of the full Commission.

HB176 increases the frequency of a report required by the REA for the Commission to file a report with the legislature as detailed in Section 1.B (7) from every four years to annually. While this increased requirement may not rise to the level necessary to justify an additional full-time employee, this nevertheless represents a significant additional burden on the Commission and on affected public utilities. The content of the report requires a significant collaboration between the PRC and regulated public utilities which operate the lion's share of the transmission system located in New Mexico. Much of this collaboration takes place in the context of the development by these utilities every three years of integrated resource plans which provide, among other things, a forward-looking

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[1] PNM Renewable Energy Rider 2021

[2] PNM Residential Service Rate (non-Time-of-Use), not peak month (i.e. not June, July or August), first 450 kWh rate

> plan to meet the RPS requirements. The proposed higher report frequency would likely compel the Commission to review its current 3-year cycle for the preparation and submission of integrated resource plans in order to develop timely information for the more frequent report to the legislature.

TECHNICAL ISSUES

The Public Regulation Commission provided the following:

> Should the intent of this bill be to maintain and continue the effectiveness of the existing RPS, the proposed deletion of Section 1.A(2) should be reversed and remain unchanged in the REA, and the related renumbering and references should be adjusted accordingly.

ALTERNATIVES

The Public Regulation Commission provided the following:

> Should the intent of the amendment in Section 1.F of the bill to limit the rate impact on residential and commercial customers from the utility's RPS compliance also allow for the Commission to administer RPS compliance, it may be appropriate to instead amend Section 1.B(3) of the bill to quantify "unreasonable impacts to customer electricity bills."

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Public Regulation Commission provided the following:

> The existing RPS will remain in effect and that the Commission's regulatory authority over utility rate setting will not be constrained by the limitations proposed in this bill.

JM/rl