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## FISCAL IMPACT REPORT

SPONSOR B Lujan DATE TYPED 3/3/05 HB 1088

SHORT TITLE Definition of "Public Utility" or "Utility" SB \_\_\_\_\_

ANALYST Wilson

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$315.0	Recurring	General Fund

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	Unknown	Unknown	Recurring	General Fund

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Energy, Minerals & Natural Resources (EMNRD)

Public Regulation Commission (PRC)

### SUMMARY

#### Synopsis of Bill

House Bill 1088 amends the Public Utility Act (PUA). The definition of "public utility" is amended so that an entity that manufactures, stores, sells or distributes liquefied petroleum (LP) gas in enclosed containers or tank truck for use by others than consumers who receive their supply through any pipeline system operating under municipal authority will be considered a public utility. Existing law does not now treat such entities involved in LP gas activities as public utilities.

Significant Issues

HB 1088 will provide the PRC authority over entities manufacturing, storing, selling, or distributing liquefied petroleum (LP) gas in enclosed containers or tank truck for use by others than consumers who receive their supply through any pipeline system operating under municipal authority. Such entities and their activities will be regulated under the PUA, including rates charged for LP gas deliveries. Rural electric cooperatives offering LP gas services will be included among those regulated entities.

Retailers such as grocery stores or gas stations that sell bottled propane and for whom propane sales are a side line may opt to cease sales rather than come under the PRC's regulation under the Public Utility Act. Besides setting prices for their product, the PRC will be involved in approving financing for the retailer.

Even though the propane market is technically competitive, current industry practice regarding sale and ownership of storage tanks results is an impediment to consumers having effective choice of suppliers, a market feature necessary for a truly competitive market. Regulation under the PUA by the PRC will provide an alternative pricing mechanism.

**FISCAL IMPLICATIONS**

Propane and butane manufacturers, distributors, and retailers will pay Inspection and Supervision Fees (I&S) to the PRC for deposit into the general fund. The I&S fee rate is .506% of gross receipts from business transacted in New Mexico. Gross receipts from propane and butane are not known at this time.

Additional staffing for the PRC is estimated to include one attorney, 2 economists and one engineer. Personal services and overhead are estimated at \$315 thousand per year. Contractual services associated with a rulemaking are estimated at \$10 thousand.

**ADMINISTRATIVE IMPLICATIONS**

The PRC will conduct a rulemaking to develop procedures for collecting and presenting data necessary for price and quality of service regulation of the propane industry.

**DW/sb:lg**