

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1861-02
Bill No.: SB 423
Subject: Energy; Public Service Commission; Utilities
Type: Original
Date: February 28, 2007

Bill Summary: Requires the Public Service Commission to develop and enforce certain standards for electric utility service.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Public Service Commission	(\$147,179)*	(\$168,798)*	(\$173,140)*
Total Estimated Net Effect on Other State Funds	(\$147,179)*	(\$168,798)*	(\$173,140)*

* Unknown penalties and distributions to county treasurers net to zero.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Public Service Commission	2	2	2
Total Estimated Net Effect on FTE	2	2	2

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Administrative Hearing Commission, Office of State Courts Administrator, and Department of Economic Development (DED) - Office of Public Council** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Prosecution Services (OPS)** assume the proposal would not have a significant direct fiscal impact on county prosecutors or the OPS.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of Attorney General (AGO)** assume the majority of actions under this proposal would be handled administratively by the commission staff. Although litigation in those cases referred to the AGO could be complex, the AGO assumes costs could be absorbed with existing resources.

Officials from the **DED - Public Service Commission (PSC)** state the provisions that promulgate standards for electric corporations would require inspections/audits to determine compliance. Three areas that standards will be promulgated for include: Vegetation Management Standards, Inspection, Maintenance, Repair, and Replacement of Utility Infrastructure Standards, and Reliability Standards. A determination of failure to comply with any of the three standards requires the commission seek penalties. Such penalties will likely be litigated.

The PSC estimates this proposal will require the hiring of one Utility Engineering Specialist III (\$50,232 annually) and one Utility Engineering Specialist II (\$44,472 annually). Standard equipment and expenses, plus office space rental for two FTE, will also be required. The PSC, therefore, estimates FY 08 expenses of \$151,679; FY 09 expenses of \$174,360; and FY 10 expenses of \$178,869.

Oversight assumes the PSC would not need rental space for 2 FTE.

Oversight notes that penalties collected are to be distributed to county treasurers for distribution to schools. **Oversight** assumes unknown penalties may be collected and distributed to county treasurers.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
PUBLIC SERVICE COMMISSION FUND			
<u>Income - PSC</u>			
Penalties and fines	Unknown*	Unknown*	Unknown*
<u>Costs - PSC</u>			
Personal services costs (2.0 FTE)	(\$80,893)	(\$99,498)	(\$101,986)
Fringe benefits	(\$36,612)	(\$45,033)	(\$46,159)
Equipment and expense	<u>(\$29,674)</u>	<u>(\$24,267)</u>	<u>(\$24,995)</u>
Total <u>Costs</u> - PSC	<u>(\$147,179)</u>	<u>(\$168,798)</u>	<u>(\$173,140)</u>
FTE Change - PSC	2.0 FTE	2.0 FTE	2.0 FTE
<u>Transfer-Out - PSC</u>			
Transfer to county treasurers	<u>(Unknown)*</u>	<u>(Unknown)*</u>	<u>(Unknown)*</u>
ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION FUND			
	<u>(\$147,179)</u>	<u>(\$168,798)</u>	<u>(\$173,140)</u>
Estimated Net FTE Change for Public Service Commission Fund	2.0 FTE	2.0 FTE	2.0 FTE
* Unknown penalties and distributions to county treasurers net to zero.			
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
LOCAL GOVERNMENTS - SCHOOLS			
<u>Income - County Treasurers</u>			
Fines and penalties	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - SCHOOLS			
	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal authorizes the Public Service Commission (PSC) to promulgate rules by January 1, 2008 that set minimum standards for: vegetation management in and adjacent to a electric utility's easement or right-of-way; inspection, maintenance, repair, and replacement of electric utility infrastructure; and electric service reliability. Electric utilities shall reimburse customers who suffer economic loss or damages valued over \$200 that result from power outages, when the power outages are in violation of the reliability standards.

The PSC shall inspect and monitor electric utilities to ensure and enforce their compliance with the standards developed under this proposal.

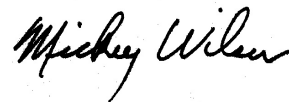
The PSC shall develop a schedule of penalties to be assessed against any electric utility that violates any of the standards developed under this proposal. No penalty shall exceed \$250,000 per day per instance of violation.

The proposal gives the PSC authority to assess the penalties as developed under this proposal for electric utilities who violate any of the vegetation management, infrastructure, or reliability standards. No such penalty shall be assessed until after the PSC tries to resolve the violation through conference, conciliation, and persuasion.

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

Office of Attorney General
Office of Administration -
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Economic Development -
 Office of Public Council
 Public Service Commission
Office of Prosecution Services
Office of Secretary of State



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Director
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