New Mexico State Biomass Policies and Instruments, 2000 – 2013

Tax Policy:

**Renewable Energy Production Tax Credit (Corporate)** – Enacted in 2002, the New Mexico Renewable Energy Production Tax Credit provides a tax credit against the corporate income tax of one cent per kilowatt-hour for companies that generate electricity from wind or biomass; $0.01/kWh for wind and biomass. Wind and biomass: First 400,000 MWh annually for 10 years (i.e. $4,000,000/year).

**Biomass Program** – Under the Gross Receipts and Compensating Tax Act, the value of biomass materials used for processing into biofuels, bio power, or bio-based products may be deducted in computing the compensating tax due. Biofuels include biomass converted to liquid or gaseous fuels such as ethanol, methanol, methane, and hydrogen. The value of a biomass boiler, gasifier, furnace, turbine-generator, storage facility, feedstock processing or drying equipment, feedstock trailer or interconnection transformer may be deducted in computing the compensating tax due. The value of biomass materials used for processing into bio power, biofuels or bio based products may be deducted in computing the compensating tax due.

**Biomass Equipment & Materials Compensating Tax Deduction** – In 2005 New Mexico adopted a policy to allow businesses to deduct the value of biomass equipment and biomass materials used for the processing of bio power, biofuels or bio based products in determining the amount of Compensating Tax due. The rate is 5% of the value of the property or service. Compensating Tax is designed to protect New Mexico businesses from unfair competition from out-of-state business not subject to a sales or gross receipts tax. This biomass Compensating Tax deduction is analogous to a sales tax exemption for renewable energy equipment available in some other states.

**Alternative Energy Product Manufacturer’s Tax Credit** – Allows manufacturers of alternative energy products and components to receive a tax rebate. The credit is limited to 5 percent of the taxpayer’s qualified expenditures, such as manufacturing equipment, that were purchased after July 1, 2006. Any remaining portion of the tax credit can be carried forward for up to 5 years.

**Renewable Energy Production Tax Credit (Personal)** – The New Mexico Renewable Energy Production Tax Credit provides a tax credit against the personal income tax of one cent per kilowatt-hour for companies that generate electricity from wind or biomass; $0.01/kWh for wind and biomass. Wind and biomass: First 400,000 MWh annually for 10 years (i.e. $4,000,000/year). Total generation from both the corporate and personal tax credit programs combined must not exceed two million megawatt-hours of production annually.

Rules and Regulations:

**Net Metering** – In January 2007, the New Mexico Public Regulation Commission (PRC) extended the availability of net metering to systems up to 80 megawatts (MW) in capacity. Net metering is available to all qualifying facilities (QFs), as defined by PURPA. (In general, "qualifying facilities" under PURPA include renewable-energy systems and combined-heat-and-power systems.) Customers are credited or paid for monthly net excess generation (NEG) at the utility's avoided-cost rate.

**Interconnection Standards** - The Public Regulation Commission (PRC) adopted revised standards and procedures for the interconnection of generating facilities in New Mexico in July 2008. Rule 569 applies to all qualifying facilities (QFs) under the federal Public Utility Regulatory Policies Act, which generally includes all renewable energy systems and combined heat and power (CHP) systems up to 80 megawatts (MW) in capacity. Rule 568 applies to renewable energy systems and CHP systems up to 10 MW in capacity. The purpose of Rule 568 is to simplify the interconnection requirements for QFs up to 10 MW and to encourage the use of small-scale, customer-owned renewables or alternative energy resources. Incentives - All utilities subject to PRC jurisdiction must offer net metering and comply with these standards. (Municipal utilities, which are not regulated by the commission, are exempt.) New Mexico’s three IOUs each offer performance-based incentives to interconnected customers in exchange for the customer’s generated renewable energy certificates (a compliance mechanism for the state’s renewable portfolio standard).
Mandatory Green Power Option - Investor-Owned Utilities (IOUs) - in addition to meeting the requirements of the state renewables portfolio standard, New Mexico IOUs are required to offer customers a voluntary program for purchasing renewable energy. The voluntary renewable tariff may also allow consumers to purchase renewable energy within certain energy blocks and by source of renewable energy. IOUs are also required to develop an educational program communicating the benefits and availability of the green power option.

Disbursements:

Energy Efficiency and Renewable Energy Bond Program - This class addresses electricity generated by eligible biomass systems up to 25 megawatts (MW), and methane gas, provided the generator began operation before January 1, 2006.

Government Services:

Biofuels Tax Exemption – This is a Federal provision within the Energy Policy Act of 2005. Under section Renewable Fuels Standard (RFS) (Section 1501), the Act provides an extensive list of type of biofuels’ facilities are exempt and which one are not. Evaluated the wood biomass resource available in the Las Vegas and Ruidoso areas to determine whether it can be used to produce electricity or other by-products and evaluated market penetration for biomass use. The Biomass Project built a central heating system for the Jemez Mountain Public School, which uses biomass fuels such as wood chips from surrounding forests.

The Biomass Utilization Activity - Identified, assessed, and implemented forest and dairy biomass projects. Activities included electricity generation and thermal applications, monitoring and evaluation, and distribution of a study on projects to the communities and schools around the state. The program also conducted public workshops on forest-dairy biomass, a detailed engineering study to evaluate a school in New Mexico, and a biomass projects.

Market Activity:

Cost-Share and Grants: