

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE
SPONSOR Stewart/Small **LAST UPDATED** _____ **HB** _____

SHORT TITLE Renewable Energy Requirements For Utilities **SB** 312

ANALYST Martinez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI	NFI	NFI	NFI

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Public Regulation Commission

SUMMARY

Synopsis:

This bill expands the existing renewable portfolio standards (RPS) beyond 2020 until 2040 for electric public utilities according to the following schedule in terms of percentage of retail sales:

Year	Rural Electric Distribution Cooperatives	Investor-Owned Electric Utilities
2020 (Existing)	10%	20%
2025 (Proposed)	25%	35%
2030 (Proposed)	40%	50%
2035 (Proposed)	55%	65%
2040 (Proposed)	70%	80%

Within each of the 5-year increments starting in 2021 and ending in 2040 when the RPS is to increase by 15%, the bill proposes that annual increases in intervening years shall average 3%.

Starting in 2020, this bill directs the Public Regulation Commission to establish a new reasonable cost threshold (RCT) for rural electric distribution cooperatives beyond which the cooperatives would not be required to further procure renewable energy.

With respect to the RCT for investor-owned electric utilities (IOUs), SB 312 adds two considerations to the existing five considerations for the ongoing establishment of the RCT. The resulting seven considerations for the IOUs are identical to the seven considerations referenced above for the cooperatives. The two additional considerations proposed in this bill to be addressed by the Commission in establishing the RCT for IOUs focus on the RPS percentage requirement and any limitations from the RCT to achieve the required percentage and on avoided costs of procuring or generating electric energy displaced by energy from renewable sources.

With respect to historical reporting requirements, this bill does not change the existing annual requirement on cooperatives to report on its purchases and generation of renewable energy about the cooperative's compliance with the RPS requirement. However, this bill provides discretion to the Commission about similar periodic reporting from the IOUs. IOUs are currently required by statute to file similar reports annually until 2022.

With respect to Commission approval of utility plans to procure or generate renewable energy in order to meet RPS requirements prospectively, this bill provides discretion to the Commission about the frequency of this requirement on IOUs to seek approval. IOUs are currently required to file such plans annually until 2022. There is no requirement, either existing or in this bill, on cooperatives to file applications for Commission approval of such plans.

This bill proposes to allow the Commission to impose diversification requirements on an IOU by IOU basis. No similar allowance is provided for with respect to cooperatives.

FISCAL IMPLICATIONS

SB 312 carries no appropriation and will not have an effect on the Public Regulation Commission.

SIGNIFICANT ISSUES

This bill establishes progressively tighter constraints on the development by electric public utilities of their resource portfolios from 2020 to 2040 by mandating the proportion of energy generated from renewable sources subject to the limitations of the RCT. While the RCT may limit the procurement of renewable energy necessary to meet RPS requirements, the impact of additional considerations proposed in this bill in establishing the RCT in the future is uncertain. In light of this uncertainty, the IOUs' future long-term resource portfolio plans as provided in their Integrated Resource Plans (IRPs) filed with the Commission every four years are likely to reflect the unconstrained RPS requirements proposed in this bill. The impact on IOU and cooperative ratepayers of the RPS requirements proposed in this bill will depend on future RCTs as well as the cost of energy from renewable resources relative to energy from conventional resources.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

In the absence of this bill, the RPS requirement after 2020 will remain 20% and 10% for IOUs and cooperatives respectively. Also, there will be no additional considerations in establishing the RCT for IOUs while the RCT for cooperatives will remain 1% of gross receipts for the preceding calendar year.