HOUSE BILL 233

54TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2020

INTRODUCED BY

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AN ACT

RELATING TO ENERGY; DIRECTING THE ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT TO DEVELOP A ROADMAP FOR GRID MODERNIZATION; ESTABLISHING A GRID MODERNIZATION GRANT PROGRAM; ENABLING A PUBLIC UTILITY TO SUBMIT AN APPLICATION TO THE PUBLIC REGULATION COMMISSION TO MODERNIZE GRID TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE; ALLOWING UTILITIES TO RECOVER COSTS FOR GRID MODERNIZATION PROJECTS; CREATING A FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of Chapter 71 NMSA 1978 is enacted to read:

"[NEW MATERIAL] GRID MODERNIZATION ROADMAP AND GRANT PROGRAM.--

A. The energy, minerals and natural resources department shall develop a roadmap for grid modernization that

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shall detail priorities and strategies to modernize New Mexico's electric grid.

B. The department shall establish a grid modernization grant program to support implementation of a modern grid by providing grants to eligible projects proposed by:

(1) municipalities and county governments;

(2) state agencies;

(3) state universities;

(4) public schools;

(5) post-secondary educational institutions; and

(6) Indian nations, tribes and pueblos.

C. The department shall adopt rules establishing the application procedure, the required qualifications for projects and the purposes for which the grant may be used. In approving grants, consideration shall be given to:

(1) the extent to which the project improves electrical system efficiency, reliability, resilience and security; lowers operations and maintenance costs; and meets energy demands through a flexible, diversified and distributed energy portfolio consistent with New Mexico's energy goals;

(2) the extent to which the project incorporates a new technology or a new or innovative application of an existing technology that will provide useful

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information to the state, utilities, electric cooperatives and the general public related to grid modernization;

(3) the degree to which the project fosters the general public's, students' or a specific government or industry sector's overall understanding and appreciation of the benefits of modernizing the electric grid;

(4) the extent to which the project complements or coordinates with the resource planning of a public utility as required by the Public Utility Act; and

(5) the extent to which the project stimulates in-state economic development, including the creation of jobs and apprenticeships.

D. Grants shall be awarded on a competitive basis, and priority shall be given to proposals that use matching funds from non-state sources. The grant program shall seek to fund applicants in each of the following categories:

(1) an Indian nation, tribe or pueblo;

(2) a rural community served by a rural electric cooperative;

(3) a rural community served by an investor-owned public utility;

(4) an urban or semi-urban municipality or county; and

(5) an institution of higher education.

E. Projects receiving a grant from the grid

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modernization grant program shall be required to be coordinated with the electric service provider that serves the entity in order to ensure that the program does not adversely impact electrical system efficiency, reliability, resilience and security.

F. The department shall provide a report on the grid modernization grant program to the legislative finance committee prior to each regular legislative session. The report shall include:

(1) a list of grant recipients;

(2) the amount and date of each grant;

(3) a description of each project funded; and

(4) a description of how each project contributes to grid modernization and demonstrates increased electric grid reliability, resilience, security; creates economic benefits; or pilots or demonstrates new technologies or new implementations of existing technologies.

G. For the purposes of this section:

(1) "department" means the energy, minerals and natural resources department; and

(2) "grid modernization" means improvements to electric distribution or transmission infrastructure, including related data analytics equipment, that are designed to accommodate or facilitate the integration of renewable electric generation resources with the electric distribution grid or to

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otherwise enhance electric distribution or transmission grid reliability, grid security, demand response capability, customer service or energy efficiency or conservation and includes:

(a) advanced metering infrastructure that facilitates metering and providing related price signals to users to incentivize shifting demand;

(b) intelligent grid devices for real time system and asset information at key substations and large industrial customers;

(c) automated control systems for electric distribution circuits and substations;

(d) communications networks for service meters;

(e) distribution system hardening projects for circuits and substations designed to reduce service outages or service restoration times;

(f) physical security measures at key distribution substations;

(g) cybersecurity measures;

(h) energy storage systems and microgrids that support circuit-level grid stability, power quality, reliability or resiliency or provide temporary backup energy supply;

(i) electrical facilities and

infrastructure necessary to support electric vehicle charging systems;

(j) new customer information platforms designed to provide improved customer access, greater service options and expanded access to energy usage information; and

(k) other new technologies that may be developed regarding the electric grid."

SECTION 2. A new section of Chapter 71 NMSA 1978 is enacted to read:

"[NEW MATERIAL] GRID MODERNIZATION GRANT FUND--CREATED.--The "grid modernization grant fund" is created in the state treasury. The fund consists of appropriations, gifts, grants and donations. The energy, minerals and natural resources department shall administer the fund, and money in the fund is subject to appropriation by the legislature to the department for the purpose of administering the grid modernization grant program. Disbursements from the fund shall be made upon warrants drawn by the secretary of finance and administration pursuant to vouchers signed by the secretary of energy, minerals and natural resources or the secretary's designee. Any unexpended and unencumbered balance in the fund remaining at the end of any fiscal year shall not revert to the general fund."

SECTION 3. A new section of the Public Utility Act is enacted to read:

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"[NEW MATERIAL] APPLICATION FOR GRID MODERNIZATION PROJECTS.--

A. A public utility may file an application with the commission to approve grid modernization projects that are needed by the utility, or upon request of the commission. Applications may include requests for approval of investments or incentives to facilitate grid modernization, rate designs or programs that incorporate the use of technologies, equipment or infrastructure associated with grid modernization and customer education and outreach programs that increase awareness of grid modernization programs and of the benefits of grid modernization.

B. When considering applications for approval, the commission shall review the reasonableness of a proposed grid modernization project and as part of that review shall consider whether the requested investments, incentives, programs and expenditures are:

(1) reasonably expected to improve the public utility's electrical system efficiency, reliability, resilience and security; maintain reasonable operations, maintenance and ratepayer costs; and meet energy demands through a flexible, diversified and distributed energy portfolio, including energy standards established in Section 62-16-4 NMSA 1978;

(2) designed to support connection of New Mexico's electrical grid into regional energy markets and

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increase New Mexico's capability to supply regional energy needs through export of clean and renewable electricity;

(3) reasonably expected to increase access to and use of clean and renewable energy, with consideration given for increasing access to low-income users and users in underserved communities;

(4) designed to contribute to the reduction of air pollution, including greenhouse gases;

(5) reasonably expected to support increased product and program offerings by utilities to their customers; allow for private capital investments and skilled jobs in related services; and provide customer information and education;

(6) transparent, incorporating public reporting requirements to inform project design and commission policy; and

(7) otherwise consistent with the state's grid modernization planning process and priorities.

C. A public utility that undertakes grid modernization projects approved pursuant to this section may recover its reasonable costs through an approved tariff rider or in base rates, or by a combination of the two. Costs that are consistent with commission-approved utility grid modernization projects are presumed to be reasonable. A tariff rider proposed by a public utility to fund approved grid

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modernization projects shall go into effect thirty days after filing, unless suspended by the commission for a period not to exceed one hundred eighty days. If the tariff rider is not approved or suspended within thirty days after filing, it shall be deemed approved as a matter of law. If the commission has not acted to approve or disapprove the tariff rider by the end of the suspension period, it shall be deemed approved as a matter of law.

D. The provisions of this section do not apply to a distribution cooperative organized pursuant to the Rural Electric Cooperative Act.

E. As used in this section, "grid modernization" means improvements to electric distribution or transmission infrastructure through investments in assets, technologies or services that are designed to modernize the electrical system by enhancing electric distribution or transmission grid reliability, resilience, interconnection of distributed energy resources, distribution system efficiency, grid security against cyber and physical threats, customer service or energy efficiency and conservation and includes:

(1) advanced metering infrastructure and associated communications networks;

(2) intelligent grid devices for real time or near-real time system and asset information;

(3) automated control systems for electric

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transmission and distribution circuits and substations;

(4) high-speed, low-latency communications networks for grid device data exchange and remote and automated control of devices;

(5) distribution system hardening projects for circuits, not including the conversion of overhead tap lines to underground service and substations designed to reduce service outages or service restoration times;

(6) physical security measures at critical distribution substations;

(7) cybersecurity measures;

(8) systems or technologies that enhance or improve distribution system planning capabilities by the public utility;

(9) technologies to enable demand response;

(10) energy storage systems and microgrids that support circuit-level grid stability, power quality, reliability or resiliency or provide temporary backup energy supply;

(11) infrastructure and equipment necessary to support electric vehicle charging or the electrification of community infrastructure or industrial production, processing, or transportation; and

(12) new customer information platforms designed to provide improved customer access, greater service

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options and expanded access to energy usage information."

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