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FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/13
LAST UPDATED 03/06/13 **HB** 267/HBICS

SPONSOR HBIC

SHORT TITLE Utility Energy Efficiency & Load Management **SB** _____

ANALYST Clark

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	NFI			

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB 621

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

The House Business and Industry Committee Substitute for House Bill 267 amends the Efficient Use of Energy Act, Section 62-17-4 through -6 NMSA 1978, to add a definition for “program costs” and change the definition for “total resource cost test” to a definition for “utility cost test” with the alteration that the cost test references monetary costs borne only by public utilities and not participants. Additional references to the total resource cost test are replaced with references to the utility cost test.

The bill amends language to require public utilities to acquire cost-effective and achievable energy efficiency and load management resources without requiring the utilities to acquire all such resources. The bill specifies this requirement applies only to public utilities. Additionally, the bill reduces this acquisition requirement for electric utilities from a savings of a minimum of 10 percent to a minimum of 8 percent of 2005 total retail kilowatt-hour sales to New Mexico customers in calendar year 2020. The bill allows the PRC to lower this requirement if it determines the program costs to achieve the minimum requirements would exceed those established in the “Cost Recovery” section of the statute.

The “Cost Recovery” section is amended to cap the costs of the energy efficiency and load management program for electric utilities at the lower of 3 percent of customer bills, excluding gross receipts taxes and franchise and right-of-way access fees, or \$75 thousand per customer per calendar year. Program costs for gas utilities are capped at the lower of 3 percent of annual revenues or \$75 thousand per customer per calendar year. Provided that the public utility’s total portfolio remains cost-effective, the bill requires a minimum of 5 percent of the amount received by the public utility for these program costs to be directed to energy efficiency programs for low-income customers.

FISCAL IMPLICATIONS

There are no significant fiscal implications.

SIGNIFICANT ISSUES

This bill includes a percentage cap in addition to the current dollar cap on the allowable cost recovery for energy efficiency and load management programs. Additionally, the removal of the requirement to implement all cost-effective and achievable energy efficiency and load management resources provides increased flexibility to utilities in creating their programs.

Analysis from the PRC notes inclusion of the lesser of 3 percent of customer bills or the \$75,000 per year customer impact would provide New Mexico utility customers with additional protections associated with utility bill certainty; that certainty could potentially reduce public utilities’ budgets for energy efficiency and load management resources in the long run. The proposed limitations associated with public utility cost recovery will potentially result in reduced levels of funds available for a public utility to expend on energy efficiency and load management resources.

By reducing the required electricity savings from a minimum of 10 percent to a minimum of 8 percent of 2005 total retail kilowatt-hour sales to New Mexico customers, this bill will reduce the energy efficiency levels utilities are required to reach by 2020. However, the associated costs should also decrease commensurately, which is in keeping with the bill’s inclusion of a percentage cost cap for these programs.

The addition of a minimum requirement for 5 percent of the amount received for these program costs to be used for low-income customer energy efficiency programs is new and will help offset some of the rising energy costs borne by the customers least able to absorb the cost increases. However, the bill does not provide a definition for a low-income customer, presumably leaving it to the utilities’ discretion to determine which customers or customer groups qualify.

JC/blm