FISCAL IMPACT REPORT

LAST UPDATED 2/17/2025
SPONSOR Ortez/Caballero **ORIGINAL DATE** 2/03/2025
SHORT TITLE Public Utility Rate Structures **BILL NUMBER** House Bill 91/aHGEIC

ANALYST Rodriguez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
PRC	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
Public Regulation Commission (PRC)
Office of the Attorney General (NMAG)

SUMMARY

Synopsis of HGEI amendment to House Bill 91

The House Government, Elections, and Indian Affairs Committee amendment to House Bill 91 (HB91) eliminates the rate that helps customers pay off past due bills or make it easier for them to pay more often. The amendment also adds “programs” to the other proposed exception—allowing PRC to approve rates and programs that reduce the burden of energy costs on low-income customers.

Synopsis of Original House Bill 91

HB91 adds two additional rates that the Public Regulation Commission (PRC) can approve to reduce the burden of energy costs on low-income customers and that help customers pay off past due bills or make it easier for them to pay more often.

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

While difficult to determine, the changes in HB91 may cause utility companies to seek additional rate approvals from the PRC. Additional rate cases or adjustments may increase the agency’s workload.

SIGNIFICANT ISSUES

The bill amends Section 62-8-6 NMSA 1978, which defines the responsibility for utility companies to treat all customers fairly and prohibits them from offering unreasonable advantages or disadvantages to any client or from changing rates between local areas or service types. Section 62-8-6 also gives the PRC the authority to approve rates for economic development, rates designed to retain load, or energy efficiency programs aimed at lowering energy costs for low-income customers, as outlined in the Efficient Use of Energy Act. HB91 adds an additional exception for rates and programs designed to reduce the burden of energy costs on low-income customers. The proposed change in HB91 authorizes a public utility to seek approval from PRC for a rate structure that subsidizes participating low-income customers and allows PRC to approve utility rates that create a 'preference or advantage' for those customers.

Just and Reasonable Rates. Typically, utility rates are assigned to different customer classes such that the rate each customer class pays reflects, as closely as possible, the costs they are responsible for creating. PRC uses this cost-causation principle to ensure rates are just and reasonable, as required by statute. Just and reasonable rates ensure, among other things, that the entity responsible for causing the cost pays for it. Conversely, subsidization for costs, or allowing rates that result in one customer class paying more for another class to pay less, are not considered just and reasonable.

The Office of the Attorney General (NMAG) and PRC both raise concerns over the expected redistribution of costs among customers because of the proposed rate structure in HB91. PRC notes:

> As a result of HB91, proposed new rate structure can be expected to result in a redistribution of costs among and within customer classes, which will result in higher rates for non-low-income customers. Ratepayer subsidization of low-income customers has historically been contrary to long established principles of fair, just, and reasonable ratemaking and cost causation (i.e. rates are based upon and levied upon the customer that causes the utility's costs, not upon the income status of the customer). While low-income customers may benefit, there are equity concerns since the costs of subsidizing these rates will be redistributed to other non-low-income ratepayers. This may be exacerbated for utilities that serve predominantly low-income areas.

Similarly, NMAG argues:

> HB91 expands PRC's authority to approve rate design that does not adhere to these regulatory principles. This change effectively means that an IOU could charge customers with identical consumption different rates, effectively making on customer responsible for a portion of the other (low-income) customer's bill. In this respect, it is important to recognize that reducing rates for members of the low-income rate class will necessarily increase the bills of other customers.

Reducing Energy Costs for Low-Income Customers. There are other options to help reduce energy costs to low-income households without increasing the bills of other customers. For example, the federally funded Low Income Home Energy Assistance Program (LIHEAP), administered by the New Mexico Health Care Authority, provides financial assistance to eligible individuals to cover heating and colling costs. Utility companies also manage internal programs to help reduce costs, such as PNM's Good Neighbor Fund that assists low-income families with electric bills during peak cold months.

Additionally, Section 62-8-6 NMSA 1978 already allows PRC to approve energy efficiency programs designed to reduce the burden of energy costs on low-income customers pursuant to the Efficient Use of Energy Act. Examples of such programs include weatherization assistance, such as insulation and air sealing; energy saving tools, such as LED light bulbs and advanced power strips; and rebates for energy-efficient appliances. An analysis by the National Renewable Energy Laboratory found that cost-effective energy efficiency measures can help reduce consumption of electricity and other fuels in low-income households by 13 percent to 31 percent. The report found that in New Mexico, the savings could be between 21 percent and 25 percent for low-income households.

PRC notes that a definition of “participating customers” and “low-income” should be added for clarification.

JR/hj/SL2