

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1266-01
Bill No.: HB 434
Subject: Energy; Public Service Commission; Utilities
Type: Original
Date: February 9, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$195,622)	(\$167,116)	(\$171,173)
Total Estimated Net Effect on General Revenue Fund	(\$195,622)	(\$167,116)	(\$171,173)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
PSC Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Natural Resources** assume this proposal would have no fiscal impact on their agency.

Officials with the **Department of Economic Development – Public Service Commission (PSC)** assume this legislation authorizes PSC to implement, as part of a rate case, recovery of reasonably and prudently incurred costs for fuel delivered to generating stations, including transportation costs, and reasonably and prudently incurred costs for its purchased electric energy for its retail customers through an interim energy charge or other specific and separate interim charge or surcharge. Implementation of these provisions in the current regulatory process would involve an increase in fuel and purchased power review work as well as economic analysis and auditing.

PSC assumes the form by which the legislation is implemented would require reviews of fuel and purchased power filing, true-up audits and prudence audits. PSC is requesting 2 to 4 FTE to address this increase in workload. This is based on current agency resources to address the natural gas Purchased Gas Adjustment (PGA)/Actual Costs Adjustment (ACA) process that this legislation would create for the electric utilities. This number of FTE is based on using 40% of the current staffing required to support the PGA/ACA process with natural gas utilities since the

ASSUMPTION (continued)

number of electric utilities is smaller than the number of natural gas utilities and then assuming that some synergy can be achieved with existing staff. This comparison could be conservative since electric generation fuel and purchase power procurement is more complicated.

FTE requested by PSC consist of:

- 1 Engineering Specialist III
- 1 to 2 Regulatory Auditors III
- 0 to 1 Special General Counsel

PSC assumes that costs of this proposed legislation would be assessed to regulated utility companies.

Officials with the **Department of Economic Development – Office of Public Counsel (OPC)** assume this proposal would dramatically increase the number of regulatory proceedings in which it would need to participate in order to adequately represent utility consumers. OPC assumes that approximately 15 additional contested cases each year would require OPC auditing, analysis and litigation, requiring a Public Utility Engineer/Economist, Public Utility Accountant I, and an Assistant Public Counsel (and related equipment and expense).

OPC assumes this act would require it to purchase an economic electric dispatch model software which would cost approximately \$50,000. The annual license for the Fuel Model would cost approximately \$5,000.

Oversight has, for fiscal note purposes only, changed the starting salaries for the requested FTE to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Cost – OPC</u>			
Salaries	(\$90,610)	(\$112,988)	(\$115,812)
Fringe Benefits	(\$38,654)	(\$48,201)	(\$49,406)
Equipment and Expense	(\$11,358)	(\$927)	(\$955)
Special Software	(\$50,000)	\$0	\$0
Annual Software License	<u>(\$5,000)</u>	<u>(\$5,000)</u>	<u>(\$5,000)</u>
<u>Total Cost – OPC</u>	(\$195,622)	(\$167,116)	(\$171,173)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$195,622)</u>	<u>(\$167,116)</u>	<u>(\$171,173)</u>
PSC FUND			
<u>Income – PSC</u>			
Assessments to recover regulation costs	\$113,332 to \$224,163	\$128,118 to \$256,235	\$131,354 to \$262,707
<u>Cost – PSC</u>			
Salaries	(\$67,860) to (\$135,720)	(\$85,153) to (\$170,306)	(\$87,282) to (\$174,563)
Fringe Benefits	(\$28,949) to (\$57,898)	(\$36,326) to (\$72,652)	(\$37,234) to (\$74,469)
Equipment and Expense	(\$16,523) to <u>(\$30,545)</u>	(\$6,639) to <u>(\$13,277)</u>	(\$6,838) to <u>(\$13,675)</u>
<u>Total Cost – PSC</u>	(\$113,332) to (\$224,163)	(\$128,118) to (\$256,235)	(\$131,354) to (\$262,707)
ESTIMATED NET EFFECT ON PSC FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses could be affected by more frequent changes in electric rates and increases in rates when fuel and purchased power costs increase.

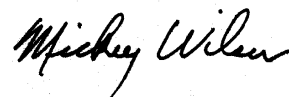
DESCRIPTION

This legislation allows for utility companies to recover fuel and purchased power costs, environmental compliance costs, and other costs or revenue items affecting utility rates through alternate rate plans.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Public Service Commission
Office of Public Counsel
Department of Natural Resources



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Director
February 9, 2005