

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Rubio **ORIGINAL DATE** _____ **LAST UPDATED** _____ **HB** 400/aHCPAC

SHORT TITLE Recovery of Renewable Energy Costs **SB** _____

ANALYST Martinez

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
NFI	NFI	NFI	NFI

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public Regulation Commission

SUMMARY

Synopsis of Consumer and Public Affairs Committee Amendment

The Consumer and Public Affairs Committee Amendment insert the following new subsection of Section 3 on page 10;

“If the commission determines, after notice and hearing, that compliance with particular requirements of the Renewable Energy Act will cause undue financial hardship to a utility’s customers, the commission may temporarily adjust the requirements of the act for that utility, but only to the extent necessary to alleviate the hardship,”

Synopsis of Bill

This bill amends the Renewable Energy Act (REA) by removing the reasonable cost threshold (RCT) as a consideration in the development by public utilities of renewable energy procurement plans to meet RPS requirements.

This bill removes the definition of “reasonable cost threshold” as well as all language pertaining to the role of the RCT from the REA.

FISCAL IMPLICATIONS

HB 400 carries no appropriation and will not have a fiscal impact on the New Mexico Public Regulation Commission (PRC).

SIGNIFICANT ISSUES

The following significant issues were provided by the Public Regulation Commission:

The RCT acts as a limitation of procurement costs beyond which public utilities are not required to incur in order to meet RPS requirements. The current RPS requirement is that 15% of energy sales be generated from renewable resources subject to certain customer limitations. The RPS requirement increases to 20% in 2020 and additional utility procurements of renewable energy are expected to be necessary by then. The RCT provides a form of cost control which may limit the costs that the public utility seeks to recover from ratepayers. Without the RCT, the PRC would have less authority to limit the impact on ratepayers of future utility compliance with RPS requirements.

In the PRC's Rule 17.9.572 NMAC (Rule 572), the determination of the RCT provides for the consideration of various adjustments to utility revenue requirements such as cost savings or increases for capacity, generation, transmission, or distribution, operation and maintenance expense, back-up and load following generation, off-system sales opportunity impacts, or other facilities and improvements or functions that may be required. Rule 572 would have to be amended to remove any reference to the RCT and the cost savings or increases associated with meeting the RPS requirements could no longer be considered by the PRC in the context of utility applications seeking approval for RPS procurement plans.

Currently, two investor-owned electric utilities are exceeding the RCT. One of these investor-owned electric utilities is not meeting the total RPS requirement and the PRC has granted the utility a waiver from meeting the total RPS requirement due to RCT constraints. In the absence of an RCT, it is possible that this utility would incur further costs to procure renewable energy to meet the RPS requirement.

PERFORMANCE IMPLICATIONS

PRC performance measures include comparisons of average residential and commercial electric rates between major New Mexico utilities and selected utilities in regional western states. This bill could result in increased energy rates, which could impact the PRC's performance with regard to that measure.

ADMINISTRATIVE IMPLICATIONS

The PRC currently has a rule in place to implement the REA, 17.9.572 NMAC. Enactment of HB 400 would require the Commission to amend its existing rule to conform to statute.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 400 relates to SB 312 (Renewable Energy Requirements for Utilities). SB 312 would require that renewable energy comprise 80% of total retail sales to NM customers of public utilities by

2040. SB 312 also provides for the PRC to establish a new RCT for rural electric cooperatives and for new considerations in the determination of an RCT for investor-owned electric utilities. If both bills were to pass, this could result in increased energy costs with no mechanism to protect public utilities and their ratepayers from renewable energy costs that are above a reasonable cost threshold and this would result in a conflict with respect to the establishment of an RCT.

HB 400 relates to HB 406 (Nuclear Energy is a Renewable Energy Source). HB 406 would require that nuclear energy be a resource option beyond wind, solar and other resources that could be used to meet RPS requirements. If both bills were to pass, this could result in unconstrained nuclear energy costs to meet RPS requirements.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The status quo, there will be limitations enforceable by the PRC to the costs incurred by the utilities for meeting the RPS requirements thus limiting the impact on ratepayers. The PRC would also be able to continue considering utility cost savings or increase associated with the procurements of renewable energy that are necessary to meet the RPS requirements.

JM/jle/sb