

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5122-01
Bill No.: SB 1277
Subject: Energy; Environmental Protection; Public Service Commission; Utilities
Type: Original
Date: March 26, 2008

Bill Summary: Allows electric and gas corporations to recover expenses for approved energy efficiency investments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$169,851)	(\$201,092)	(\$201,120)
Total Estimated Net Effect on General Revenue Fund	(\$169,851)	(\$201,092)	(\$201,120)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Public Service Commission Fund	(\$182,522)	(\$216,754)	(\$223,256)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$182,522)	(\$216,754)	(\$223,256)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	3 FTE	3 FTE	3 FTE
Public Service Commission Fund	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	6 FTE	6 FTE	6 FTE

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 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

L.R. No. 5122-01
Bill No. SB 1277
Page 3 of 9
March 26, 2008

LMD:LR:OD (12/02)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources (DNR)** state that although no direct responsibilities are assigned to DNR in the proposal, the DNR Energy Center may be requested to provide energy efficiency technical, data or informational support consistent with the agency's current and on-going intervention in general rate cases filed before the Public Service Commission and the agency's involvement with utility Integrated Resource Planning activities with investor-owned electric and natural gas utilities and the Public Service Commission. DNR would not anticipate a significant fiscal impact as a result of the proposal and would provide assistance through existing resources.

Officials from the **Department of Economic Development - Public Service Commission (PSC)** assume this proposed legislation would result in Missouri investor-owned gas and electric utilities proposing more energy efficiency programs. The PSC staff would need to review the program evaluation, implementation and results of these programs and make recommendations to the Commission regarding utility programs.

Energy efficiency programs that may be proposed by Missouri investor-owned gas and electric utilities should lower the energy usage of customers that participate in any energy efficiency programs. Rates may increase to recover the costs of the programs. Participants would have lower energy bills while non-participants have higher bills.

PSC officials would need the following personal services to implement this proposal:

One Engineering Specialist III/Engineer I - Technology review and impact evaluation;

One Economist III - Program design and process evaluation;

One Tariff & Rate Examiner - Program design and tariff review.

PSC officials further note that there are already several multi-million dollar utility energy efficiency projects in the planning stages with implementation planned within the next few months.

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** assume this proposal will require the Public Service Commission to review and pre-approve utility energy efficiency programs for electric and gas utilities.

L.R. No. 5122-01
Bill No. SB 1277
Page 5 of 9
March 26, 2008

LMD:LR:OD (12/02)

ASSUMPTION (continued)

OPC would require three new FTE:

One Public Utility Engineer - To evaluate energy efficiency programs proposed by electric and gas utilities, suggest modifications to these programs, or propose alternative programs. Once utility energy efficiency programs are in place, the engineer will be required to monitor their progress and evaluate the utilities' execution.

One Public Utility Accountant - To evaluate proposed regulatory accounting treatment for energy efficiency programs, suggest modifications to utilities' proposed accounting treatment, or propose alternative accounting treatment. The accountant will also be required to audit energy efficiency programs for prudence and to ensure proper accounting.

One Public Utility Economist - To evaluate proposed rate design treatment of energy efficiency programs proposed by electric and gas utilities, suggest modifications to the proposed rate design of these programs, or propose alternative rate design treatment.

The changes to the role of the Public Service Commission in reviewing and approving energy efficiency programs, and thus the impact on Public Counsel, is permanent. The additional duties and need for three additional FTEs is expected to continue indefinitely.

Oversight has reduced certain equipment and expense items in accordance with Office of Administration budget guidelines.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Cost - Office of Public Counsel</u>			
Personal Services (3 FTE)	(\$111,487)	(\$137,798)	(\$137,798)
Fringe Benefits	(\$50,459)	(\$62,367)	(\$62,367)
Equipment and Expense	<u>(\$7,905)</u>	<u>(\$927)</u>	<u>(\$955)</u>
Total Cost - Personal Services	<u>(\$169,851)</u>	<u>(\$201,092)</u>	<u>(\$201,120)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$169,851)</u>	<u>(\$201,092)</u>	<u>(\$201,120)</u>
Estimated Net Effect on FTE for General Revenue Fund	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
PUBLIC SERVICE COMMISSION FUND			
<u>Cost - Public Service Commission</u>			
Personal Services (3 FTE)	(\$121,077)	(\$149,651)	(\$154,140)
Fringe Benefits	(\$53,540)	(\$66,176)	(\$68,161)
Equipment and Expense	(\$7,905)	(\$927)	(\$955)
Total Cost - Personal Services	<u>(\$182,522)</u>	<u>(\$216,754)</u>	<u>(\$223,256)</u>
ESTIMATED NET EFFECT ON PUBLIC SERVICE COMMISSION FUND	<u>(\$182,522)</u>	<u>(\$216,754)</u>	<u>(\$223,256)</u>
Estimated Net Effect on FTE on Public Service Commission Fund	3 FTE	3 FTE	3 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Energy efficiency programs that may be proposed by Missouri investor-owned gas and electric utilities could lower the energy usage by small business. While utility rates may increase, the overall effect would be lower bills than the small business would have without the energy efficiency programs.

FISCAL DESCRIPTION

This proposed legislation allows electric and gas corporations to implement energy efficiency programs, subject to the review and approval of the Public Service Commission (PSC). Such programs shall be reasonably designed to be cost-effective or in the best interest of customers. Prudently incurred expenditures made by the corporations for approved energy efficiency programs may be recovered through rates as an ongoing expense item or as a rate base item as described in the act. The PSC may exempt the allocation of energy efficiency expenditures to low-income or senior citizen customers.

L.R. No. 5122-01
Bill No. SB 1277
Page 8 of 9
March 26, 2008

LMD:LR:OD (12/02)

FISCAL DESCRIPTION (continued)

An approved energy efficiency program may be terminated at any time by the PSC or the corporation, or by another proper party for good cause shown.

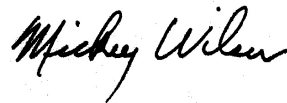
The proposal does not preclude the PSC from approving energy efficiency programs that are not deemed cost-effective, if the increased costs over and above the cost-effective level are paid for by customers who voluntarily participate in the program or are otherwise paid for by financial incentives designed for that purpose.

The PSC may approve or select a consultant to assist in the design and evaluation of energy efficiency programs.

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



Mickey Wilson, CPA
Director
March 26, 2008