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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/15/07  
 SPONSOR SCORC LAST UPDATED 3/02/07 HB \_\_\_\_\_  
 SHORT TITLE Renewable Energy Portfolio Standards SB CS/418/aSCONC  
 ANALYST Earnest

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(0.0)*	(\$884.0)*	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

\*See narrative for revised input from the Public Regulation Commission (PRC).

### SOURCES OF INFORMATION

LFC Files

Energy Minerals and Natural Resources Department (EMNRD)

Public Regulation Commission (PRC)

#### Responses Received From

Energy Minerals and Natural Resources Department (EMNRD)

Public Regulation Commission (PRC)

### SUMMARY

#### Synopsis of SCONC Amendment

The Senate Conservation Committee amendment inserts language to allow public utilities to set a goal of more than five percent reduction by January 1, 2020 in total retail sales to New Mexico customers, adjusted for load growth. This effectively sets a minimum reduction in retail sales to NM customers for public utilities.

#### Synopsis of Original Bill

The Senate Corporations and Transportation Committee Substitute for Senate Bill 418 (SB418cs) modifies three articles within the Public Utility Act: Article 15, "Rural Electric Cooperatives;" Article 16, "Renewable Energy Act;" and Article 17, "Efficient Use of Energy Act". The bill mandates Rural Electric Cooperatives (RECs) to include 10% renewable energy into their supply. The existing renewable portfolio standard (RPS) for independently owned

electric utilities would be increased to 25% by 2021. Energy efficiency programs would be added into the renewable energy act for the calculation of the RPS. RECs may increase fees to meet the requirements of the bill.

The bill adds definitions for a municipality, renewable energy certificate, and renewable purchased power agreement in the Renewable Energy Act.

SB418cs includes a new requirement for the distribution cooperative to report to its membership a summary of its purchases and generation of renewable energy. This ensures the distribution of renewable energy education and membership awareness of the RPS.

SB 418cs further requires that starting on January 1, 2009 all renewable energy certificates used to meet the renewable portfolio standard be registered with a renewable information system to create and track ownership of the certificates for verification and protection from multiple counting of the same renewable energy certificates.

SB 418cs amends the Efficient Use of Energy Act [Section 62-17-4 NMSA 1978] to allow the PRC to open a docket for public utility applications for the purpose of identifying disincentives that discourage utility investment in energy efficiency and authorizes appropriate rule-making mechanisms to eliminate disincentives.

RECs may also collect a renewable energy and conservation fee up to one percent of the customer's bill, not to exceed \$75,000 annually for any customer. These funds may only be spent on projects to promote renewable energy, load management or energy efficiency.

The PRC would establish a financial incentive program to encourage public utilities to implement cost-effective energy efficiency programs. "Energy efficiency certificate" is defined. Energy efficiency certificates may used in the same manner as renewable energy certificates by a public utility for not more than 5% of the RPS.

## **FISCAL IMPLICATIONS**

The bill provides that RECs that collect a renewable energy and conservation fee from customers may deduct from the fees paid to the state for the inspection and supervision (INS) of the facilities. The deduction equals fifty percent of the amount collected through the renewable energy and conservation fee during the preceding calendar year.

PRC's revised fiscal impact report of March 2, 2007, includes a significantly reduced revenue impact estimate. Based on discussions with RECs, PRC determined that RECs would not be able to begin collecting the proposed renewable energy conservation fee from its customers until 2008, thus shifting the revenue impact to FY09. In addition, PRC found that only nine RECs would collect the fees, thus reducing their tax liability to the state. PRC further removed any assumption of growth.

If all RECs collect the new fee from customers, the FY09 revenue impact could reach \$2.1 million, as originally estimated by PRC.

Although PRC had estimated the need for an economist FTE to implement the rulemaking and audit the evaluation of the RPS, upon more detail review, PRC finds it could implement the

provisions of the bill with current resources.

## **SIGNIFICANT ISSUES**

According to EMNRD, the long-term impact of an RPS will help stabilize electric rates by diversifying the supply mix and, in effect, serving as a substitute for natural gas-fired electric power production. Transitioning to renewable sources for electricity production and providing incentives for energy efficiency helps protect New Mexico's environment, protect against climate change, safeguard public health (no or fewer air pollutants), and preserve scarce water supplies (fossil-fuel generated electricity uses substantial quantities of water for cooling). Renewable energy development offers opportunities for significant in-state economic development, particularly in the State's outlying rural areas where renewable energy projects are most likely to be located. New Mexico has significant renewable energy resources, including wind, biomass, solar and geothermal.

SB418cs gives the PRC oversight and approval of public utility's energy efficiency and load management programs, which continues to be addressed in the Efficient Use of Energy Act. The bill grants the commission the authority to consider appropriate performance-based, financial or other incentives for public utility expenditures on energy efficiency and load management measures.

PRC notes that the bill changes the existing cost recovery mechanism from current statute in the Efficient Use of Energy Act. Currently, a public utility that undertakes cost-effective energy efficiency and load management programs shall recover the costs through an approved tariff rider. Without express commission approval, that rider can not exceed one and one-half percent for any utility customer's bill or \$75,000 per year. SB418cs increases that tariff rider to the lower of the "commission's approved tariff for that customer's bill" or the \$75,000 limit. This might have the potential effect of allowing energy efficiency tariff riders equal to the price of the energy consumed by the customer.

PRC has noted concerns with language creating the energy efficiency certificates (page 22, Line 22 through Line 17, Page 23). The language allows 5 percent of the RPS to be met through energy efficiency savings, and it is difficult to accurately measure such savings. This change in the Renewable Energy Act may be detrimental to the development of additional renewable energy generation in NM.

## **PERFORMANCE IMPLICATIONS**

According to EMNRD, the bill would complement the state's efforts to increase renewable energy development and advance the implementation of renewable energy and energy efficiency programs that promote environmental and economic sustainability for New Mexico and its citizens.

## **ADMINISTRATIVE IMPLICATIONS**

PRC finds in its revised analysis of March 2, 2007 that administration and implementation of the changes to the Renewable Energy Act and Energy Efficiency Act would not require additional resources.

**TECHNICAL ISSUES**

PRC finds the following technical issues:

- 1) Page 11, Line 4: There is an addition of “municipality” into the definitions of the Renewable Energy Act but the proposed legislation does not address if or how municipalities will address the RPS. “Municipality” but does not have a significant reference purpose anywhere in the bill.
- 2) Page 17, Line 11, change “2022” to “2021”.
- 3) Page 25, Line 10, after “percent reduction” insert “realized from the public utility’s implementation of energy efficiency programs”.

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