F I S C A L I M P A C T R E P O R T

SPONSOR Ingle **ORIGINAL DATE** 1/29/15 **LAST UPDATED** 2/19/15 **HB**

SHORT TITLE Geothermal Renewable Energy Certificates **SB** 249/aSCONC

ANALYST Clark

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications				General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates HB 263/aHRPAC

SOURCES OF INFORMATION
LFC Files

Responses Received From
Public Regulation Commission (PRC)
Renewable Energy Transmission Authority (RETA)

SUMMARY

Synopsis of SCONC Amendment

The Senate Conservation Committee Amendment changes part of the definition of "useful thermal energy" from energy delivered "to a commercial scale or public sector end user" to energy delivered "to an end user." The amendment makes other, minor changes to language for clarification.

Synopsis of Original Bill

Senate Bill 249 amends the Rural Electric Cooperative Act and the Renewable Energy Act to allow Renewable Energy Certificates (RECs) to be issued to rural electric distribution cooperatives for thermal energy originating from geothermal energy sources. Three thousand four hundred and twelve British thermal units (3,412 BTUs) of useful thermal energy is equivalent to at least one kilowatt-hour for purposes of compliance with the renewable portfolio standard. The bill also creates an equation to be used to calculate the renewable energy credit value for a geothermal heat pump system: (coefficient of performance of heat pump unit – 1) X (ton rating of heat pump unit/.9) = renewable energy credit.

Finally, the bill defines "useful thermal energy" as renewable energy delivered from a source that

can be metered and that is delivered in the state to a commercial scale or public sector end user in the form of direct heat, steam, hot water, or other thermal form that is used for heating, cooling, humidity control, process use, or other valid end-use energy requirements and for which fossil fuel or electricity would otherwise be consumed.

FISCAL IMPLICATIONS

The Public Regulation Commission (PRC) notes that if the RECs New Mexico wants issued differ from those that the Western Renewable Energy Generation Information System (WREGIS) currently issues (see Significant Issues), then WREGIS would need to design and create the functionality for tracking these RECs within their system. WREGIS may cover part of the cost for this; however, depending on the interest from other states who use WREGIS, New Mexico could bear much of the additional cost for the functionality.

SIGNIFICANT ISSUES

Generation of electricity through the use of renewable energy presents opportunities to promote energy self-sufficiency, preserve the state's natural resources, and pursue an improved environment in New Mexico. This bill expands the renewable resources available for RECs and would likely result in increased energy generation from thermal energy sources.

PRC included the following information in its analysis related to matching the state's RECs with those issued by WREGIS.

> WREGIS issues RECs for geothermal energy; however, they do not currently do this for heat pumps. The geothermal RECs are all for geothermal electricity plants where they are bringing up the hot water, running it through a steam turbine, and generating electricity. RECs depend on the actual number of MWh produced and read by the meter.
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> Therefore, if New Mexico would like for its utilities and/or distribution cooperatives to be able to register and retire RECs for geothermal heat pumps, a Rule Change Request would need to be initiated with WREGIS. This request would then go to the Stakeholder Advisory Committee where other states, utilities and any other stakeholders could comment. One issue that would be considered is RECs themselves. Would they be identical to other RECs currently issued by WREGIS or would they be different?
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> Currently only nine of 37 states with a RPS requirement allow alternative energy credits from heat pumps. (Source: Renewable Energy World.com website, "When Should Geothermal Heat Pumps Qualify for State Renewable Energy Credits, http://www.renewableenergyworld.com/rea/news/article/2013/03/when-should-geothermal-heat-pumps-qualify-for-state-renewable-energy-credits)

ADMINISTRATIVE IMPLICATIONS

PRC reports the provisions of the bill would necessitate revisions to the agency's Renewable Energy Rule, 17.9.572 NMAC, specifically for rural electric cooperatives. This could result in a minimal incremental cost realized by the PRC for the rulemaking, but the staffing and associated expense for such rulemaking is unknown at this time.

TECHNICAL ISSUES

SB 249 does not amend the Renewable Energy Act consistent with the amendments to RECA to expand the definition of renewable energy to include “useful thermal energy.”

JC/bb