

CCAIE Priority Bills Fact Sheet Renewable Energy Rollbacks

2-21-11

CCAIE opposes changes to the Renewable Energy Act (REA). The Renewable Portfolio Standard (RPS) in the REA keeps utilities on a path for cleaner air, healthier people, a healthier economy and a brighter future for our children in all areas of the state.

Benefits of Renewable Energy

- Cleaner air

- Reduced dependence on fossil fuels

 - Stable utility rates – no price spikes

 - Stable supply (anyone freeze in the dark lately?)

- Investment in New Mexico's economy, both urban and rural

- New Mexico jobs

- Prepare utilities and New Mexicans for the future

- Important for rural economic development

HB 546 (Strickler) Amend Renewable Energy Portfolio Standards OPPOSED

Reduces existing RPS targets in the REA by about half:

 - 2011 target of 10% would be reduced to 5%

 - 2015 target of 15% would be reduced to 7%

 - 2020 target of 20% would be reduced to 10%

SB 415 (Beffort) Utility Cost Limits OPPOSED

Places a 2% rate impact limit for all renewable resources, including prior acquisitions. This limit is one problem and the use of current rate impact vs. levelized rate impact over the life of the resource is another problem. This approach places a severe limit on the ability of a utility to acquire RE resources. Fossil fuel resources do not face these hurdles. Any generation resource built by a utility (renewable or fossil) has a “lumpy” impact on rates when the unit is added to ratebase at full cost, then depreciated over its useful life. The 2% cap is applied to prior year revenues, less riders, taxes and fuel adjustment clauses, so effectively reduces the cap to less than 2%.

SB 535 (Payne) Renewable Energy Cost Thresholds OPPOSED

This is a major revision to the REA. The Reasonable Cost Threshold (RCT) would be specified in statute (currently per PRC rule). Total renewable energy acquisitions could not exceed 2% of customers' bills in any year (further reduced by basing the 2% on a smaller revenue base by deducting fuel and purchased power cost adjustment clauses, riders, franchise fees, taxes, etc.). The diversity requirement is removed, which will effectively kill solar. As part of the cost calculation, the utility must include the costs associated with balancing the intermittency of renewables (especially solar and wind) including fuel or purchased power costs. Filings will be every 2 years (instead of 1) and

are not needed if the utility is already RCT constrained. Local governments and schools are added to the list of customers with individual rate impact caps.

SB 549 (B. Sanchez) Renewable Energy Utility and Customer Costs OPPOSED

As with SB 415, this bill places a 2% rate impact limit for all renewable resources, including prior acquisitions. This limit is one problem and the use of current rate impact vs. levelized rate impact over the life of the resource is another problem. This approach places a severe limit on the ability of a utility to acquire RE resources. Fossil fuel resources do not face these hurdles. Any generation resource built by a utility (renewable or fossil) has a “lumpy” impact on rates when the unit is added to ratebase at full cost, then depreciated over its useful life. There is also a \$99,000/year cap for all customers, not just large users as in current legislation.