

House approves energy efficiency targets for utilities

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SANTA FE—The House unanimously approved a measure Friday to provide financial incentives to electric utilities to implement energy efficiency programs. The legislation will ensure that utilities can earn a profit if electricity sales drop because of energy conservation by consumers.

Gov. Bill Richardson backs the legislation as a way to encourage utilities to pursue energy efficiency steps rather than build new power plants.

The legislation establishes energy efficiency targets for utilities. By 2014, a utility must achieve a 5 percent savings from electricity sales in 2005 and a 10 percent reduction by 2020.

The bill passed the House 63-0 with little debate and was sent to the Senate for consideration.

Supporters contend that utilities need incentives to move away from the traditional business practice of trying to earn more money by selling more electricity.

House Speaker Ben Lujan, a Santa Fe Democrat who sponsored the measure, said the proposal was "good for consumers, good for the businesses across New Mexico and good for the environment."

Costs of programs for utilities to achieve the energy efficiency goals can be charged to consumers through rates set by regulators. The legislation will allow a regulated utility to recover lost profits if electricity sales drop because of conservation steps by consumers.

The Public Regulation Commission, which regulates utilities, voted to back the legislation this week. PRC Chairman Jason Marks said he supported the goal of improving energy efficiency but had concerns about the bill's potential short-term impacts on consumers.

"This model is having ratepayers pay for the stuff (energy efficiency programs) and then also giving the utilities the opportunity to recover lost profit opportunities. Over the long term that's all going to even out, but basically we've front-loaded the cost to the customers," Marks said in a telephone interview.

A wide range of groups back the legislation, including the Coalition for Clean Affordable Energy, Community Action New Mexico, the Natural Resources Defense Council, Sierra Club and Environment New Mexico.

Sarah Cottrell, the governor's energy and environmental adviser, said consumers will benefit if utilities earn a profit on energy efficiency measures because those cost less than building future power plants.

"We're saying they should have the opportunity under the PRC to make money off of it because energy efficiency is usually about half the cost or better of building a new power plant," said Cottrell.

A critic of the legislation said regulated utilities, like Public Service Company of New Mexico, will be a big winner.

"Utilities not only get to recoup the cost of promoting efficiency, which would be fair, but they get to reap the savings that customers would otherwise enjoy, plus some extra profit," Ben Luce, chairman of Break The Grip, a group opposing what it views as undue corporate influence in government, said in a statement. Luce, a longtime clean energy advocate in the Santa Fe area, has moved to Vermont.

The energy efficiency bill is HB305.